



The Volatility Watch

A Weekly Commentary On The Volatility Marketplace
Free weekly delivery

For Week Ending 5/20/2022:

Despite further equity weakness, VIX futures again refused to budge last week with VIXY (ProShares VIX Short-Term Futures ETF) now *lower* by -6.3% during May's -5.6% decline in the S&P 500. A similar signal, the VIX index (20-day forward volatility) is currently below the 20-day trailing volatility of the S&P 500, an inversion of the normal relationship and a sign that the options market believes the next 20 days will be less volatile than the previous 20. In short, conflicting messages from the VIX and S&P continue to blunt VIX hedges thus far in 2022.

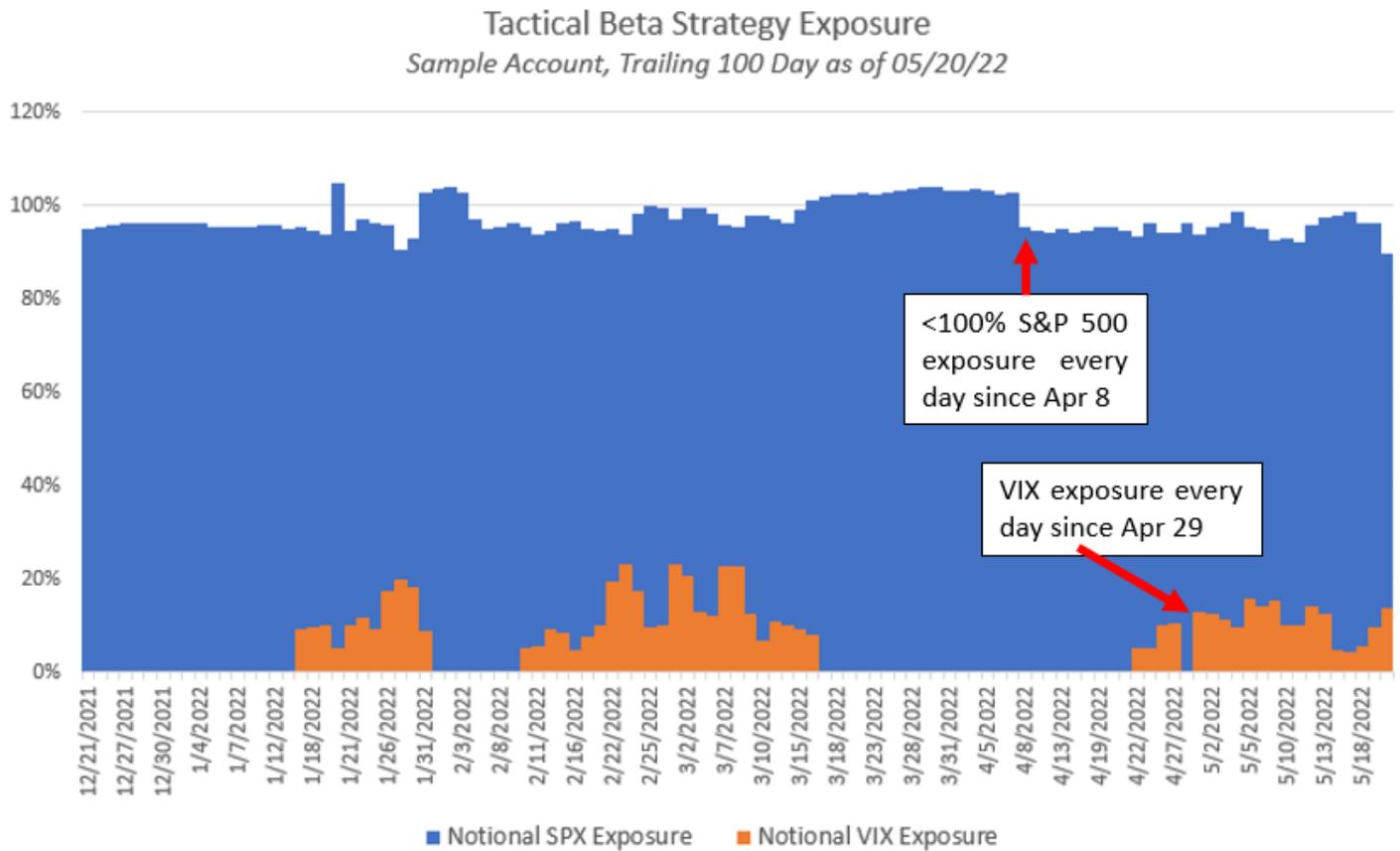
Both the Tactical Beta strategy and the Alpha Seeker strategy hedge investments in S&P 500 linked instruments with VIX futures. These two exposures have a strong inverse relationship, but a non-linear one that can produce a powerful offset to waterfall markets like 2020, or something less while the hedging markets refuse to panic. This convex profile means that volatility can quickly move from calm to panic and is what makes it possible to produce a risk-managed equity exposure that may retain substantial upside participation.

VIX Futures Historical Prices

vixcentral.com



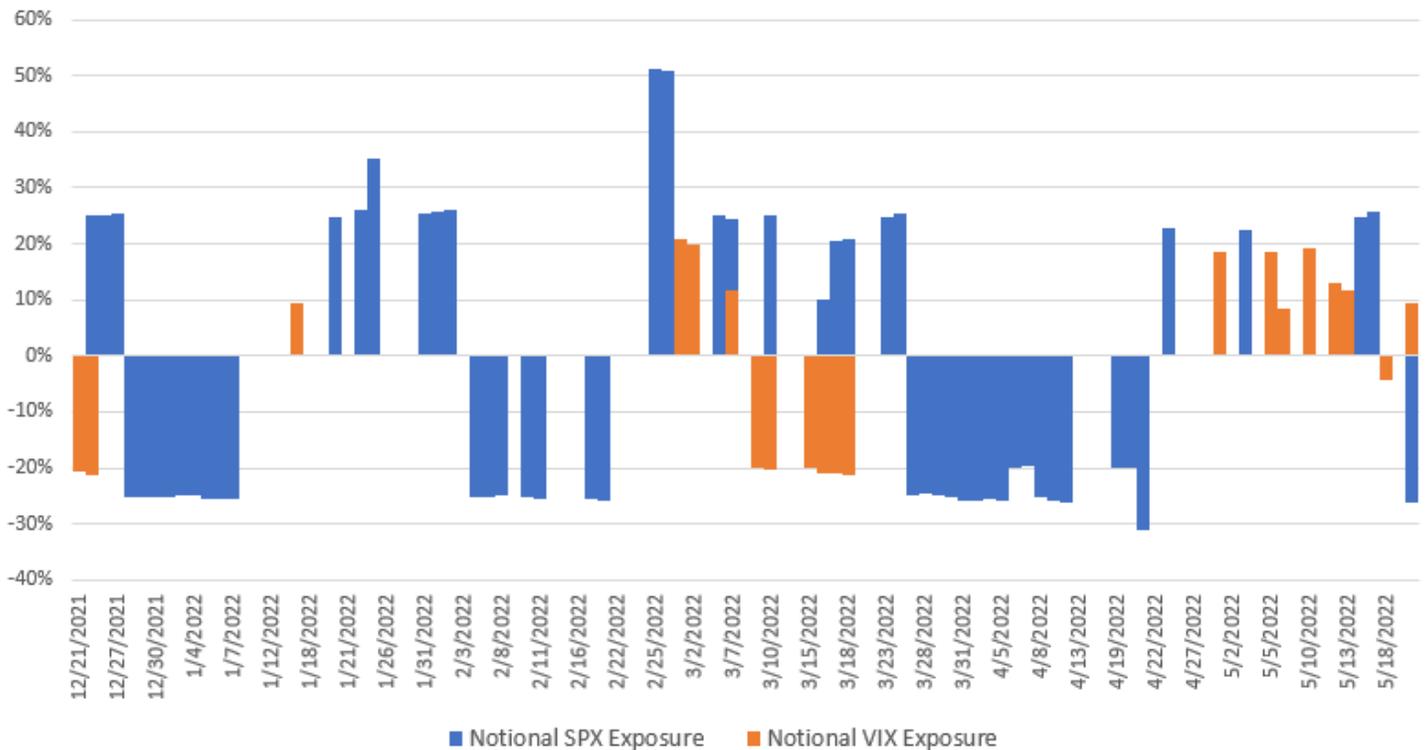
Reflecting the current "gateway to a crisis" readings from the VIX marketplace, the Tactical Beta strategy has been 90-95% long the S&P 500 since early April of this year and has maintained VIX exposure every day in May.



The Alpha Seeker strategy has struggled with the sharp difference of opinion between VIX and the S&P 500 this month, ending last week short beta via short S&P 500 and long VIX exposures.

Alpha Seeker Strategy Exposure

Sample Account Trailing 100 Day as of 05/20/22



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 May 20, 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 May 20, 2022 to form one continuous Sample Account. Currently, at Thompson Capital Management LLC (TCM), 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. LHA has an exclusive license from TCM to employ and market the TCM LHA Tactical Beta strategy and the Alpha Seeker strategy referred to herein.*

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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