



CARBIDE CAPITAL, INC.

# Absolute Return Program

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PROVIDING NON-CORRELATED RETURNS VIA A LONG/SHORT S&P  
500 OPTIONS & FUTURES STRATEGY

# Risk Disclosure

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There can be no assurance that client accounts in this program will achieve their objective, or that the client accounts will not incur losses. Futures & 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. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition.



# Carbide Overview

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## Purpose

- Established to take advantage of inefficiencies in the options market and provide investors with risk and return characteristics not easily replicated through traditional investments.

## Chief Investment Officer

- Aaron Wallace has over 15 years of experience trading derivatives on behalf of institutional and high net worth clients.
- Prior to founding Carbide Capital, Mr. Wallace helped manage ~\$1B at Universa Investments, LP.

## Competitive Advantage

- Significant trading experience and a multi-factor investment process is our edge.



# Manager Bio – Aaron Wallace

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As Chief Investment Officer, Aaron Wallace oversees investment strategy and trade implementation. Mr. Wallace has over 15 years of investment management and trading experience. Prior to establishing Carbide Capital, he was head trader for 7 years at Universa Investments L.P., a multi-billion dollar hedge fund specializing in tail hedging. While at Universa, Aaron helped manage more than \$1B on behalf of institutional and high net worth clients. This included direct management of the single stock and ETF options books. Aaron also co-managed the S&P, VIX and commodities portfolios.

Prior to Universa, Mr. Wallace worked as an equity derivatives trader at KBC Bank from 2002-2007. In addition to his trading activities, Mr. Wallace worked with one of the firm's founders to launch a hedge fund seeding platform. This allowed Mr. Wallace to be exposed to all aspects of the hedge fund business, including research, trading, risk management, marketing, and operations.

Mr. Wallace graduated summa cum laude with a B.A. in Business Administration from Northeastern University.



# Program Description

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The Carbide Absolute Return Program is a discretionary options strategy seeking positive risk adjusted returns.

The portfolio incorporates long and short options & futures positions on broad equity indices, such as the S&P 500.

The program is generally biased towards short option positions due to the volatility risk premium inherent in the options market.



# A note on short option bias

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Approach differs from typical options based strategies. Macro view will determine level of risk and if short bias is appropriate.

Short option bias *IS*:

- A recognition that the Volatility Risk Premium can be exploited under various market scenarios.

Short option bias *IS NOT*:

- The only component of our strategy; the Carbide Absolute Return Program is a discretionary strategy that incorporates macro and technical factors in addition to volatility when making investment decisions. Tail protection is purchased to cushion potential losses.



# Investment Process

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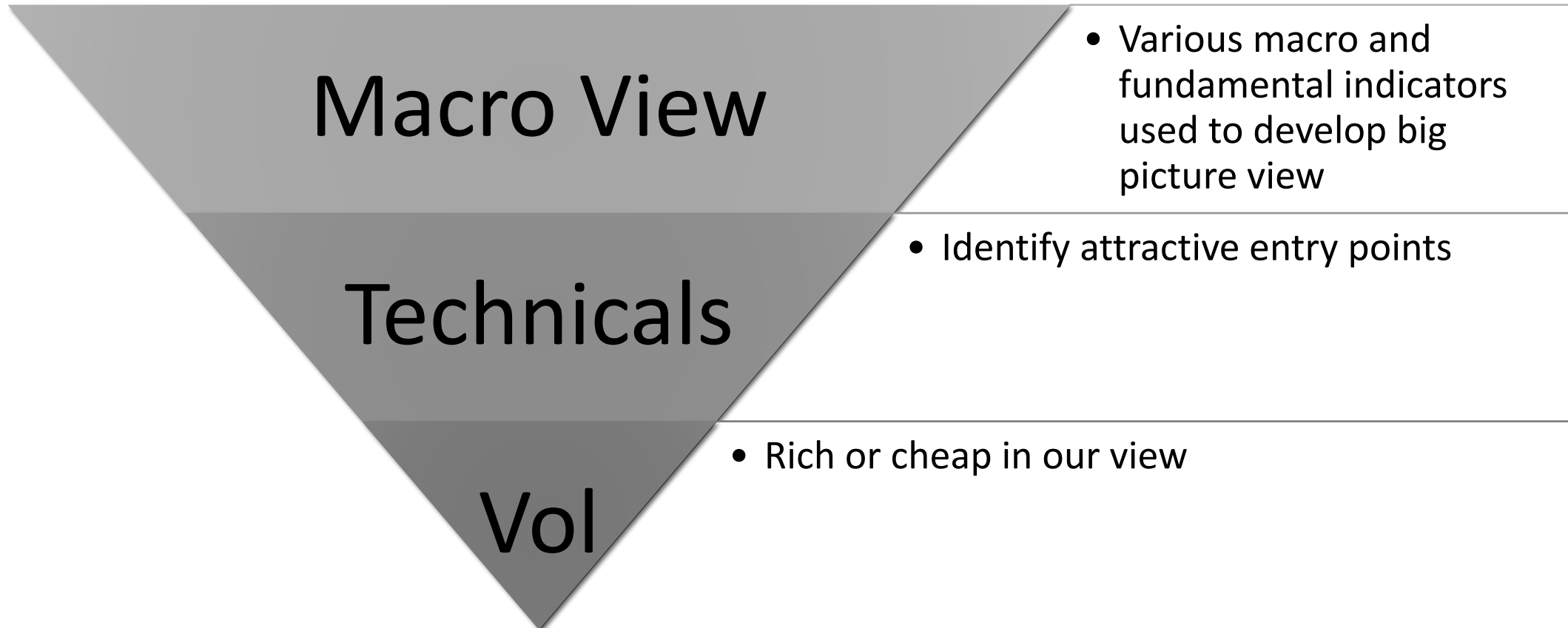
Multi-factor investment process using options pricing data as well as fundamental and technical analysis is used to identify opportunities.

Market sentiment and positioning is incorporated into trading decisions –the options market can reflect pricing inefficiencies due to behavioral biases.

Construct short and medium term trades offering positive returns under various market scenarios.



# Investment Process – Multi-factor





# Investment Process – Risk Management

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Daily stress tests using option trading platform and proprietary model.

Stressed by price & vol to avoid margin calls and determine worst case loss scenarios.

Soft stop losses in place after 5% intra-month drawdown – positions reduced or hedged.



# Trade Example

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Sell ratio put spread on S&P 500 futures after spike in VIX\*

- Purchase 1 x 28 day 1800 put
- Sell 2x 28 day 1780 put for \$2.70 credit

Futures Price	% Change	Premium at Expiration	P&L
2040	+5%	0.00	\$2.70
1943	unchanged	0.00	\$2.70
1845	-5%	0.00	\$2.70
1787	-8%	13.00 debit	\$15.70
1748	-10%	12.00 credit	-\$9.30

\* 7/31/14



# Net Monthly Performance

Carbide Absolute Return Program\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014									0.79	2.40	-1.01	1.90	4.11%
2015	0.71	0.84	1.12	0.66	0.71	-0.17	0.75	-3.76	3.82	1.23	0.99	0.95	7.97%
2016	1.55	1.06	3.00	1.31	1.39	-0.77	2.11	0.73	0.66	1.29	1.52	0.87	15.70%
2017	0.83	1.01	0.86	1.08	1.02	1.53	1.03	0.74	0.70	1.01	0.45	1.21	12.09%

## \*Past results are not necessarily indicative of future results

Performance includes all fees. Data is unaudited and subject to revision. Monthly rates of return are calculated pursuant to the Only Accounts Traded Method (“OAT”). Under this method, rate of return are computed by dividing the aggregate net performance by the aggregate beginning equity for only those accounts which traded during the entire month and which had no material additions or withdrawals. It excludes new accounts, accounts that were open for only part of the month, and accounts which had material (i.e., 10% or more of beginning equity) additions or withdrawals, and other factors that may possibly distort rate of return.



# Performance Metrics

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Annualized return (since inception): 11.97%

Average Monthly Return: 0.95%

Max Monthly Return: 3.82%

Win Frequency – Monthly: 90%



# Risk Metrics

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Max Drawdown: -3.76%

Standard Deviation: 3.90%

Alpha: 0.76%

Beta (vs. S&P500): 0.13

Sharpe Ratio: 2.61

Sortino Ratio: 4.75

Margin/Equity Target: 30%



# Additional Information

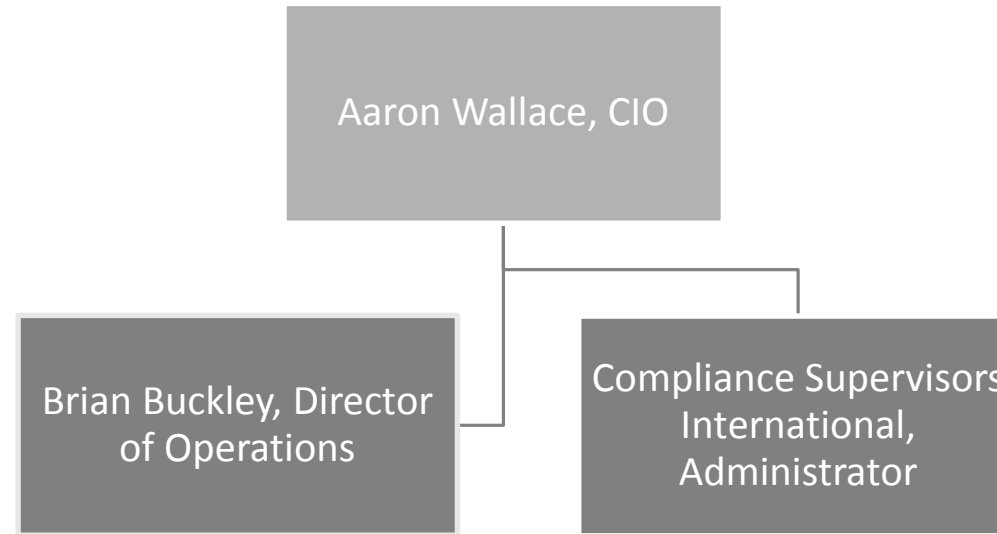
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<b>Carbide Absolute Return Program</b>	
Minimum Investment	\$200,000
Management Fee	2%
Incentive Fee	20%
High Water Mark	Yes
Structure	CTA; separate accounts



# Carbide Team

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# Contact Information

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## Website

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# Disclaimer

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This material is being provided in addition to the disclosure document for Carbide Capital Inc. If you have not yet received the disclosure document please contact Carbide Capital Inc. for a copy of the most recent disclosure document. This material is also for information purposes only and does not constitute an offer to sell, nor a solicitation of an offer to participate in the Carbide Absolute Return Program. Investors should consider all factors that may be relevant to their circumstances, including tax considerations and financial standing before making an investment. An investment in the strategy is speculative and is not intended as a complete investment program. **Past results are not necessarily indicative of future results.**

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