



CARBIDE CAPITAL, INC.

Carbide's Attractive Risk Management Feature

Carbide's trader, Aaron Wallace, was previously the head trader for a multi billion dollar black swan fund, where Nassim Taleb was an advisor. He traded during the crash of 2008 while at this fund. His experience could be beneficial during the next significant correction. **Although there is no way to completely protect against a black swan event, it helps to have a trader with experience in hedging portfolio risk.**

Carbide Capital is unique from other option writers in that many option writers do not hedge their positions in case of a market meltdown. Aaron generally incorporates some type of hedging into his program to minimize losses in case of a market meltdown. Far out of the money puts and sometimes treasury calls are purchased to help cushion losses that could occur in a large correction. **Aaron's macro view and the price of options will determine if and how much hedging protection will be held at any given time.**

As an example, during the largest weekly percentage gain in the VIX's history, during August 2015, where the Dow at one point fell approximately 1000 points in a single day on August 24th, Carbide limited the drawdown that month to 3.76%. This was the largest drawdown experienced up to date since the program's inception. During the August 2015 market plunge many other option programs and stocks experienced drawdowns significantly greater. In fact, stock prices for a number of iconic American companies declined dramatically in an instant. Shares of General Electric and Pepsi crashed more than 20% each at one point, while Costco fell 16%.

The current stock market, looking at momentum indicators like RSI, show stocks are the most overbought in many years. **Additionally, valuations continue to expand with the 10 year cyclically adjusted P/E ratio only being surpassed by the 1929 peak and Tech Bubble!** Valuations could certainly expand further, however Aaron believes it is not a question of if but when this bull market will end. As they say, "bull markets rarely end with a whimper". Aaron believes his experience in hedging portfolio risk can potentially prove instrumental when it does!

Disclaimer:

Past performance is not necessarily indicative of future results. Futures and options trading is a high risk investment that should be made after consultation with independent qualified sources of investment and tax advice. The risk of loss from the trading program can be substantial. There is unlimited risk of loss in selling options. This matter is intended as a solicitation to invest in managed futures.