

**DISCLOSURE DOCUMENT  
OF  
SOUTHWEST MANAGED INVESTMENTS, LLC**

**Southwest Managed Investments, LLC**

106 E. Sixth Street  
Suite 900  
Austin, TX 78701

No person is authorized by Southwest Managed Investments, LLC to give any information or to make any representations that are not contained in this Disclosure Document.

The Date of this Disclosure Document is January 1, 2020.

The delivery of this Disclosure Document at any time does not imply that the information contained herein is correct as of any time subsequent to the date shown above. This Disclosure Document is not to be distributed under any circumstances after January 1, 2021 and will be superseded after that date by a Disclosure Document containing then current information about Southwest Managed Investments, LLC's trading program.

**THE COMMODITY FUTURES TRADING COMMISSION HAS NOT PASSED  
UPON THE MERITS OF PARTICIPATING IN THIS TRADING PROGRAM  
NOR HAS THE COMMISSION PASSED ON THE ADEQUACY OR ACCURACY  
OF THIS DISCLOSURE DOCUMENT.**

## **RISK DISCLOSURE STATEMENT**

**THE RISK OF LOSS IN TRADING COMMODITY INTERESTS CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING:**

**IF YOU PURCHASE A COMMODITY OPTION YOU MAY SUSTAIN A TOTAL LOSS OF THE PREMIUM AND OF ALL TRANSACTION COSTS.**

**IF YOU PURCHASE OR SELL A COMMODITY FUTURES CONTRACT OR SELL A COMMODITY OPTION OR ENGAGE IN OFF-EXCHANGE FOREIGN CURRENCY TRADING YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS OR SECURITY DEPOSIT AND ANY ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUESTED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED AT A LOSS, AND YOU WILL BE LIABLE FOR ANY RESULTING DEFICIT IN YOUR ACCOUNT.**

**UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION. THIS CAN OCCUR, FOR EXAMPLE, WHEN THE MARKET MAKES A “LIMIT MOVE.”**

**THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A “STOP-LOSS” OR “STOP-LIMIT” ORDER, WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS.**

**A “SPREAD” POSITION MAY NOT BE LESS RISKY THAN A SIMPLE “LONG” OR “SHORT” POSITION.**

**THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY INTEREST TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS.**

**IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS, AT PAGE 10, A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR.**

**THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY INTEREST MARKETS. YOU SHOULD THEREFORE CAREFULLY STUDY THIS DISCLOSURE DOCUMENT AND COMMODITY INTEREST TRADING BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THIS INVESTMENT, AT PAGE 7.**

**YOU SHOULD ALSO BE AWARE THAT THIS COMMODITY TRADING ADVISOR MAY ENGAGE IN TRADING FOREIGN FUTURES OR OPTIONS CONTRACTS. TRANSACTIONS ON MARKETS LOCATED OUTSIDE THE UNITED STATES, INCLUDING MARKETS FORMALLY LINKED TO A UNITED STATES MARKET MAY BE SUBJECT TO REGULATIONS WHICH OFFER DIFFERENT OR DIMINISHED PROTECTION. FURTHER, UNITED STATES REGULATORY AUTHORITIES MAY BE UNABLE TO COMPEL THE ENFORCEMENT OF THE RULES OF REGULATORY AUTHORITIES OR MARKETS IN NON-UNITED STATES JURISDICTIONS WHERE YOUR TRANSACTIONS MAY BE EFFECTED. BEFORE YOU TRADE YOU SHOULD INQUIRE ABOUT ANY RULES RELEVANT TO YOUR PARTICULAR CONTEMPLATED TRANSACTIONS AND ASK THE FIRM WITH WHICH YOU INTEND TO TRADE FOR DETAILS ABOUT THE TYPES OF REDRESS AVAILABLE IN BOTH YOUR LOCAL AND OTHER RELEVANT JURISDICTIONS.**

**THIS COMMODITY TRADING ADVISOR IS PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR'S NAME FROM A CLIENT FOR TRADING COMMODITY INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING IN THIS TRADING PROGRAM DIRECTLY WITH A FUTURES COMMISSION MERCHANT OR RETAIL FOREIGN EXCHANGE DEALER, AS APPLICABLE.**

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## **SOUTHWEST MANAGED INVESTMENTS, LLC - BACKGROUND**

Southwest Managed Investments, LLC (“SWMI”), a Texas Limited Liability Company organized in January 2009, has been registered with the Commodity Futures Trading Commission as a Commodity Trading Advisor (“CTA”) since July 28, 2009, and has been a member to the National Futures Association (“NFA”) since that date. The firm’s business address, telephone and facsimile numbers, and email address are: 106 E Sixth Street, Suite 900, Austin, TX 78701 505-989-4831, telephone, 505-989-4832, facsimile; email: operations@swmillc.com.

SWMI was formed for the purpose of providing commodity trading advisory services. SWMI’s principals are Jonathan Teer and Gustavo Azurdia. SWMI sole owner is Jonathan Teer and he is responsible for the day-to-day management of SWMI and trading on behalf of SWMI. The performance results of accounts directed by SWMI are shown on page 14.

There have never been any material administrative, civil, or criminal proceedings against Southwest Managed Investments LLC or its principals in the past five years, or at any time.

### **TRADING PRINCIPALS OF SOUTHWEST MANAGED INVESTMENTS, LLC**

#### **JONATHAN TEER**

Mr. Teer received a Bachelors of Business Administration from The University of Texas at Austin in 1982. Since 1988, Mr. Teer has been involved in the futures industry and with futures trading on a full time basis. From June, 1988 to February, 1989, Mr. Teer worked for International Futures Strategists Inc. (“IFS”), a registered IB, CTA and Commodity Pool Operator. He was registered as an AP of IFS from July, 1988 through February, 1989. He was registered as a Branch Office Manager of IFS from November, 1988 through February, 1989. While with IFS, Mr. Teer evaluated the performance of various CTAs, raised and allocated client funds to be managed by a few chosen advisors. International Futures Strategists Inc. is no longer registered with the CFTC.

From February, 1989 through June, 1989, Mr. Teer was affiliated with Kaiser Financial Group (“Kaiser”), a registered IB, in a similar capacity. He was registered as an AP and a Branch Office Manager of Kaiser from April, 1989 through May, 1989. Kaiser Financial Group is no longer registered with the CFTC.

In June, 1989, Mr. Teer became a guaranteed IB for Rosenthal Collins, a registered Futures Commission Merchant. At Rosenthal Collins, Mr. Teer managed various systematic trend following CTAs for his clients’ accounts. In December 1990, Mr. Teer terminated his relationship with Rosenthal Collins and withdrew his IB registration. In October, 1990, Mr. Teer began trading his own account along with a small number of various private accounts. Commencing in November 1991 and continuing through December, 1992, Mr. Teer devoted his time and energies principally to developing, analyzing, testing, and refining trading strategies and methodologies. His research and model development was done with the objective of developing proprietary mechanical systems that utilizes a trend following approach and incorporates strict money management principles. In November, 1992, Mr. Teer became registered as a CTA for the purpose of offering his trading services to the public. Beginning in November, 1992 Mr. Teer operated as a sole proprietor under the name FF & CG Capital Management, trading his own account and client accounts. In May, 1996, Mr. Teer also registered FF & CG Capital Management as an IB for the purpose of

placing client funds with third party CTAs. Since 1997, 99% of the funds introduced by FF & CG Capital Management have been allocated to Clarke Capital Management, a registered CTA. Since 1992, Mr. Teer's primary focus and specific area of expertise has been in model development of trend following systems, along with the execution of the same. Mr. Teer has researched, studied and invested in numerous other approaches and methodologies, however, to this day, systematic trend following remains the only approach used by Mr. Teer to trade his own or clients' funds. Mr. Teer's model development, research, analyzing, and testing are continuous and on-going. Mr. Teer was registered with the CFTC, as a listed principal of the Advisor, on July 27, 2010. Mr Teer was registered with the CFTC as a Commodity Pool Operator (CPO) from May 2001 to June 2012.

## **GUSTAVO ADOLFO AZURDIA**

Mr. Azurdia is currently Director of Trading Operations and serves as Chief Compliance Officer for Southwest Managed Investments. He graduated from the University of New Mexico in December 2003 with a Bachelor of Science Degree in Biology. From May 2010 to July 2015, Mr. Azurdia was employed by Santa Fe Dining, a division of a New Mexico investment conglomerate that specializes in the development and operation of diverse dining concepts. Mr. Azurdia worked in the upper management division. He was responsible for business development, client relations, management, operations, and compliance. He has been employed at FF&CG Capital Management since July 2015 and was registered as an Associated Person on January 6, 2017. Mr. Azurdia was listed as a principal of FF&CG Capital Management on August 29, 2017. He has been employed at Southwest Managed Investments, LLC since July 2015. Mr. Azurdia was approved as an Associated Person and principal of Southwest Managed Investments on October 6, 2017.

## **TRADING PROGRAM**

SWMI currently offers one trading program: the Global Diversified Program. Additional leverage is garnered by taking exposure to multiple units of the Global Diversified Program versus a single unit of the Global Diversified Program. For example, larger capitalized clients along with institutional investors may elect to invest in five unit increments, whereby the Global Diversified Program's leverage is five (5) times that of a single unit of the Global Diversified Program.

### **History**

In 1999 Vince Batla, former trading principal for Southwest Managed Investments, began studying different time frames as it related to trend following strategies along with volatility and risk reward analysis of the same. Upon completion of the research and development of the initial trading system, trading began in September 1999, with some modifications and optimization taking place during this period. Beginning in January 2002, the optimized version of the initial system has continuously traded investor funds, without interruption, to the present.

In June 2002, minor changes were made to the system to make it less responsive to short term fluctuations. Also, in an attempt to reduce overall drawdown without significantly impacting the system's performance, weekly data began to be utilized rather than daily data.

**Account Information:**

Program	Unit Size (in dollars)	Minimum Units
Global Diversified	200,000	1

**Portfolio Composition**

Currencies	%Rates	Metals	Softs	Energy	Grains	Meats
22%	22%	15%	15%	11%	11%	4%

**Contracts Presently Traded:**

US Dollar Index	Coffee	Copper
Japanese Yen	Corn	Silver
British Pound	Soybeans	Gold
Swiss Franc	Rough Rice	Eurodollar
Euro FX	Brent Crude	2 Year Treasury Note (US)
Australian Dollar	NY Crude	10 Year Treasury Note (US)
Live Cattle	Natural Gas	30 Year Bond (US)
Milk	Cotton	Australian 3 Year Govt Bond
Sugar	Palladium	Euro Bobl

**TRADING STRATEGY**

The exact nature of SWMI's trading strategy is proprietary and confidential. The following description is of necessity general and is not intended to be all-inclusive.

SWMI's strategy is strictly technical in nature. The general trading strategy of the SWMI program is trend following. No fundamental analysis is used. The strategy is not based on analysis of supply and demand factors, general economic factors or world events. The SWMI model generates its own entry and exit signals and trades both sides of the market (long and short). The SWMI model is very long term in time-frame focus. The SWMI model attempts to locate potentially profitable performance characteristics across a wide range of markets. Approximately 27 domestic and international commodity interests may be traded. Six of these may either be long or short interest rate contracts reflecting interest rates in Europe, the US and Australia. All markets are traded with equal parameters. SWMI reserves the right to make adjustments in the exact entry or exit price the program uses, or to delay entry or exit on any order, in order to attempt to reduce the impact of slippage. The balance of the commodity interests followed are currencies, grains, metals, softs and energies. The program utilizes one long-term time-frame model. It should be noted that there will be times when there is significant correlation between markets within a market sector or between market sectors, possibly in an adverse direction to positions held in a client's account. Clients of this program should be aware that this factor alone, although there are others, will lead to periods of extreme volatility and possibly very large drawdowns in an account's equity. Due to the Ultra Long characteristic of Global Diversified's trading model, SWMI recommends clients consider a 24 to 30 month investment time horizon.

**PRINCIPAL RISK FACTORS**

Opening an account with SWMI should be considered a long term and extremely speculative investment. It is important that clients understand that under SWMI's trading methods, profits, if any, are generated by only a small percentage of the total number of trades placed. As a result, client accounts will experience times of substantial drawdowns. These drawdowns may be as high as 50% or more of a client's base equity. In addition,

from time to time during the course of managing a client's account, SWMI may experience drawdowns well in excess of 50% from peak levels of current account equity. Substantial drawdowns, either from initial base equity or from peak levels of current account equity, do not, however, necessarily indicate a failure in the trading strategy, but rather are expected under the SWMI trading program. Clients must, therefore, be prepared to withstand these periods of unprofitable trading, and in this regard should be further prepared to maintain their account with SWMI for at least two years from the date opened. Clients should understand that the program described herein is inherently risky in that it uses a high degree of leverage. This leverage derives from the fact that the client deposits a relatively small amount of funds to control some commodity interest whose value is much greater than these funds. A client's change in equity is based on the full change of the commodity interests controlled. In the aggregate, a client will control commodity interests whose actual value is far in excess of the funds in his account. Small changes in these commodity prices will cause large changes in the percentage return based on the funds deposited in the client's account.

Commodity trading is highly leveraged. The low margin deposits normally required in commodity interest trading (typically 2% to 15% of the value of the contract purchase or sold) permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a contract may result in immediate and substantial losses to the investor. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deductions for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit. Thus, like other leveraged investments, any trade may result in losses in excess of the amount invested.

In SWMI's program, there will be occasions that arise which reflect severe imbalances of supply and demand. This may cause large price moves over a period of several days in one direction. In some commodities there are limits to how far a price can move in one day. However, even a change in price (up or down) reflecting this limit amount may not reflect the true supply/demand for this commodity, and no trading may take place that day for this commodity interest. This could be the case even if one were desirous of exiting a losing position at any price. It is possible to be forced to hold a position that shows larger and larger losses without being able to liquidate the position for several days and perhaps weeks causing very large losses.

It should be noted that there will be times when there is significant correlation between markets within a market sector or between market sectors, possibly in an adverse direction to positions held in the client's account. Clients should be aware that this factor alone, although there are others, will lead to periods of extreme volatility and possibly very large drawdowns in an investor's equity.

Commodity trading is speculative and volatile. No assurance can be given that SWMI's program will result in profitable trades for participating clients or that client will not incur substantial losses.

**Client's FCM may fail.** Under CFTC regulations, FCM's are required to maintain customer's assets in a segregated account. If a customer's FCM fails to do so, the customer may be subject to risk of loss in the event of its bankruptcy. Even if such funds are properly segregated, the customer may still be subject to a risk of a loss of his funds on deposit with the FCM should another customer of the FCM or the FCM itself fail to satisfy deficiencies in such other customer's accounts. Bankruptcy law applicable to all



U.S. futures brokers requires that, in the event of the bankruptcy of such a broker, all property held by the broker, including certain property specifically traceable to the customer, will be returned or distributed to the broker's customers only to the extent of each customer's pro-rata share of all property available for distribution to customers. If any futures broker retained by the customer were to become bankrupt, it is possible that the customer would be able to recover none or only a portion of its assets held by such futures broker. Please note, the customer will be liable for all accrued management and incentive fees in the case that the customer's FCM fails.

**Client accounts may engage in trading on non-U.S. exchanges and markets.** Trading on non-U.S. exchanges and markets will expose the client's account to risks not applicable to trading on U.S. exchanges and markets. The client accounts will be subject to the risk of fluctuations in the currency exchange rate between the local currency and the U.S. dollar and to the possibility of exchange controls. Client funds used to margin foreign futures transactions may not receive the same protection as funds used to margin transactions on United States exchanges and United States regulatory authority may be unable to compel the enforcement of the rules of regulatory authority or markets in non United States jurisdictions where client transactions may be effected.

**Performance May Vary From Other Accounts During the Start of Trading.** A client's account may incur certain risks relating to the initial investment of its assets. Due to market conditions, the Advisor may take several days or months before a client's account is fully invested. Notwithstanding any delay in becoming fully invested, a client's account may commence trading operations at an unpropitious time, such as after sustained moves in a number of markets traded by the Advisor.

### **CONFLICTS OF INTEREST**

SWMI does not currently trade commodity interests for its own account. While SWMI does not own or trade a commodity interest for its own account, the principals of SWMI may trade SWMI's Global Diversified Program for their own personal accounts. SWMI and its principals will not knowingly or deliberately favor their own accounts or any client accounts over other client accounts in any manner. In addition, there exists a potential conflict of interest in that proprietary accounts may trade ahead or against client accounts.

Mr. Teer, one of SWMI's principals, is registered as an AP and is listed as a Principal of FF&CG Capital Management, a registered IB. Mr. Teer may solicit clients to maintain accounts with SWMI which may be introduced by FF&CG Capital Management. In the event that Mr. Teer does so, a conflict of interest exists creating an incentive to overtrade client accounts as he will receive 100% of the commissions generated of accounts managed by SWMI. Further, as a principal of SWMI, Mr. Teer will receive a portion of the fee income paid to SWMI from such accounts. A potential conflict of interest exists to trade in a riskier manner to generate incentive fees.

Mr. Azurdia, one of SWMI's principals, is registered as an AP and is listed as a Principal of FF&CG Capital Management, a registered IB. Mr. Azurdia may solicit clients to maintain accounts with SWMI which may be introduced by FF&CG Capital Management. In the event that Mr. Azurdia does so, a conflict of interest exists insofar as he could potentially receive a percentage of commissions generated from SWMI accounts.

## **BROKERAGE ARRANGEMENTS**

Clients of SWMI may select at their choice any FCM with which to maintain their accounts. Clients may also select an IB to introduce the client's account to the FCM. The FCM selected by the client will be responsible for holding and maintaining all customer funds, securities, commodities and other properties, providing a daily written record of any trading activity as well as a month end report of all positions held in the account and their value. Brokerage fees and other charges to the client's account are negotiated between the FCM or IB and the client. SWMI reserves the right not to approve an account if the commission to be charged is in excess of \$25.00 per round turn. Even if FF&CG is used as the IB, total commissions charged will not exceed \$25.00 per round turn.

## **FEES**

SWMI will charge an incentive fee of 20% of "New Net Trading Profits" plus interest for each quarterly period. New Net Trading Profits include: profits, if any, on all closed positions, and profits, if any, on open positions. The profits on open positions are not "realized" profits, and they are carried over into the following month. In the following month these unrealized profits could be lost or realize a further gain. Gains and loss will be net after commissions, management and incentive fees.

In order for an incentive fee to be payable the Nominal Account Size at the end of the quarter must exceed the previous high Nominal Account Size. The Nominal Account Size is defined as the initial trading level established adjusted for any net trading profits or losses after being adjusted down for the fees charged to the account. It is not affected by the addition or withdrawal of profits unless such withdrawal constitutes a withdrawal of profits. Any withdrawal of profits during a quarter would be added back however when determining the new Nominal Account Size for incentive fee purposes. The incentive fee will be calculated on the last trading day of the quarter, and is due and payable on the first business day of the month following the quarter in which the fee has been earned.

SWMI will charge a monthly management fee of 0.15% of the "Nominal Account Value" of the client's account at the end of each month, unless specified otherwise in the Advisor Agreement. "Nominal Account Value" is the amount the client agrees to in writing adjusted for any profits and losses. It is not affected by any cash additions or withdrawals made to/from the account unless such a withdrawal constitutes a withdrawal of profits. Any withdrawal of profits will reduce the nominal account size and the amount upon which the management fee is based. The fee will be calculated on the last trading day of the month, and is due and payable on the next business day. If the client account is closed during the month the management fee will be assessed based on the nominal account value as of the last day the account is open. SWMI reserves the right to negotiate a rate structure different from the stated fees above.

SWMI may accept partially funded ("notional accounts"). The management fee as stated in the previous paragraph will be based on the Nominal Account Value of the client's account. To determine the management fees based on actual funds, compute the management fee based on the nominal account value and divide by the actual funds. For example, a \$100,000 account traded as a \$200,000 account would be charged 1.8% of \$200,000, or \$3,600 on an annual basis. Divide \$3,600 by \$100,000 (actual account size) and the annual rate would be 3.6% of actual funds. A prospective client of SWMI who is considering opening a partially funded account should perform the above calculations with his own anticipated nominal and actual funding levels to determine the management fees to be paid based on actual funds.

## **OPENING AN ACCOUNT**

In general, opening a Managed Account has three steps. First, the client must specify the trading level for the Managed Account and the extent the client will fund the account with actual funds. Second, the client must select an FCM or IB with which to open the Managed Account, subject to the ultimate approval of SWMI. Third, the client must open an account at the FCM and deposit the actual funds in such account.

To retain SWMI services to trade a Managed Account, the client must complete and execute an Advisory Agreement. Under the Advisory Agreement SWMI has exclusive authority to make all trading decisions for the client's account and to instruct the client's FCM to buy, sell, spread, trade, hold or take other action with respect to the futures, securities and funds held in the client's account.

In order to satisfy SWMI's obligations under applicable anti-money laundering laws and regulations, clients will be required to make certain representations, warranties and covenants in the Advisory Agreement concerning the nature of the client, its opening of a Managed Account and certain other related matters. In addition, SWMI reserves the right to request such additional information from clients as it, in its sole discretion, requires in order to satisfy anti-money laundering obligations.

The FCM settles all futures transactions, maintains the margin account, and credits and debits the cash account of the client. The FCM debits the account for commissions on futures contract transactions at the agreed rate, which may vary per exchange and per contract. The FCM will pay the Management Fee and Incentive Fees to SWMI directly from the client's Managed Account upon presentation of a bill by SWMI.

## **TRADING ERRORS**

Though SWMI will attempt to correct trading errors as soon as they are discovered, it will not be responsible for poor executions or trading errors committed by brokers or SWMI. All errors, except those resulting from willful misconduct or fraud, will be considered a cost of doing business.

## **SPECIAL DISCLOSURE FOR NOTIONALLY FUNDED ACCOUNTS**

SWMI accepts Notionally Funded Accounts. You should request your commodity trading advisor to advise you of the amount of cash or other assets (Actual Funds) which should be deposited to SWMI's trading program for your account to be considered "Fully-Funded". This is the amount upon which the commodity trading advisor will determine the number of contracts traded in your account and should be an amount sufficient to make it unlikely that any further cash deposits would be required from you over the course of your participation in the commodity trading advisor's program.

You are reminded that the account size you have agreed to in writing is not the maximum possible loss that your account may experience.

Clients considering opening a notionally funded account should be certain that they fully understand the consequences of the increased leverage in this type of account as compared to a fully funded account. Due to this increased leverage, such an account will experience greater percentage losses as well as greater percentage gains than if the account were fully funded at the nominal account level. EX: an account funded at \$100,000 but traded

at the nominal size of \$200,000 would have a level of funding of 50%. If this account had a \$10,000 profit for a period, it would have a rate of return of 10% based on actual funding of \$100,000, versus a rate of return of 5% based on the nominal account level of \$200,000. If this account had a \$10,000 loss for a period, its rate of return would be -10% versus the -5% loss for the fully funded account. Clients should examine the table below and note the percentage of loss, as well as the percentage of gain, grow larger as funding levels are decreased.

You should be aware that the nominal account size will change based upon profits and losses in the account. Any additions or withdrawals from the account will not affect the nominal account size unless such withdrawal constitutes a withdrawal of profits in which case the nominal account size will be reduced by the amount of the withdrawal. If the client wishes to trade at a higher nominal account size (increased units) the client will need to notify SWMI either by FAX or email. This notification must indicate the new notional funding amount and/or the number of units to trade. (1 Unit = 200,000)..

You should consult the account statements received from your futures commission merchant in order to determine the actual activity in your account, including profits, losses, and current cash balance. To the extent that the equity in your account is at any time less than the nominal account size you should be aware of the following:

1. Although your gains and losses, fees and commissions measured in dollars, will be the same, they will be greater when expressed as a percentage of account equity.
2. You may receive more frequent and larger margin calls.
3. The disclosures which accompany the performance table may be used to convert the rates-of-return ("RORs") in the performance table to the corresponding RORs for particular partial funding levels.
4. All Management Fees are based on the Nominal Account Value

LEVEL OF FUNDING	<u>RATES OF RETURN (%)</u>						
	<u>-30</u>	<u>-20</u>	<u>-10</u>	<u>0</u>	<u>+10</u>	<u>+20</u>	<u>+30</u>
100%	-30.0	-20.0	-10.0	0.0	+10.0	+20.0	+30.0
80%	-37.5	-25.0	-12.5	0.0	+12.5	+25.0	+37.5
60%	-50.0	-33.3	-16.7	0.0	+16.7	+33.3	+50.0
50%	-60.0	-40.0	-20.0	0.0	+20.0	+40.0	+60.0
40%	-75.0	-50.0	-25.0	0.0	+25.0	+50.0	+75.0

## **ADVISOR TRADING ACCOUNTS**

While SWMI, as a CTA does not own or trade a commodity of interest for its own account, the principals of SWMI may trade SWMI's Global Diversified Program for their own personal accounts. The trading records of SWMI and its principals' personal accounts and any additional accounts later established by the principals or SWMI will be available for inspection upon written request.

### **PAST PERFORMANCE**

The trading performance of SWMI is set forth on the next page.

The program was traded prior to December 2009 by Vince Batla, former principal, beginning in 2002 pursuant to an exemption under CFTC Regulation 4.14(a)(10), due to not holding himself out as a CTA, along with a client base of 15 or less clients. SWMI's initial Disclosure Document was approved in December of 2009. Vince Batla obtained discretion of additional client accounts as an AP of FF&CG Capital Management from April 2009 through August 2009. Subsequently, the existing account holders granted management authorization to SWMI in December 2009 and January 2010. Prior to December 2009, no fees were charged to the existing client accounts. Going forward from January 2010, fees were charged to the existing accounts.

The information presented in the Performance Capsule has been pro forma adjusted to account for 1.8% annual management fee and quarterly 20% incentive fee.

Brokerage fees and all other charges are included in all calculations as actually charged. From 2002 through 2009, the account represented in the capsule has paid commissions of \$60 to \$100 per round turn. From 2010 to present, the accounts represented in the capsule have paid \$25 to \$50 per round turn. SWMI recommends commissions be no higher than \$25 per round turn.

The results set forth in the Performance Capsules are not necessarily indicative of the results which may be achieved in the future, due to the fact that past performance does not guarantee future results. It should also be noted that the risk assumed for the program offered by SWMI and, consequently, the potential for profit for a particular account, will vary from other accounts at any given time due to such factors as the date an account started, the size of the given account, market conditions and the percentage gained or lost to date in that account.

## PERFORMANCE CAPSULE

Name of program:	Global Diversified Program
Commodity Trading Advisor:	Southwest Managed Investments, LLC
Date CTA began managing client accounts:	December 28, 2009
Date CTA began trading this program:	December 28, 2009
Current number of accounts:	16
Assets under management (actual):	\$ 1,800,551
Assets under management (nominal account value):	\$8,200,148
Assets traded pursuant to program: (actual):	\$1,800,551
Assets traded pursuant to program: (nominal account value):	\$8,200,148

Percentage rate of return (Compounded on a Monthly basis)	MONTH				
	2019	2018	2017	2016	2015
January	-1.99	6.98	-11.17	2.63	8.08
February	-3.57	-8.22	-1.34	8.11	0.91
March	-3.12	-3.90	-1.04	-3.09	1.51
April	1.13	4.87	-1.26	1.77	-5.32
May	3.64	-1.49	-1.71	-7.22	-1.35
June	-1.29	0.07	-3.96	1.55	-1.94
July	-1.12	0.75	5.93	1.76	5.99
August	15.16	7.47	1.44	-2.62	-5.62
September	-9.80	5.99	-3.38	-4.19	2.97
October	-6.06	-3.53	3.88	8.31	-4.65
November	0.64	4.94	-4.11	6.17	3.88
December	-1.52	1.42	5.52	-5.33	-3.18
<b>YEAR</b>	<b>-9.41</b>	<b>14.94</b>	<b>-11.78</b>	<b>6.34</b>	<b>0.16</b>

Worst monthly percentage drawdown: Past Five Years	Jan 2017 (11.17)
Worst peak-to-valley drawdown: Past Five Year	Nov 2016 – Jun 2017 (23.47)
Worst monthly percentage drawdown: since inception	Mar 2003 (11.65)
Worst peak-to-valley drawdown: since inception	May 2012 – Jan 2014 (32.79)
Number of profitable accounts that have opened and closed	12
Range of returns experienced by profitable accounts	1.12 – 133.34
Number of losing accounts that have opened and closed	4
Range of returns experienced by unprofitable accounts	-1.18 – -14.52

Peak-to valley draw-down is defined as a decline in month-end net asset value due to losses during any period in which the initial month-end net asset value is not equaled or exceeded by a subsequent month-end net asset value.

Draw-down means losses experienced by the trading program over a specified period.

<b>Rate Of Return for Prior Years</b>	
<b>2002</b>	<b>5.13</b>
<b>2003</b>	<b>8.36</b>
<b>2004</b>	<b>-1.68</b>
<b>2005</b>	<b>-11.51</b>
<b>2006</b>	<b>14.82</b>
<b>2007</b>	<b>8.58</b>
<b>2008</b>	<b>55.25</b>
<b>2009</b>	<b>-11.65</b>
<b>2010</b>	<b>24.65</b>
<b>2011</b>	<b>-11.61</b>
<b>2012</b>	<b>11.09</b>
<b>2013</b>	<b>-16.50</b>
<b>2014</b>	<b>44.94</b>

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**