

CFTC Risk Disclosure Statement

THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.

IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THE DISCLOSURE DOCUMENT CONTAINS A COMPLETE DESCRIPTION OF THE PRINCIPAL RISK FACTORS AND EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR ("CTA").

THE REGULATIONS OF THE COMMODITY FUTURES TRADING COMMISSION ("CFTC") REQUIRE THAT PROSPECTIVE CUSTOMERS OF A CTA RECEIVE A DISCLOSURE DOCUMENT WHEN THEY ARE SOLICITED TO ENTER INTO AN AGREEMENT WHEREBY THE CTA WILL DIRECT OR GUIDE THE CLIENT'S COMMODITY INTEREST TRADING AND THAT CERTAIN RISK FACTORS BE HIGHLIGHTED. THIS DOCUMENT IS READILY ACCESSIBLE AT THIS SITE. THIS BRIEF STATEMENT CANNOT DISCLOSE ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY MARKETS. THEREFORE, YOU SHOULD PROCEED DIRECTLY TO THE DISCLOSURE DOCUMENT AND STUDY IT CAREFULLY TO DETERMINE WHETHER SUCH TRADING IS APPROPRIATE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. YOU ARE ENCOURAGED TO ACCESS THE DISCLOSURE DOCUMENT BY CLICKING THE LINKS PROVIDED AT [FORMS.ALTAVRA.COM](https://forms.altavra.com). YOU WILL NOT INCUR ANY ADDITIONAL CHARGES BY ACCESSING THE DISCLOSURE DOCUMENT. YOU MAY ALSO REQUEST DELIVERY OF A HARD COPY OF THE DISCLOSURE DOCUMENT AT [FORMSBYMAIL.ALTAVRA.COM](https://formsbymail.altavra.com), WHICH WILL ALSO BE PROVIDED TO YOU AT NO ADDITIONAL COST. THE CFTC HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN ANY OF THESE TRADING PROGRAMS NOR ON THE ADEQUACY OR ACCURACY OF ANY OF THESE DISCLOSURE DOCUMENTS.

QUESTIONS OR COMMENTS: PLEASE EMAIL CLIENTSERVICES@ALTAVRA.COM OR CALL 1-800-998-7870.

For up-to-date performance information on 90+ managed accounts, please access the alternative investment database*.

To access the database:

1. Request a pin number at altavra.com.
2. After you receive your pin number, you can access the database at portfolio.altavra.com.
3. In the database, click on "List of Programs" at the top of the page to view all of the programs in the database.

*PLEASE NOTE: There is no fee to access the database. This is not a trial access. The pin number does not expire.

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Crescent Bay Capital Management

Program Objectives

Crescent Bay Capital Management's ("the Advisor") trading programs seek to generate high risk –adjusted returns in both up and down markets through trading in selected commodity interests. The Advisor relies on proprietary systematic trading models that its principal has extensively developed and tested in-house. These models operate 75% systematically and 25% discretionary.

The trading methods applied by Crescent Bay Capital are both proprietary and confidential. As a result, the following discussion is of necessity general in nature and not intended to be exhaustive. Crescent Bay Capital intends to regularly evaluate its trading methodology and retains the discretion to revise any method or strategy, including the technical trading factors used, the commodity interests traded and/or the money management principles applied. Such revisions, unless deemed materials, will not be made known to clients.

Crescent Bay Capital's primary goal is to generate consistent and positive returns while limiting draw-downs and volatility. Their secondary goal is to maintain a low degree of correlation with respect to other Commodity Trading Advisor ("CTA") programs, hedge funds, S&P 500 index, and investment benchmarks in general. The Advisor attempts to accomplish this secondary goal by employing trading methods that it believes are different from those of other investment managers thereby offering investors an approach that may not already be represented in their portfolios. Investors have long turned to CTA's for diversification but in the view of the Advisor, emulating other CTA's does not increase diversification *within* the sector.

Program Description: Balanced Volatility Program (BVP)

The objective of the Balanced Volatility Program is to achieve substantial capital appreciation through the speculative trading of options on futures contracts using "Non-Directional" proprietary strategies. A secondary objective of the Balanced Volatility Program is to offset volatility risks, which are inherent in short option or premium selling programs, while offering the benefits of an absolute return strategy. The Balanced Volatility Program works well as a hedging tool when combined with a premium-selling program such as the Premium Stock Index Program or as a standalone investment.

It is well documented that selling premium (short options) is profitable in quiet or low volatility markets, however, when volatility increases sharply, many months or even years of profit can be lost if risk is not properly managed.

The foundation of the strategy used in the Balanced Volatility Program blends various short and long options to create an overall position that is buffered from increases in volatility. Furthermore, positions are strategically placed across different calendar months providing an overall net long volatility position. These core elements combined with a robust adjustment protocol result in a balanced strategy.

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Positions are placed using proprietary strike level and ratio algorithms to achieve a strategy that can be profitable in flat or volatile market conditions. Stop limits derived as a function of account value and real-time monitoring of positions are the primary risk controls. Furthermore, the Balanced Volatility Program only participates in high liquidity markets (currently the S&P 500 E-mini and Pit option contracts).

Program Description: Premium Stock Index Program (PSIP)

The objective of this strategy is to achieve capital appreciation through the speculative trading of option on futures contracts. This objective can entail a comparatively high level of risk. Crescent Bay Capital currently engages in this strategy of selling or “writing” put and call options on stock index futures. However, in the future, the Advisor may trade a broader portfolio of options and futures contracts, including agricultural, metals, currencies, and financial instruments. Each of Crescent Bay Capital's clients will receive advance notice, before having their account traded in any other type of commodity interest other than the stock index futures and options. Crescent Bay Capital may trade commodity future and option contracts on any United States exchange.

Crescent Bay Capital's option strategy collects premiums by writing (selling) out-of-the-money options. The seller (writer) of the option risks losing the difference between the premium received for the option and the price of the underlying futures contract. Trades are usually made 30-45 days from expiration. The goal is to exit the positions before expiration at an “opportunity cost” profit stop. This profit stop is based on the logic that underlying futures moves can accelerate the profit potential of the position. For example, if an option is sold 40 days out from the expiration date and a market move occurs which results in a 70% profit after only 5 days, the position would be covered and the profit realized. This allows for the sale of a new option (still 35 days out from expiration) and the opportunity for increased returns, rather than waiting 35 days to capture the remaining 30% of the initial premium.

What makes Crescent Bay Capital's strategy unique is that historical prices are not used to establish positions, and a short-term trend indicator is used to help reduce the probability of selling options against a negative trend. The majority of methods used by advisors are based on the assumption that historical price data can predict future prices. While the use of historical price data has shown to be profitable, the Advisor believes deeper draw-downs and lower accuracy are generally the result of this type of analysis. Crescent Bay Capital uses the future perceived value in its proprietary algorithms, derived from the current month option expiration, to determine the strike price at which options are sold. In addition, position sizing methods are employed to optimize risk-adjusted returns by balancing put/call exposure.

The profitability of a trading system consisting of selling (“writing”) uncovered options on an index depends on the price movement of the index. If the Advisor writes calls on an index, and the calls are not bought in before their expiration, the strategy will be profitable if the index is below the strike price of the call when the call expires. If the index is above the strike price of the call when the call expires, the strategy may produce a potentially unlimited loss.

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If the Advisor writes a put on an index, and the puts are not brought in before their expiration, the strategy will be profitable if the index is above the strike price of the puts when the puts expire. If the index is below the strike price of the puts when the puts expire, the strategy may produce an unlimited loss.

In order to manage risk and mitigate losses, Crescent Bay Capital will attempt to buy back (cover) options before expiration if stop loss levels are exceeded or will take a position in the underlying futures contract when extreme volatility conditions arise. This underlying position hedges against additional position risk until volatility diminishes.

The descriptions above are from the manager's disclosure document.