

Risk Management Philosophy & Process

THOMPSON
CAPITAL MANAGEMENT

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Our Story

Risk-responsive investing for better portfolios



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BS in Economics
University of Illinois at
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D. Matthew Thompson, CFA
Managing Partner

BS in Economics
University of Illinois at
Urbana/Champaign

Foundation
1996-2007

Development
2008-2018

Independence
2019-Present

- Northern Trust
- William Blair
- Premier Asset Mgmt

- Family office
- ED&F Man
- Independent RIAs/CTAs



Blend traditional *portfolio* management with modern *risk* management. Focus on **clients**, not benchmarks or style-boxes.



Risk-responsive investing for better portfolios

Blending extensive portfolio management experience with deep expertise in Chicago's home-grown VIX® marketplace, we build strategies that make portfolios more resilient

**Specialist Asset
Management Firm**

Born from advisors' need for strategies that help investors stay invested, regardless of market conditions

**Risk-Responsive
Investing**

Use proprietary Volatility Dashboard to seek high correlation to equities during rising markets, low to negative correlation in bear markets

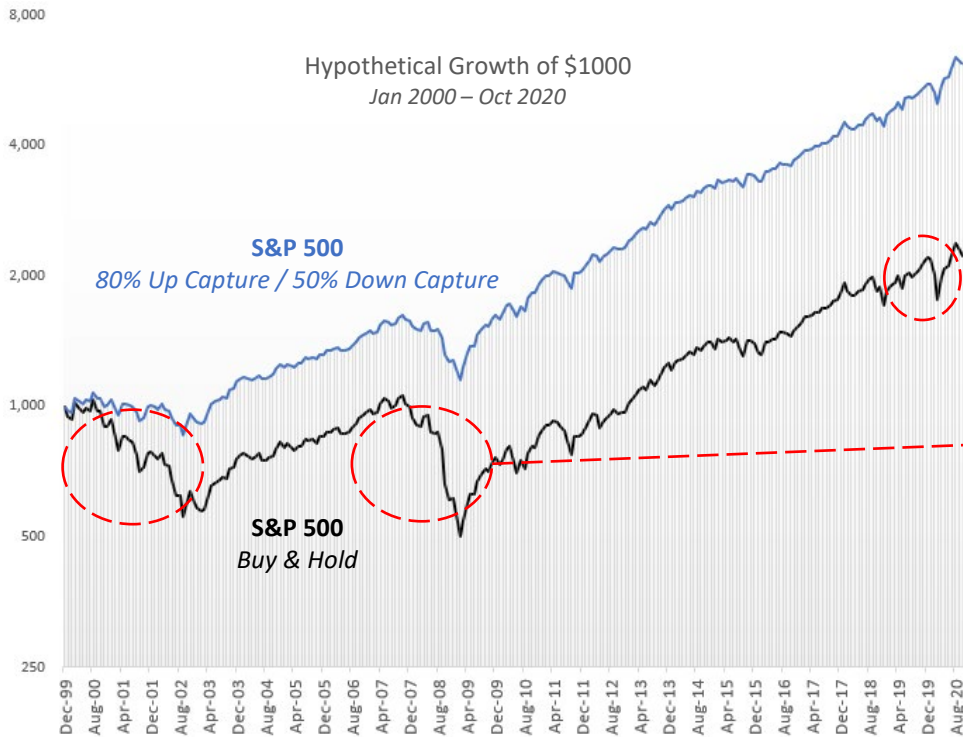
**Preserve the Power of
Compounding**

Advisors use TCM strategies to construct more durable and efficient portfolios to help clients stay the course to achieve their goals



Risk Management Philosophy

Risk-responsive investing for better portfolios



Hypothetical growth of \$1000 using 80% up capture, 50% down capture applied monthly.
For illustrative purposes only.

Focus on avoiding CRISIS PERIODS!

Major drawdowns can permanently impair portfolios and derail investment plans.

Risk management often has a greater effect on portfolios than upside outperformance

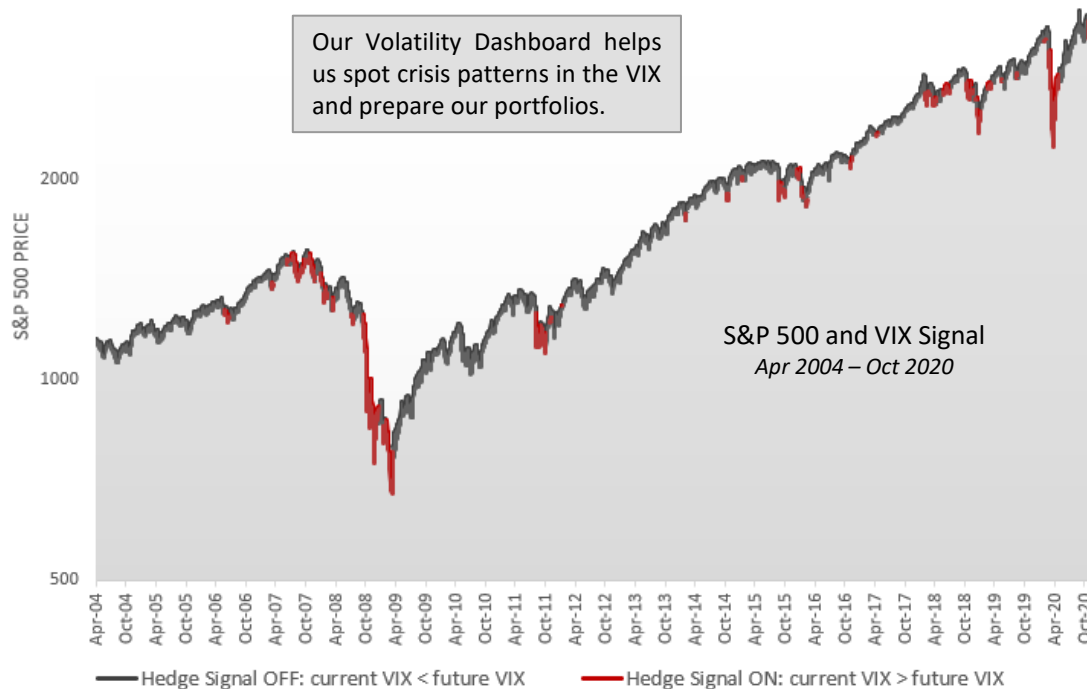


Listening to the message from the VIX

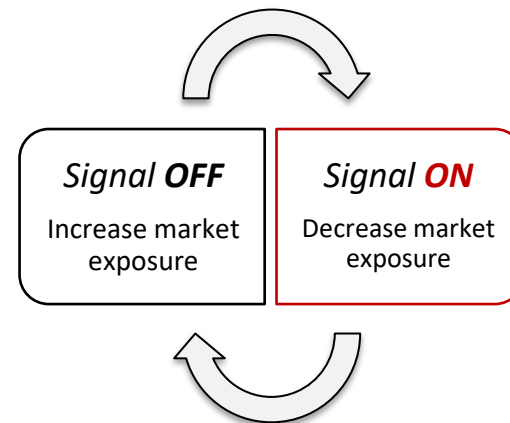
Risk-responsive investing for better portfolios

4000

Our Volatility Dashboard helps us spot crisis patterns in the VIX and prepare our portfolios.



TCM Portfolio Approach





TCM Risk Management Approach

Risk-responsive investing for better portfolios

Hedge Signal **OFF**

Increase market exposure

- Typically while VIX Index < 18
- High correlation to equity indexes
- Goal: “index+” returns

Passive Indexing When It's Best

Upside of Smart Index is highly correlated to the S&P 500

Hedge Signal **ON**

Decrease market exposure

- Typically while VIX Index > 20
- Low (Smart Index) or negative (Alpha Seeker) correlation to equity indexes
- Goal: buffer the effect of crisis periods

Not a “bad day preventer”!!

Protection begins at the gateway to a crisis- typically after a 4% intra-month S&P decline.