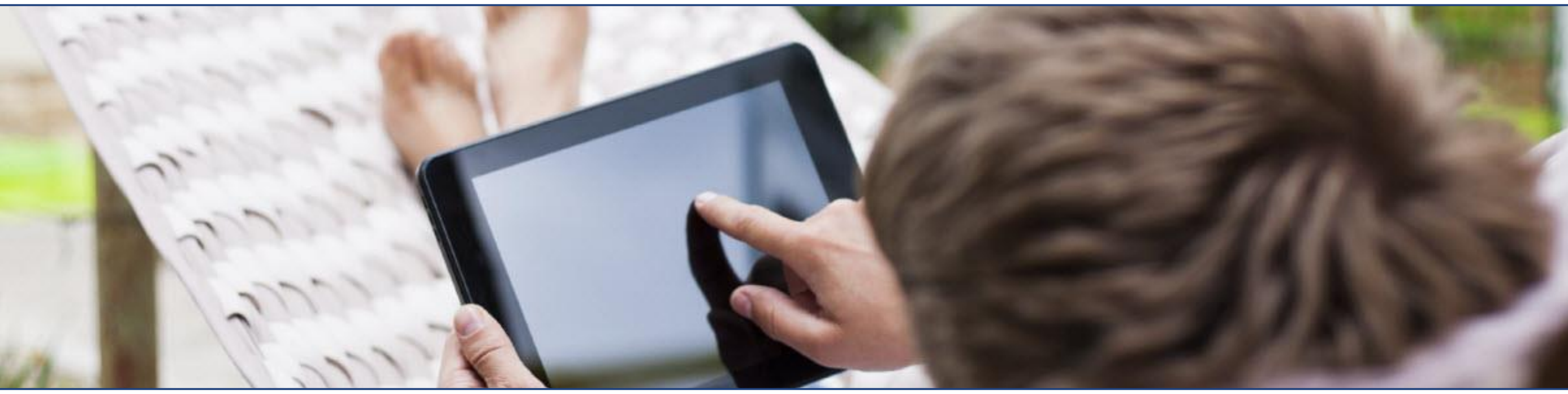
SPECTRUM LIVE
CAPITAL MANAGEMENT



Spectrum Live™ Portfolio Select
Income Portfolio
February 2015 Monthly Report

Informed Investors Make Better Choices

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Income Portfolio

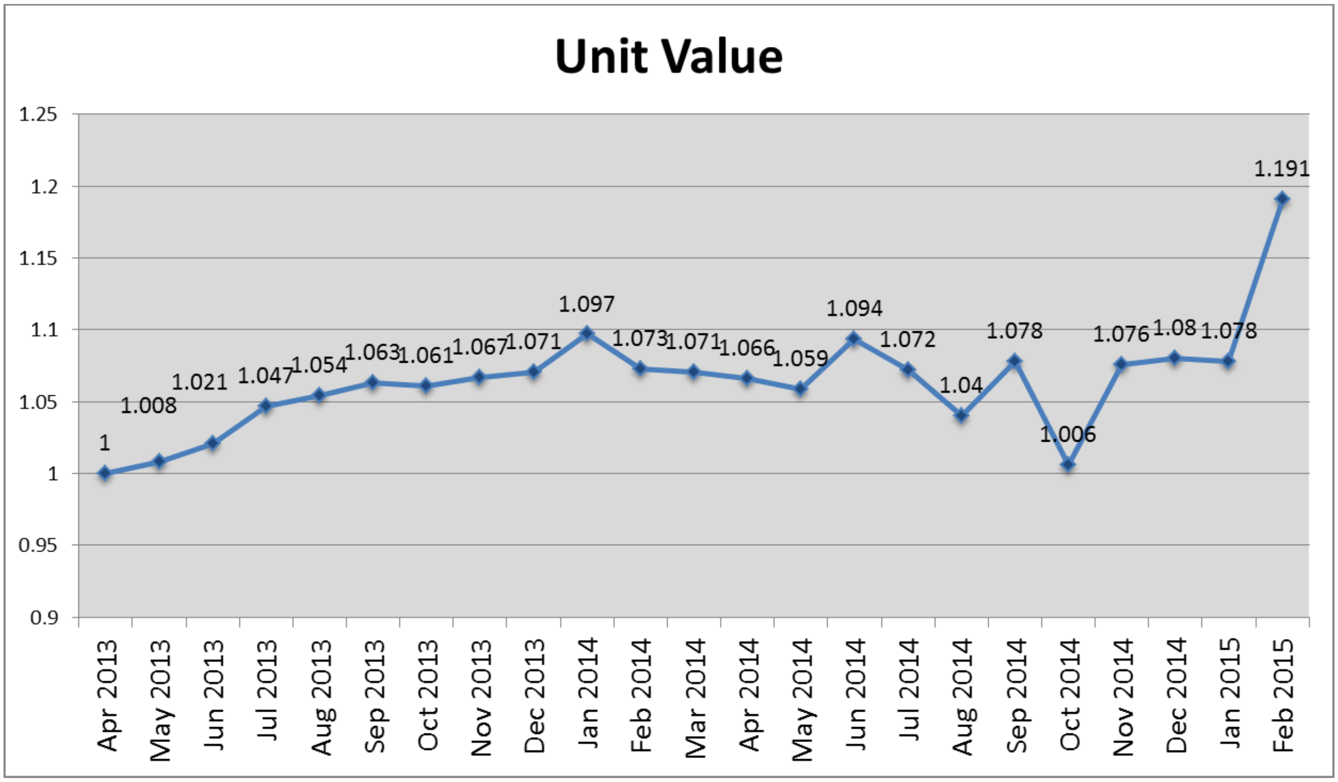
The Income Portfolio enjoyed a great month in February as the unit price jumped 10.48% to 1.191. The Capital Gain strategy was the primary driver of the gains as US dollar and the Euro Stoxx 50 both strengthened significantly. The strategy which was once dragging the portfolio down has turned around quite sharply, reversed previous losses and is generating a significant profit for the portfolio.

There are important lessons in this. Firstly it demonstrates the asymmetry built into the Capital Gain strategy. Knowing the potential for the strategy to gain is one thing but actually seeing the profit and the degree to which the strategy is capable ofperforming is something else. Secondly, it also teaches us the lesson of patience and to not panic when a position which we have entered into on the basis of what we believe to be sound fundamentals initially goes against us. Timing the market is often a difficult if not impossible task. Rather, the Investment Manager expresses their outlook via long term options which puts time and volatility in the portfolio's favour. Their focus is to try to get the direction of the long term trends correct without becom too caught up in the day to day volatility of the market.

The Investment Manager maintained the overall allocations for the Dividend strategy at 40%, the combined weighting on Monthly and Weekly Options Writing & Trading strategies at 30% and the allocation for the Capital Gain strategy at 20%.

Below we will discuss a general market overview and the four major strategy components to the Income Portfolio:

- Growth and dividend stock investing strategies
- Capital Gain strategies
- Short term option trading strategies
- Monthly and weekly option writing strategies



Market Overview

US equity markets rallied with strong bullish momentum last month as large and small caps continued to advance. Labour markets in US continue to improve as falling jobless claims show that people continue to find work. Janet Yellen's latest testimony provided more confidence for markets, as her dovish tone provided relief all round that the Fed is not in any rush to raise rates. The European Central Bank has initiated its own monetary easing program, much to the delight of the market. However, bail-out issues with Greece and its austerity program remains in the air as talks continue to yield no concrete results. Commodity markets continue to languish at their respective lows as economic growth momentum wanes globally.

US equities are seeing earnings season wind down as positivity continues to fuel bullish trends. Small caps index, the Russell 2000 seems to have broken above its consolidation range and could follow through on risk-on sentiment. Large caps like the S&P 500 have also broken to new highs as the Dow and Nasdaq follow suit. Stock movements may be providing hints on consumer activity as Home Depot saw better than expected quarterly same-store sales and also announced an $18 billion share buyback program. Home builders are also enjoying a slice of the cake as Toll Brothers reported higher than expected quarterly profit.

On that note, the US economy continues to see gains as labour markets remain stable. Although weekly jobless claims have tracked higher in 2015, the trend remains lower going back to the start of 2014. The US added the largest number of jobs in 2014, however wage growth seems to be stagnant or worse yet even falling as average hourly wages saw a 5 percent drop. This is one of the key elements that the Fed keeps an eye on when making its decision whether to move on interest rates.

Janet Yellen's recent testimony stated that the bank has no set schedule for its rate increasing process. The bank's "patient" stance may be the hint that a rate rise won't be in the plans for the next couple of meetings at least. Yellen signalled that they need to see continued strength in the data and reasonable confidence that they will be able to move back to their 2 percent target over the medium term. The Fed's preferred measure of inflation, the personal consumption index has stayed below 2 percent since April 2012

The European Central Bank (ECB) has initiated its own easing program, which is to involve buying 60 billion euros worth of bonds from banks each month until September 2016. Record low interest rates in the euro zone have failed to provide any stimulus as several periphery countries battle deflation. The Swiss National Bank has already implemented negative interest rates in an attempt to loosen monetary conditions. In addition to monetary policy woes, the euro zone continues to battle Greece and its austerity program. Leaders have so far agreed on a four-month extension of the bailout, conditional on the net budget impact remaining the same.

US treasury markets remains steady at the short end as the 5-year yield consolidates around the 2 percent level. The 2-year however remains in its uptrend from mid-2013. Inflationary expectations have tracked higher in 2015 as demonstrated by the 10-year breakeven yield breaking above 1.7 percent. Commodities seem to remain in the doldrums as gold, oil and copper remain close to their multi-year lows. Risk indicators like the IRISK index have stabilised recently but are still considerably higher from their mid-2014 lows despite equities trading at record highs.

Going forward, the Fed developments and US economic momentum is likely to fuel further "risk on" sentiment. Equities are seemingly being lifted by this same tide, so this momentum may be market wide and with strong conviction. We will continue to watch with caution the situation in Greece as it unfolds.

Dividend and Growth Stock Opportunities

Objective

The main objective of this strategy is to invest in strong dividend paying stocks that are fundamentally sound and offering good value. It is not our intention to try to pick stocks for short term capital gains.

In this strategy the manager looks for stocks of companies that have a fundamentally sound business, strong balance sheet and are actively looking to return excess cash flow to shareholders in the form of dividends and buyback programs. They want to know that these companies have consistent cash flow and are able to pay dividends with a positive outlook for future dividend growth.

In any given month whether the stocks rally or fall should be of little concern as long as their fundamentals remain strong. The investment horizon on this strategy is medium to long term and we aim to avoid being caught up in short-term swings in sentiment.

Strategy Discussion

Although the Capital gains strategy contributed most to the profit in the portfolio last month, the performance of the Dividend strategy was also quite satisfying. As equities rallied higher on news that the European Central Bank will soon engage in Quantitative Easing, the accumulated profit on the Dividend strategy also reached a new high last month.

Guess was re-entered into the strategy last month as a result of the naked put being exercised. Fundamentally Guess has an attractive valuation with a Price to Book ratio of 1.34 and a Price to Sales ratio of 0.6. The company employs very little debt and has about 25% of its market cap in cash or equivalent asset. Nonetheless, the stock is still suffering because of the company's exposure to the European economy which has been quite weak and the strength in the US dollar is also hurting revenues generated overseas. The Investment Manager feels that the stock is still attractive for holding with a long term perspective and will continue writing covered calls when appropriate while waiting for valuations to be realised.

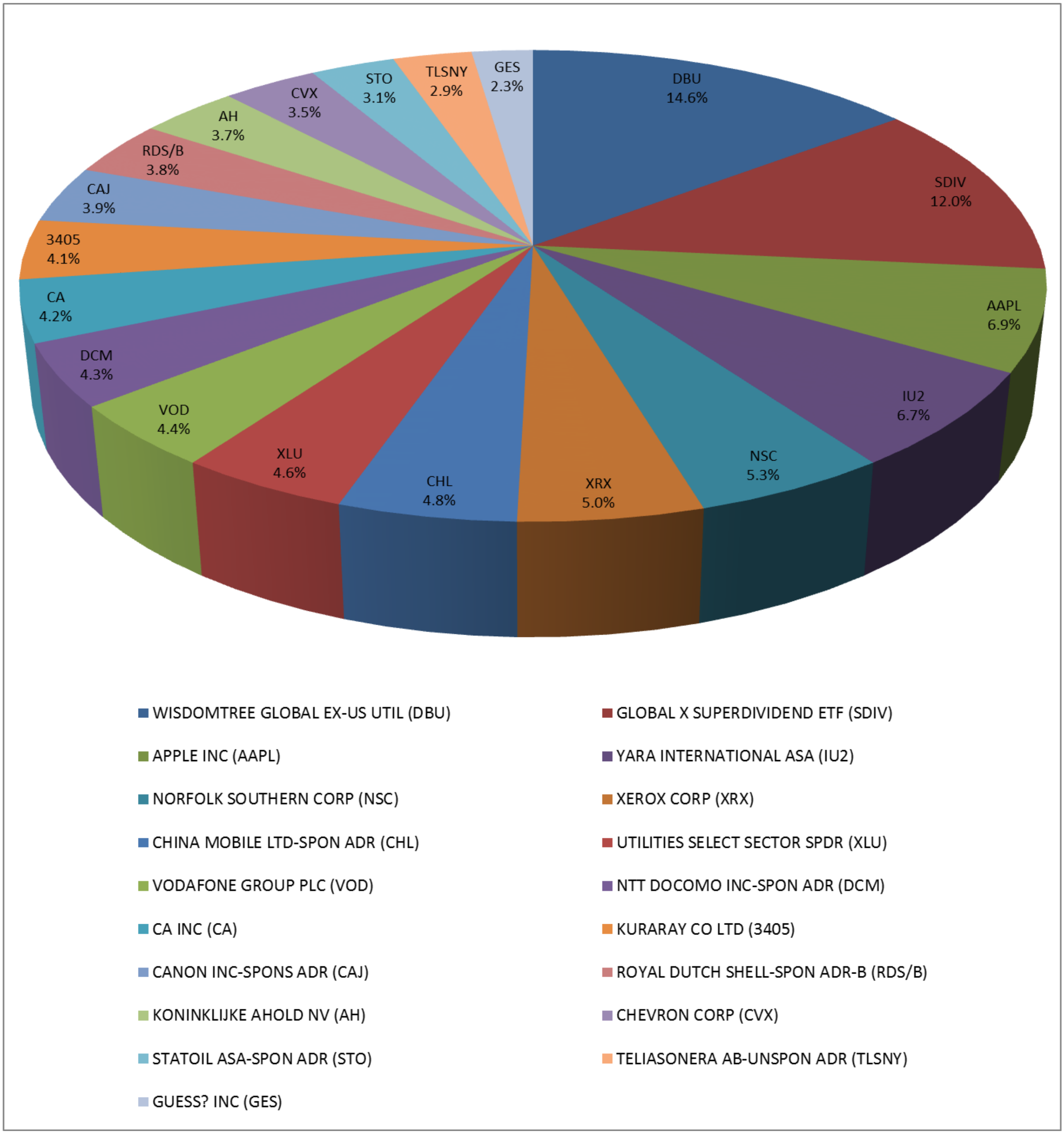
The best performer last month was Apple (AAPL) which rallied 22.18% over the period. The company reported a very strong first quarter earnings that exceeded estimates in most of the key statistics. The stand out statistic was the mind-blowing 74.47 million units of iPhone sold in the first quarter. As a comparison, the company sold 39.27 million units in the quarter prior. While this is definitely a strong result and something to cheer about, the valuation of the stock has gotten too expensive with a Price to Book of 6.08 and the dividend yield has fallen to 1.5%, which is below the Investment Manager's criteria of at least 2% dividend yield. This violates the strategy's objective to seek strong dividend paying stocks that are offering good value. As such the Investment Manager will be looking at exiting this position in the coming month.

The worst performer last month was the Utilities Select Sector ETF (XLU) which lost -6.03%. The utilities sector was the worst performer during this period as risk aversion eased and investors chose higher yielding sectors. The rising bond yield is also putting pressure on utilities stocks which are usually the alternative choice for income investors. Despite these factors, the Investment Manager feels that the sector is still a good place for long term investment because of its high dividend yields, stability and the diversification it offers to the portfolio.

The table below summarises the dividends that the Income Portfolio collected (or is entitled to collect) this month:

Code	Name	Average Entry Price	Dividend per Share	Yield on Entry Price
AAPL	APPLE INC	$450.26	$0.47	0.10%
CA	CA INC	$29.40	$0.25	0.85%
CVX	CHEVRON CORP	$120.34	$1.07	0.89%
SDIV	GLOBAL X SUPERDIVIDEND ETF	$22.40	$0.12	0.54%
NSC	NORFOLK SOUTHERN CORP	$74.90	$0.59	0.79%
RDS/B	ROYAL DUTCH SHELL-SPON ADR-B	$68.35	$0.94	1.38%
STO	STATOIL ASA-SPON ADR	$22.02	$0.24	1.10%

Current Holdings – Dividend and Growth Stock Strategy



Capital Gains Strategy

Objective

The allocation of this section of the Income Portfolio is to deep value equity, bond and commodity options, where the Investment Manager feels a probability exists for significant capital gains in the long term (they define long term as trades lasting longer than 12 months and in most cases over 2-5 years).

The key objective here is to target an asymmetric return where they risk a small limited amount but expose the portfolio to the possibility of making a large return payoff.

To achieve their objective, they aim to meet three broad criteria when selecting trades in this strategy:

1) Market value of the underlying equity or commodity is significantly mispriced.
2) Implied volatility is low, which provides a better reward to risk ratio.
3) In situations where options are employed, they aim to have a long enough time to expiry to allow their outlook to likely come to fruition.

Strategy Discussion

Capital gains strategy was the best performer by far last month. The strategy reversed all the accumulated loss since inception and made a handsome profit for the portfolio during the month. US dollar contributed most to the profit as the delta on the options kicked in and the leverage increased. The Euro Stoxx also added to the profit as the index made new high on anticipation that the ECB would soon begin its Quantitative Easing program.

During the month the 30th January 2015 expiry 0.8 put option on the NZDUSD expired. This option was almost worthless at one stage when the New Zealand dollar rallied against the US dollar but fortunately came back In the Money just before expiry to produce a profit of 80% over the initial premium. The Investment Manager used the resulting funds and invest them in long dated call options on the USDSGD and USDCNY.

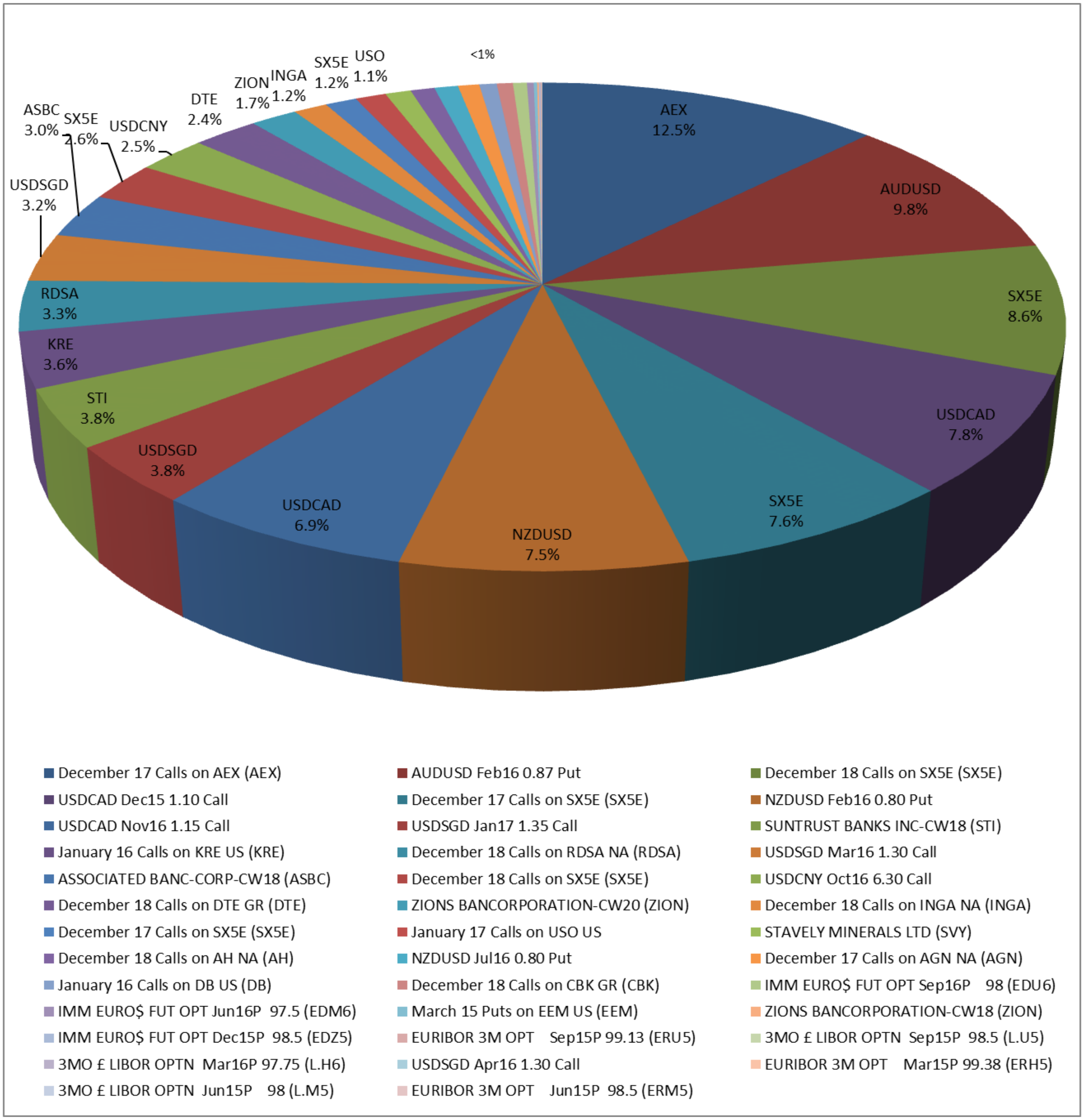
The greenback continued to strengthen last month as central banks other than the Fed face bias towards monetary easing. After the ECB Quantitative Easing announcement, the Monetary Authority of Singapore also committed itself to weaken the Singaporean dollar by lowering its currency trading range. The Reserve Bank of Australia did likewise as it cut its official interest rate unexpectedly by 25 basis points to spur a weakening export economy. Consequently the strengthening US dollar became the prevailing trend last month.

The benefits of utilizing options are illustrated with these US dollar trades. Some of these trades like the AUDUSD and NZDUSD put options were almost worthless at one stage as the currency pairs rallied away from the strike price. However, the long expiry date on the options and the fact that the maximum losses are limited and predetermined at entry allows the Investment Manager to hold the options through the volatility and stick to their long term outlook. Furthermore while the losses are limited, the profit potential is not so when the trade is moving in the right direction, these options could realize higher profits than what they stand to lose.

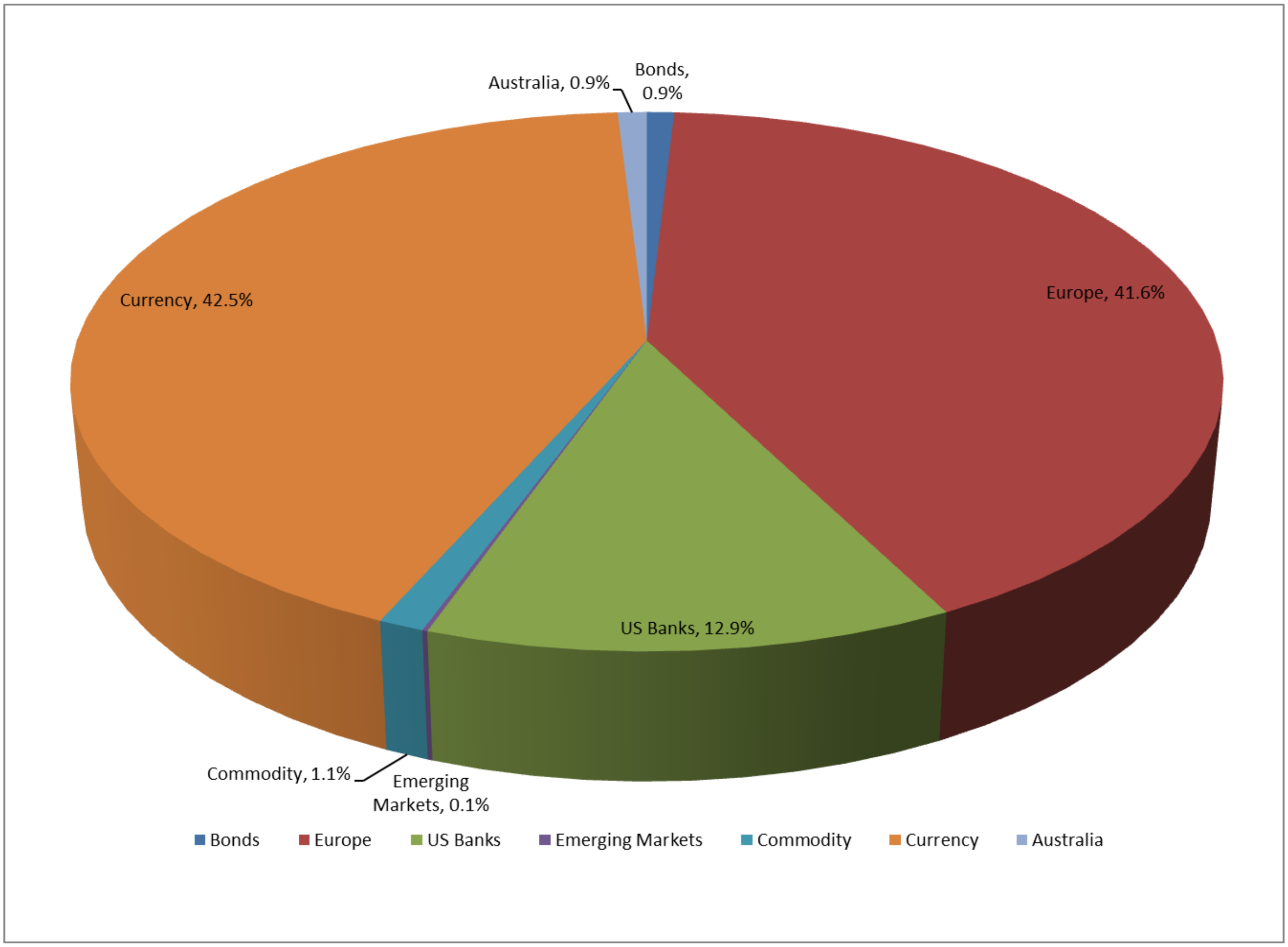
European equities also helped to provide a boost to the portfolio as the Euro Stoxx 50 soared to new high. The Investment Manager continue to believe that European equities are attractive based on better fundamental valuation, the European Central Bank's easing measures and the weak Euro which will help to boost the domestic economy there. So far the momentum has been held back on the uncertainty that the Greek might exit from using the common currency. Nonetheless as talks continue the possibility of Greece leaving the Euro has become less likely and markets are starting to shrug off the debate and return to the market.

The Investment Manager also added a new trade to the strategy in the form of a two year call option on USO the crude oil ETF. Oil price has fallen sharply since mid-last year and is still at very low levels. Some of this had to do with the fundamental shift in the supplies equation due to technology advancement which made US a net exporter of crude oil rather than an importer. The Investment Manager believes that prices are at such low levels that are unlikely to be sustainable in the long term as many producers would likely be forced out of service. On top of that the premiums on these long dated options have remained at quite reasonable levels allowing the Investment Manager to take advantage of their outlook at good risk to reward potential.

Current Holdings – Capital Gain Strategy



Capital Gains Strategy – Split into classes



Short Term Options Trading Strategy

Objective

The Short Term Options trading strategy is a directional trading strategy aimed at capturing short term momentum in predominantly US equities. The Investment Manager typically use technical analysis for trade selection in this strategy. The primary patterns that they try to identify are breakouts of trading channels. Trades are expressed using either call options if they have a bullish view or put options if they have a bearish view. Like the capital gain component of the Income Portfolio, they also try to target asymmetric returns; that means, they would only enter a trade if they think the options are relatively cheap or at most fairly valued.

This strategy is part of the Weekly and Monthly option trading strategies as it helps to balance the option writing component. The Investment Manager finds that the short term option trading strategy works best when option premiums are low, which is also when option writing becomes less attractive. The reverse situation is applies. Therefore the two strategies tend to complement each other as one usually picks up when the other is lacking, helping to smooth out volatility and achieve a higher overall return.

Just as option writing typically has a high percentage success rate, long option trading generally has a lower success rate but the profitability of winning trades is generally much greater than the losses. To increase the profitability and consistency of this strategy, the managers aim to diversify the portfolio into many trades across various sectors and invest a small position in each one such that individual losses, if they occur, do not have a significant impact on the overall Income Portfolio.

Strategy Discussion

The Option trading strategy did quite well last month despite having only a few trades. Most of the profits were from just one trade, Wendy’s (WEN) which made over 600% profit. There were a total of 5 trades that expired in February. Amongst these 3 positions expired In the Money and made profit equal to approximately 0.12% of the overall portfolio.

Monthly and Weekly Option Writing Strategies

Objective

With the Option Writing strategy, the Investment Manager aims to generate a consistent stream of income by writing options on CFDs of stocks and ETFs. They generally allocate a larger portion to the monthly expiry options and a smaller portion to the weekly expiry.

When considering option writing opportunities, the Investment Manager is looking for stocks with a relatively high implied volatility and then look for strike prices that is thought to be likely to hold during the option period that are offering attractive yields, usinga combination of fundamental analysis and technical analysis to determine whether or not they consider that a particular strike price will hold.

The margin utilisation in this strategy can vary significantly from week to week as the managers do not always find attractive opportunities in the market. When the market is and has no regard for risks, the premiums on options can be low, while the risk of a significant and unexpected move is high. In such circumstances, the manager prefers to be patient and reduce the allocation while waiting for better opportunities and higher premiums.

Strategy Discussion

The current market environment warrants caution. With volatility at all-time lows there are two main consequences for income strategies: premiums are low and the risk associated with a position going against the portfolio is exponentially increased (due to potential sharp rises in volatility when there is a reversal). For these reasons the Investment Manager has decided to scale back on entering positions in monthly options while continuing to seek opportunities on the weeklies. This month was quiet as low volatility coupled with most companies releasing earnings eliminated most trading opportunities. Weekly trades were entered especially to take advantage of high volatility during earnings week, however caution was applied when deciding position sizing. The current market environment has really depressed premiums so that even a spike in volatility due to earnings doesn't reflect in the ability to enter far enough OTM strikes.

This expiry month, very little capital was employed for monthly income trades: only 3 equity trades were entered and also the S&P index puts (the last niche of volatility remaining). Earnings season erased most if not all trade opportunities. Managers tried to pick up the slack in the weekly portfolio, mostly trading options on stocks with earnings announcements. There were a couple of instances when trades were closed as the earnings surprise affected the stock price so much that the strike entered was at risk; unfortunately this is part of the earnings play strategy but fortunately, even if impacting the bottom line, all weeks ended at a profit.

20% of the overall portfolio was allocated for the monthly strategy and 10% for the weekly, however from the consideration above, this has changed as capital has been diverted to other strategies in the portfolio that can profit better in the current environment. If market conditions change, the capital now reallocated will be recalled and put in use again in the short volatility strategies.

Please note that these are margin trades so of the overall capital allocated only a fraction will be invested to allow a sufficient margin of safety for market conditions, costs, and available opportunities.

Monthly options:

The monthly strategy ended at a profit. The ability to enter trades this month was impacted by two important factors: earnings season and low volatility. Furthermore after entering BIDU strangle, the company changed the earnings release date bringing it within the expiry period. One of the rules the managers follow in the monthly strategy is not to enter trades on stocks that have earnings announcements during the month. BIDU strangle was closed soon after this date change (fortunately at a profit overall). TIF was another casualty this month. The company announced a bad sales number for the Christmas period and the stock plummeted to strike. The Managers held their nerve and waited for a bounce in the stock price which occurred after a few days. The trade was then closed as too many days were left to expiry, a risk off move. The only equity trade still standing at expiry was PVH naked call.

The managers continued writing options on the S&P 500 index. The strikes selected were further OTM then equal strikes on the SPY stock with greater return on margin given the high leverage in the underlying Index. These instruments have very volatile premia, which the Managers consider justify the risks involved.

Stock	Strategy	Strike	Return on margin	Notes on the trade
BIDU	Naked put	185	-0.88%	Strangle. Strike chosen was nearly 20% away from current price at entry and below strong support at the 190 level. After the trade was entered the company changed the date of earnings release from after February expiry to before expiry. Managers closed the trade as soon as they became aware of the change. This follows the TPIS rule of no trades on stocks with earnings announcement.
TIF	Naked put	85	-15.14%	Strike chosen was more than 15% away from current price at entry. Stock moderately strong but holding within the 100-110 sideways channel. Data from Christmas period sales caused the stock price to gap close to the strike level. Managers held still and waited for a bottom and subsequent bounce back. When that happened the trade was closed for “safety”.
SPX	Naked put	1400	25.83%	Managers continued entering naked options on the index. They could choose quite deep OTM strikes for excellent return, especially when the market dropped during the month.
SPX	Naked put	1500	14.17%	Managers continued entering naked options on the index. They could choose quite deep OTM strikes for excellent return, especially when the market dropped during the month.
SPX	Naked put	1520	15.00%	Managers continued entering naked options on the index. They could choose quite deep OTM strikes for excellent return, especially when the market dropped during the month.
SPX	Naked put	1525	15.50%	Managers continued entering naked options on the index. They could choose quite deep OTM strikes for excellent return, especially when the market dropped during the month.
SPX	Naked put	1550	11.67%	Managers continued entering naked options on the index. They could choose quite deep OTM strikes for excellent return, especially when the market dropped during the month.
SPX	Naked put	1600	16.79%	Managers continued entering naked options on the index. They could choose quite deep OTM strikes for excellent return, especially when the market dropped during the month.

BIDU	Naked call	270	3.39%	Strangle. Strike chosen was nearly 20% away from current price at entry and well above recent highs at 250. After the trade was entered the company changed the date of earnings release from after February expiry to before expiry. Managers closed the trade as soon as they became aware of the change. This follows the TPIS rule of no trades on stocks with earnings announcement.
PVH	Naked call	135	4.42%	Strike chosen was above strong support at 130. Stock was also experiencing weakness for no apparent reason. During the month the stock lost nearly 15% of its value before recovering at expiry.
Return on total margin incurred:			**8.91%**	

Weekly options:

Five weekly option cycles were available this month, all ending in a profit. Most of the returns came from earnings plays: with these trades it is possible to enter deeper OTM strikes than normal due to the spike in volatility caused by the uncertainty in the company announcement. However, due to general market conditions, the volatility spikes are not as high as they used to be, making it challenging to go as deep OTM as managers were accustomed to during previous round of earnings. To manage the “increased risk” of writing “closer” to the money managers adjusted down the position size. The Managers continued selling options on the S&P when volatility on this instrument increased during the periods of selloff in equities.

Expiry 23/01/2015:

Stock	Strategy	Strike	Return on margin	Notes on the trade
AAPL	Naked put	94	2.73%	AAPL had a strong short term support at 105, earnings coming next week with further results from the Iphone 6 which should sustain the stock price. Managers wrote the safest strike available.
NFLX	Naked put	367.5	1.08%	Trade was entered soon after earnings release which caused the stock to gap up. Managers believe the bottom of the gap represents a good short to medium term support. Strike chosen is nearly 10% below that new support level.
SPX Index	Naked put	1905	3.53%	Managers wrote the lowest strike possible thinking market won’t fall that far.
Return on total margin incurred:			**2.00%**	

Expiry 30/01/2015:

Stock	Strategy	Strike	Return on margin	Notes on the trade
AAPL	Naked put	95	2.71%	Earnings play. Managers entered the lowest strike possible for the target return. AAPL history of price action on earnings has been always contained; managers thought this time would be no different.
AMZN	Naked put	240	1.48%	Strangle. Earnings play. Managers wrote strikes 20% away from current prices at entry, a move that AMZN never had during earnings announcements.
AMZN	Naked put	245	1.22%	Strangle. Earnings play. Managers wrote strikes 20% away from current prices at entry, a move that AMZN never had during earnings announcements.
SPX Index	Naked put	1920	4.00%	Managers wrote the lowest strike possible thinking market won’t fall that far.
SPX Index	Naked put	1940	3.00%	Managers wrote the lowest strike possible thinking market won’t fall that far.

AMZN	Naked call	370	0.77%	Strangle. Earnings play. Managers wrote strikes 20% away from current prices at entry, a move that AMZN never had during earnings announcements.
AMZN	Naked call	375	0.71%	Strangle. Earnings play. Managers wrote strikes 20% away from current prices at entry, a move that AMZN never had during earnings announcements.
Return on total margin incurred:			**2.33%**	

Expiry 06/02/2015:

Stock	Strategy	Strike	Return on margin	Notes on the trade
CMG	Naked put	590	0.72%	Strangle. Earnings play. Restaurant stocks have been strong lately. Strike is below short term strong support at around 610 and more than 15% away from current prices at entry. Managers thought that this could be enough buffer to weather any bad news.
CMG	Naked call	840	1.01%	Strangle. Earnings play. Restaurant stocks have been strong lately. Strike is 20% away from current price at entry. Considering the stock already rallied 10% in the past month, managers believe a gap up on the stock price due to positive earnings could be contained.
SPX Index	Naked put	1860	10.50%	Managers wrote the lowest strike possible thinking market won't fall that far.
Return on total margin incurred:			**3.11%**	

Expiry 13/02/2015:

Stock	Strategy	Strike	Return on margin	Notes on the trade
BIDU	Naked put	185	1.42%	Earnings play. Managers wrote the same strike they closed on the monthly strategy as they believed it represented a good "safe" level after seeing what other tech companies reported.
TSLA	Naked put	165	0.71%	Earnings play. Managers chose a strike 20% far away from current price at entry to cash in some "safe" premium even if the return was below what they normally accept.
Z	Naked put	85	2.52%	Earnings play. Strong support exists at 95. The company has a merger decision pending at the regulators level, real estate market is still strong in

				the US; all factors that managers considered bullish for the stock.
TRIP	Naked call	840	-18.21%	Earnings play. Previous earnings announcements by online travel companies were not positive. Managers chose to enter a naked call as it had more chances to end in profit. Unfortunately, they were wrong. Trip gapped up and reached strike during the day of the announcement. Trade was closed at market open.
SPX Index	Naked put	1900	3.00%	Managers wrote the lowest strike possible thinking market won't fall that far.
Return on total margin incurred:			**0.08%**	

Expiry 20/02/2015:

Stock	Strategy	Strike	Return on margin	Notes on the trade
FOSL	Naked put	80	-6.74%	Strangle. Earnings play. Volatility is quite high on the stock and managers tried to take advantage writing the deepest OTM strike available for the standard return, 20% away from current price at entry. Stock gapped down close to strike, traded to strike during the session but then recovered. Managers closed the trade at market open taking risk off the table.
NFLX	Naked put	500	1.33%	NFLX rallied strongly after earnings. Managers thought the stock will pause for a while before heading for higher highs.
FOSL	Naked call	115	3.44%	Strangle. Earnings play. Strangle. Volatility is quite high on the stock and managers tried to take advantage writing the deepest OTM strike available for the standard return, 10% away from current price at entry and the stock has been weak of lately.
Return on total margin incurred:			**0.39%**	