

# ABR 75/25 Volatility Strategy

Strategy Talking Points | 1Q 2024



## Who is ABR?

- Systematic quant asset manager with focus on volatility assets  
Firm AUM >\$500mm
- Firm philosophy: human behavior is the only consistently predictable element in finance
- Poor behavior is exacerbated in times of panic/euphoria, creates opportunity in volatility

## Strategy Overview & Why its Different

- Provides a Dynamic Correlation to the S&P 500
- Uses Dynamic Long Volatility exposure to target significant positive absolute return in periods of crisis.
- Uses Dynamic Short Volatility exposure to harvest volatility risk premia in normal markets.

## Performance in Different Market Cycles

Sacrifice returns from the initial correction to seek to win in crisis & participate in bull markets and a recovery.

### Similar performance to S&P 500 in most scenarios, Designed to Win Big in a Crisis

- Bull Market (common) → Targets Participation, Similar to S&P 500
- Correction (common) → Targets Loss, Similar to S&P 500
- Recovery (common) → Targets Participation, Similar to S&P 500
- **Crisis (rare) → Targets Significant Positive Absolute Returns**

## Risk Values - Full History

Strategy	Annualized Return	Correlation to ABR 75/25	Max Drawdown	Standard Deviation	Sharpe Ratio	Sortino Ratio
ABR 75/25 Volatility Strategy	15.9%	1.00	33.5%	16.5%	0.87	1.51
S&P 500 Index	10.1%	0.55	50.9%	15.5%	0.55	0.75

Includes pre-inception performance. Market conditions are simplified, and past performance does not guarantee future results.  
For Institutional Investors only – not for Retail use

## **Objective**

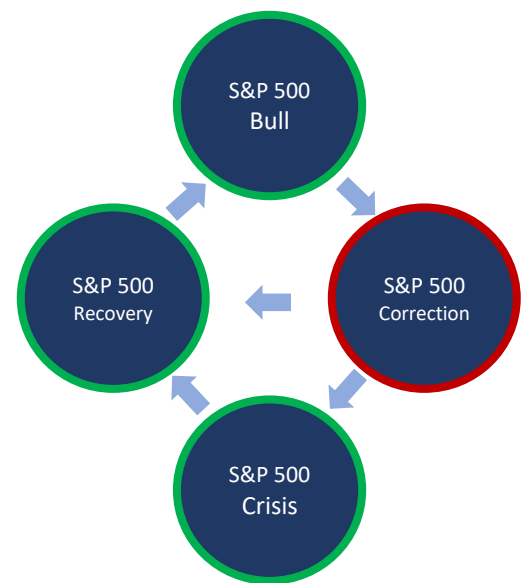
Deliver Crisis Alpha in an Absolute Return product

## **Features**

- Notionally unleveraged
- Systematic, model-driven exposures in a liquid portfolio:
  - VIX Futures
  - S&P 500 Futures
  - U.S. Treasuries
  - Cash
- Independent index calculation by Wilshire Associates:
  - Transparency
  - Accountability
- Created by ABR Dynamic Funds, LLC
  - Quantitative manager
  - Volatility background

## Sample Market Cycle

Key Turning Point: Market Correction



## Rolling 6-Month Returns & Correlations

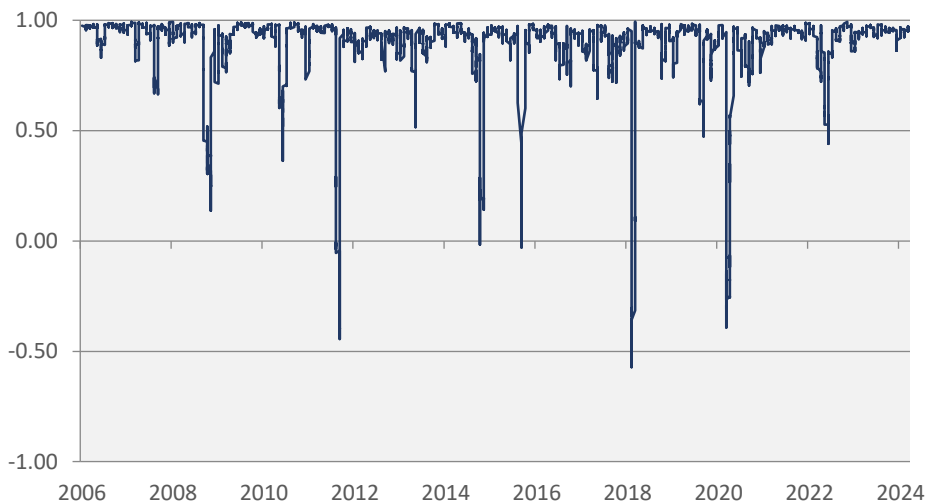
Performance Summary: 2006 to Present\*

S&P 500 6-Month Performance	Average Correlation	Avg. 6-Month Return	
		ABR 75/25	S&P 500
Market Up	0.89	10.1%	10.0%
Market Down & VIX High < 40	0.96	-7.8%	-6.6%
<b>Market Down &amp; VIX High &gt; 40</b>	<b>0.25</b>	<b>13.1%</b>	<b>-12.8%</b>

\* Includes pre-inception performance. Please see disclosures below for more information.

## Rolling 1-Month Correlation: ABR 75/25 to S&P 500

Performance Summary: (2006 to 1Q24)



### More information:

ABR Dynamic Funds: please visit: <https://abrfunds.com/home/> or email [info@abrfunds.com](mailto:info@abrfunds.com)

### Disclosures:

The ABR 75/25 Volatility Strategy returns for the periods ending March 31, 2024, have been +23.64% for one year, +13.06% for five years, and +10.06% for ten years. Past performance does not guarantee future results. The performance history was systematically calculated utilizing a static blend of the firm's long and short volatility models. The ABR strategy returns are shown net of 3.00% hypothetical expenses. Actual expenses may vary. There exists an ABR-advised pooled vehicle in the US which follows the ABR 75/25 Volatility Strategy and for which various terms, including expenses, differ from what is shown in this material. The inception date of the US Pooled vehicle was 8/3/2020. For more information on the live-trading performance of various ABR-advised strategies or the hypothetical performance presented, please contact us.

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The S&P 500 Total Return Index, as adjusted to reflect reinvestment of dividends is an index of 500 stocks arrayed by market capitalization. The "ABR 75/25" Volatility Strategy is represented by 75% of the returns of the ABR Dynamic Blend Equity & Volatility Index Powered by Wilshire (ABRVXX) and 25% of the returns of the ABR Enhanced Short Volatility Index Powered by Wilshire (ABRXIV), respectively (collectively, the ABR Indexes). Wilshire® is a service mark of Wilshire Associates Incorporated (Wilshire), and has been licensed for use by ABR Dynamic Funds, LLC. The ABR Indexes are not sponsored, endorsed, sold or promoted by Wilshire, and Wilshire makes no representations or warranties with respect to the ABR Indexes. ABR Dynamic Funds, LLC receives compensation in connection with licensing its indices to third parties. Investors cannot invest directly in an index.

ABRVXX was launched 4/30/15, and ABRXIV was launched 1/31/17, such that performance information before those dates constitutes pre-inception index performance.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. Hypothetical performance does not reflect actual trading experience and does not necessarily reflect the deduction of all expenses.

The strategy may acquire or enter into derivatives instruments and transactions. Derivatives are financial instruments that have a value which depends upon, or is derived from, a reference asset, such as one or more underlying securities, pools of securities, options, futures, indexes or currencies. Derivatives may result in investment exposures that are greater than their cost would suggest; in other words, a small investment in a derivative may have a large impact on the strategy's performance. The successful use of derivatives generally depends on the ability to predict market movements. There may be an imperfect correlation between a derivative and its reference asset. Certain transactions, such as those involving investing in certain derivatives, may give rise to leverage, causing the Fund to be more volatile than if it had not been leveraged. Due to leverage, the loss on a long futures contract could greatly exceed the initial investment. The loss on a short contract theoretically is unlimited since the appreciation of the shorted asset also theoretically is unlimited. Thus, a small investment in derivatives could have a large potential impact on the performance of a portfolio. Further, a volatility strategy may at times call for high portfolio turnover rates, which increases brokerage costs. High turnover also may generate net short term capital gains.

Incorporating a dynamic volatility strategy into a portfolio is designed to help an investor potentially mitigate, and potentially benefit from, volatility in the U.S. stock market. However, all investing involves risk including the possible loss of principal. There can be no assurance such a strategy will achieve a gain or prevent a loss. Volatility assets and strategies may not be suitable for some investors due to their financial circumstances and risk tolerance. A volatility strategy should not be viewed as a complete investment program.

## ABR 75/25 Volatility Strategy

Performance Commentary: 2006 to Present

### • Market Up: ABR Up

- ABR 75/25 has historically returned the same (net) as S&P 500 in rolling 6-month periods where the S&P 500 was up → critically important
- Most frequent (approx. 77% of time)
- Recent Example: 2019, 2021, 2023

### • Market Down, Vol Low: ABR Down More

- ABR 75/25 was down on average when the S&P 500 was down with lower volatility → period of sacrifice
- Less frequent (approx. 12% of time)
- Recent Example: 2H 2018, 1H 2022

### • Market Down, Vol High: ABR Can Win Big

- ABR 75/25 has delivered an average of +13.1% when the S&P 500 was down (-12.8% average) with higher volatility → period of Crisis Alpha
- Less frequent (approx. 11% of time)
- Recent Example: 1H 2020