

# SafeMoneyMetrics®

## A Brief Overview



1. What is SafeMoneyMetrics® (SMM)?	2
2. How does SMM differ from traditional analysis?	2
3. How does SMM work?	4
4. What is an internal benchmark and why did you create it?	6
5. What are the benefits of SMM?	7
6. How do distributors of SMM benefit?	7
7. What is the Standards for Advisor Evaluation guide?	7
8. What is the affiliate program and its' benefits?	8
9. Who are the people involved with SMM?	9
Contact Information	10

Courtesy of:  
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## 1. What is SafeMoneyMetrics® (SMM)?

SafeMoneyMetrics® (SMM®) is a managed futures risk, investment management and research service. It reduces and can prevent unforeseen 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. It isolates a precise relationship between an investment's ability to manage open trade risk and how that translates into realized profits. The analysis 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, based on their ability to profit relative to actual capital at risk used. [SafeMoneyMetrics® Indexes](#) offer a strategy for evaluating the pulse of an industry by sector and account size.

## 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 many unwanted losses. 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 "minimum account size". The minimum account size is defined as "an account size that advisors require for trading." With all due respect, how do performance calculations based on a minimum account size facilitate prudent evaluation of trading talent? Although advisors vary, many only use anywhere between 3% and 10% of the minimum 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 rate of return data to inform us of 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 managed futures account 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 produces any rate of return for managed futures, nothing more or less. Evaluating human talent clearly requires different considerations than evaluating the price movements of stocks or bonds.
- 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 futures accounts, used as benchmarks and applied to evaluating managed futures should be selectively considered.
- Contrary to emerging "beliefs" managed futures are NOT a hedge, or investment 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 actual capital at risk relative to real return, it produces cleaner data and a more accurate look at forces that effect profitability. 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 #39 How to Select SafeMoney Advisors](#) precisely details the benefits of applying SafeMoneyMetrics® to the advisor selection process.

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 to save and read at your leisure.

### 3. How does SMM work?

There are five stages to SafeMoneyMetrics®.

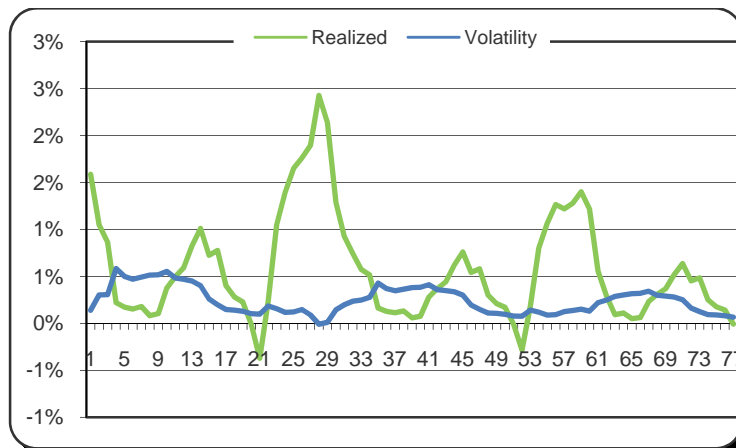
- **Stage One:**  
**CTA Industry Indexes:** [SafeMoneyMetrics® CTA Indexes](#) are useful for evaluating industry trends in profitability relative market sector, trading style, average account size and capital at risk. Currently specific sector trends are represented by each index. SMM® is available 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.

- **Stage Two:**  
**[Advisor Rankings](#):** Updated and published monthly are the TOP 300 Advisors in the data base. The [rankings definitions document](#) details the SafeMoneyMetrics calculations and benefits.
- **Stage Three:**  
**[Preliminary Advisor Analysis](#):** This stage analyzes single advisors for \$45.00 or allocates a multi-advisor portfolio of up to five advisors for \$65.00. [Download PDF demo reports and complete definitions](#)
- **Stage Four:**  
**[Client Risk Management](#):** Used after an account starts trading. Client account is monitored daily relative to the original portfolio selection (advisor analysis). The system integrates decision rules and uses internal benchmarks. [Download a PDF Demo and complete explanations.](#)

Custom analytical applications are available for institutions and as a business development strategy for futures commission merchants and broker dealers. Contact MJ 212-777-3862

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 the difference between two 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 applied to the composite portfolio then extended into each advisor within the portfolio. Custom analysis for institutions can extend analysis into each market traded by each advisor. The strategy allows us 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 [definitions document](#) and every report details how each ratio is calculated and the purpose it serves. [Demo reports for each service](#) are provided on the respective web pages.

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 unforeseen 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 #40. Managed Futures -Optimal Profitability and First Cause Risk](#) precisely details how the 'belief' of benchmarks in managed futures is a colossal cause for ill-fated losses.

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.

Our mission is to preserve the personal and financial integrity for several generations of people that are currently and will be using our industry!

## 6. How do distributors of SMM benefit?

Because there are no registration requirements for marketing SMM®, we created the [Affiliate Program](#). The Affiliate Program can be especially profitable for investment and financial media, trade associations, futures commission merchants, commodity trading advisors and pool operators, 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.

SafeMoneyMetrics® can also be used directly by each institution and offered through your client network. It easily integrates into any managed futures 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.

## 8. What is the affiliate program and benefits?

Anyone can use or market SMM® or any SMM® research or educational service. The Advisor Analysis on-line project prompted ideas that evolved into [multiple services](#). Then the [affiliate program](#) made sense.

The [Affiliate Program](#) has a 12% commission structure. The fee structure was developed to accommodate mass marketing through groups. The 12% can be a customized split for broker-dealers, futures commission merchants, IB's, 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 12% commission. Download complete details on the [affiliate program including an excel file](#). You can evaluate revenue potential for your situation.

9. The people, alphabetically listed.



**Marlee-Jo Jacobson** is the founder of SafeMoneyMetrics®. MJ 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. MJ 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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**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

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