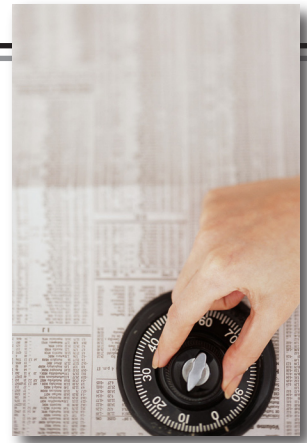


# CTA RESOURCE REVIEW

by Holliston H. Hurd

## How To Choose a CTA To Manage Your Money



We live in interesting financial times and many investors are changing the way they make investment decisions. First and foremost, every investor should have a diversified portfolio, across asset classes and across managers. Managed futures should make up approximately 25% of your portfolio. The rest should be spread across stocks, bonds and money markets depending on your needs and risk to reward goals. For the purposes of this article I will not attempt to suggest where your other assets be placed, only your choice of CTAs.

Managed futures provide two of the most important things to an investor, given the Madoff scandal - complete control and full transparency. When you hire a CTA, you choose the Future Clearing Merchant, (FCM) who will hold your funds in your name. The CTA never has access to your money, the manager only has trading authority in your account. Secondly, you see every trade and transaction in your account and receive this information, not from the CTA, but from the FCM, daily, if requested. These two safeguards can provide the investor with the security that many investments have lacked recently, complete control over their own funds and full transparency. In addition, managed futures provide 24 hour liquidity. If you notify your CTA at noon on Tuesday, you should have a wire sending at least 90% of your funds out at noon on Wednesday. It may take a couple of weeks to finalize fees so that you can receive the 10% balance.

When choosing a CTA, there are five areas that should be researched.

### Track Record

A CTA should have at least 1 year of performance on the strategy being offered. Sometimes when an advisor is offering a new strategy, but has assets on other programs with longer track records, 6 months may be acceptable. The return should ideally be two to one to the risk. In other words, a 20% yearly return should carry a 10% peak to valley drawdown for the same twelve months. The “peak to valley drawdown” is the sum of the negative months. Be sure to ask for the intra-month drawdown as well. While you may see a 9.5% month end loss, the actual mid month drawdown could be double that. Set parameters for your investment prior to searching for a CTA and stick with them. Use data services such as Barclay Hedge, Autumn Gold, or Stark to find viable candidates and to compare numbers with other CTAs. These services offer the ability to search for CTAs within your criteria.

### Audit

Do your own audit on a CTA’s track record. Ask for the accountant’s line item report. This way you can see what fees are reflected in the numbers: commission, management and incentive fees should be itemized. You can also see if interest is added. What percent of the performance is interest income? If the CTA does his own accounting, ask for the internal reports and internal accountant’s background. Preferably, the CTA uses an outside accountant who is known in the industry, used by other CTAs and has a good reputation. Further, randomly choose two months from the year and ask to see month end statements. Compare your calculations with the published numbers. But remember you must account for the change in open trade equity from the previous month. The CTA should have no issue providing this for you.

## Style

I suggest that you diversify in three areas: time frames, markets traded and style. Invest with as many CTAs as you can with your allocated funds, but don't over leverage. Allocate at least 50% cash to each manager. For diversification, if you can invest in three CTAs, choose a short term, diversified advisor, a medium term sector advisor and a long term discretionary advisor for example. You want traders that fit your criteria but you don't want all your investments to be in short term, discretionary, grain traders. Work to allocate to each time frame, across markets and to as many styles as possible. Further, look at the correlation of the performance of your CTA portfolio. You are working to get as smooth an equity curve as possible.

## Staff

Who will be placing trades for you? How long have they been in the industry? Go to [www.NFA.futures.org](http://www.NFA.futures.org) to make sure the advisor is registered and doesn't have outstanding issues. Google the advisor. Have they written articles and books? Read them, so you can understand their process. Do they come from larger banks or FCMs? Ask their accountant how long they've known the CTA? Look at the firm's infrastructure. You want a firm that can handle an influx of capital. Has the CTA managed significant funds in the past? Ask what the plans are for growth. Basically, know the manager.

## References

Finally, ask and get references. You are interviewing this CTA for the job of managing your assets. As with any interview, references should be part of the process and each trader should provide industry references and client references.

Even with a significant amount of due diligence, CTAs can lose money. Be prepared to move your investments if a trader delivers returns outside of your pre set parameters. But don't jump around unnecessarily, make a plan for your managed futures portfolio and stick with it.

*Holliston Hurd began her career under the tutelage of her father in the early 1970's at the age of 12. She managed close to \$200 million on a short term reversal strategy during the late 1990s. Hurd is best known for her work on Congestion Phase Analysis. Her theories have been featured in Fortune Magazine, Futures Magazine and other publications. She appeared on CNBC several times and has been a featured speaker at investment conferences on technical market behavior.*

*If you would like your CTA/Fund added to the rankings shown, please contact AutumnGold at [info@autumngold.com](mailto:info@autumngold.com) or visit their website at [www.autumngold.com/Forms/AddLink.htm](http://www.autumngold.com/Forms/AddLink.htm) for complete instructions.*

**Top 25 New CTAs - YTD Rankings**

For Traders Reporting Results as of Feb, 12, 2009

For CTAs with \$5,000,000 or Less under Management

Who commenced trading January 2004 or later

Manager	Ytd	Current	Assets	Program
	Return	Drawdown	Under Mgt	Start Date
1 Vision Capital Mgt, LLC - Global Futures 2X	10.25%	0.00%	\$4,400,000	Sep-08
2 Quant Trading - FX Quant 11	8.00%	0.00%	\$1,020,411	Nov-08
3 Financial Options Group LLC - Option Trading	6.48%	-46.12%	\$190,472	Mar-07
4 Stein Investment Mgt LLC - Trading Edge ST	4.61%	0.00%	\$311,107	Oct-08
5 Abel Capital Mgt, LLC - Conquistador Prg	4.09%	-10.21%	\$9,498	Feb-07
6 REW Capital Management - Discretionary (P)	3.91%	0.00%	\$150,000	Jan-07
7 Crescent Bay - Balanced Volatility	3.35%	-19.88%	\$2,900,000	Aug-07
8 Roe Capital Management - Jefferson Index Prg	3.28%	0.00%	\$1,240,000	Nov-08
9 Futures Truth Co - MS4	3.24%	0.00%	\$1,000,000	Oct-07
10 EuroCapital Management - Eurofin (C)	3.21%	0.00%	\$1,139,991	Apr-08
11 Stein Investment Mgt LLC - Trading Edge LT	3.02%	-12.67%	\$1,604,790	Jun-07
12 Faulkner Capital Inc. - Systematic Metals & Currency Prg	2.97%	0.00%	\$800,000	May-08
13 Cervino Capital Mgt - Diversified Options 2X	2.77%	-5.97%	\$3,092,053	Jan-08
14 LCA Capital S&P Program	2.44%	0.00%	\$116,067	Aug-08
15 REW Capital Management, LLC - Discretionary	2.07%	0.00%	\$1,200,000	Dec-08
16 High Cotton Company - Discretionary Stock Index Prg	1.46%	-15.06%	\$84,882	Jan-08
17 Futures Truth Co - MS4 Institutional	1.10%	0.00%	\$1,000,000	Oct-07
18 Global Edge Capital Mgt - MAP	1.09%	-13.34%	\$1,016,000	Feb-08
19 Drury Capital, Inc. - Currency Strategy Prg	1.07%	-10.71%	\$3,720,000	Jun-07
20 Aperion FX	0.76%	0.00%	\$5,942	Nov-08
21 Futures Truth Co - SAM 101	0.71%	0.00%	\$600,000	Oct-07
22 Howard J. Tyllas - Futures Flight	0.35%	-23.04%	\$127,767	Feb-08
23 ACM - Options Program	0.31%	-4.12%	\$92,000	May-07
24 Long Term Trading - Navigator MAP (P)	0.12%	-14.59%	\$206,584	Jan-07
25 Lone Wolf Investments - Emission Instrument Prg	0.05%	-3.94%	\$373,000	Jan-07

**Past Performance is not indicative of future results. There is a risk of loss in futures trading.**

Data Source: Autumn Gold

THE RISK OF TRADING COMMODITY FUTURES, OPTIONS AND FOREIGN EXCHANGE ("FOREX") IS SUBSTANTIAL. THE HIGH DEGREE OF LEVERAGE ASSOCIATED WITH COMMODITY FUTURES, OPTIONS AND FOREX CAN WORK AGAINST YOU AS WELL AS FOR YOU. THIS HIGH DEGREE OF LEVERAGE CAN RESULT IN SUBSTANTIAL LOSSES, AS WELL AS GAINS. YOU SHOULD CAREFULLY CONSIDER WHETHER COMMODITY FUTURES, OPTIONS AND FOREX IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IF YOU ARE UNSURE YOU SHOULD SEEK PROFESSIONAL ADVICE. PAST PERFORMANCE DOES NOT GUARANTEE FUTURE SUCCESS. IN SOME CASES MANAGED ACCOUNTS ARE CHARGED SUBSTANTIAL COMMISSIONS AND ADVISORY FEES. THOSE ACCOUNTS SUBJECT TO THESE CHARGES, MAY NEED TO MAKE SUBSTANTIAL TRADING PROFITS JUST TO AVOID DEPLETION OF THEIR ASSETS. EACH COMMODITY TRADING ADVISOR ("CTA") IS REQUIRED BY THE COMMODITY FUTURES TRADING COMMISSION ("CFTC") TO ISSUE TO PROSPECTIVE CLIENTS A RISK DISCLOSURE DOCUMENT OUTLINING THESE FEES, CONFLICTS OF INTEREST AND OTHER ASSOCIATED RISKS.

PROSPECTIVE CLIENTS SHOULD NOT BASE THEIR DECISION ON INVESTING IN THIS PROGRAM SOLELY ON THE PAST PERFORMANCE PRESENTED. ADDITIONALLY, IN MAKING AN INVESTMENT DECISION, PROSPECTIVE CLIENTS MUST ALSO RELY ON THEIR OWN EXAMINATION OF THE PERSON OR ENTITY.