

VOLATILITY AND THE ALCHEMY OF RISK

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MacroVoices

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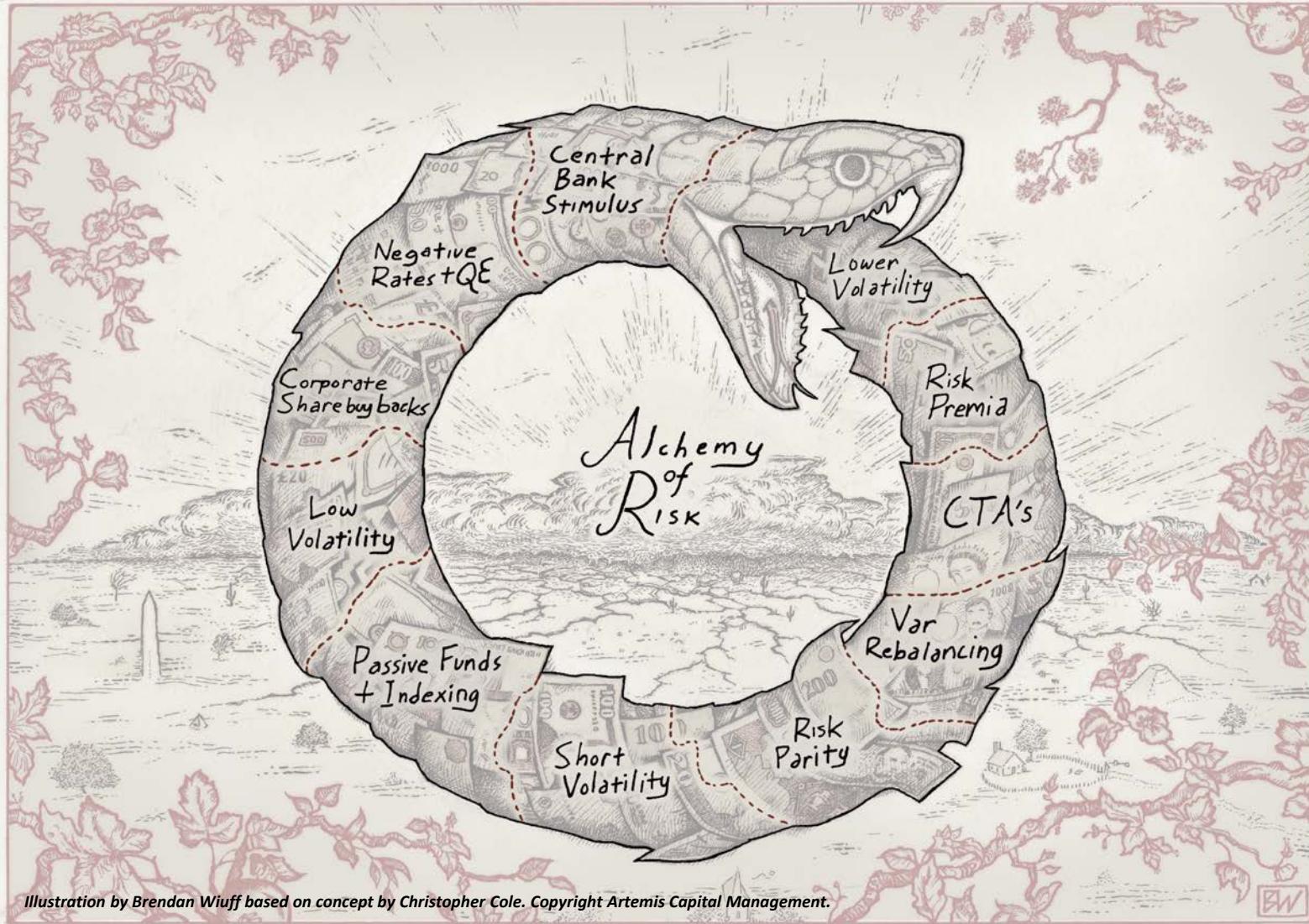
Volatility and the Alchemy of Risk

The Ouroborous is a fitting model for the financial alchemy



Illustration by Brendan Wiuff based on concept by Christopher Cole. Copyright Artemis Capital Management.

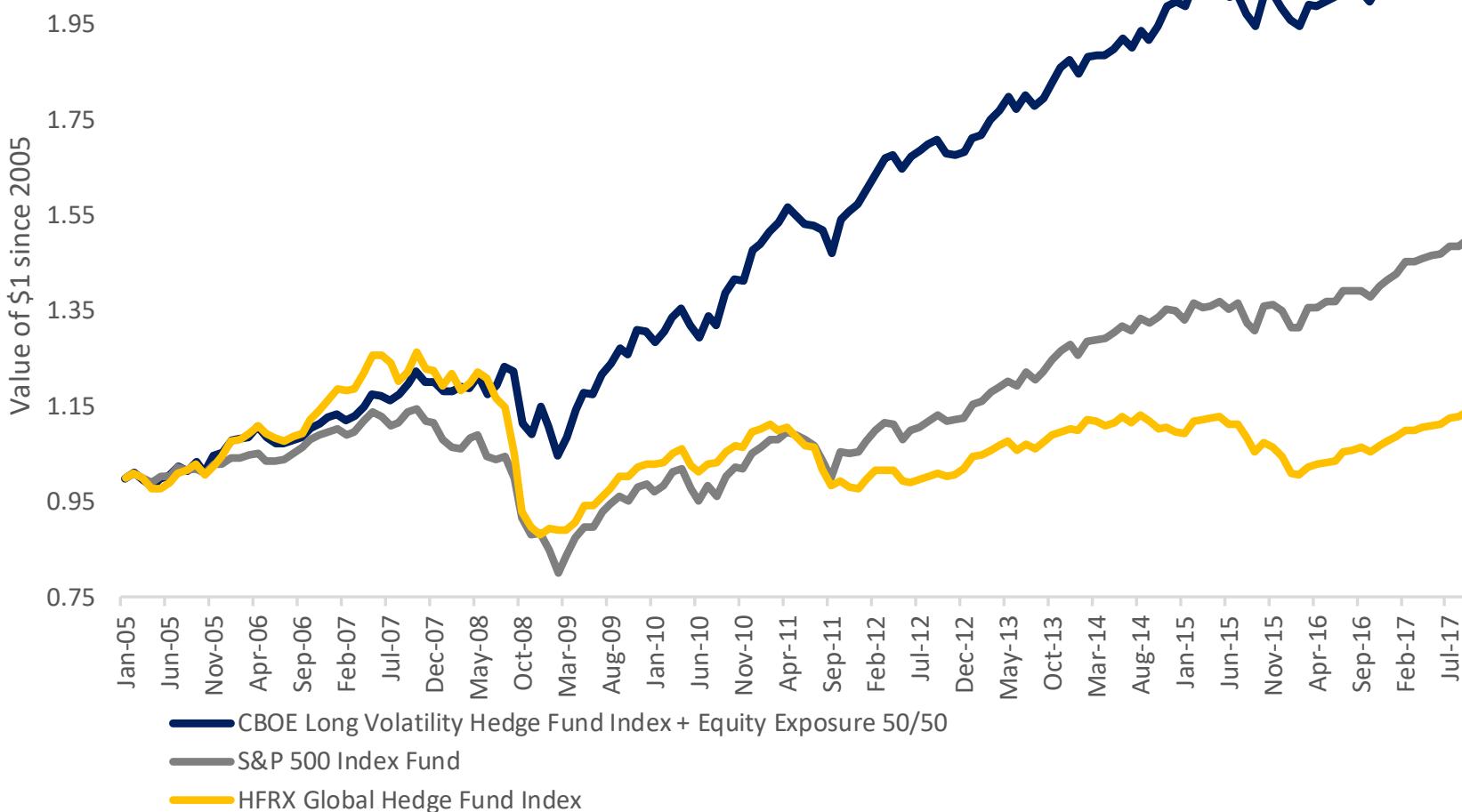
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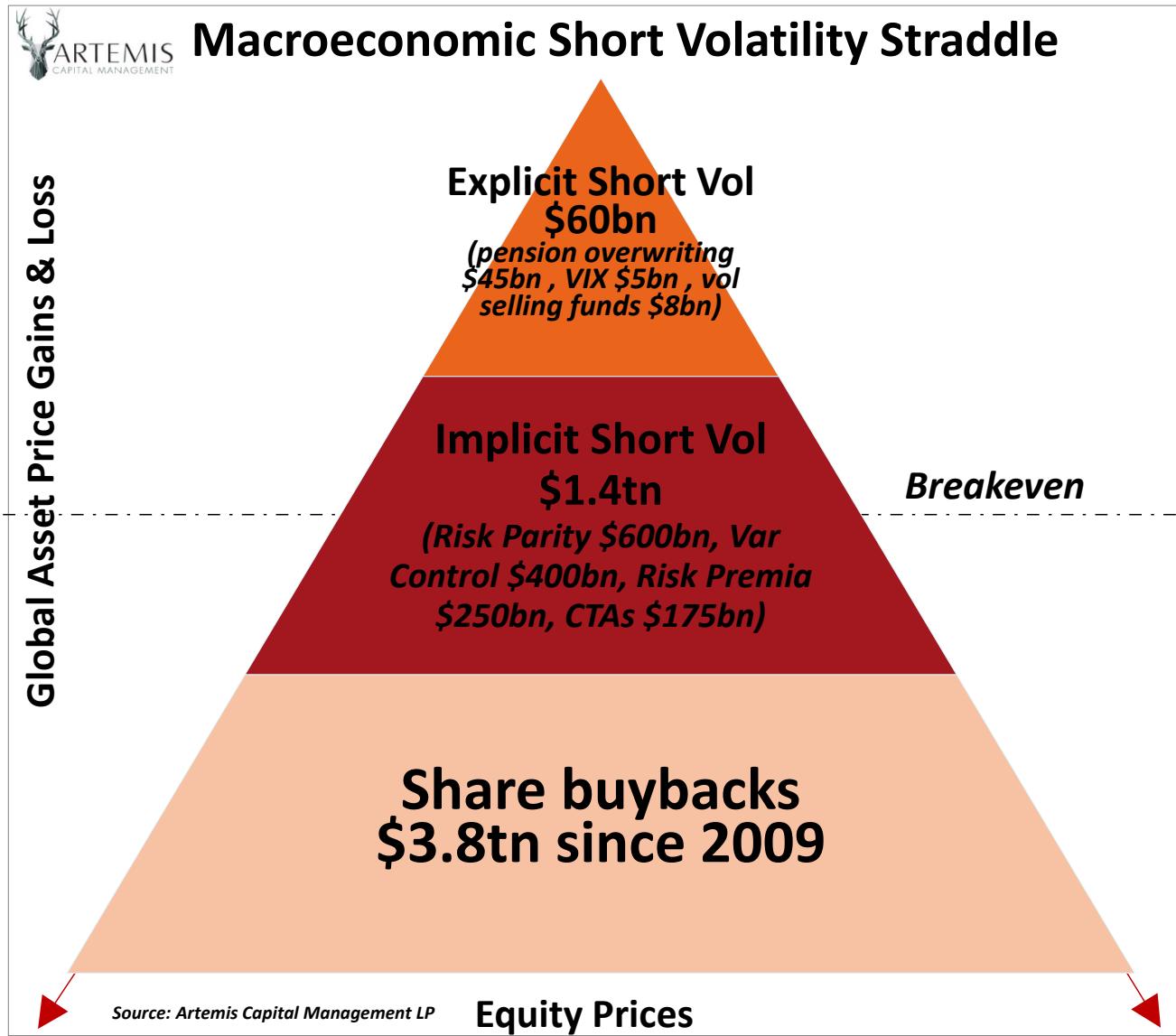
Active Long Volatility + Equity Exposure

Source: Artemis Capital Management
LP, Bloomberg

Historical Outperformance of Long Volatility Hedge Funds + Equity Exposure 2005-2017 (volatility normalized)



Great Vega Short

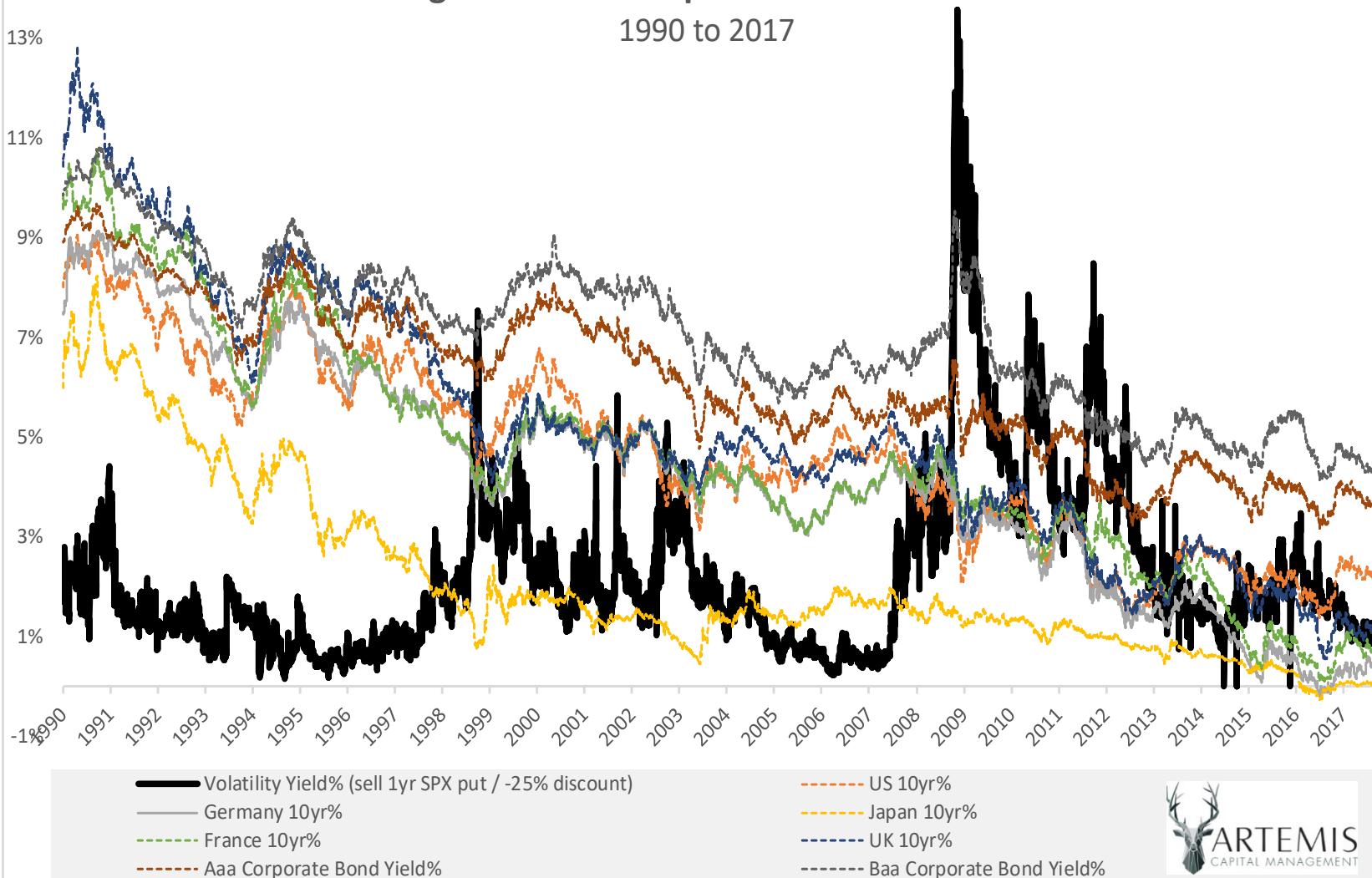


Volatility Yield Competitive with Fixed Income

Source: Artemis Capital
Management LP,
Bloomberg

Yield on Selling S&P 500 Put Option vs. Traditional Fixed Income

1990 to 2017

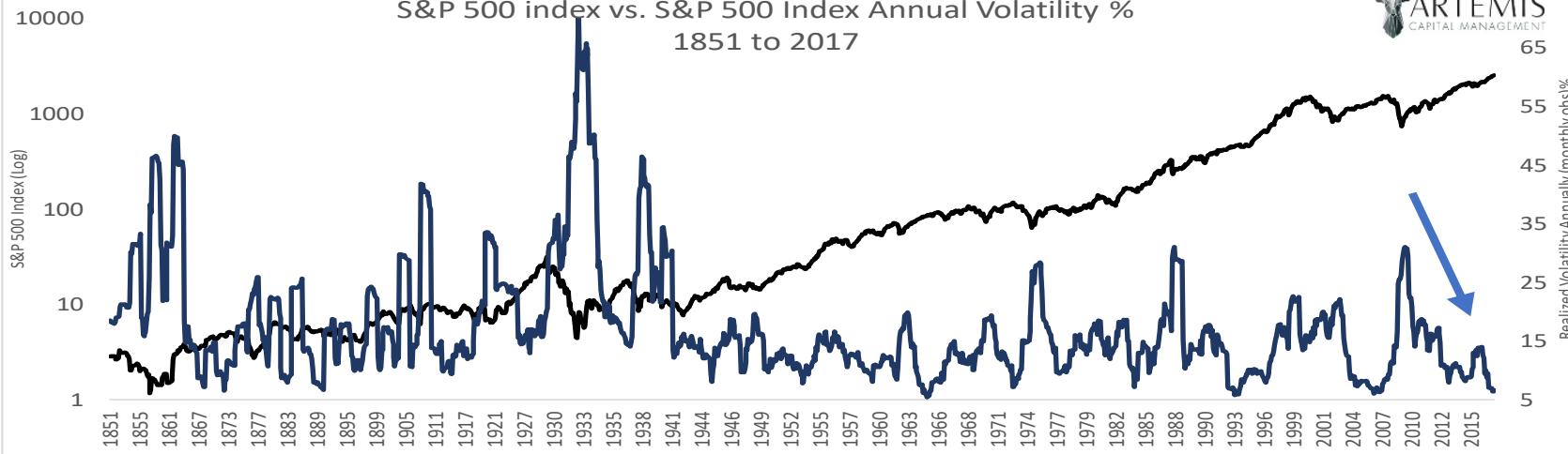


Volatility and the Alchemy of Risk

Source: Artemis Capital Management
LP, Bloomberg

Volatility of Equity at Generational Lows

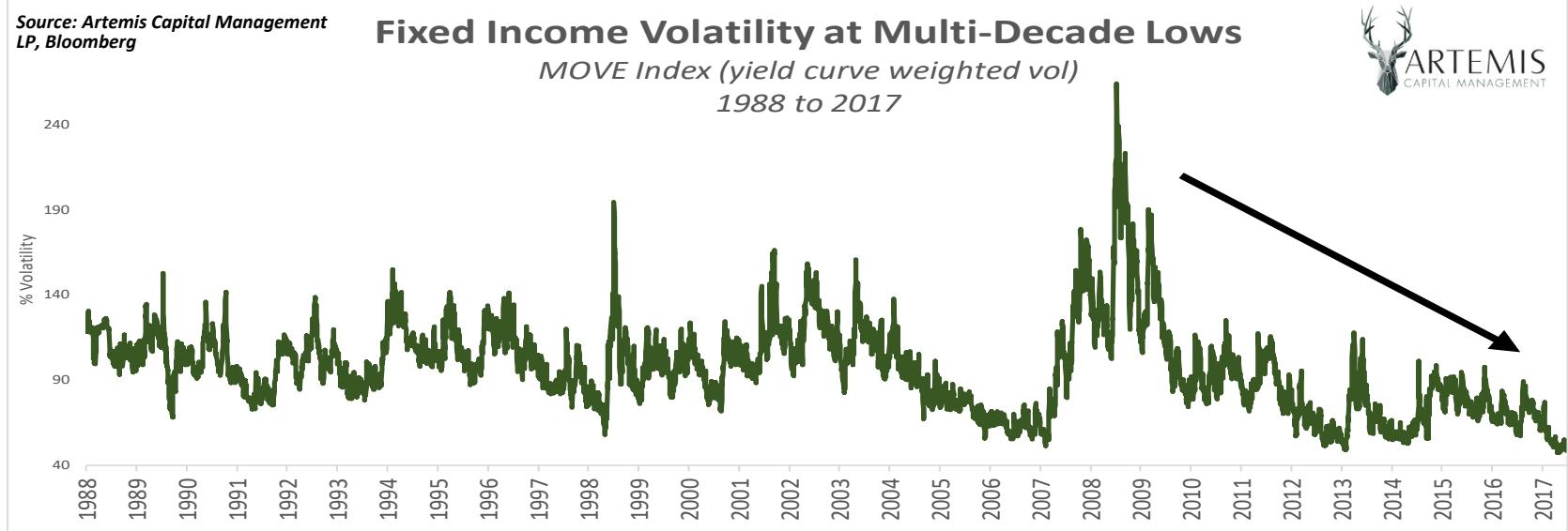
S&P 500 index vs. S&P 500 Index Annual Volatility %
1851 to 2017



Source: Artemis Capital Management
LP, Bloomberg

Fixed Income Volatility at Multi-Decade Lows

MOVE Index (yield curve weighted vol)
1988 to 2017



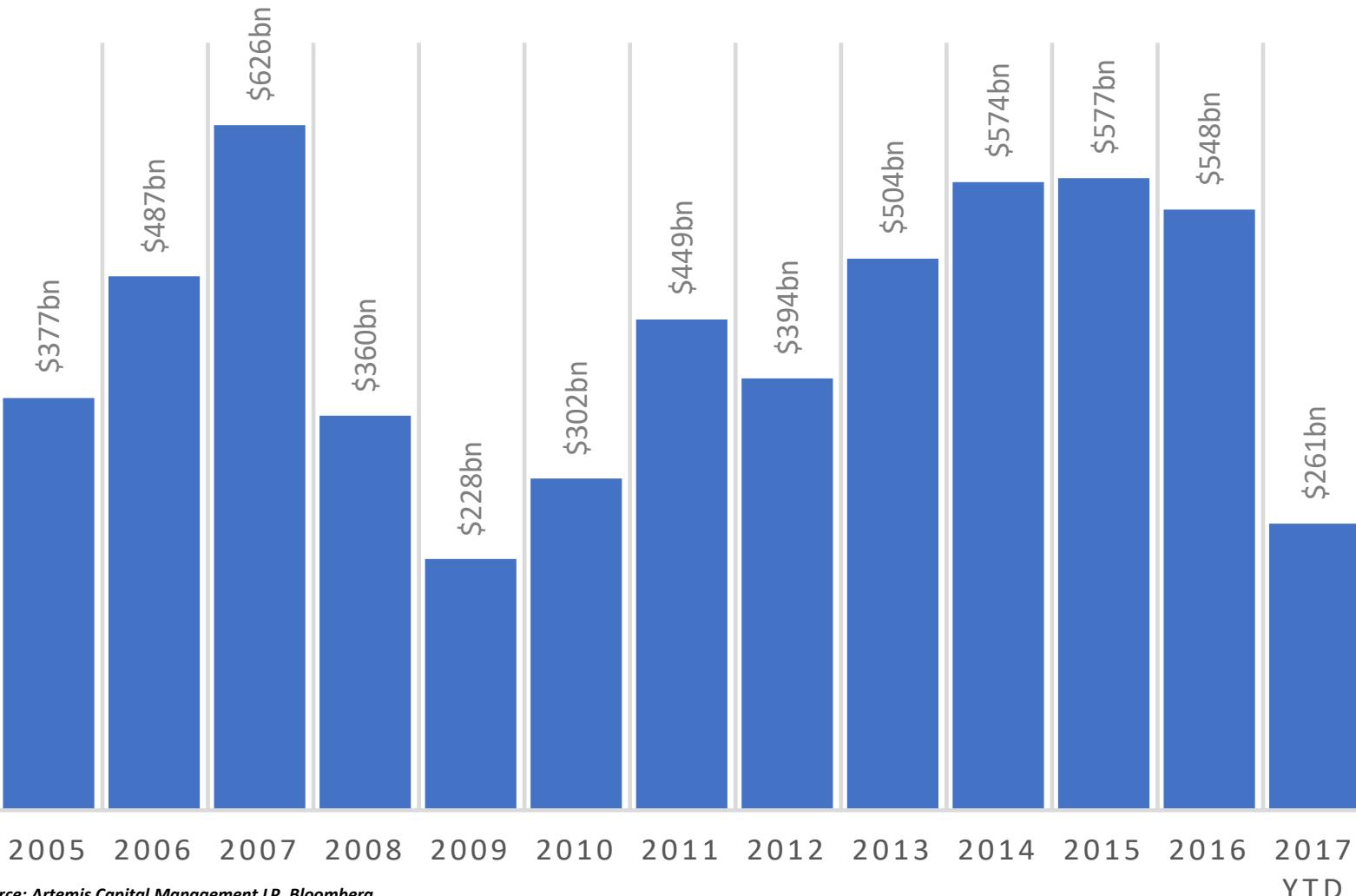
Source: Artemis Capital Management LP, Bloomberg



Stock Market is Devouring Itself

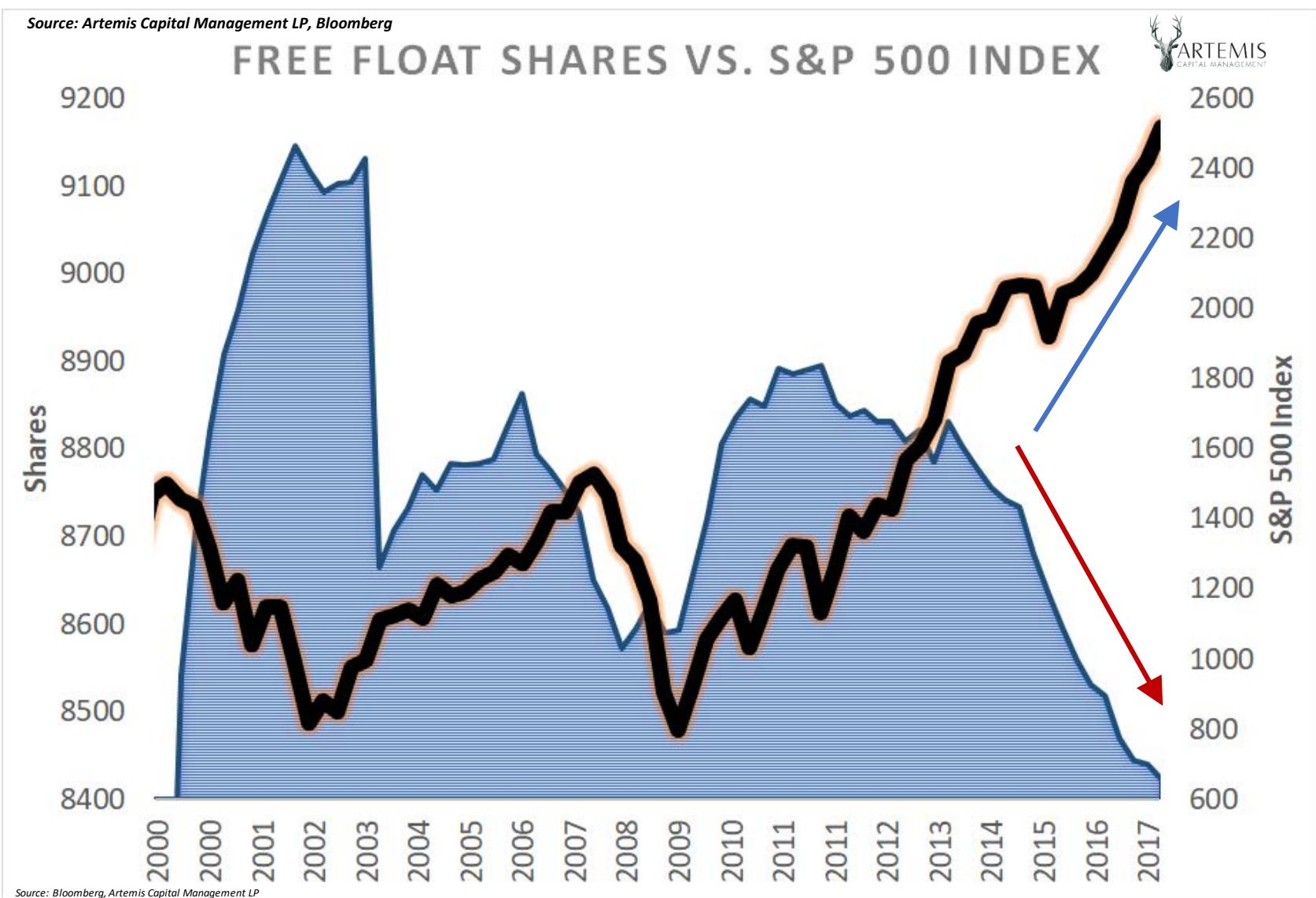


S&P 500 INDEX SHARE BUYBACKS BY YEAR

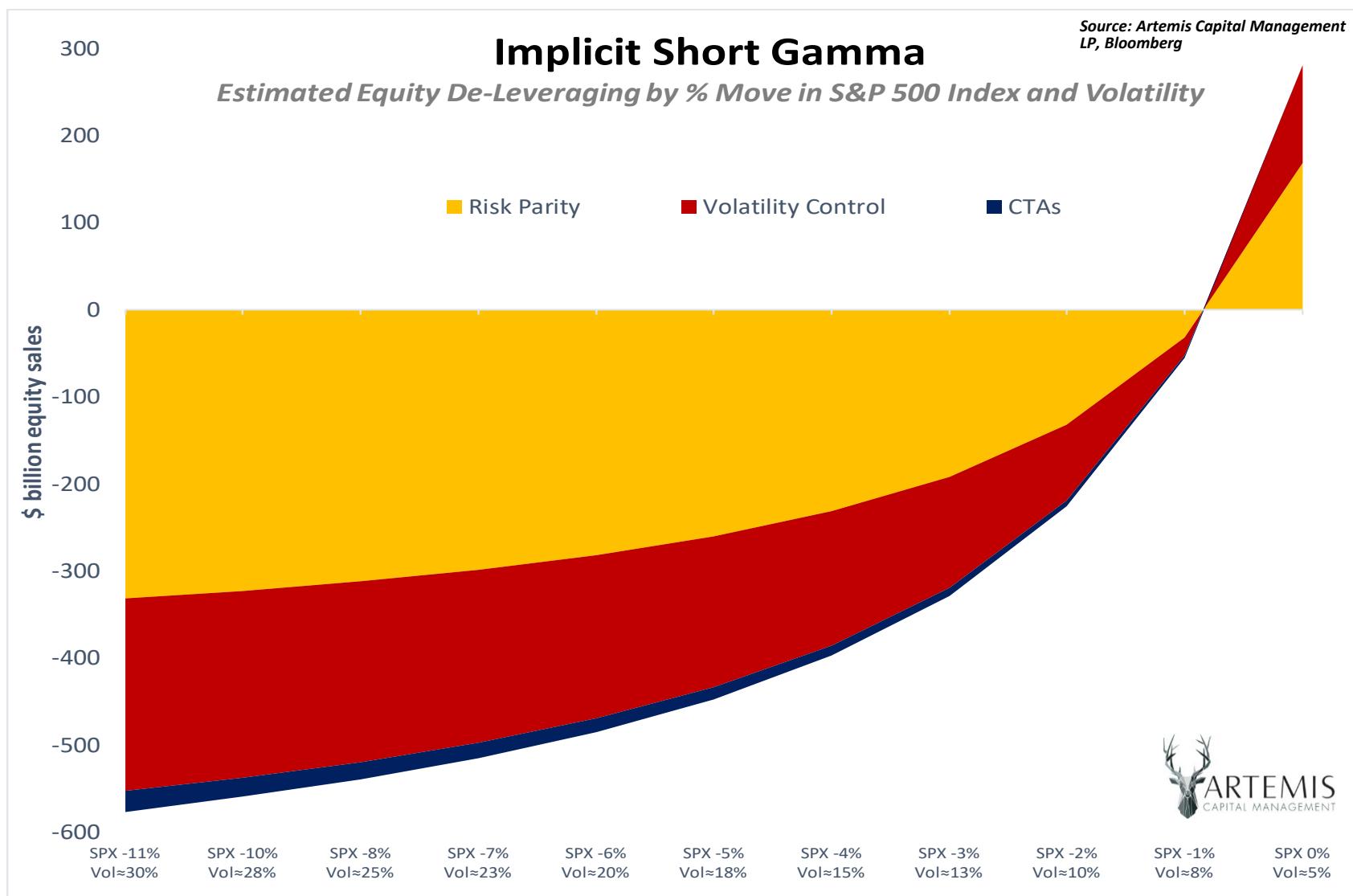


Source: Artemis Capital Management LP, Bloomberg

Stock Market is Devouring Itself



Short Gamma



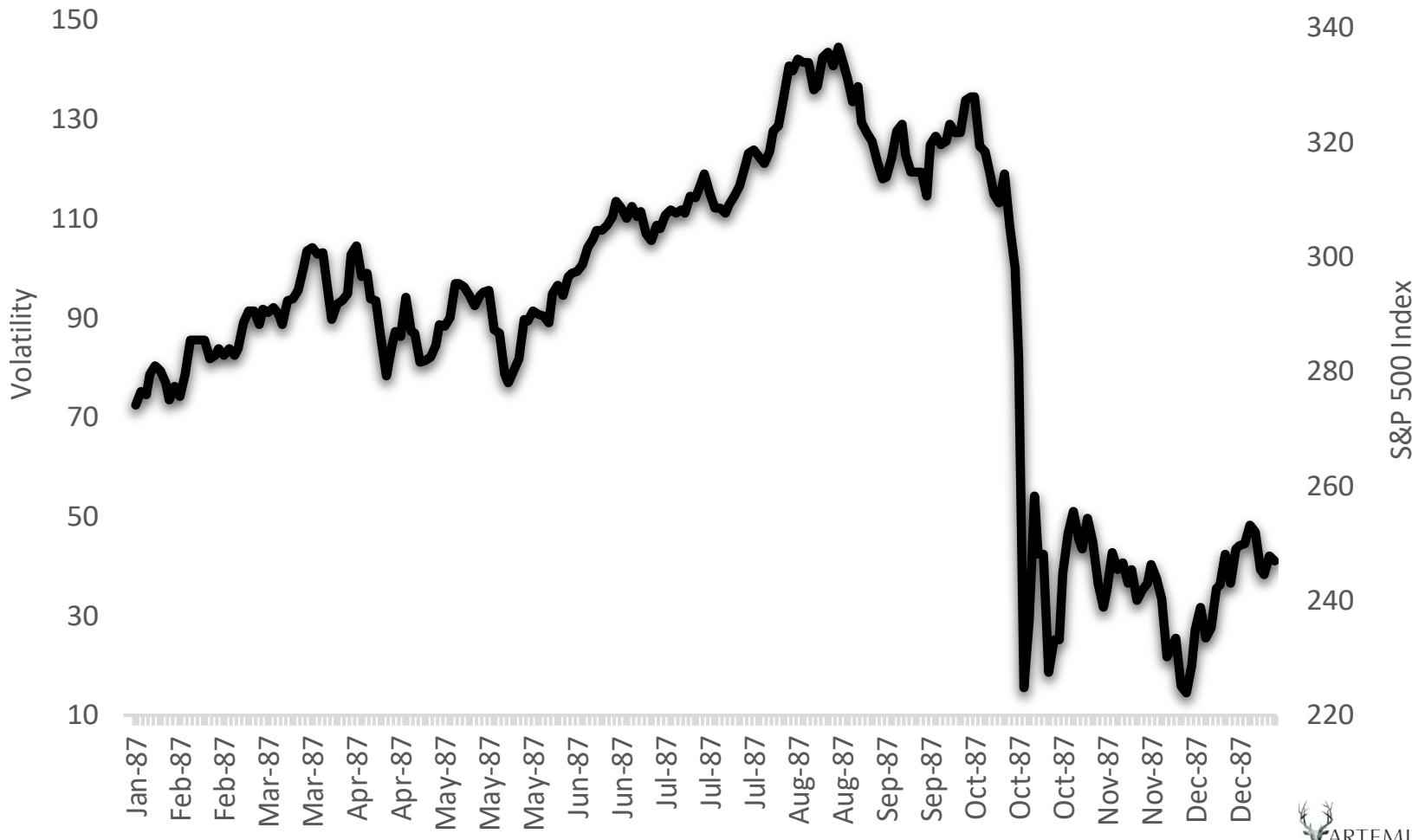
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Black Monday Crash as Template

Source: Artemis Capital Management
LP, Bloomberg

Stock Market in 1987



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Black Monday Crash as Template

Source: Artemis Capital Management LP, Bloomberg

Inflation and Nominal Yields in 1987

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How do you Escape the Great Snake of Risk?



Artemis Capital Management – Contact Information



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Christopher R. Cole, CFA is the founder of Artemis Capital Management LP and the portfolio manager of the Artemis Vega Fund LP and affiliated institutional managed accounts. Mr. Cole's core focus is systematic, quantitative, and behavioral based trading of volatility derivatives. His decision to form a fund came after achieving proprietary returns during the 2008 financial crash trading volatility futures. Mr. Cole's research letters and volatility commentaries were influential in derivatives circles and thereafter widely referenced and quoted by the mainstream financial media, academic, and institutional asset management communities. He previously worked in capital markets and investment banking at Merrill Lynch. During his career in capital markets and pension consulting he structured over \$10 billion in derivatives and debt transactions for many high profile issuers. Mr. Cole holds the Chartered Financial Analyst designation, is an associate member of the NFA, and graduated Magna Cum Laude from the University of Southern California.

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