The Greatest Asset Class (You May Never Have Heard Of)

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Volatility measures how volatile a market (such as the S&P 500) is and has emerged as an important new asset class. Volatility has some **unique characteristics** from other asset classes which provide considerable advantages including being range bound and mean reverting, generally making it easier to predict than stock price, and more likely to recover losses quickly. Volatility trading also has **significant structural tailwinds**, far greater than any other asset class—increasing the probability and degree of success.

Volatility trading operates similar to the successful business model of insurance companies regularly collecting overstated insurance premiums with the expectations that periodically there will be claims. But even market drawdowns ("claims") create opportunity as they increase the (volatility) risk premiums that can be later collected. Consider how insurance companies are able to dramatically raise risk premiums after a severe 50 year storm. Policyholders, afraid of potential future loss, are willing to pay higher premiums, but the probability of the next 50 year storm remains at 50 years. The result is higher profits for the insurance company.

The team at BrightView Capital Management has traded Volatility Exchange Traded Products (ETPs) since 2011—around the time they first became available to trade. And now, after extensive development and testing, BrightView is proud to announce the release of its Long/Short Volatility Strategy. The Volatility Strategy is quantitatively-based and systematic, similar to BrightView's existing Trend-Following / Mean-Reversion Strategy, and the strategies will be traded alongside one another in the BrightView Partners hedge fund.

While most volatility strategies use a single approach, BrightView dramatically improves on this by simultaneously utilizing multiple independent trading models each managing a portion of the Fund's volatility allocation. This helps to smooth returns.

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BrightView's strategies are fully quantitative, so we can analyze and stress-test how our trading rules would have performed during various market environments. We are able to backtest to March 2004 when VIX futures began trading. During these **13+ years** of **backtests**, BrightView's Volatility Strategy would have provided **very high average annual net returns (including some triple digit returns) without a losing year**.

While our Strategy trades both rising and falling volatility, the most advantageous time to trade volatility is after a stock market pullback. And the more severe the pullback, the better. Markets can change in an instant. So until then, we trade cautiously and are ready to pounce.

BrightView Capital Management is a boutique research and investment management company focused on systematic and quantitative investment strategies. BrightView focuses on logical strategies that have significant tailwinds. BrightView Partners boutique size allows for more nimble trading approaches that larger traditional institutions can not consider. Investing should not be about randomness or luck, but should be based on statistics. BrightView allows for intentional investing.