



SAVANT REPORT

- » FEAR NOW... PESSIMISM LATER!
- » TREND FOLLOWERS REIGN
- » SAVANT NEWS AND UPDATES
- » FARMLAND DYNAMICS CONTINUE TO CONCERN...
UPDATE TO FARMLAND VALUES
- » SMART MONEY BUYING MORE REAL ESTATE
- » WHAT WE'RE BUYING NOW



FEAR NOW... PESSIMISM LATER!

BY BILL GARY

Following the 2008 financial collapse, central bankers worldwide pumped unprecedented liquidity into their economies. The Federal Reserve pushed interest rates to near zero and purchased billions of dollars in bonds and mortgages to “jump start” the US economy. In recent months, it has become evident central banks have just about done all they can do to offset damage from the collapse. Most creditworthy corporations, institutional borrowers and households have refinanced their debt at historically low interest rates and are waiting for the “boom times” to begin. However, the global economy appears to have been so severely wounded it is unable to get back on its feet.

Governments in Syria, Libya and Yemen have collapsed and those nations are in chaos. Iraq is fighting for survival, Russia has invaded Ukraine and the EU is headed for a serious recession. China, once the shining beacon of global economic expansion is slowing, Venezuela and Argentina are in deep financial trouble and Brazil appears headed for recession. Because we now live in a global economy, is it any wonder corporations and small businesses are unwilling to go out on a limb and borrow heavily to build factories or expand business as they have in the past?

Economists have warned in recent years if central banks continue expanding money supply at unprecedented rates, the eventual result will be rampant inflation. Many thought inflation would have already taken hold considering the magnitude of money printing that has taken

place. However, gold is testing a four year low, crude oil prices have collapsed from summer highs and grain markets are trading at levels last seen in 2010. What’s going on? Why are commodity markets failing just as the US economy appears to be on the mend?

Fear! Corporations currently have more money on hand than at any time in history. Instead of borrowing to buy new equipment and build new plants, they are buying back their stock or investing in another business. They fear expansion as too many nations are in chaos and are suffering a slowing economy. Why take the chance to build a new factory when the world no longer promises ever expanding economies? Consumers are not borrowing and spending as they did in the 2000’s. They were hurt by layoffs and huge debts and do not want to be as vulnerable as they once were. The public has become distrustful of their government, distrustful of Wall Street and is increasingly concerned with prospects for another war. They are also fearful of the Ebola epidemic and are reportedly canceling cruises and beginning to avoid plane travel.

Public optimism appears to be waning and fear for the future seems to be growing. This may result in a general sense of pessimism, leading to a slowing of demand and price deflation in most commodity markets.

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TREND FOLLOWERS REIGN

BY NELL SLOANE, CAPITAL TRADING GROUP

You could say that volatility “reared its ugly head” in September, as the CBOE Volatility Index (VIX) spiked 36% higher.

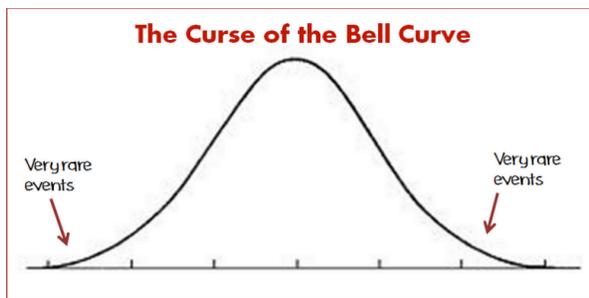
But is volatility wholly a negative, wealth-destroying phenomenon as the “ugly head” phrasing suggests?

For some investment strategies, market volatility poses a serious challenge. Yet, for others, volatility is the source of outsized investment returns. So it’s a good idea to drop the assumption that all volatility is simply bad.

More so, the word “volatility” can mean different things in different situations. Often, volatility is used to describe the variability in investment returns. In this case, an investment’s performance can be described by calculating the average monthly return achieved over a number of years, along with the standard deviation of those returns. The latter quantifies how wildly each month’s returns can swing – both above and below – the average return.

But that measure, standard deviation, still fails to fully describe the risks, and potential returns, of investments. And that’s because, as we know well, financial markets don’t “follow the rules” set forth by probabilities and the Normal Distribution (aka “Bell Curve”) we were taught in Statistics 101.

Remember the Bell Curve? It looks like this...



The “tails” of the bell curve describe the probability that a “very rare” event will occur. And while many phenomenon neatly fit the mold of the bell curve, financial markets DO NOT.

Financial markets are known to have “fat tails,” which

basically means that price movements that are supposed to occur “very rarely,” actually occur more frequently than most expect.

We reinforce this lesson today because we experienced market moves in September that were of magnitudes that the bell curve says should not have occurred. Yet, they did occur.

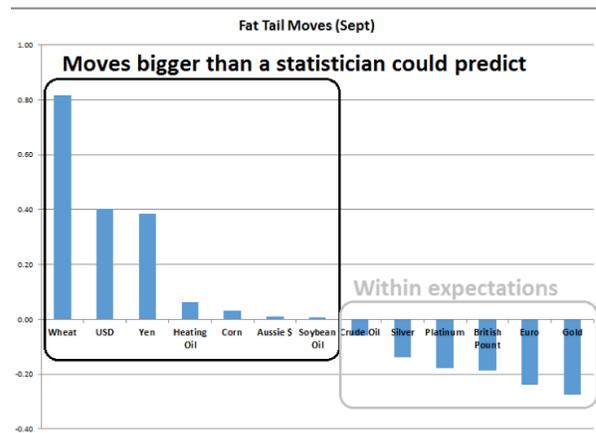
To quantify the “rareness” of market moves in September, we did some number crunching. Basically, we ran two studies.

First, we noted the percentage gain/loss of each market in the month of September and then counted the number of times in the past 10 years that a move of that direction and magnitude had occurred.

Next, we ran Monte Carlo simulations on each market to determine how many times in a 10-year period we should expect to see moves of that direction/magnitude, given the market’s average return and standard deviation.

Finally, we compared the two studies... the “Actual” frequencies versus “Expected” frequencies. And this allowed us to identify which specific markets made what we’ll call “Fat Tail Moves” – price changes that were much bigger than expected, based on the market’s standard deviation alone.

Here’s what we found...



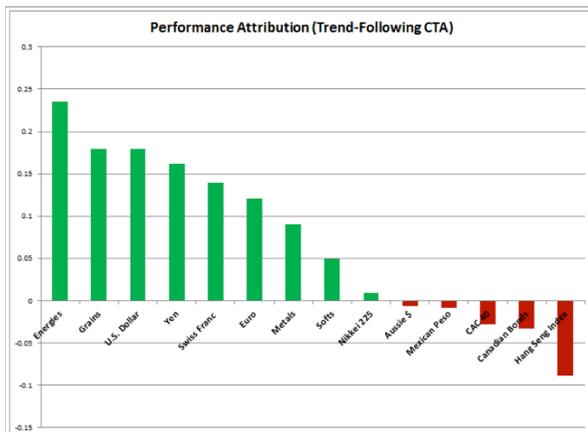
The U.S. dollar is a good example of a “fat tail” move

that developed in September. By month end, U.S. Dollar futures were up 3.8%. That was the ninth time in the past 10 years that U.S. Dollar futures have gained 3.8% or more in a given month. Yet, bell curve statistics say a move of that magnitude should be expected only five times in a 10-year period.

That's a "fat tail" move... a bigger move, more often, than most people would expect to see.

Admittedly, this isn't ground-breaking research. We haven't discovered a phenomenon unknown to market professionals.

Still, it's a poignant reminder of precisely why we believe trend-following investment programs should be included in any investor's portfolio. Fat tail moves do happen. They're incredibly difficult to forecast. Yet, trend-following programs are able to capture the moves and, in doing so, provide excellent returns... especially in volatile market environments.



As you can see above, the U.S. Dollar's move in September was bigger than statisticians would expect. Yet, it wasn't the only market to make a fat tail move. So too did wheat, the Japanese Yen, heating oil and corn.

The energies sector contributed the largest share of net gains, as heating oil made a fat tail move. Grains came in 2nd place, as both wheat and corn made fat tail moves. And, of course, the U.S. Dollar and Japanese Yen made fat tail moves in September.

For the past several years, naysayers have postulated that trend-following programs are broken and will never again work. To be fair, the strategy has underperformed in recent years as central bank intervention has dampened volatility and increased correlations between typi-

cally uncorrelated markets.

But we expect those naysayers to be a bit quieter now that trend-followers captured some nice fat tail moves in September.

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QUOTES of the MONTH



“How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case.” - Robert G. Allen



“Real estate investing, even on a very small scale, remains a tried and true means of building an individual's cash flow and wealth.” - Robert Kiyosaki



*“Price is what you pay; value is what you get. Whether we're talking about socks or stocks, I like buying quality merchandise when it is marked down.”
- Warren Buffett*

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SAVANT INVESTMENT PARTNERS NEWS AND UPDATES



FOR IMMEDIATE RELEASE

Savant Investment Partners Acquires 27,000 Square Feet of Commercial Office Real Estate

Savant is betting on the commercial real estate market rebound in Las Vegas, Nevada and Albuquerque, New Mexico.

Las Vegas, Nevada — Savant Investment Partners has announced that it has completed the acquisition of more than 27,000 square feet of commercial office properties located in Las Vegas, Nevada and Albuquerque, New Mexico, all of which are 2005 or newer construction. Savant Investment Partners joined forces with two investors to acquire this portfolio which is the beginning of Savant's efforts to acquire \$50 million worth of commercial real estate by the end of 2015. Savant's CEO, Jordan Wirsz, headed up the acquisition negotiations and underwriting process.

"The commercial real estate market is just now gaining traction," says Jordan Wirsz, CEO of Savant Investment Partners. Wirsz continued, "The commercial real estate market comeback is a bet we are more than willing to take. We believe that commercial real estate values could double in the decade ahead, which means returns will be great, and leveraged returns will be even better – extraordinary actually."

Savant Investment Partners is a Las Vegas, Nevada based real estate investment firm, which handles a wide variety of real estate investment matters across the U.S. including multi-family, office, industrial, retail, and land development investments. Savant Investment Partners buys, sells, manages, and invests in real estate on its own behalf and alongside its investors/partners, and clients, as well as offers a variety of real estate related services including due diligence coordination. Savant has been involved in more than \$100 million of commercial real estate investment acquisitions and divestitures in recent years.

Many well-funded individual investors are flocking to the real estate asset class, not the least of which are foreign investors from Canada, Australia, and China. "The real estate comeback is just beginning, and investors are finally gaining enough confidence back to get involved," said Mr. Wirsz. He continued, "As the economy improves, commercial real estate is going to benefit in a very big way."

Savant Investment Partners can be reached by phone at (702) 474-3003 or through the firm's website www.SavantInvestments.com or www.SavantReport.com.

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SAVANT WELCOMES NEW TEAM MEMBER



**Amber O'Flaherty, Director of Operations
Savant Investment Partners**

We are proud to welcome our newest team member, Amber O'Flaherty, to the Savant family.

Amber O'Flaherty is a seasoned finance professional with 15 years of real estate banking and operational experience. Mrs. O'Flaherty is familiar with the unique real estate markets throughout the U.S., having, been involved with commercial lending operations for much of her career. During her extensive 13 year tenure at Zions Bank (Nevada State Bank), Mrs. O'Flaherty worked in various areas of real estate, including, office, retail, and residential, and construction. She was most recently tasked in managing a loan portfolio of \$110 million, consisting of both commercial and residential real estate.

Mrs. O'Flaherty graduated Magna Cum Laude from the University of Nevada, Las Vegas. As a long term resident of Las Vegas, Mrs. O'Flaherty enjoys giving back to the community. She was a mentor for Women's Money Mentor Program (2013), and volunteers her time with United Way and Junior Achievement.

We hope that you will join us in giving Amber a wonderful and warm welcome into our humble organization.

Amber may be contacted at: amber.oflaherty@savantinvestments.com

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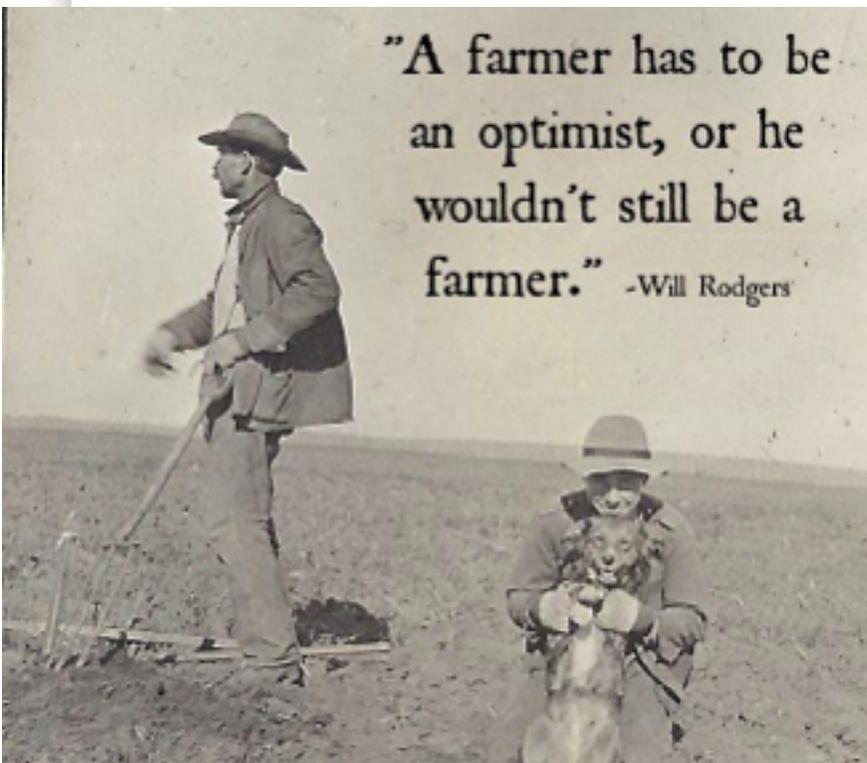


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FARMLAND DYNAMICS CONTINUE TO CONCERN... UPDATE TO FARMLAND VALUES

BY JORDAN WIRSZ

Last month, I wrote about the farmland pricing dynamics which continue to concern farmers around the U.S. and Canada. Farmland, as you know, is highly correlated to crop prices. We have all seen the declines in commodity prices, specifically the grains since 2012-2013. Now, with corn prices in the \$3 range and soybeans in the \$9 range, farmers are learning to lean on their optimism for comfort. The problem remains, how long will prices stay low? Is it possible that prices could remain relatively low for years to come? The answer is yes, anything is possible.

AgriMoney published an article on October 17th indicating that the U.S. Farm market has hit the weakest point in 9 years, hurt by the tumbling crop prices which are now at multi-year lows. "Much weaker crop prices continue to take the air out of the bubble in agriculture land prices," said Creighton economics professor Ernie Goss, adding that this is the 11th successive month showing a decline in farmland values. Lenders are also leaning negative on land prices, as quoted saying farmland values "Will begin an erosion." Not such a surprise for those who follow market cycles, but those who haven't studied the markets may find themselves on the wrong side of leverage

in the coming farmland market.

As quoted from AgriMoney: "Meanwhile, Farmland Partners, the listed group building a portfolio of US farmland, told investors this week that "since 1991, farmland has offered consistently positive annual returns and lower volatility, leading to significant cumulative outperformance" compared with values of corn and soybeans themselves. This statement sounds like a pretty politically well thought out way to say "we're going to stay optimistic."

Needless to say, the ramifications of low crop prices and potentially declining farmland values for the agriculture industries could be dire. Machinery sales are likely to slow down along with many, but perhaps not all, areas of spending in the agriculture sector. Efficiency will be key for growers...Every dime and every bushel will count.

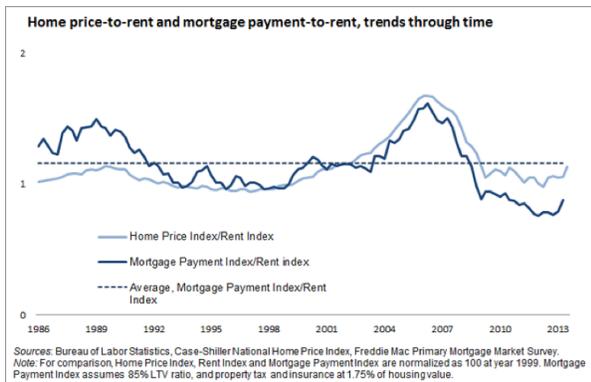
For a recent article on farmland returns, agrimoney.com is an excellent resource, including one of their latest reports on farmland returns at: <http://www.agrimoney.com/news/us-farmland-returns-fall-to-lowest-in-four-years--7639.html>

SMART MONEY BUYING MORE REAL ESTATE

BY JORDAN WIRSZ

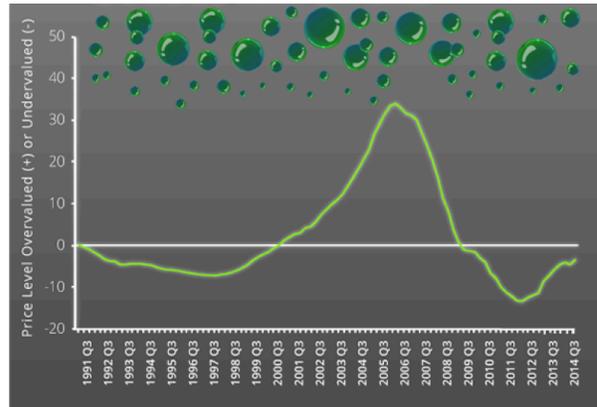
It seems like it never stops...One minute the sky is falling, the next minute everything is wonderfully rosy. And in between, everyone is asking the question over and over again, "is real estate in another bubble?" Of course, I get my fill of daily laughter when so-called "experts" are predicting another real estate crash.

It is not often that we read editorial that is well thought out and balanced, but earlier this month, CNBC published an article based on an interview with Chris Graham, Sr. managing director of Starwood Capital Group, a \$37 BILLION real estate investment firm. Mr. Graham was quoted as saying "we don't think there's a broad based bubble in the real estate market today, nor do we think there's one coming in the next year or two." "There is still room for upside here," he said. Mike Kelly, director of U.S. real estate commingled funds at J.P. Morgan also agreed that there is no bubble.



Housing affordability is still extraordinarily good, as indicated by this chart from 2013. While prices have not "spiked" significantly since 2013, affordability with extremely low interest rates remains quite good through 2014, as I expect much, if not all of 2015.

Trulia, the popular search engine website for home values still believes that home values are undervalued as indicated by this chart as of Q3 of 2014. In any cycle, we will trade far above the mean line of price valuation. Right now, we are trading below the mean line of valuation, showing that housing is still undervalued.



The keys to valuation remain that prices in many (but not all) markets are still far below replacement cost. In Las Vegas for example, home prices are still under \$100/ft. in many areas, providing quite a bit of upside to meet the replacement cost line. With land value, land improvements and building costs, homes should easily be priced nearly 30-50% more than what they are currently selling for (in Las Vegas).

The same price inversion that we see in residential housing, is still very present in commercial real estate as well...In fact, even more so. Prices are far below replacement cost in many cases, and we are certainly far below the valuation mean by quite a large margin. This is the reason that we are focused syndicating commercial real estate investments in targeted markets.

Keep in mind, not all markets are created equal. While many markets are still far below the mean valuation line, other markets may be above it. This is why we spend so much time and attention gathering information on various markets, so-as to understand the valuation dynamics that are likely to drive value in the medium to long term, while providing opportunities to make money on the acquisition in the immediate time.

The bottom line is that real estate, in our view, is far from bubble pricing. And, in fact, we expect another massive bull market for the medium to long term, so we're buying all the commercial real estate that we can get our hands on.

Learn more about us at www.SavantInvestments.com

What We're Buying Now...



True to our form, we are always looking out for great deals. We're pleased to announce that we've landed a contract to acquire an 11,600 square foot retail/office property in the southeast part of Las Vegas. With current returns of approximately 9% based on our purchase price, and future returns expected over 12% once the remaining 20% of the property is leased, we feel quite good about the pending acquisition of this small retail property. Stay on the lookout for our press release with additional details once the acquisition has been closed.

For more information about our investment strategy, you can visit www.SavantInvestments.com



a LITTLE about SAVANT



Savant is a national residential and commercial real estate investment firm which buys, sells, manages, and invests in real estate on its own behalf and alongside its investors/partners, and clients.

Our clients range from high net worth individuals, also known as “accredited investors,” to large hedge funds, pension funds, endowments, and family offices.

Our team’s experience spans from residential housing investments to commercial and land of all genres, types, and sizes.

For more information about Savant, visit our website at:

www.SavantInvestments.com





Bill Gary, CEO
CIS (Commodity Information Systems)

Bill began his commodity career as a corn buyer in 1959 for a large milling firm in central Illinois. In 1978, Bill became Regional Commodity Manager and Vice President of E.F. Hutton & Company. He was elected to E.F. Hutton's Director's Advisory Council in 1980, 1981 and 1982.

In 1991, he joined Prudential Securities Inc. as a Senior Vice President and was elected to the Chairman's Council in 1995, 1996 and 1997. Since that time, he has dedicated his energy to expanding CIS market research.

Bill has been featured in The Gartman Letter, Barrons, The Wall Street Journal, Forbes, Pro-Farmer, The Farm Journal, Business Week, US News and World Report and other publications. He has also been featured in books such as Crisis Investing by Doug Casey, Schwager on Futures by Jack Schwager and Master Brokers by John Walsh.



Nell Sloane
Capital Trading Group

CTG is an investment firm specialising in execution and account management for today's leading Commodity Trading Advisors, CTG's operations coordinate all aspects of a professionally managed fund or trading program. At CTG, our personalized services include Global trade execution; Risk analysis, Account allocations; Trade reconciliation, fee invoicing; complete customer service. CTG's unique position is able to provide the most complete and thorough investment and management tools. We are built to provide CTAs

and their investors with the best opportunities available today in professionally managed trading programs and self-directed trading environments.



Jordan Wirsz, CEO
Savant Investment Partners

Jordan Wirsz serves as the CEO of Savant, and brings with him more than 13 years of real estate investment experience in a wide variety of real estate assets representing approximately \$750 million. Mr. Wirsz is responsible for overseeing Savant's real estate investments including locating and negotiating real estate transactions, property management, portfolio strategies, partnerships, affiliated fund management, investor relations, and administration. Prior to Savant, Mr. Wirsz served as CEO of a private capital finance company

which managed more than \$100 million of capital including a private investment fund. As a real estate investment manager, Mr. Wirsz underwrote and funded several hundred million dollars of investments in a wide variety of real estate transactions across the United States, including both commercial and residential land entitlement and development projects, industrial properties, office projects, hotel construction, retail shopping centers, and build-to-suit transactions. Mr. Wirsz has been and continues to be a very active real estate investor and developer. Mr. Wirsz is a nationally recognized real estate expert who has been recognized by members of the U.S. Senate, U.S. Congress, Nevada state government, and has been featured on numerous national television networks including CNBC, NBC, and Fox News. Mr. Wirsz was awarded the prestigious "Young Entrepreneur of the Year" award by the Small Business Administration in 2007.