RM ROBUST METHODS

info@robustmethods.net
www.robustmethods.net
tel. 212.673.3401
fax 212.683.2094

February 28, 2013

Robust Methods is a seasoned money manager and pioneer of Robust Portfolio Management. The firm's mission is to generate solid investment returns to a global and sophisticated investor base. Emphasizing research and quantitative decision making, transactions are made on the financials and commodities markets. An advanced risk management heuristic lies at the core of the methodology which aims at optimising the portfolio's exposure while maintaining its balance.

Returns ***(Net of 2/20 Fees)***

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
[…]	*Data for the period of 2005 till 2011 is excluded from this table*												**[…]**
2012	1.76%	0.98%	-3.45%	1.06%	-1.15%	-2.51%	-1.12%	3.40%	-0.51%	0.01%	-1.96%	-0.34%	**-3.97%**
2013	-1.97%	-2.25%											**-4.18%**

Commentary

February returned -2.25% net of fees, with the bulk of the variation stemming from the commodities and equities sectors mainly.

As we mentioned last month's report, the pressure on some strategic positions we hold continued to exert itself and pushed the portfolio a bit further down. We're willing to bet to be very close to a significant bottom on that front; the incessant push-down and interventions against the metals have been a huge drag to our performance over the recent years, and as we often highlighted in this letter.

During the past four months, gold and silver have come under heavy and sustained selling, but mainly in the 'paper metals' market. More levered positions, such as shares in the junior mining companies for instance have been in a literal free fall losing about 40% since October. Added to rising mining costs and rising regulatory requirements, a concerted media campaign to bash gold created the worse possible conditions for that sector.

The question remains open at this stage: Has investors' interest in gold already peaked?

Based on published sales statistics from various official sources, evidence points to the contrary; it shows an accelerated demand in the physical market in fact. The short to mid-term trend looks like a wild card nevertheless, and as the Fed and large banks will do anything to knock the price down and keep it capped.

In the longer run, we see the divergence in the metals to be resolved in favor of the physical players. Gold and silver buyers are waking up to the 'paper gold' situation, and are selling suspect gold titles like XAU and ETF trackers, and choosing to buy the actual metal.

On the energy front, the market's highlight in February was a drop in crude oil of $2, or over 2%, on the 20th of February, and coincident with hawkish Fed talk. A detailed look at the tape, and as published by a technology company, revealed that around 250 million dollars worth of crude oil was dropped on the market in only 2 seconds, even causing the circuit breakers to kick-in. We've mentioned in the past the common threats made to the market about 'opening the strategic oil reserve' to pressure the oil. Last month, the crude was actually sold, and in front of passive exchange officials and regulators.

It has become difficult to find an asset class truely left on its own. Regardless of the above, and having observed a large number of these patterns, we certainly have a picture we did not have before. We've widened the operational bands for our portfolio to better allow for such adverse scenarios in the future.

Best Regards,
Karim Taleb