

Dec 31, 2012

Robust Methods is a seasoned money manager and pioneer of Robust Portfolio Management. The firm's mission is to generate robust 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
[...]	<i>Data for the period of 2005 till 2011 is excluded from this table</i>												[...]
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%

Commentary

Our program finished the year at -3.97% net of all fees, pressuring our patience for profits after consecutive years of lukewarm results. The positive contributors to the portfolio in 2012 have primarily been the energy, the industrial, and the soft commodity markets. On the negative side, the continuous reflation and propping up of the financial markets, coupled with the continuous capping of the CBOE volatility index and the precious metals, weighed heavily on the performance. Every single and fundamentally sound breakout in these markets triggered an engineered and severe price attack to halt and reverse such impending market moves. Positions, which otherwise could have been profitable, were immediately transformed into losing trades. Basically, the central banks and their operatives systematically killed every fundamentally sound market move, and set absurd valuation levels in the markets that serve their agenda. This is but one aspect of the totalitarian state we face.

While our portfolio remains in the upper tier within its group, we are not satisfied with the results in absolute terms. Compared to peers, the four CTA indexes published by Newedge returned between -2.94% to -15.95% for 2012. Given the significant upwards bias found in the indexes, and for reasons outside the scope of this letter, a more representative benchmark would be the investable FOF's with a CTA / Macro concentration; these funds returned closer to the range of -6% to -15% based on what we've seen.

The HFT phenomenon has also added to the extreme stress that the markets have endured the past few years, and also increased the central planners' ability to manipulate the markets. Some CTA strategies are likely to have been affected due to an HFT-induced intraday volatility. I share with you this comprehensive assessment of the past few years by Terry Flanagan, CFA, Editor of *Markets Media*: <http://marketsmedia.com/five-year-rewind-and-fast-forward/>

Going forward, we've taken note of the above, and processed a mountain of information. Admittedly, we had underestimated the scale of the covert interventions, the fraud, and the extent to which the globalists would go to assert their control. In our February report, we pointed to an unprecedented list of resignations of senior bankers, and which has continued to grow since. Presumably, the US Treasury's Secretary must have good reasons for wanting to jump ship.

The current game of the central banks should be nearing its end, and as the agenda being played is getting clearer and crystallizing. They could very well be running in disarray in fact, fearing a full public exposure soon. Generally speaking, the financial system has basically imploded in 2008 and cannot be saved at this stage. The people and their markets have lost their freedoms as a result and are facing a more or less visible police state in the G7 countries.

A historical opportunity is being offered to the people as they stand. The choice is being given to liberate themselves, their markets, and their communities, from the totalitarian state. This can only happen if the people take the necessary actions to do so. The [Campaign for Liberty](#) has been doing just that, on behalf of the entire planet. We invite our readers not to fall on their swords, and to take the steps to claim their freedoms with a generous donation to this focused and distilled work.

Respectfully,
Karim Taleb