



February 8, 2018

Dear LJM Clients,

I know that this is a difficult time and you have a lot of questions. We've prepared a timeline of events below to help explain what transpired in the markets and the actions we took in response.

On Monday, February 5, volatility and options markets experienced an extreme outlier event. The movement in the VIX Index, a proxy for implied volatility, reached record levels. The aggregate move of 20 points in VIX on Monday was the greatest in VIX history. While the LJM Strategies do hold long options to help mitigate risk, the extreme VIX movements resulted in settlement option prices that caused the significant losses on Monday.

As implied volatility began to rise throughout Monday morning, LJM's portfolio management team adjusted the portfolios to maintain and mitigate risk exposure. In the late afternoon, the VIX spiked approximately 10 points in less than an hour and the markets became illiquid. Monday's losses were so severe because as volatility spiked exponentially in the afternoon, the illiquidity in the markets severely limited LJM's ability to reduce risk.

Overnight on Monday, the VIX rose even higher to 50, further increasing portfolio risk. On Tuesday morning February 6, LJM received notification from its largest FCM to promptly close out or transfer all open positions.

The markets still had limited liquidity on Tuesday, February 6. Throughout the day, LJM attempted to exit open positions under the FCM's direct monitoring in LJM's offices to reduce risk and close positions. LJM, working with the FCM risk team and the portfolio management team, agreed that liquidation across all client accounts, regardless of clearing broker, was the most prudent action given market volatility and portfolio risks.

Reducing risk and exposure were LJM's primary goals, and LJM was forced to execute trades at less favorable prices than would have existed on a normal business day because of the sudden and substantial lack of market liquidity. The liquidation of open positions on Tuesday, February 6 caused additional substantial losses from Monday's closing prices.

All open positions are liquidated and the accounts are holding remaining cash balances.

LJM went to a defensive position on Tuesday, by exiting open positions, but intends to resume operations. Additional notice will be provided to all clients prior to re-engaging trading, and any requested redemptions will be processed prior to re-engagement.



LJM remains committed to our clients and appreciates your patience during this difficult time.

Sincerely,

A handwritten signature in black ink that reads 'A. Caine'.

Tony Caine

*Past performance is not necessarily indicative of future performance. Rankings are only one form of performance measurement. There is no guarantee that any investment strategy will achieve its objectives, generate profits, or avoid losses.*