



Managed Futures Database Study

Second edition - August 2008

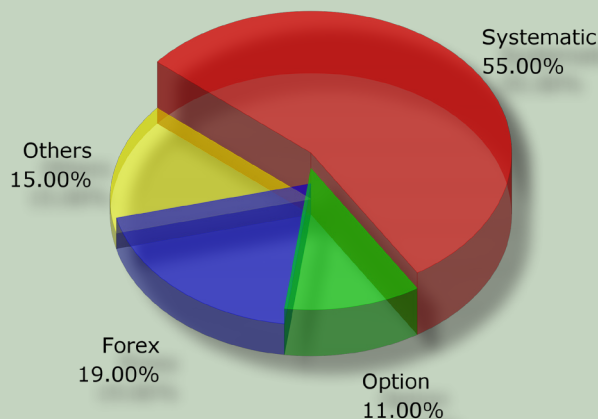
Introduction

This is the second edition of the ManagedFutures.eu Database Study, that provides an overview of programs and their managers for prospective investors and other market participants. The database consists of CTAs around the globe, but located in Europe, we put more emphasis on European region.

We are going to regularly update this study to keep the financial community informed. Questions or reminders are welcomed.

KEY STATISTICS

Number of programs:	500
Asset under management:	\$31 billion
Systematic programs:	55%
Option specialists:	11%
Forex specialists:	19%
Others:	15%



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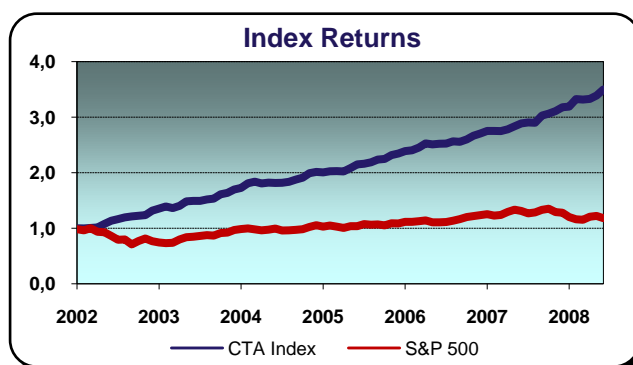
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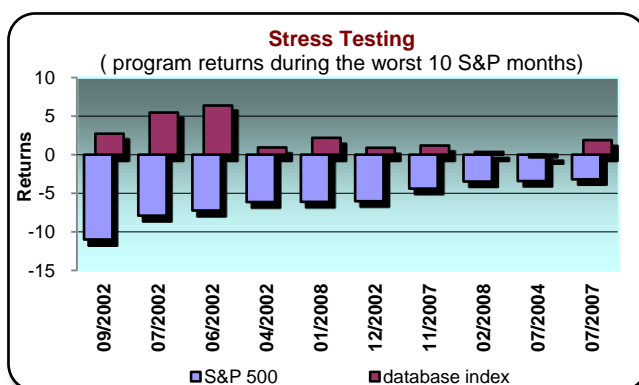
Average returns of the database

	2002	2003	2004	2005	2006	2007	2008
Jan	0.18	2.71	1.68	-0.43	1.84	1.71	0.35
Feb	-0.37	2.76	4.86	0.97	0.60	-0.02	4.30
Mar	0.94	-1.89	1.68	0.20	2.08	-0.09	-0.26
Apr	0.70	2.86	-1.76	-0.35	3.03	1.19	0.31
May	6.36	5.80	0.79	3.03	-0.68	1.90	1.86
Jun	5.45	0.47	-0.35	3.19	0.45	1.89	3.19
Jul	2.38	0.12	0.09	0.51	0.14	0.54	
Aug	2.72	1.60	1.00	1.18	1.57	-0.14	
Sep	1.48	1.03	2.16	2.19	-0.28	4.41	
Oct	1.00	4.99	1.85	0.62	1.67	1.19	
Nov	0.90	1.75	4.29	3.00	2.50	1.52	
Dec	6.56	3.63	1.18	1.24	1.56	2.17	
Year	31.87	28.81	18.73	16.37	15.40	17.44	10.07

Index is calculated using arithmetic average, all programs have the same weight (AUM is not important). Because of several biases (see at the end of this study) we think that only years 2006-2008 have higher informative value.



As seen from the chart below, returns of managed futures programs are really uncorrelated to the stock market. They could therefore be seen as a good diversification to the traditional portfolios.



Qualitative statistics

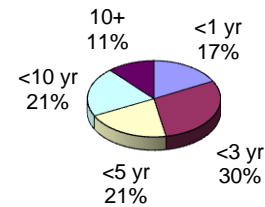
	maximum	minimum	average	median
Minimum investment (in USD)	50,000,000	0	977,676	100,000
Average length of data (in months)	222	2	54.57	39
Management Fees	4%	0%	1,57%	2%
Incentive Fees	40%	0%	20.78%	20%
Asset under Management (in mil USD)	6,300	0.02	267.76	11.80

Minimum investment

Low minimum investment requirements are connected to a few programs especially designed for retail investors.

Average length of data

There are 263 programs (53%) with a track record more than 3 years, 161 programs (32%) are older than 5 years and 57 programs (11%) are older than 10 years.



Management fees

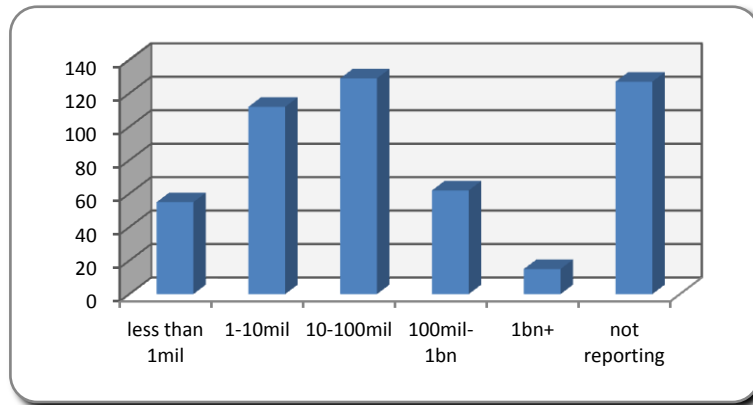
Management fees are sometimes negotiable or depend on the size of an investment. Almost a half of managers charge 2%. Zero fees is seen by 3 programs (<1%).

Incentive (performance) fees

More than half of programs are charging incentive fees of 20%. These numbers confirm that managed futures accounts are relatively expensive compared to the rest of the hedge fund industry.

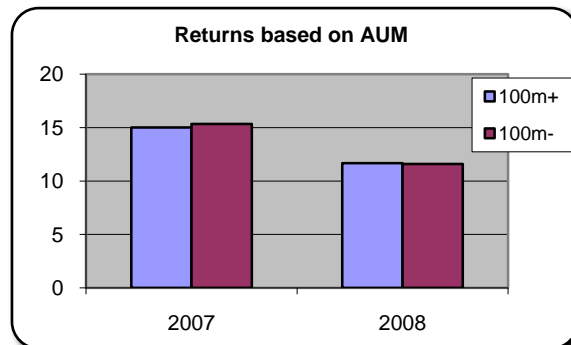
Asset under Management

Most of the programs manage between \$10mil. and \$100mil. Unfortunately the percentage of programs where we don't know their size is relatively high. We can only guess that these programs probably manage less money. But it is definitely our task for the next update of this study to gather more detailed information. As some advisors don't look into programs with less than 100mil AUM, they would overlook most of our programs. On the other hand, some emerging manager specialists can find a lot of "future stars" here.



Do larger programs have a better performance than smaller ones?

In terms of AUM and returns we asked this obvious question. We compared returns in years 2007 and 2008. A program is taken as "big" if AUM is more than 100mil. As may be seen from the chart below, AUM is not important. There have been no difference in results of small vs. big programs in 2007 as well as in the first six months in 2008.



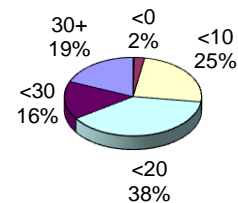
Quantitative statistics

(only programs with more than 2 years of trading - 66% of programs)

	maximum	minimum	average	median
Average annualized return	175.68	-11.23	19.88	15.95
Percentage of positive months	100.00	36.88	63.75	60.81
Maximal Drawdown	80.44	0.00	20.06	16.85
VaR (1 month, 99%)	2.80	-59.85	-10.65	-8.73
Sharpe Ratio (RFR=5%)	7.27	-1.33	0.72	0.63
Sortino Ratio	16.72	-0.42	0.56	0.27
Skewness	6.00	-3.37	0.27	0.26
Kurtosis	50.80	-1.23	2.47	1.11
Correlation vs. S&P 500	0.36	-0.49	-0.07	-0.06

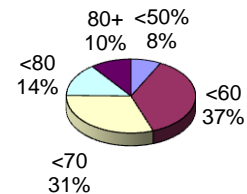
Average annualized return

An average program has yearly return about 20% and only 2% programs have a negative average annualized return. This is very good, but please see biases of the database at the end of this study.



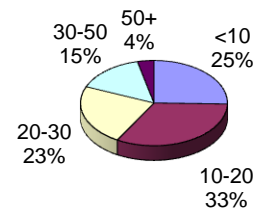
Percentage of positive months

34 programs (10%) have more than 80% months with positive performance. Only 25 programs (8%) have less than 50% positive months.



Maximal drawdown

Maximal drawdown less than 10% is seen by 84 programs (25%). On the other hand, 62 programs (19%) have experienced drawdown of more than 30%. This is relatively high compared to other hedge fund strategies.

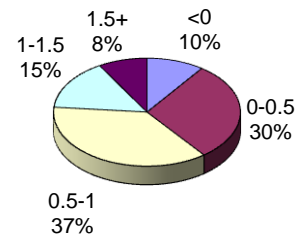


VaR

VaR better than -5% can be found in 70 programs (21%). On the negative side, 36 programs (11%) have VaR worse than -20%.

Sharpe ratio

Sharpe ratio more than 1.5 is seen by 28 programs (8%), 50 programs (15%) have Sharpe between one and one and the half and 33 programs (10%) have a negative Sharpe. As is widely known, Sharpe is not the best indicator, because it penalizes CTAs for large positive returns.



Skewness, kurtosis

The average skewness is positive, which means returns higher than the mean have higher probability. Kurtosis is also positive which indicates a relative peaked distribution.

Correlation vs. S&P 500

Only 1 program has a correlation vs. S&P 500 more than 0.3 and 27 programs (8%) less than -0.3. This again confirms that our CTAs are uncorrelated to the stock market. However, this is a static correlation, which does not explain correlation in different market cycles.

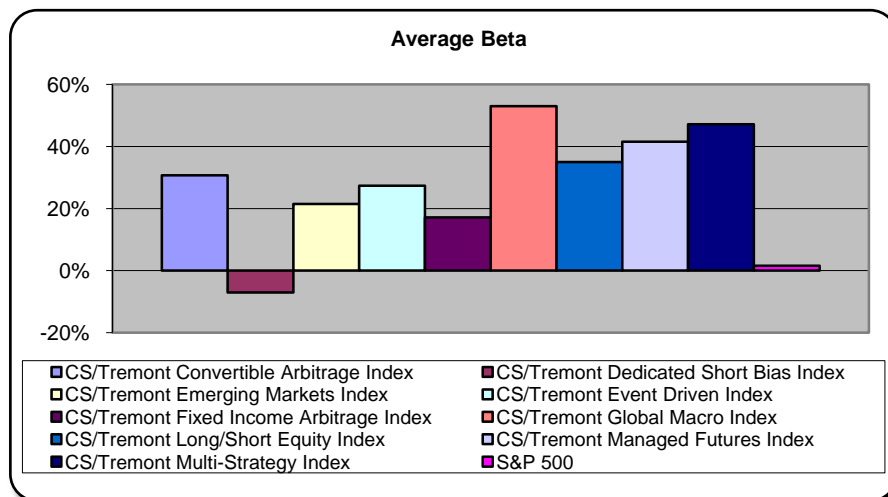
Style analysis (Beta)

(only programs with more than 2 years of trading - 66% of programs)

While we are looking for alpha, it is equally important to find beta, as it tells you wheater the managers returns are not only index-based.

For more explanation see e.g. Lhabitant¹.

	maximum	minimum	average	median
CS/Tremont Convertible Arbitrage Index	5797.4%	-1313.3%	30.7%	14%
CS/Tremont Dedicated Short Bias Index	277.1%	-138.6%	-7.1%	-5%
CS/Tremont Emerging Markets Index	1147.7%	-712%	21.5%	11.2%
CS/Tremont Event Driven Index	1638.4%	-978%	27.4%	19.6%
CS/Tremont Fixed Income Arbitrage Index	672.1%	-2791.4%	17.1%	18.5%
CS/Tremont Global Macro Index	775%	-1324.1%	52%	33.1%
CS/Tremont Long/Short Equity Index	3184.5%	-893.3%	35%	18%
CS/Tremont Managed Futures Index	629.8%	-432.2%	41.5%	23.4%
CS/Tremont Multi-Strategy Index	4187%	-1092.8%	47.2%	32.6%
S&P 500	312.4%	-614.4%	1.6%	0.2%



¹ Lhabitant, F., 2002, Hedge Funds: Myths and Limits, page 227

Statistical biases

Self selection bias

The database suffers from self selection bias, because managers can decide which programs will be included in the database and which will not. That is why it is possible that only programs with positive returns are chosen, so this makes an upward bias.

From a global perspective there are also managers who don't want to report to our database. Reasons could be a good performance (and so not enough capacity), bad performance or they are already reporting to another database.

Survivorship bias

As the database is quite young, all programs are still "alive".

From a global perspective the database contains programs which have already survived for some period of time.

Backfill bias

The database suffers from a backfill bias, because mostly it includes the programs' historical track record.

Other biases

As we don't attempt to calculate a predicative index, we neither deal with double counting nor with reporting bias.