SN VALUATION
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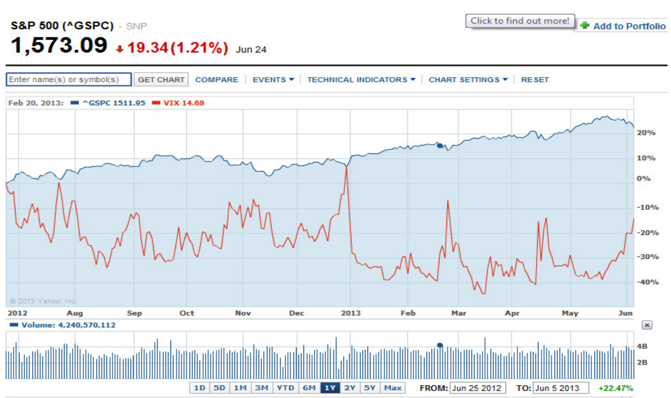
SBJ and VIX/SVXY

We are not a long only operation. We believe we should use every weapon available at our disposal to win our battle for +15% real annual return. So, when the market becomes bearish, we should short stocks, the index and other markets. It is difficult for retail investors to actually short stocks, and the mechanics can be difficult to understand. However, there are ETFs available in the market that can expose the investor to the shorts with minimal effort.

ProShares Short High Yield (SBJ) is a short on the high yield bond market. This is a great instrument to get into as we are in, or approaching the FI market inflection point. Although the interest rate will not change drastically as feared as a result of the tapering, there will be a change in direction, as rates climb higher. We know as rates increase, the price of FI decreases. The increasing inflation rate will encourage further restrictive monetary policies.

Courtesy: Yahoo Finance

VIX is a great fear gauge in the equities market, and can act like a short on the index. Although it is not perfectly correlated, it does provide short exposure. **SVXY** is the inverse. VIX is much more volatile than the market.



Courtesy: Yahoo Finance

Although these one off bets are not the main operations of our investment strategy, they help to generate additional alpha, while hedging some of the losses.