



The Volatility Watch

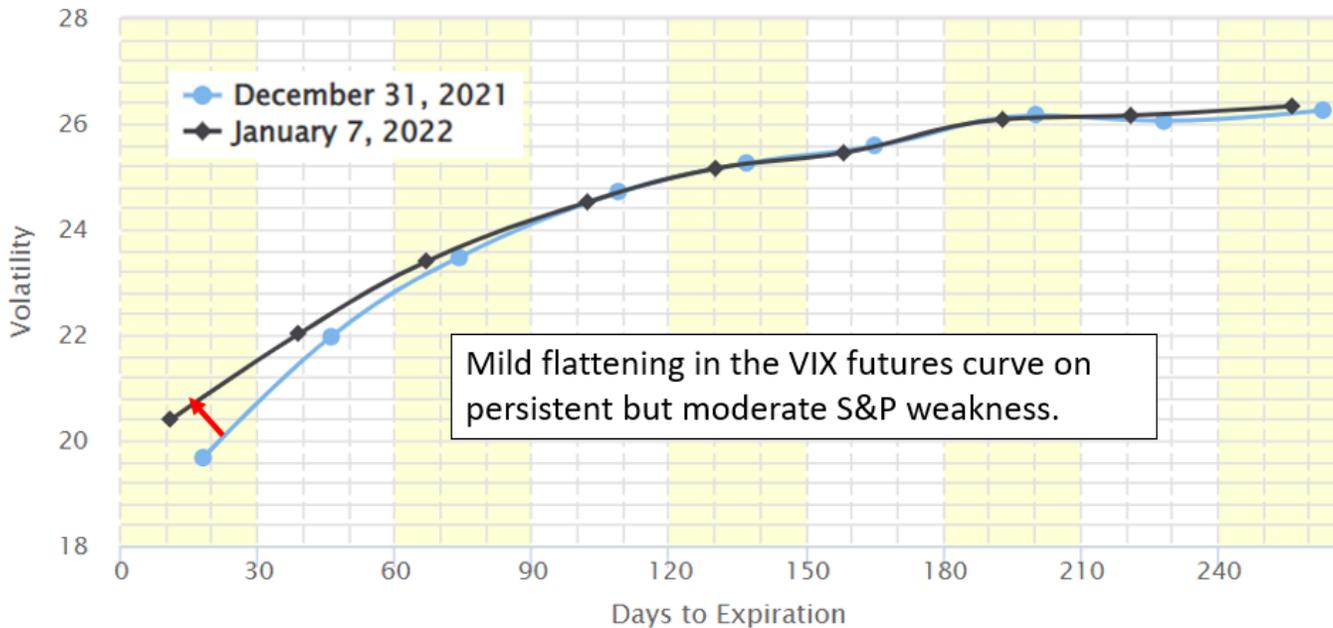
A Weekly Commentary On The Volatility Marketplace
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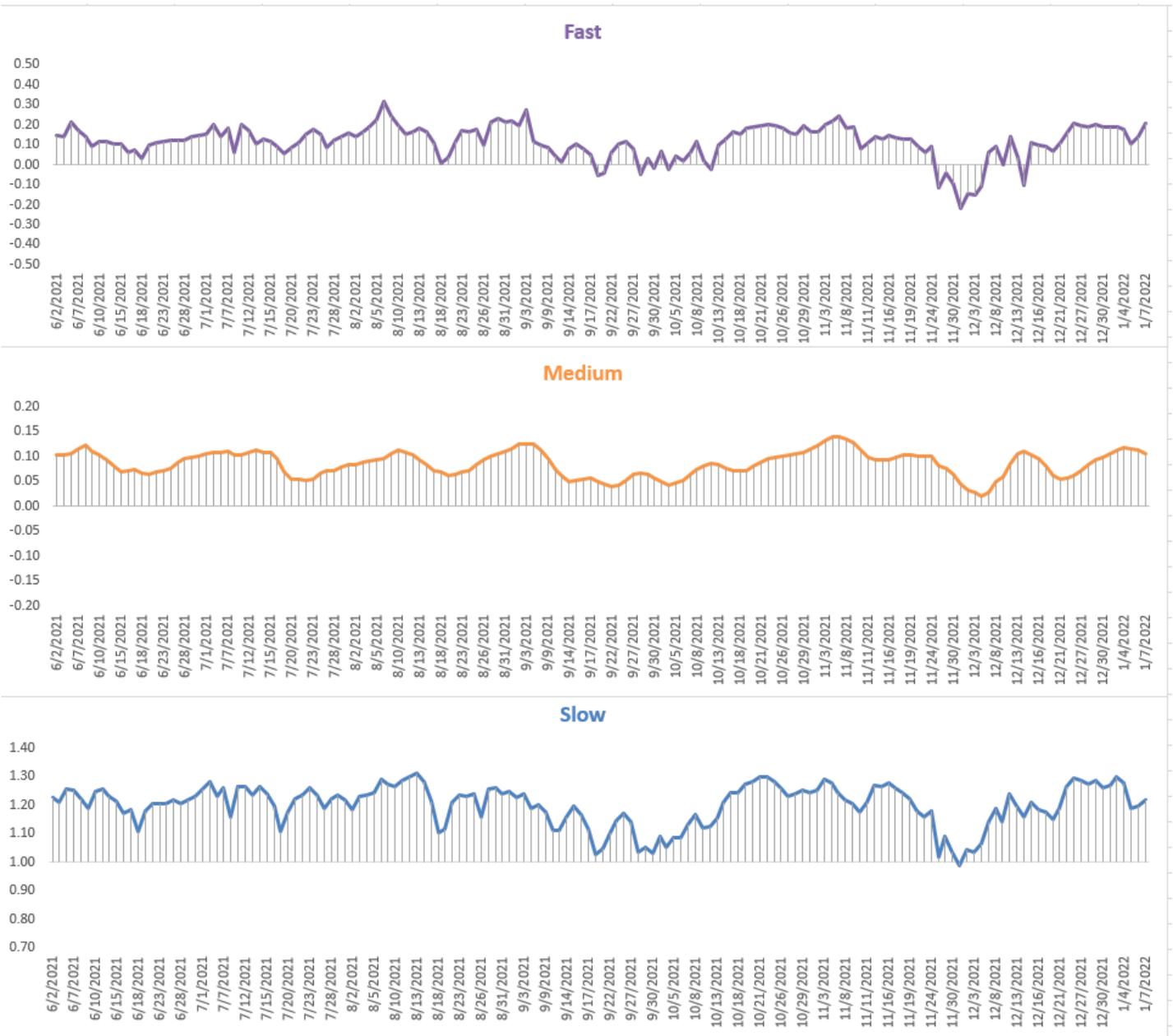
For Week Ending 1/7/2022:

Stocks dropped on 4 of 5 days last week as US Treasuries had their worst week in decades. According to Bianco Research, the 30yr treasury total return was -9.35% last week. Certainly it appears that the bond market is taking the Fed at their word that tightening will proceed. So far, the Nasdaq 100 index has reacted most violently (-4.5% last week), while the S&P 500 is just 2.5% below its all-time high as of Friday 1/7. While the rates/monetary policy issue is important for equities, it is not necessarily acute like a pandemic-related economic shutdown. This is reflected in the VIX futures curve which sits at elevated levels across the curve, with only slight flattening last week indicating only a marginal pickup in demand for short-term protection and keeping VIX hedging signals off for now.

VIX Futures Historical Prices

vixcentral.com

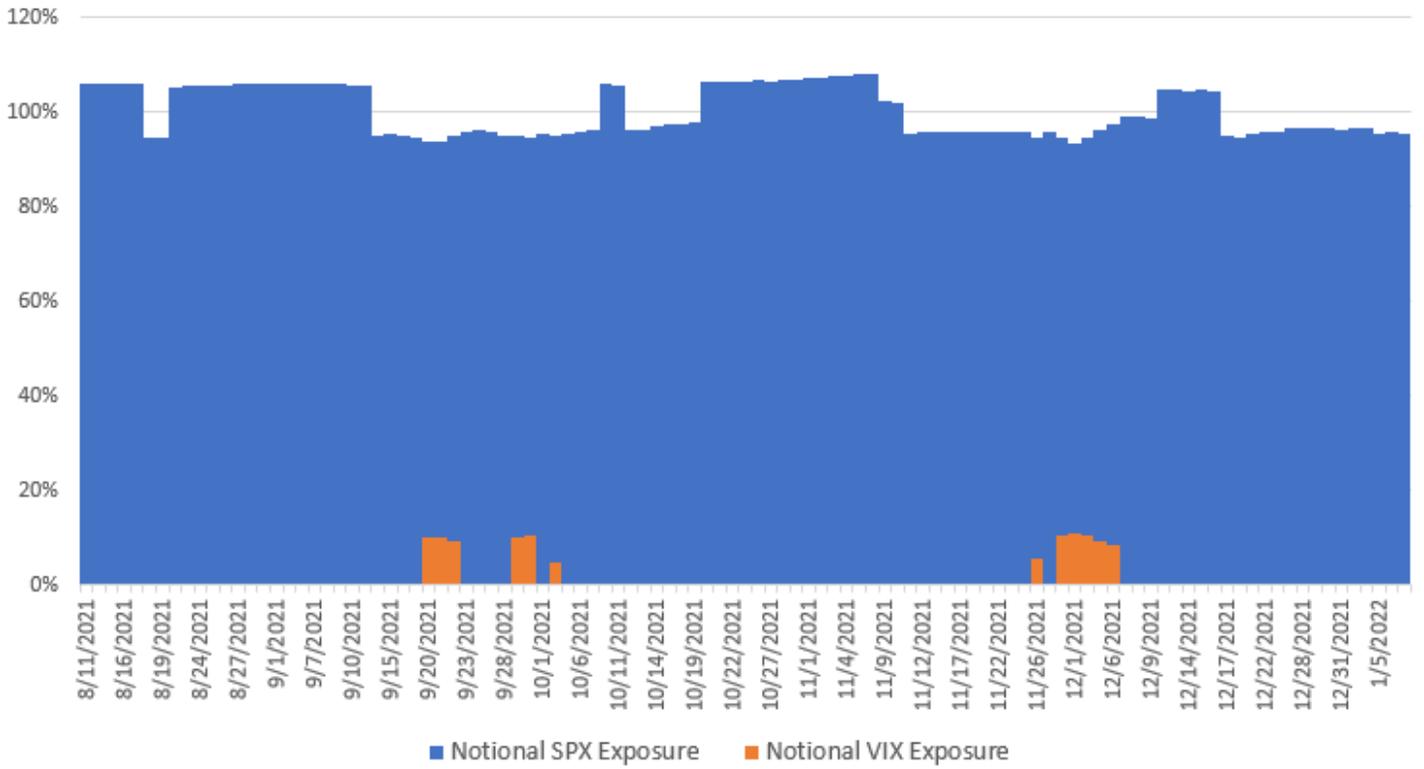




As we wait on the first VIX hedging signal (purple "fast" indicator), the Tactical Beta Strategy remains in early defensive mode, running near 95% long S&P.*

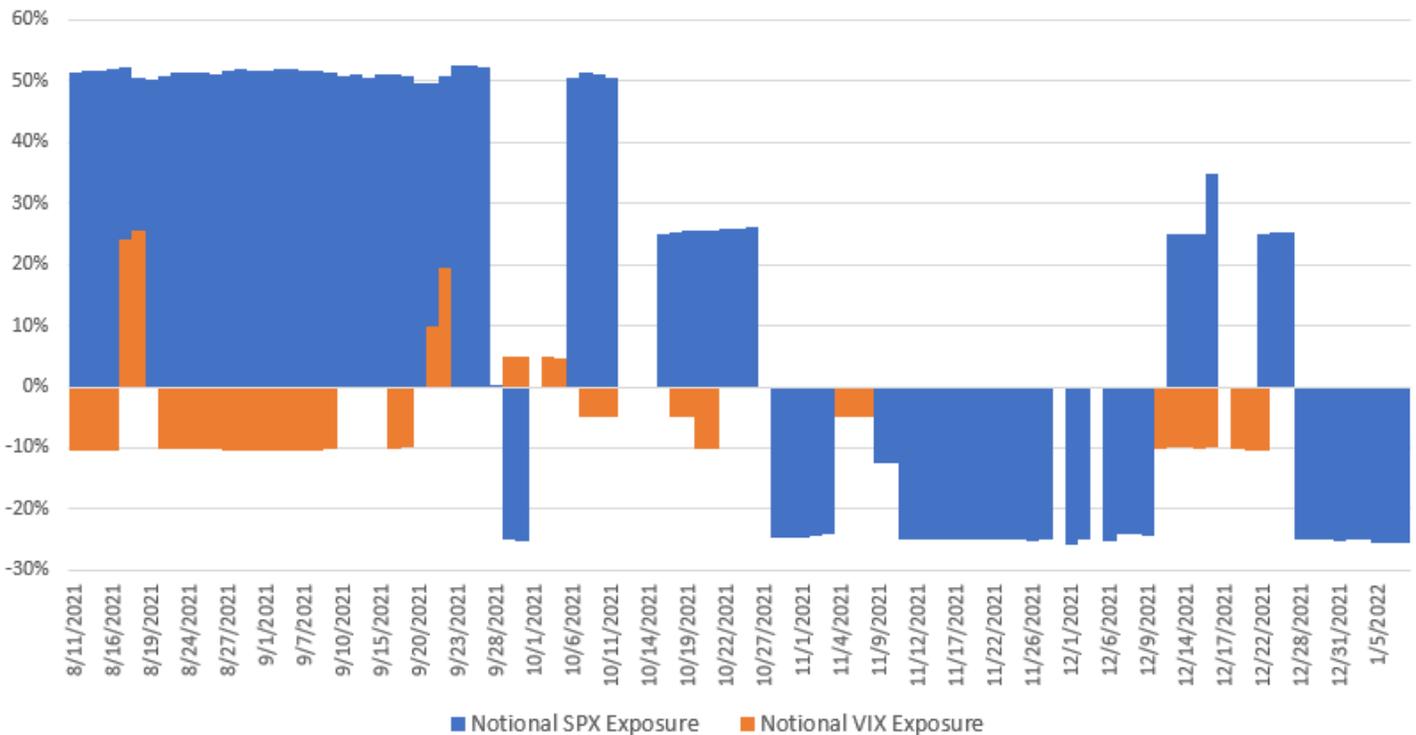
Tactical Beta Exposure

Sample Account, Trailing 100 Day as of 01/07/22



Given the rates backdrop and persistence of elevated VIX levels, the Alpha Seeker Strategy moved to the short beta side in late 2021 and has remained about 25% short the S&P throughout 2022 so far.**

Alpha Seeker Exposure
Sample Account Trailing 100 Day as of 01/07/22



Disclosure

Investing involves risk, including the possible loss of principal.

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**The Sample Account for the Tactical Beta Strategy (f/k/a U.S. Equity Smart Index strategy) is for the longest tenured account managed by Mike and Matt Thompson from November 1, 2016 through January 7, 2022. **The Sample Account for the Alpha Seeker Strategy consists of three accounts managed by Mike and Matt Thompson for portions of the time period between October 1, 2011 through January 7, 2022 to form one continuous Sample Account. Currently, at Thompson Capital Management LLC, the Thompsons manage a composite of separately managed accounts for each strategy which has used substantially the same investment objectives, policies, and principles as while the Thompsons were at prior investment management firms. Mike and Matt Thompson, as employees of LHA, will implement the strategies for LHA clients.*

VIX is the ticker symbol for the Chicago Board Options Exchange (Cboe) Volatility Index, which shows the market’s expectation of 30-day volatility. References to the S&P 500®, the S&P, and to the market generally are to the Standard & Poor’s 500® Index (SPX) which is the market capitalization-weighted index of 500 leading companies in leading industries of the U.S. economy that does not include re-investment of dividends in the calculation of the index total return.

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