RM ROBUST METHODS

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March 31, 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 2012 is excluded from this table*												**[…]**
2013	-1.97%	-2.25%	-0.02%										**-4.19%**

Commentary

Net returns for March came to -0.02% net of all fees. The portfolio spent most of the month well into positive territory, and then gave back ground due to a severe sell-off in some commodity contracts later in the month.

In this letter, we've often discussed how the Fed has been both openly and surreptitiously pushing down the price of oil, and as a way to quell and delay fears of inflation. There is now a fair deal of consensus among seasoned market observers that it has been increasingly doing same to other key markets within the commodities complex, and which are smaller and much easier to manipulate. Suppressing commodities prices is coherent with its objective of suppressing long term rates, and an attempt to reignite whatever confidence it could get from the public.

In January's letter we hinted to the possibility of more pressure on our portfolio. From a risk management and robustness concern, we made the strategic decision to maintain some high conviction positions, trusting that they'd ensure stability in the event of failure, while providing some counterbalancing returns in an adverse scenario. Based on the action we are seeing, our portfolio seems to be in a bottoming phase at this stage, and give or take a few percentage points from current levels.

While fighting the Fed in the market is rarely advisable, the evidence is mounting that the central bank is cornered now; it painted itself into a corner and ran out of bullets years ago, as a result of its own actions. It still got the press nevertheless, and has already shown the world a reckless eagerness to use it. Obviously, when it's the only 'tool' it's left with, it will tackle every problem with more of the same.

Going beyond the press and the rising risks it entails, the only exit out of the debt situation is to start a WW III at this stage, and as bankrupt and sinister such thinking would be. Those who've studied the history of central banking nonetheless do realize how the budget deficits and wars that central banks help create are too well intertwined to be the result of mere chance.

The confiscation of depositors' money in Cyprus was the major news in March. The ECB denied the Cypriots' banks a bailout and basically asked to steal money from the people. This raises a big red flag to all European and US depositors and gives a new meaning to 'have a good weekend' for those left with any sense of humor. Whether this experiment is meant to be a beta-test is not to rule out, and has an eerie similarity to the seizure of MF Global' s clients accounts not long ago.

Separately, the Bitcoin currency model has finally emerged with credible strength on the heels of the Cypriot situation, and caught the central planners with their pants down. Though it could be a while before we see barrels of oil trading for Bitcoins, this is a game-changer given its psychological power. It does stand a chance to be the 'butterfly effect' that leads to a bigger wave, and hit really close to the private money system of the Fed. Psychology and public opinion manipulation is the only other card the Fed is desperately playing at this stage. Adding to Bernanke's pain, another high profile bi-lateral trade agreement by-passing the dollar is taking shape between Australia and China, upping the ante in the currency war, and raising the pressure on the petrodollar bomb.

Portfolio planning wise, we have a better visibility of the market regime now in place. We see some relatively safe and promising markets to play from here, and with a good size opportunity over the coming years. This could prove a good time for prospective investors to consider getting in.

Respectfully,
Karim Taleb

P.S. Please note that this market update will be published on a quarterly basis going forward.