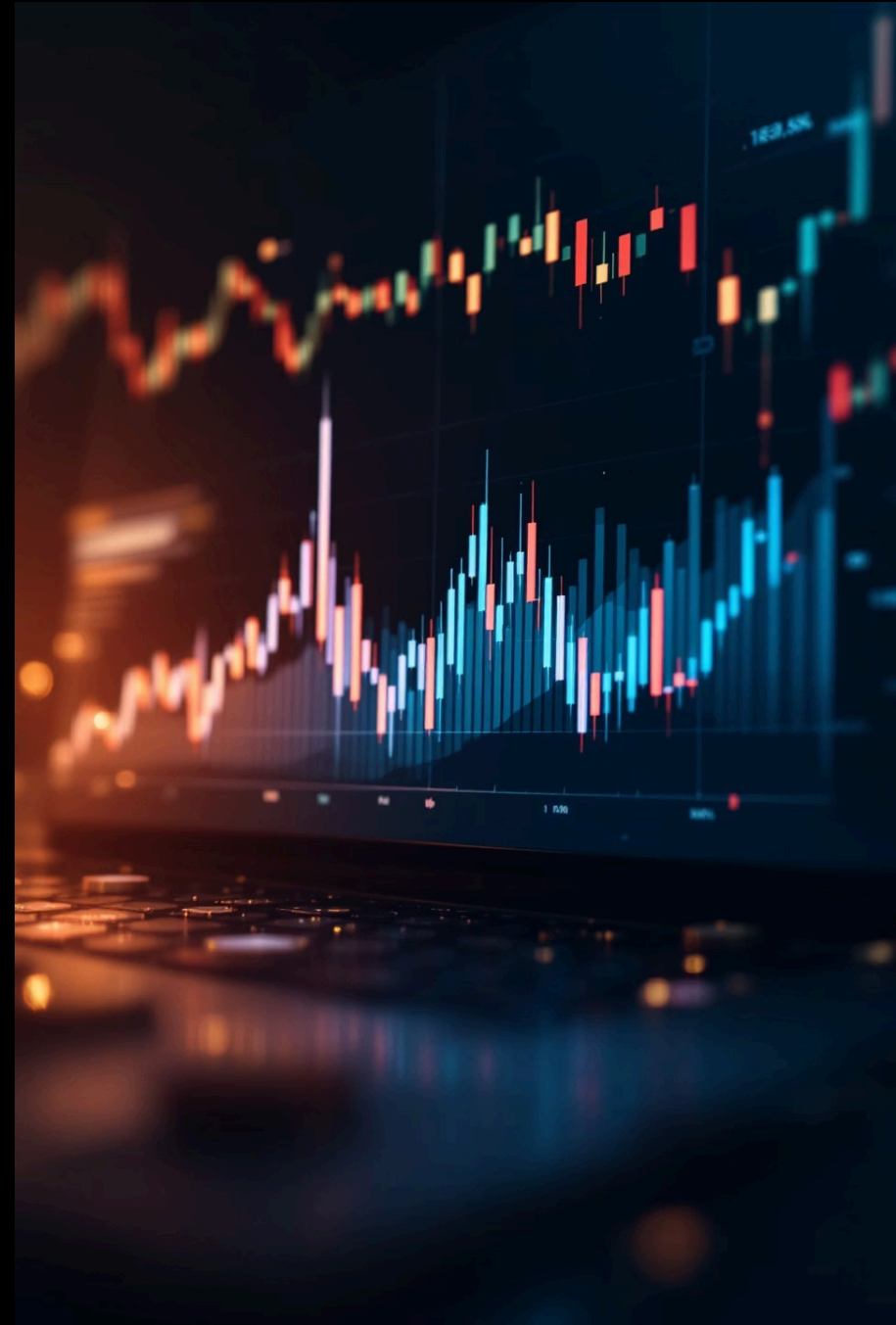


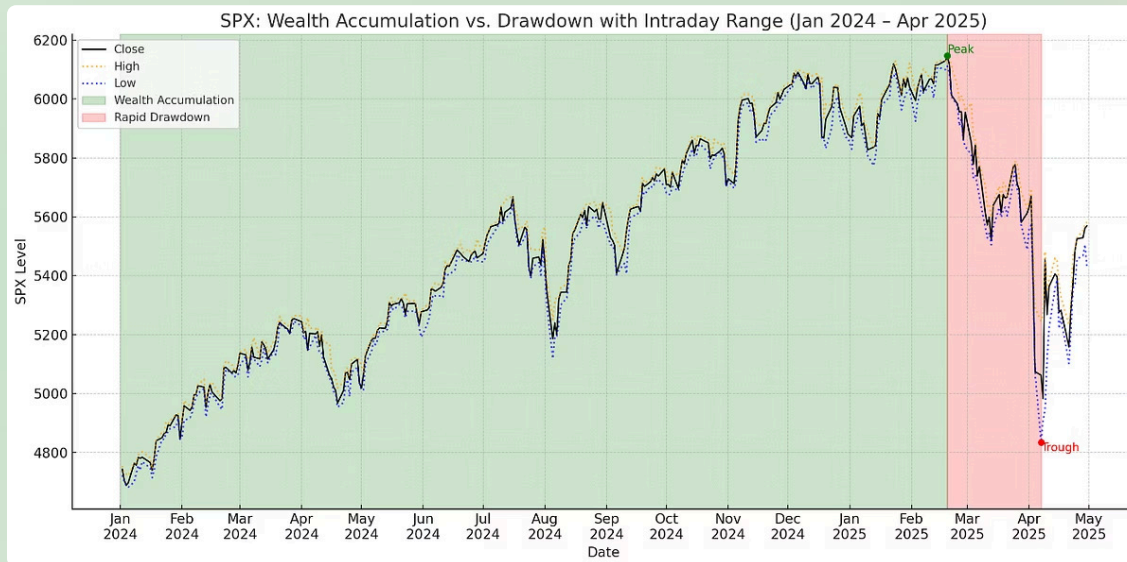
# Why We Focus on Drawdowns Rather than Chasing Recoveries



# Market Risk Asymmetry

The defining feature of market risk is asymmetry: the climb is slow and grinding, but the fall is sudden and deep.

The chart illustrates a core principle of our investment approach: wealth is built slowly but can be destroyed swiftly. The SPX accumulation from January 2024 to February 2025 took 13 months of steady gains—largely wiped out in less than 50 days of panic-driven deleveraging.



## Slow Climb

13 months of steady gains



## Rapid Fall

Less than 50 days of deleveraging



## Protection Needed

Wealth preservation is critical

# The Recovery Fallacy

Recoveries are not guaranteed. Markets can remain impaired for extended periods. Being stuck in a deep drawdown and hoping for recovery forces investors to shift from offense to mere survival—converting new opportunity into a long, uncertain crawl back to even.

This is where we add value.

## No Guarantees

Markets can remain impaired for extended periods with no certainty of recovery

## Survival Mode

Deep drawdowns force investors from offense to mere survival

## Lost Opportunities

Recovery becomes a long, uncertain crawl back to even instead of creating new wealth

# Our Approach to Risk Management

Our process is designed to avoid the worst of these rapid deleveraging episodes—not through market timing, but through deliberate exposure management. We study the characteristics of left-tail events: their drivers, dynamics, and the early signals that precede them. Our goal is to stay on higher ground when recoveries arrive, so clients can capitalize on them as new gains—not clawbacks.

## Study Left-Tail Events

We analyze the drivers, dynamics, and early signals that precede market crashes

## Manage Exposure

We implement deliberate exposure management rather than attempting market timing

## Stay on Higher Ground

Our goal is to position clients to capitalize on recoveries as new gains—not clawbacks

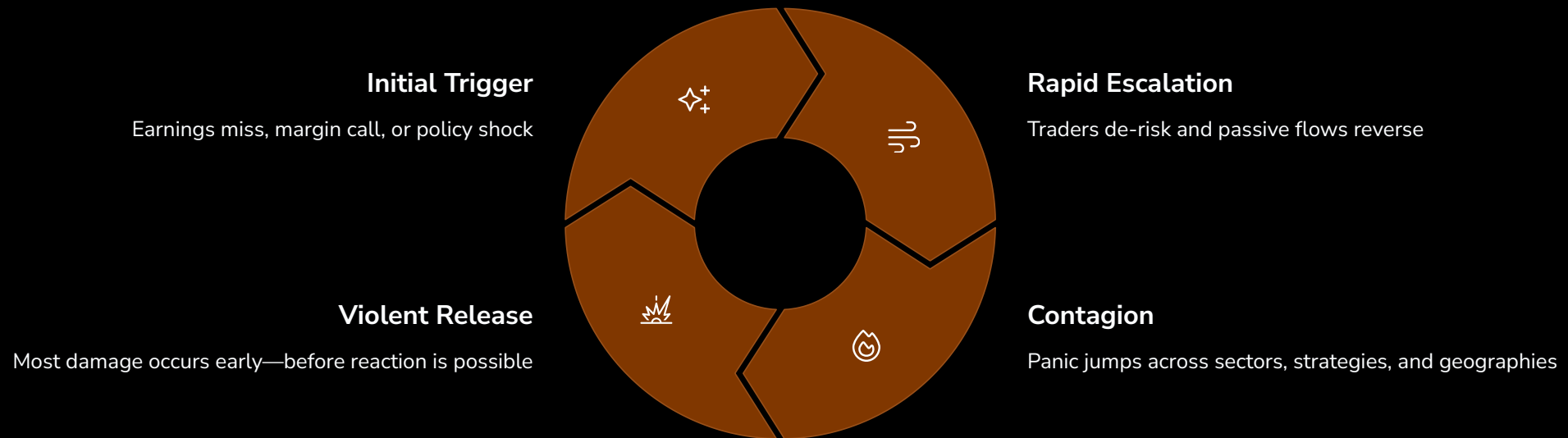
# How Market Volatility Spreads

## Volatility Spreads Like Fire in a Dry Forest

What begins as a localized spark—an earnings miss, a margin call, a policy shock—can escalate rapidly as traders de-risk and passive flows reverse. Panic is rarely contained. It jumps across sectors, strategies, and geographies.

Like a fault line, prolonged calm invites risk. Insurers slash premiums, homeowners cancel coverage, and speculators build homes on unstable hillsides. Below the surface, tectonic pressure builds. With no outlet for release, stillness is mistaken for safety. Then the rupture comes—and the release is not gradual, but violent.

Most of the damage occurs early—before reaction is even possible.



# Market Participant Profiles

## Two Types of Market Participants

### Insurance Providers

Investors who sell downside protection during quiet markets, collecting small premiums while betting on continued stability. When risk is mispriced, they absorb catastrophic losses as the regime shifts.

### Insurance Buyers

Those who hedge, absorbing a slow bleed during benign conditions. Many capitulate and cancel protection at precisely the wrong time. In early 2020, CalPERS terminated its tail-risk hedging program, just weeks before the COVID crash. The move was aimed at cost-cutting, and it reportedly forfeited a billion-dollar payoff. Then-CIO Ben Meng defended the decision, citing redundant protections, but the episode remains a cautionary tale of abandoning insurance just before impact.

Others—those who forgo protection entirely—are in the most precarious position. These are the concentrated, all-in equity holders lulled by academic models and flawed diversification assumptions. In calm markets, equity diversification appears adequate. But in systemic events, everything becomes correlated, and cash becomes the only true diversifier.

# Historical Market Collapses

## Historical Context: Asymmetry in Practice

### The Great Depression – Dow Jones Industrial Average

- Peak: September 1929
- Trough: July 1932, down ~89%
- Recovery: Not until 1954—a 25-year climb back to prior highs

**1****2**

### The Japanese Bubble – Nikkei 225

- Peak: December 29, 1989 at 38,915
- Trough: March 2009 at 7,054 — an 81.9% drawdown
- Recovery: February 2024 — a 34-year return to prior highs
- Note: This collapse was not gradual. Over 40% of the value was lost within the first two years. Most of the wealth destruction occurred in the early 1990s. The following decades were not a steady decline—they were stagnation.

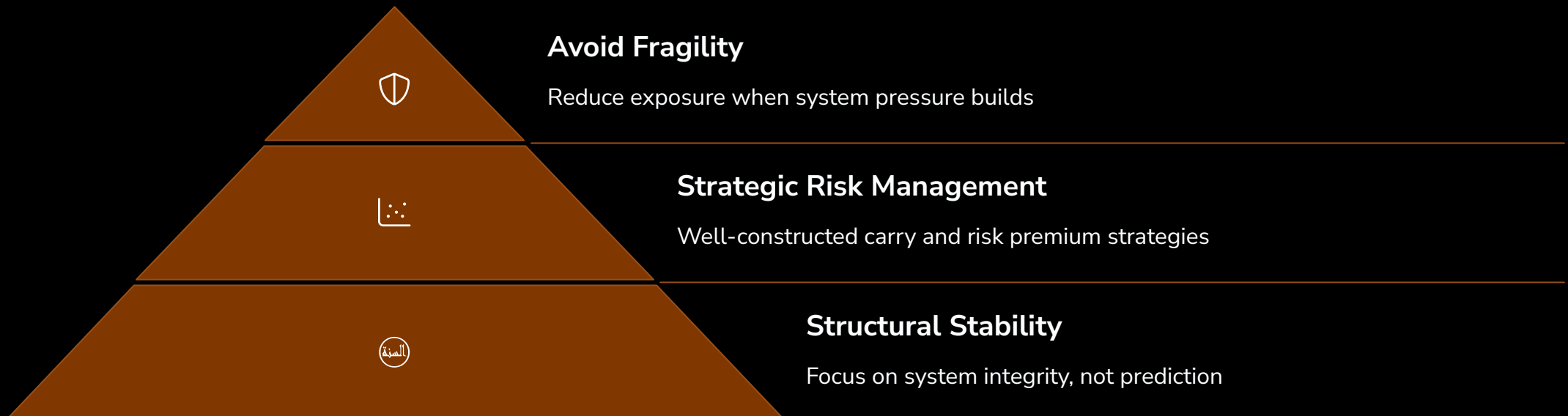
These aren't tail events. They are realities—clear evidence that the true cost of drawdowns isn't just the depth, but the time lost, and the irreversible damage done before recovery is even an option. Most investors never fully recover—not because markets don't—but because they can't hold on, or worse, they react too late.

# Our Investment Philosophy

## Our Principle

We don't manage by predicting shocks. We manage by avoiding structural exposure when the system is most fragile.

Well-constructed carry and risk premium strategies can reward investors through long benign periods—but lasting success comes from the ability to reduce exposure when pressure builds. Not every tremor becomes a quake. But when the structure breaks, recovery is not linear—and waiting to "get back to even" is not a plan.





# The Core of Our Strategy

Avoiding catastrophic drawdowns is what preserves compounding. Everything else flows from that.

## 100%

### Focus

Our primary objective is preserving the compounding effect

## 0

### Tolerance

For catastrophic drawdowns that destroy wealth

## $\infty$

### Potential

When compounding remains uninterrupted

# Our Portfolio Construction

Our portfolios are built in modular layers: a resilient, conservative core and an alpha sleeve that participates in upside while minimizing downside risk. This structure creates intentional asymmetry—reactive when necessary, restrained when prudent. We control turnover to reduce tax drag and optimize across both taxable and tax-deferred accounts.

We leverage cutting-edge technology and real-time market intelligence—but there is no substitute for decades of experience under live fire. We've not just witnessed dislocations—we've traded through them, reacted to them, and thrived through them—at scale. We've stood while others fell. Through crises, policy reversals, liquidity droughts, and regime changes, we've refined our approach in the only way that matters: by surviving and advancing.



# Protecting Your Legacy

If you've built meaningful wealth, it is too valuable to entrust to inexperience. You don't get a second chance to protect a lifetime of work.



## Wealth Creation

A lifetime of work and achievement



## Wealth Preservation

Strategic protection against market risks



## Legacy Planning

Ensuring your wealth endures beyond you