

# SafeMoneyMetrics™

## Advisor Search Definitions and Explanations

"Your Direct Risk Management Solution for Managed Futures"



A complete explanation of SafeMoneyMetrics™ including inherent strengths and weaknesses is at <http://www.safemoneymetrics.com>

**Net Ratio (NR):** A net ratio represents profitability based on capital at risk. For public domain data Capital at Risk is each advisor's margin to equity value multiplied by funds under management. When margin to equity is not reported, a default value of 25% is used. The Net Ratio formula is Monthly Profits / Margin Equity Assets.

**Funding Level Ratio (FLR):** A funding level ratio represents profitability based on the accounts minimum funding level. Many advisors request large minimum account sizes, yet allow accounts to be funded at much lower values. That lower value is a minimum funding level. When a minimum funding level is not reported one of two default values are used. When the funding level is decided between the futures commission merchant and client, 10% above the margin to equity value is used. When no value is reported, a 75% funding value is used. The advisor's minimum funding level is multiplied by funds under management. The FLR formula is Monthly Profits/ Funding Level Assets.

**Empty Spaces:** Sometimes advisors did not report assets under management and if the monthly rate of return is "0" an empty space is used.

**Excessive Positive or Negative Values:** Sometimes an advisor has extraordinary profits or losses. For example, assume an advisors traditional rate of return averages + 12% to - 10%. Then assume markets set-up where that advisor produces a 35% return. The following month, things go back to normal. The Net Ratio will "be exceptionally high" and then drop.

\*\*\* Extreme Values are Useful – some advisors require a large account size, do not allow notional funding and have a tiny (3% - 5%) margin to equity value. When the Net Ratio is extreme relative to the funding level ratio, it's wise to check account size, relative to funding level, profitability and fees. (You can select advisors by account size and compare funding level and margin to equity values).

**Relationship Between the Net and Funding Level Ratios:** A net ratio is normally above a funding level, when the net ratio starts to drop and/or dip into the funding level ratio, risk is higher under current market conditions. Comfortable variations between the ratios are between 3 and 7 to 1. For example, the Net Ratio is 3 to 7 times greater than the funding level. When data produces differences exceeding 10 to 1, we suggest using extra caution. WHY? Capital used to trade is low relative to the minimum funding value. You may be paying management fees on a large capital base that is not being prudently used.

**Default Values:** The minimum funding level is necessary to create net and funding level ratios. Traditional data base reporting does not require a minimum funding level to be reported, so default values are used when we are unable to obtain information from the advisor. When the data base is updated, we email each new advisor asking for a minimum funding level and sometimes call them. Default values are used when there is no response. Naturally, actual values improve the usefulness of public domain reports, so when actual values are reported, reports are re-created. Free reports are available to anyone providing actual data. As time passes, more and more advisors will start reporting a minimum funding level.

**Monthly Net and Funding Level Ratios:** In lieu of traditional rate of return data, the Advisor Search produces monthly net and funding level ratios, plus the annual total for the most recent 36 data points. The maximum and minimum value for the same time frame is also available. Ratios are actually returns based on two different capital values, a capital at risk and minimum funding level. When prudently evaluated, both ratios directly reflect an advisors trading talent relative to risk taken and their ability to translate open trade equity into realized profits.

**Traditional Return Data and its relationship to SafeMoneyMetrics™:** SafeMoneyMetrics™ is an impeccable "second opinion." When integrated into traditional analytical procedures your risk of loss is dramatically reduced because SafeMoneyMetrics™ reveals valuable information that would otherwise remain concealed. Without the efforts of my traditionally inclined colleagues, SafeMoneyMetrics™ would probably not exist. Thank you.

## Related Sites and Services

### Sanctity Capital Management – Managed Futures

<http://www.sanctity.com>

Limited risk investment management and business development for sophisticated investors, hedge funds, institutions and advisors. All strategies use SafeMoneyMetrics. Sanctity has library links to traditional educational resources in managed futures. Health, spirit and philosophy libraries are also included.

### SafeMoneyMetrics™

<http://www.safemoneymetrics.com>

Managed Futures: A risk and investment management service that optimizes potential returns by preventing ill-fated losses. Mini courses, articles, investment guides.

### SafeMoneyMetrics™ Affiliate Program

<http://www.safemoneymetrics.com/affiliate.html>

Optimize potential returns with SafeMoneyMetrics™. Editorial content, investment guides, affiliate program. Free mini courses, monthly articles, advisor rankings.

### Analysis SafeMoneyMetrics™

<http://analysis.safemoneymetrics.com>

SafeMoneyMetrics™ advisor analysis on-line. You can analyze any advisor for \$30.00 and any multi-advisor strategy for \$45.00. Annual subscriptions are \$595.00 and offer unlimited usage. Annual leases are \$3000. You benefit from a private label platform and can sell unlimited subscriptions and direct usage keeping 80% of the gross revenue.

### CTA-Reports SafeMoneyMetrics™

<http://cta-reports.safemoneymetrics.com>

Get a SafeMoneyMetrics™ report on any advisor in the data base. Use the SafeMoneyMetrics™ CTA Rankings to isolate advisors with good relationships between their Net and Funding Level Ratios then get complete analysis on each. The service is our gift to investors.

### Advisorpage

<http://www.advisorpage.com>

Creative intelligence for registered investment advisors

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