RM ROBUST METHODS

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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%	-4.60%	-0.78%	-2.65%	1.41%	1.77%	-1.83%	-0.46%	-2.58%	-1.12%	**-14.24%**

Commentary

Dear Investor,

We close the year of 2013 with net results of -14.24%.

The good part of the variation came from a heavy and sustained central banks selling in the precious metals sector; gold had started the year around $1700 an ounce and finished just above $1200 on the last day of 2013. The precious metals markets witnessed continuous raids the last two months of the year, and which also reversed an earlier rally during July and August. Watching the market closely the last few weeks of the year, the Fed clearly wanted gold to close below $1200 but could not keep the price below that level and without risking bleeding too much physical gold.

The situation with the mining industry has worsened in 2013, and developed from a bear market and into an economic disaster for both the major and junior miners. The majors lost over 50% of their value in 2013, while the juniors lost over 60% of their capitalization forcing many companies to stop their operations and shut down some mines and development projects. Many mines and most new projects cannot make money with gold at $1200 and require a much higher price to just break even. The current shutdown will eventually reduce the metals output, and improve the demand-supply situation for the metals.

On the demand side, the physical market remains very strong and shipments to China in specific continue to surprise to the upside. In India, a new regulation of 15% customs on gold imports, and which came after much pressure from the Fed to reduce its gold imports, has failed to reduce demand noticeably. Rumor is that gold smuggling into India has become more profitable than smuggling drugs for the first time. Many Indian passengers are now being paid money to fly back from Dubai carrying gold, and part of an organized network to avoid or reduce customs. In the UK and at the street level, the Royal Mint has run out of gold coins the first week of 2014.

After a very long wait of around a year, the Bundesbank managed to receive a small fraction of its gold on deposit at the NY Fed. What's most unusual nevertheless is that the gold shipped back was not the originally deposited gold, and was newly cast. This confirms the thesis that the Fed has sold the gold of the nations that trusted it, and makes Hugo Chavez look like a visionary for asking for his gold few years ago.

Janet Yellen is now officially confirmed as the new head of the Fed, and despite a record low Senate support. Being familiar with her views of making 'sacrifices', the elderly are likely to see their retirement portfolio lose a big chunk of its value under her watch, and the same would go for the dollar.

In November, a former Fed Official who managed the artificial purchase of $1.25 Trillion MBS decided to leave the Fed and came out with a major apology to the public, and is now at Rutgers University. Mr. Huszar basically confirmed our position, and in his own words: "[The Fed] is doubling down on bad bets in a failing casino". We salute Andrew Huszar for his integrity, and albeit it took him 5 years.

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Equally noteworthy in November is CFTC Commissioner Bart Chilton jumping ship as well, but not after warning one more time about the large banks manipulating the financial markets and breaking the regulations. Mr. Chilton had also led the CFTC investigation in the gold and silver manipulation for 5 years, and we presume the closure of that case came as a serious disappointment to him as well.

On the monetary side, the noteworthy development is seeing the 10 years interest rates close just above 3% on the 31st of December. While this lasted only 1 day and was shortly suffocated by another intervention likely to be the size of the London Whale, it certainly serves as a stern warning to the Fed that its bond bubble is being watched.

Coming back to our portfolio, and compared to our peers, the CTA group has lost money 4 out of the past 5 years unfortunately, and mainly due to the price fixing and manipulations we've been covering.

Despite that, the facts which we are seeing continue to confirm that the longer-term views of Robust Methods are well conceived and potentially very profitable in the near term.

We even took advantage of some low prices and feel very well positioned for 2014 and beyond.

With Very Best Regards,

Karim N. Taleb