

SafeMoneyMetrics™

A Brief Overview



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1. What is SafeMoneyMetrics™ (SMM)?

SafeMoneyMetrics™ (SMM™) is a managed futures risk, investment management and research service. It prevents ill-fated losses by revealing risk and pertinent information that would otherwise remain concealed. The unsurpassed potential of managed futures is optimized when information revealed by SMM™ is integrated into any traditional analytical process.

SafeMoneyMetrics™ evolved from principles found in hedging. It is a direct approach to identifying, evaluating and monitoring capital at risk relative to the realized return and volatility of any investment that uses high leverage. SafeMoneyMetrics™ isolates a precise relationship between an investment's ability to manage open trade risk and how that translates into realized profits. SafeMoneyMetrics™ can be applied to variable time frames, markets and performance data including individual trade analysis.

SMM also provides early warning of strategy imbalances relative to current market conditions. [SafeMoneyMetrics™ advisor rankings](#) offer accurate comparison of investments over a broad spectrum of strategies and market traded. [SafeMoneyMetrics™ Indexes](#) offer a meticulous strategy for benchmarking and investment timing.

2. How Does SMM Differ From Traditional Analysis?

SafeMoneyMetrics™ has no relationship to any other analytical process; therefore it can be comfortably integrated into any process. The composite will provide a risk management foundation that is superior to either component.

Fundamental paradigms of reality currently 'believed' as 'truth' are used to determine investment value. Because the paradigms of reality are based on 'erroneous beliefs', they are unknowingly causes of unwanted loss. SafeMoneyMetrics™ offers a few solutions that can prevent uninvited misfortune.

Consider a few facts:

- Past rate of return is the foremost element for evaluating investments. A decision to invest evolves from a statistical and analytical process that includes past rate of return data.
- How past rate of return is calculated has no relevance to the Capital at Risk used to produce the rate of return. This fundamental error is only one more CAUSE of poor decisions. **For example:** Rate of return (ROR) is calculated using realized and unrealized profit and losses, interest income minus costs and the "nominal account size". The nominal account size is defined as "the account size agreed to by the client that establishes the level of trading in that program." With all due respect, how do performance calculations based on a nominal account size facilitate prudent evaluation of trading talent? Although advisors vary, many only use anywhere between 3% and 10% of the advisors required account size for trading. Also unrealized profits have no value to a client until they are realized and interest income is NOT a trading return earned from capital at risk.

- Past rate of return data also has no relevance to current reality and potential future results. We cannot rely on past rates of return to tell us the capital at risk or potential returns we face in the future. Nor does past rate of return give us insight into the stamina or mental acumen of our traders! The full moon has more value and influence! **For Example:** Past rate of return on a derivative investment is nothing more than a financial scorecard that measures human skill successfully applied within a specific situation. The situation that allowed success partially includes market condition, perceived "trade-setup" within the market condition relative to an ability to perceive and act effectively at that specific moment. That particular situation with all detail is forever gone and will never repeat itself.
- Remember it is only exceptional trading talent applied to a specific market condition that creates rate of returns for managed derivatives, nothing more or less. Evaluating human talent clearly requires different considerations than evaluating stock or bond returns.
- No one owns, nor will they ever own a portfolio of individual commodity futures as they would own a portfolio of individual stocks and bonds. There is no relevance to the comparison. Therefore any commodity indexes, especially indexes of managed derivative investments, used as Benchmarks and applied to evaluating managed derivatives should be selectively considered.
- Contrary to emerging "beliefs" managed derivatives are NOT a hedge and DO require strict risk management supervision.
- The infamous Standard Deviation, also calculated using past rate of return only measures volatility of past return. Volatility is easily manipulated by account size and is dramatically influenced by unrealized trading returns. Both account size and unrealized returns have no relationship to capital at risk relative to realized returns. Also larger accounts usually have less volatility, which is a function of account size NOT trading talent.

Questions to ask are: How do larger accounts equate with evaluating trading talent? Who decided that big is good?

SafeMoneyMetrics™ focuses on the analysis of variables that are directly meaningful and consistent in current reality. Because it only measures and analyzes real risk relative to real return it produces cleaner data and a more accurate look at forces that effect investment returns. Returns are a scorecard or results of a good strategy. SafeMoneyMetrics™ focuses on risk management at the causal level. When the cause of a negative event is eliminated, the event ceases to exist.

Article #43 How to Select SafeMoney Advisors precisely details the benefits of applying SafeMoneyMetrics™ to the advisor selection process.

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

Because the four phases of SafeMoneyMetrics™ are too much content for one document, this section refers you to the detailed descriptions of each phase. All in PDF format you can read at your leisure.

3. How Does SMM Work?

There are five stages to SafeMoneyMetrics™.

- Stage One:

CTA Industry Indexes: SafeMoneyMetrics™ CTA Indexes are useful for evaluating industry trends in profitability relative market sector, trading style, average account size and capital at risk. Currently specific sector trends are represented by each index. SMM™ is available for application to any data base via license agreement. SMM™ Indexes are useful for timing and benchmarking individual investments. The SMM™ Index Definitions document offers complete details.
<http://www.safemoneymetrics.com/indexes.html>

- Stage Two:

Advisor Rankings: Updated and published monthly are the TOP 100 Advisors in the data base. The rankings definitions document details the SafeMoneyMetrics™ calculations and benefits. You can download rankings and definitions at <http://www.safemoneymetrics.com/rank.html>

- Stage Three:

Preliminary Advisor Analysis: Soon to be on-line, this stage analyzes single advisors for \$30.00 or allocates a multi-advisor portfolio of up to five advisors for \$45.00. Definitions and graphic demonstrations are located at: <http://analysis.safemoneymetrics.com>

- Stage Four:

Portfolio Management System: Using the same principles throughout SafeMoneyMetrics™, Multi-Advisor Portfolio Construction is a custom analysis that integrates and optimizes up to five advisors and four allocations. SafeMoneyMetrics™ optimizes using benchmarks internal to SMM such as the Reward to Variability Ratio, SMM CTA Ranking averages and SMM™ Indexes. WHY only SMM™ is explained in a free investment guide called Standards for Advisor Evaluation. Standards details the principles on which SMM™ was built. You can download the document from <http://www.safemoneymetrics.com>. SMM™ not only monitors the portfolio selected, but it will continually monitor the unused allocations for as long as the account stays open. (Part of the Risk Management service.)

- Stage Five:

Risk Management: When each multi-advisor portfolio starts trading, every trade is entered into a client's individual risk management file. SafeMoneyMetrics™ continually evaluates the composite trading results, each trader within the composite and every market traded by each trader. Realized profitability, unrealized and how current performance of each market correlates with each other. Results are monitored and evaluated relative to the "benchmarks" established with the original portfolio.

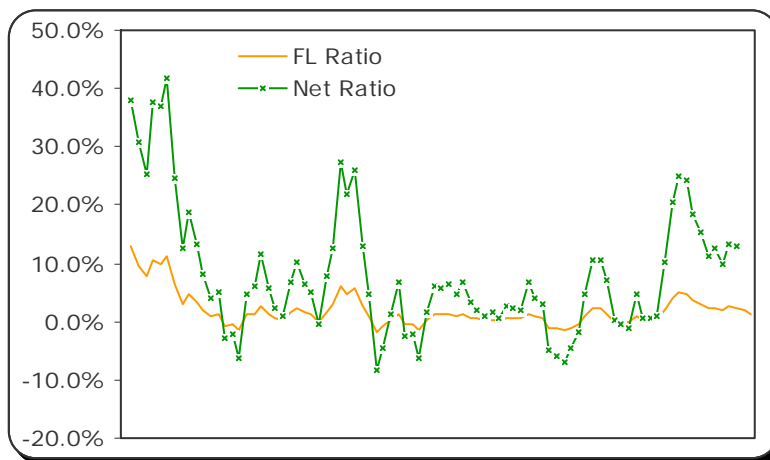
The trading results for each advisor and each market are graphically seen. A

simple demonstration can be located at:

<http://www.safemoneymetrics.com/documents/client-demo.pdf>

SafeMoneyMetrics™ always evaluates percentages called ratios and relationships between them. The analysis consistently evaluates cost and capital at risk relative to volatility and return. The volatility of open trade risk translated into realized return is consistently evaluated. SafeMoneyMetrics™ can evaluate every event or trade within a strategy. It does this by constantly correlating two basic ratios over variable time frames. Time frames are determined by the strategy being evaluated.

For example: if two composite investment ratios widen whereas the realized ratio is declining in value and the volatility ratio is increasing - a weakening efficiency of the strategy is indicated. It is losing ability to potentially profit under current market conditions.



Analysis is then extended into each advisor, then each market traded by each advisor to see where the weakness is under current market conditions. One advisor within a composite strategy or one market traded by one advisor can dramatically undermine a composite return. The differential between ratios is analyzed using a variation of the reward to variability ratio.

The document On-Line Definitions details how each ratio is calculated and the purpose it serves. Demo reports are included.

<http://analysis.safemoneymetrics.com>

Traders using SafeMoneyMetrics™ can improve their potential profitability. SMM™ can monitor the correlation of returns between markets. Also, if ratios are too low or high in one market traders can easily adjust the allocation to that market. If traders can quantify WHY they decided to take a trade SafeMoneyMetrics™ becomes a superb system for evaluating the quality of every decision under current market conditions, relative to the optimum of what 'should be'. We call what 'should be' a trader's internal benchmark. Traders have instant feedback and can continually update and maintain optimal performance under current market conditions. SafeMoneyMetrics™ then becomes an exceptional research partner. Too

many systems fail because people 'expect the markets to be what they once were,' this expectation goes against all of nature. Nature teaches us that all life constantly changes.

All forms in nature created by the Spirit that precedes all form are eventually released (called death). The Spirit or Cause of all life as we 'see it' is eternal. That's exactly what happens to investment strategies only client money is 'released' or lost! SafeMoneyMetrics™ provides early warnings of strategy imbalances and many ill-fated losses can be prevented.

The ONLY cause for success is a trader's consciousness and trading skill under current market conditions. SMM evaluates consciousness and skill, nothing else matters!

4. What are Internal Benchmarks and Why Did You Create Them?

An internal benchmark is an achievable objective, or self-imposed standard within the investment, rather than external to it. **WHY?** Unlike equities, managed futures have NO 'real' external benchmark. A 'real' benchmark would be a passive counterpart of the investment equal in strategies used, markets selected and risk/return to the investment being considered. The words 'equal to' must be mathematically quantified. We not only have NO real benchmarks, what we do have is calculated using irrelevant information. Our 'trusty' old friend past performance data!

Article #44 First Cause Risk Management for Optimal Profitability precisely details how the 'belief' of benchmarks in managed futures is a colossal cause for ill-fated losses.

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

We created the "internal benchmark" application. It represents a standard defined and previously delivered by the advisor. Similar to sports, each athlete competes only with his personal best. The benchmark is used to monitor a self-imposed standard relative to current reality and future potential.

For Example: Assume we contract an advisor that delivered between 20% and 35% annually over several years. Without wasting energy processing information that we have no control over such as how the strategy was built, will it function in current market conditions and numerous other factors we won't bore you with; we can track current realized profits relative to capital at risk within any market and time frame. If current results deviate from the "internal benchmark" by pre-defined values, either up or down, and trend analysis decision rules trigger specific actions. Choice of actions could include, distributing profits, adding capital, leveraging or de-leveraging the account and possibly changing the advisor.

Comparing ourselves to someone or something external to our highest potential (benchmark) weakens us because it goes against the power of nature. If we can teach this to others, the planet will change in an hour.

"An Oak tree need not compare itself with an Elm to know its own greatness as an Oak." - MJJ

5. What are the Benefits of SMM?

Basically SafeMoneyMetrics™ prevents substantial loss for all people at lower cost and risk than anything tradition currently offers. SafeMoneyMetrics™ builds long-term trust and comfort between trading advisors, investment sponsors and our marketplace. SafeMoneyMetrics™ will preserve the personal and financial integrity for several generations of people that are currently and will be using our industry!

People who use SafeMoneyMetrics™ systems can create a higher quality investment at lower cost and risk. As SafeMoneyMetrics™ appropriately becomes integrated with what is currently offered by the industry, traders and investment sponsors with negative intentions and inaccurate analytical applications will eliminate themselves! Their SafeMoneyMetric™ ratios will not be competitive enough to stay in business.

6. How Do Distributors of SMM Benefit?

Because there are no registration requirements for marketing SMM™, we created the Always SafeMoney Affiliate Program. The Affiliate Program can be especially profitable for investment and financial media, commodity exchanges and trade associations, futures commission merchants, commodity trading advisors and pool operators, hedge funds that use managed futures, free lance writers, broker-dealers, independent advisors and financial service professionals involved with asset management. Investors as referral affiliates, investment clubs and sponsors of investment clubs can also benefit.
<http://www.safemoneymetrics.com/affiliate.html>

SafeMoneyMetrics™ can also be used directly by each institution and offered through your client network. It easily integrates into any managed futures/derivatives division as a risk, investment management, compliance and business development service. Clients elect and pay for the service, so there are no out of pocket costs.

7. What is the Standards for Advisor Evaluation Guide?

The Standards for Advisor Evaluation guide is complimentary. It details the doctrine of SafeMoneyMetrics™ and why it works. You can download a copy at <http://www.safemoneymetrics.com>

8. What is Always SafeMoney and the Benefits?

The National Futures Association suggested that SafeMoneyMetrics™ (SMM) be separated from Sanctity Capital Management because all SafeMoneyMetrics™ services were exempt from registration. Anyone could use or market SMM™ or any SMM™ research or educational service developed. The Preliminary Advisor Analysis on-line project prompted ideas that evolved into the Always SafeMoney Affiliate Program. We then decided to change the format and name of the Sanctity monthly article series to Always SafeMoney.

The Always SafeMoney Affiliate Program has a 25% commission structure. The fee structure was developed to accommodate mass marketing through groups. The 25% can be a customized split for broker-dealers, futures commission merchants, commodity exchanges, banks clearing other banks involved with asset management, investment media including web sites, trade magazines and other institutions that have a network of marketing agents. When there is no Referral Fee involved, any affiliate can keep the total 25% commission for him or herself.

Complete details on the affiliate program including service and revenue profiles can be located at: <http://www.safemoneymetrics.com/affiliate.html>

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9. Who Are the People? - Alphabetically listed



Marlee-Jo Jacobson is the founding partner of Sanctity Capital Management, SafeMoneyMetrics™ and Always SafeMoney, their philosophy and practical application. Marlee-Jo is second generation in futures & was an active trading member of the New York Mercantile Exchange through 1980 & non-trading member until 1988. Jacobson Commodities was a clearing member firm of the New York Mercantile Exchange and from 1970 until 1980 she designed hedge strategies & managed discretionary accounts. From 1980 to 1984 Ms. Jacobson was an account executive at Merrill Lynch specializing in clearing services for Commodity Trading Advisors, Pool Operators and Broker-Dealers building key accounts of over \$5 million. MJ has attended the New York Institute of Finance, New York University and the Institute of Neurolinguistic Programming.

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Christian Ramsey is founder of <http://resources.advisorpage.com>, a web business dedicated to tracking resources and developments within the financial services industry. Mr. Ramsey is a licensed Securities Broker with over 9 years between Wells Fargo Securities, Securities America and Foothill Securities and QA3 Securities. He has also functioned as a inside wholesaler for a local Sacramento, California RIA for approximately six years and as an outside wholesaler for a national third party money manager for 2 years. Currently Mr. Ramsey is an Independent Financial and Estate Planner and a Registered Investment Advisor.

Value: Project Manager for On-line Advisor Analysis, Electronic Business development within the traditional financial services community and partial technology support. Christian (PST) 916-233-6010

The End

Related Sites and Services

Sanctity Capital Management

<http://www.sanctity.com>

Limited risk investment management and business development in managed futures. 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>

A risk and investment management service for managed futures, that optimizes potential returns by revealing information that can prevent ill-fated losses. Mini courses, articles, rankings, indexes, editorial content, investment guides.

SafeMoneyMetrics Affiliate Program™

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

An affiliate program developed to disseminate SafeMoneyMetrics™ and related

services to the marketplace. There are no registration requirements. The service is useful to national and international financial professionals, institutions, media, financial web sites, associations as a benefit to membership and vendors of traditional software. Compensation is 20% of gross revenue generated from several services of which advisor analysis is one.

Advisor Analysis

<http://analysis.safemoneymetrics.com>

SafeMoneyMetrics™ Advisor Analysis is an interactive on-line risk management service that optimizes potential returns in managed futures by revealing information that can prevent ill-fated losses. It is useful to investors, investment professionals, hedge funds and institutions.

CTA-Reports

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

Our gift to the managed futures marketplace.

AdvisorPage

<http://resources.advisorpage.com>

Creative intelligence for registered investment advisors.

Indexes are published monthly at

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

Rankings are published monthly at

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

Feel FREE to pass this guide to everyone that you think can benefit. Included are independent financial advisors, broker- dealers, and futures industry people. You can financially benefit by joining the affiliate program

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