OPALESQUE
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In This Issue

The World Is Small

One of the pleasures in talking with people in hedge funds and managed futures is that you get a feeling for diverse places even if you can't go there. While working on this issue of OFI from New York, I enjoyed chats with people on different sides of the planet.

Bill Dunn in Stuart, Florida, discussed alligators and snakes in the Everglades National Park. It was a fascinating discussion, like his remarks on long-term trend following in Founding Father Q&A. Tony Gannon in Dublin, Ireland, had gorgeous pictures from that city—they're so lovely we had to include one with his Insider Talk.

This is truly a global industry. The markets are global, the investors are global and the managers are global. One investor was saying that Dubai remains vibrant despite the financial crisis. Another investor was talking about how the recession affects his neck of the woods in Connecticut. By the way, investors are interested in futures and macro strategies, as the surveys we summarize in News Briefs show.

Despite all the railing against globalization, it has to be a good thing in the long haul that money, skills and wisdom converge from all over the world. Wisdom is the word when reading a paper by Professor Harry Kat from City University in London—excerpts are in Futures Lab. Ditto with Practitioner Viewpoint from Alan Rohrbach, who hails from Chicago, a great city whether windy or calm, icy or hot.

Chidem Kurdas
Editor
kurdas@opalesque.com

The Marathon Runner

Bill Dunn

When people talk about managed futures pioneers, they almost always mention Bill Dunn. He's been running his models for almost 35 years. In that sense, he's a long-term survivor. He is also a long-term trend follower. Here he discusses the strategy from the perspective of someone who's worked on it for several decades.

Dunn Capital Management now has a number of trading programs, including one that is very short term—a pattern recognition system called Mosaic. If you look at the composite return that goes back to the 1970s, you're struck by three things. The first is how well Dunn has performed over what must be one of the longest track records in CTA and hedge fund history.

Dunn's compound annual return is more than 19%. The S&P 500 total return for the same period is 11%. Had you invested $1,000 with Mr. Dunn as he started his firm in 1974 and stayed with him, today your investment would be $426 thousand. By comparison, $1,000 in the S&P 500 compounded to $37 thousand during that time.

The second noticeable feature is that there is almost no correlation between Dunn's returns and the stock index and what little correlation that exists is negative. Last year, as stock markets crashed, a Dunn pool that allocates to seven trading programs returned 127%.

The third notable attribute is that the Dunn programs have steep drawdowns along the way. True, at other times the S&P 500 has drawdowns of similar magnitude. But the thought occurs that it may be tough for clients to stay put when they confront the drawdowns, even though in retrospect they'd be better off not redeeming. The manager's take on this issue is below.

Mr. Dunn has a PhD in theoretical physics and early in his career held academic positions and developed and tested systems for the US military.

Opalesque Futures Intelligence: Has your strategy changed over the years?
Bill Dunn: Our strategy has not changed since we started in 1974. We've developed a number of trading systems and programs, but the basic strategy of when to buy and sell and how much to trade has not changed.

OFI: But haven't there been major developments in 35 years?
BD: There are more markets to trade now. Back then there were only about a dozen tradable futures, now there are over 50. In 1974 we did not have currency, interest rate or stock index futures, hard as it is to believe. Those markets coming into existence is all for the better. As markets were created, we've worked on how to structure the portfolio, so that has changed.

OFI: How do you know that the strategy will work in a new market?
BD: I never know the future, I can only know the past. But I test the past. If the new markets behave like past markets, then there's no reason to think you can't trade the same way. We're always happy to see new markets. The more the merrier.

OFI: Please describe your basic strategy.
BD: The strategy is long-term trend following. Typically the winning trades last several months. Losing trades are often closed out in a few weeks.

OFI: Do you change the models when markets change, as they did last year, or when there are new rules and regulations?
BD: Change is a constant in markets. We do not tinker with the model when the environment changes. We're always looking for change, to take advantage of it. There was a lot of change in the past year, so that meant lots of opportunity. The impact of any rule change will show up in the way prices behave and the models will pick that up.

OFI: What have you learnt from your experience?
BD: We've got better at risk management. We've always tried to control risk but over the years we've become better at it.

OFI: Do you interfere with the models when unexpected events occur?
BD: My opinion or for that matter anyone's opinion as to what will happen tomorrow does not count in our trading programs. Only the tested models matter. We can modify the models, but they're back tested and have to prove themselves before we'll implement them. We don't tell the system what to do; the market tells us what to do every day using only price data.

OFI: What's a good environment for your strategy?
BD: We make money when there is a reasonable number of trends – whether prices go up or down – that last for several months. By contrast, markets that just bounce around give us difficulty and losses. In 2008 there were large upward trends in the first half of the year, for instance oil and grains, and strong downtrends in the second half of the year. It was the best performance year in our entire history. I'm sorry we all have to pay the price for those trends, but they were great to trade.

OFI: What happens when there are no trends?
BD: If there are very few trends long-term trend following does not make money. But we never know how long that situation will last and when trends will develop. None of these situations are predictable. I can't predict what will happen and I don't think anyone else can either.

OFI: When do your models have difficulties?
BD: When markets are volatile but don't go anywhere in particular, many systems are fooled into thinking there's a breakout of a trend when really it is just a breakup! Trendless choppy markets are bad for us. But you'll have problems with any system some time or another. There's no perfect system.

OFI: Aren't trend following returns too volatile for many investors?
BD: What keeps people away from managed futures is principally ignorance. True, managed futures returns are volatile, but as we recently saw, so are other markets. Our returns have a strong upward trend over the years, but there are wriggles along the way. People who can't accept a drawdown should wait for the next high and then take their money out! But most of our clients ride out the long term and get very attractive returns.

True, managed futures returns are volatile, but as we recently saw, so are other markets.

A Match Made in Heaven: Combining Managed Futures and Hedge Funds

The following is a summary of a working paper by Harry Kat, professor of risk management at Cass Business School, City University, London. While written in 2002, this analysis is extremely timely as investors turn to the question of portfolio re-construction after last year's crisis decimated most assets. The original paper is available at http://papers.ssrn.com.

The 2008 experience vividly demonstrated the correctness of Professor Kat's conclusion that managed futures can be used to reduce risk in a portfolio of alternative and traditional investments. Managed futures were almost unique in not correlating with major markets during the turmoil and their positive skew –or right tail – showed up as robust returns in an otherwise terrible year for investors.

Mr. Kat is widely known for his studies on replicating hedge fund returns.

In this paper we investigate how managed futures mix with stocks, bonds and hedge funds and how they can be used to control the undesirable skewness effects that arise when adding hedge funds to portfolios of stocks and bonds.

We find that managed futures combine extremely well with stocks and bonds as well as hedge funds and that the combination allows investors to significantly improve the overall risk characteristics of their portfolio without giving up much expected return.

In the analysis below, stocks are represented by the Standard & Poor's 500 index, bonds by the Salomon Brothers Government Bond index, and hedge funds by the median equally weighted portfolio of 20 individual funds. Managed futures are represented by the Stark 300 index. This asset-weighted index is compiled using the top 300 trading programs from the Daniel B. Stark & Co. database. The top 300 programs are determined quarterly, based on assets under management. Currently the index contains 248 systematic and 52 discretionary traders.

Throughout we use monthly return data over the period June 1994 to May 2001. For bonds, hedge funds and managed futures we use the sample mean as our estimate of expected return. For stocks, however, we assume a 1% per month expected return as we feel it is unrealistic to expect an immediate repeat of the 1990s bull market.

From Table 1 we see that the correlation of managed futures especially with stocks and hedge funds is extremely low. This means that managed futures are potentially very good diversifiers.

TABLE 1 - Correlations

	S&P 500	Bonds	HF	MF
S&P 500	1			
Bonds	0.15	1		
HF	0.63	-0.05	1	
MF	-0.07	0.20	-0.14	1

We study the impact of managed futures for investors that always invest an equal amount in stocks and bonds. Adding hedge funds and managed futures to the portfolio, these 50/50 investors will reduce their stock and bond holdings by the same amount. For instance, a 20% hedge fund allocation means 40% stocks and 40% bonds. Ditto a 20% managed futures allocation.

The first step is to see if there are any significant differences in the way hedge funds and managed futures combine with stocks and bonds.

TABLE 2 - Monthly Return Statistics, 50/50 Stock/Bond Portfolio

Adding Hedge Funds			
%HF	**Mean**	**SD**	**Skew**
0	0.72	2.49	-0.33
10	0.74	2.38	-0.46
20	0.77	2.29	-0.60
30	0.80	2.22	-0.72
50	0.85	2.16	-0.87
Adding Managed Futures			
%MF	**Mean**	**SD**	**Skew**
0	0.72	2.49	-0.33
10	0.71	2.26	-0.21
20	0.71	2.08	-0.06
30	0.71	1.95	0.1
50	0.71	1.91	0.34

We see in Table 2 that increasing the hedge fund allocation reduces the standard deviation and skewness of a 50/50 portfolio. Increasing the managed futures allocation, however, results in a faster drop in the standard deviation. More remarkably, skewness rises instead of declining and becomes positive. Although hedge funds offer a somewhat higher return, from an overall risk perspective managed futures clearly are better diversifiers than hedge funds.

Table 3 shows how hedge funds and managed futures combine with each other. Adding managed futures to a hedge fund portfolio puts some downward pressure on returns because the expected return on managed futures is lower. However, from a risk perspective the benefit of managed futures is very substantial.

Adding managed futures results in a large decline in the portfolio return's standard deviation. Giving up 10 to 15 basis points expected return does not seem an unrealistic price to pay for the improvement in overall risk.

TABLE 3 - Adding Managed Futures to Hedge Fund Portfolio

%MF	Mean	SD	Skew
0	0.99	2.44	-0.47
10	0.96	2.18	-0.27
20	0.93	1.96	-0.03
30	0.90	1.81	0.20
50	0.85	1.76	0.39

In summary, the inclusion of hedge funds boosts a portfolio's expected return while reducing the standard deviation. But introducing hedge funds has a negative skewness effect. An allocation to managed futures neutralizes this unwanted side effect of hedge funds. Hence overall portfolio risk can be reduced by combining both hedge funds and managed futures with stocks and bonds.

To make sure the findings have general validity and are not due to the particular choice of index, we repeated the analysis with different CTA indexes, including indexes calculated by the Barclay Group. In all cases the results were very similar to what we reported above.

CTA Investing Tips from a Futures Veteran

Tony Gannon

Commodity trading advisors offer diverse strategies. Most rely on systematic models but others mainly use a discretionary approach. There are long- and short-term versions of systematic trading. Some CTAs have a global macro strategy. What do you watch for when investing in this universe?

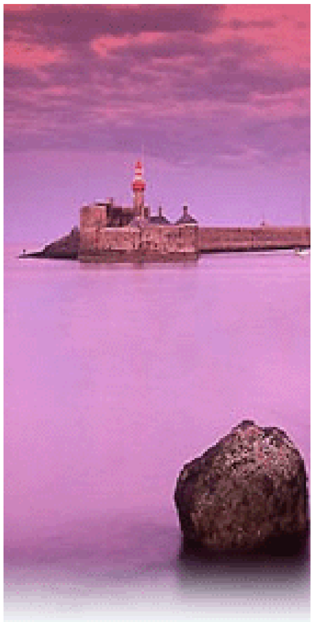
How do you select managers? We asked Tony Gannon, chief executive of Dublin-based Abbey Capital Ltd. The firm allocates some $1.7 billion to managed futures and foreign exchange investments across 20 to 25 managers.

Before founding Abbey Capital Mr. Gannon was involved in the futures business for over 20 years, starting as a macro trader in the 1980s. He co-founded Allied Irish Capital Management together with AIB, Ireland's largest bank. The company became one of the largest European commodity trading advisors at the time, growing from $50 million to $1.4 billion. Prior to that, Mr. Gannon created and traded the Gandon breakout trading program at Gandon Securities.

Opalesque Futures Intelligence: How did you become an investor in commodity trading advisors?
TG: Throughout my early trading career I had exposure to a wide range of styles, having traded as a macro trader, a short term trader and a trend follower. I wanted to use this trading background and experience in allocation. So in 2000 I started Abbey Capital with $30 million in assets. We've grown to where we currently allocate over $1.7 billion.

OFI: Does trading experience help in investing with other managers?
TG: We've traded successfully through war, bullish markets, bearish markets, reacting to all kinds of events. We've probably learnt as much from losses in trading as from gains. That helps us in our current role because we have the knowledge of what to expect in different types of environments. It gives us an edge. Many allocators lack trading experience.

OFI: In evaluating managers, what's the most important factor for you?
TG: Our main focus at Abbey Capital is finding experienced and intelligent traders. Behind every trading system, whether systematic or discretionary, are the people who designed it. However, a person can be very intelligent but not capable of putting together a successful trading program. For instance, an investment theory may look great in a simulation but when you try to execute it in a market, the bid/offer spread isn't there to execute the trades



profitably. You want people who have both the intelligence and the practical sense to know whether a system will work in real markets. The people we invest with typically have been in the industry for several years and survived market ups and downs.

OFI: What kind of business operation do you look for?
TG: You want the type of infrastructure that is sufficient for the stage the manager is at, both asset- wise and for his type of trading. There is no single answer as to what the level of infrastructure should be. For instance, should a manager have a 24-hour dealing desk? It depends. In the case of managers who have high trading volumes and trade in markets across different time zones, a 24-hour desk may be required. In contrast, a discretionary macro trader may not have as much trading volume or be as sensitive to the spread and therefore may not need a 24-hour desk.

OFI: Do you invest in funds?
TG: Abbey Capital allocates through managed accounts and we have our own proprietary systems to supervise our accounts. We monitor for style drift and for any unexpected developments. Having managed accounts is very important – as people in the industry are now recognizing – but to benefit you do need to have the information in a usable form. Our managers may have 3,000 positions. If that information is not in a format that can be readily analyzed, it's useless. We invest heavily, not only in programming so that we can quickly see what's happening in an account, but also in our risk and research staff to analyze and value positions daily. Even with that level of infrastructure, you would not benefit from the information if you do not have expertise in the strategies. We have combined all these elements in Abbey Capital.

OFI: Let's start with discretionary strategies. How do you pick discretionary managers?
TG: Discretionary macro traders are the hardest to figure out, even though our background was originally in macro! We often hear from institutional investors that they're comfortable with discretionary macro traders but find trend followers hard to understand. We find it's the opposite. Systematic traders have a defined system and time frame. We can analyze a trend follower's returns in comparison to trend-following indexes we've constructed and see how well he's done. Whereas, with discretionary macro there is no good yardstick. Take five macro traders and their correlation to each other will likely be very low. Different macro traders may have different methodologies, so they're complicated to analyze.

OFI: Don't they tell you what they do?
TG: You can talk to a macro trader Monday and hear the 50 reasons why he loves the dollar, then find out Wednesday that he's shorting the dollar! There is usually a perfectly good reason for the change. A statistic may have come out that day which caused him to change his mind, or maybe he looked at the world from a different angle. He might tell you he is bearish equities, but then in the short term he sees an opportunity and buys equities. He's still bearish for the long haul. We tend to have more discussions with macro players because you have to monitor how their views change. You have to interact more to get an idea how they're thinking.

OFI: Is investing in systematic strategies a different experience?
TG: With a systematic trend follower, we know what types of trends the system looks for and can see that the trades in our managed account are consistent with the trends happening at that time. It's more straightforward to get a handle on where and how a systematic trader is positioned.

OFI: Are there other differences?
TG: Trend followers tend to have a reasonably normal distribution of returns whereas macro managers' returns tend to be lumpy. Some macro traders have very small positions in the market for a week or two as they wait for opportunity, then they build up a position and maybe get out in a few days. That tends to create a very different risk profile from systematic trading.

OFI: How diverse are the strategies?
TG: Discretionary and systematic strategies usually have low correlation with each other—around 0.2, we find. But there are times that they do correlate, typically at the early stage of a trend. More often than not, macro traders get in before trend followers. Say the dollar is rising. Macro traders will start buying, trend followers get in a little later when there's a new high. So at that early stage of the trend, you'll find both groups long the dollar. As the move continues,

macro traders will get out when they reach their profit objective while trend followers go on with trend. Because last year the trends continued, trend followers were very successful. By contrast many macro traders shorted equities for a while but then exited the trade early. So while positive, it was not a great year for them.

OFI: Does it make sense for investors to put these strategies into one bucket, treat them like one asset class?

TG: I do not believe these different trading styles are all the same asset class. Their correlation is low. They do trade the same instruments—all our managers trade futures and foreign exchange. That's the common area they operate in, but the end product and return distribution is very different. The core of our main portfolio is trend following but we include macro as a diversifier. Separately we have a pure macro portfolio, which has low correlation with our main portfolio. We think it is worthwhile for investors to have both trend following and macro in their portfolio.

OFI: How is this year shaping up?

TG: The sharp reversal in equity markets in March was difficult for trend followers. It's always very hard to forecast trends, but big events like the US troubled asset relief program and stimulus package will likely cause changes in markets. The G20 agreement might be seen as positive for growth and hence for certain commodities. These types of events tend to create trends. What's confusing for trend followers and creates a difficult environment is when one key event that is positive is followed by another event that is negative for the same instrument, causing whipsaws and market reversals.

OFI: How are macro managers doing?

TG: Good macro traders assimilate events quickly and find the best trades to take advantage of the changes, so they should do well in this environment. But you need a skilled manager who follows the daily events. Of course even skilled macro managers can make mistakes or get blindsided by a new event, but they limit their losses when they're wrong and make big profits when they're right. You look for a macro manager who makes three dollars profit for every dollar loss.

OFI: How would you know that an emerging macro trader might be the next George Soros?

Trend followers tend to have a reasonably normal distribution of returns whereas macro managers' returns tend to be lumpy.

TG: One of the key issues we need to understand is the trader's logic and how he constructs the portfolio. Lets say there is a major event; what kind of position has he put on to take advantage of the event? This is not about my believing he's right but more about how he constructs a position, where he expects to go with it and how he manages the risk. He has to be able to give a good answer to a question like; what might cause your positions to become correlated or reverse against you? It's not important whether he made money last month but he should have a logical explanation of how he makes profits and losses. The other key quality we look for is the trader's self control in limiting losses. You don't get that from somebody who's been trading for just a few months; we want more experience. Investing with an inexperienced trader, you take venture capital level risk and you aren't getting rewarded for that.

OFI: How do emotions come to play?

TG: We'd be very wary of someone who thinks they are the world's best trader. They may persist in losing trades because they believe they are right! The need for self control in getting out of losing positions is what makes discretionary macro so difficult. Controlling the emotions is essential.

OFI: What is the one piece of advice you'd give to a new investor in CTAs and macro?

TG: Our basic recommendation is to seek to invest through managed accounts and with experienced traders who've been through market cycles.

The Super-Cycle Correction

Our author is Alan Rohrbach, president and chief analyst of capital markets consultants Rohr International Inc. Long a proponent of an approach that recognizes broad cyclical trends, here he argues that trend analysis offers advantages for understanding markets in the super correction we're living through.

Mr. Rohrbach started his career on the Chicago Mercantile Exchange and has taught the exchange's technical analysis course. Through the Rohr Report he has assisted portfolio managers and dealers as well as corporate financial managers for over 25 years. Incorporating fundamental analysis and technical projections into a broad 'macro' focus, he analyses trends in major financial markets along with energy and gold.

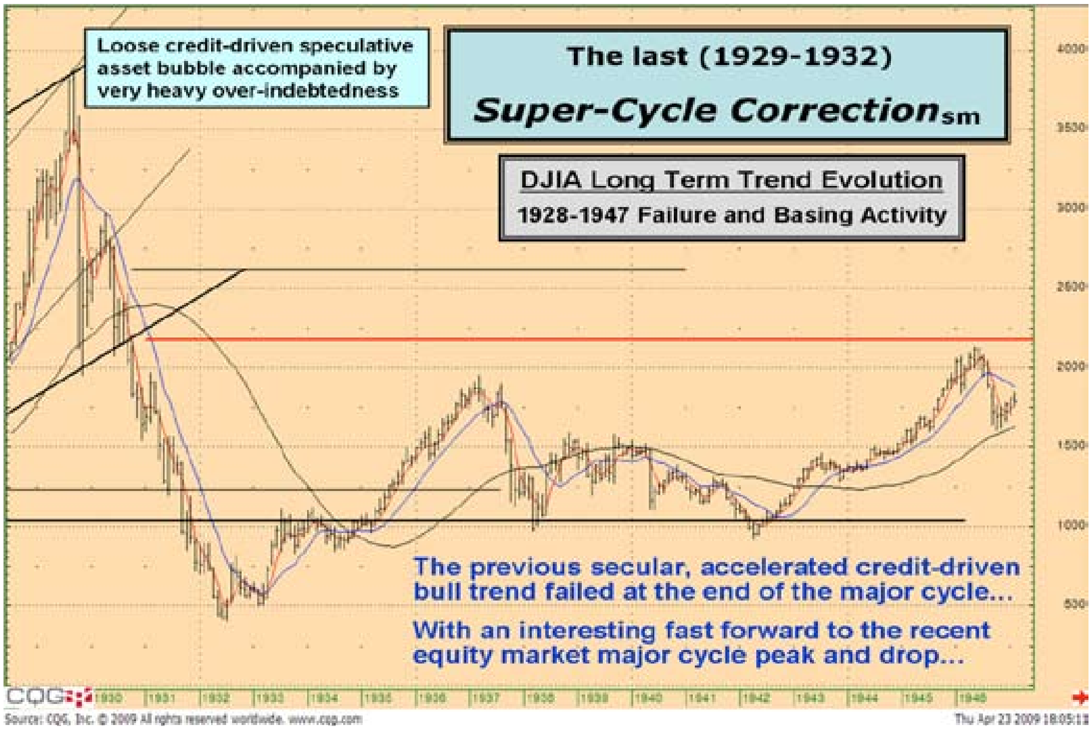
Gloria Steinem famously said, "The first problem for all of us, men and women, is not to learn, but to unlearn." While she was referring to gender relationships, that is a very good precept for enlightened portfolio management. Too much of what passes for qualified analysis and portfolio theory is plagued by over-reliance on assumptions, often including faith in the general upward trend of equities and economies.

Once in a couple of generations, 'buy-and-hold' and even the best models are significantly derailed by what I call a super-cycle correction. Even the most sophisticated managers can suffer from too great a reliance on models that distract from understanding the underlying asset trends and corrections.

The long-term charts below illustrate the similarities between the October 2008 equity market failure and September 1930 technical failure of that era's bull trend. Despite the gains in equities since early March, it is likely that the current market outlook is for a distended bottoming phase similar to the one that prevailed through the 1930s and even into the 1940s.

A picture is worth a thousand words. The 1920s over-extended credit bubble ended in a period of major insolvency. That required decades of slow rebuilding of wealth before a sustained bull market could emerge once again. The manifestation of this in stock prices was a distinct inability to go above the technical failure level of 1930—the Dow Jones Industrial Average of 220.

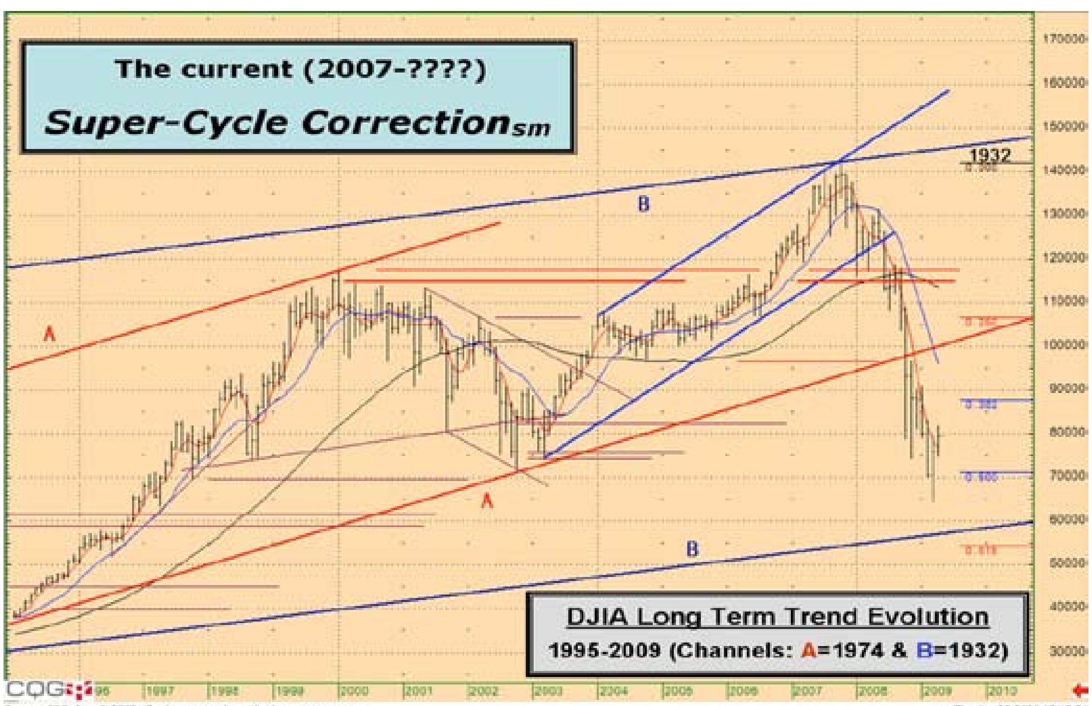
CHART 1



This historic pattern has implications for the price recovery potential after October 2008. And the economic fundamentals are completely consistent with this technical view.

Last October's equivalent DJIA failure below the major trend channel support from the 1974 low (indicated by the A lines in chart 2) was indicative of a similar end of an era. And it likely heralds a period of broad liquidation and price basing to come prior to any sustained recovery back above the Dow 10,000 area. It is also interesting that prospects for corporate earnings and multiples wholly support that view.

CHART 2



The difference is we do not yet know how low 'low' is. In spite of my Channel B projection from the 1932 low showing upper 5,000 area support for the DJIA, that is only a working assumption. On some historic statistical measures 5,000 is optimistic.

What we do know is that the unwinding of the bubble will cause significant multi-month bidirectional swings in equity markets and will also affect other asset classes. This is a failure of the 'fundamental' economic long-term growth cycle that was in place since the mid-1970s trough. The over-extension and collapse of the credit cycle is part of the story.

Of course, this is merely a basic view that requires supporting with quite a few other indicators and close monitoring. The main point is to recognize a simple fact of investment life, namely that there are major trends and cycles and they interact. In particular:

- It is possible to use broad 'trend' insights of a cyclical nature.
- There are specific benefits from a well-rounded trend analysis as it applies to the intermediate-term price movements.

Portfolio managers need to 'un-learn' the idea that serial variations of the buy-and-hold strategy are always viable. The received wisdom from some quarters is "if you have not sold you have not really taken a loss." Our corollary to that somewhat misguided axiom is: "If you have never sold, you have never actualized a profit."

This is the reason portfolio managers might benefit from the perspective of successful trend analysts and embrace two important concepts, even if they seem challenging to implement. The first is the need to identify when major trends reverse, whether for a broad asset class or individual instruments.

The second is how to use effective capital preservation exit strategies that apply no matter how good the returns have been up to a given point. This is especially important with equity markets likely locked into broad bottoming activity for at least the next several years and possibly a decade or more. Highly active intermediate-term trends are likely to be the case for the equities as well as other asset classes while the current unsettled economic situation is being resolved.

Meanwhile, cogent asset allocation does not just mean investing mostly in the subsets of one asset class like equities. One has to spread positions among diverse asset classes, ranging from debt to energy and precious metals. There may also be times when overall risk exposure needs to be reduced by holding a larger than normal cash reserve.

Investors' Preferences for CTAs and Macro

Two separate surveys suggest a rising or relatively stable demand for global macro and commodity trading advisor strategies, depending on the evolving conditions in credit and stock markets.

One study, by The Bank of New York Mellon and consultant Casey Quirk, found that investors worldwide are re-defining hedge funds by liquidity and risk exposure. From this perspective, global macro and CTAs belong to the "classic hedge liquid" category and are defined by not having consistent exposure to equity or credit market risk and not relying on any illiquidity premium for returns.

The preferences of investors vary across the different economic scenarios. In the bull case, investors are expected to gravitate toward strategies with higher market exposure, in particular long/short equity, and illiquid strategies such as distressed investing. By contrast, in the bear case, "classic" strategies like CTAs and global macro are the most favored.

In the baseline case there is a balance of strategy categories, but hedged market exposure strategies have an edge over "classic" because many of the latter are capacity constrained, according to the report.

Nevertheless, the Bof NY Mellon-Casey Quirk authors find that the classic category has more stable prospects. "A key implication is that while their share varies by scenario, the absolute opportunity for "classic" hedge fund strategies is the most stable going forward, as their relevance to investors is less dependent on external capital market returns," the report says.

A separate survey of Middle Eastern hedge fund investors by CapIntro Partners found that global macro and CTA are the top strategies – after distressed investing – favored for 2009. For changes in strategy allocation, 19% of the Middle Eastern investors interviewed said they favor distressed, 17% favor global macro and 15% CTAs.

Dubai Mercantile Exchange Appoints New Directors

Ali Tabbal and John Sandner were named to the board of directors of Dubai Mercantile Exchange Ltd. Mr. Sandner was chairman of the Chicago Mercantile Exchange for 13 years and continues to serve on the CME Group board of directors and executive committee. Mr. Tabbal is presently chief financial officer of Dubai Holding and was previously director of finance at TECOM

DME chairman Ahmad Sharaf said the new appointments bring valuable industry and regional expertise to the board of directors. "We look forward to working closely with them and harnessing their insights and counsel as we work with the executive management team to drive a new phase of growth at the DME," he said.

The DME has created the Oman Crude Oil Futures Contract, recognized as the third global benchmark for crude oil and the first successful exchange-traded contract for crude oil for East of Suez markets.

Altegris Expands Research Team

La Jolla, California, based alternative investment firm Altegris hired Mark Dombrowski as a senior research associate focusing on operational due diligence and risk. Previously he was at Bank of America Merrill Lynch, where he developed financial models and did due diligence for potential IPO offerings and M&A opportunities. Prior to that, he worked for Context Capital Management with responsibilities for trade reconciliation, daily portfolio monitoring, portfolio valuation, and risk monitoring.

Altegris, led by Allen Cheng, finds and selects managed futures programs for its clients as well as hedge funds and other alternatives. Investors have allocated more than $2 billion through Altegris. Mr. Dombrowski's role includes conducting due diligence on new funds and managers for Altegris investments.

Swine Flu Roils Hog Futures

Pork futures gained on the Chicago Board of Trade last Friday as fears lessened about the swine flu epidemic that appears to have started in Mexico. Earlier in the past week prices for US hogs fell as a number of countries, including big importers China and Russia, responded to the outbreak by banning pork imports from regions where the flu was found.

Health officials say people catch the virus from other people, not by eating pork. However, American pork exports have already dropped.

We feature top managers from a different database every issue.

This list comes from Attain Capital Management's overall statistical rating of CTA programs based on 36 months of returns through April 2009. In addition to the compound rate of return, the information used in the ranking includes maximum peak-to-valley equity loss as a percentage of compounded capital and other measures.

Attain, started in 2002, is an asset management firm focused on alternatives such as technical-based trading systems and managed futures programs.

Ranking Based on Returns from May 2006 through April 2009

CTA and program	Compound Rate of Return	Maximum Drawdown
Paskewitz Asset Mgt. Contrarian 3X St. Index	29.8%	11.3%
Clarke Capital Mgt. Global Basic	26.8%	29.4%
Mesirow Financial Commodities Absolute Return Strategy	15%	1.6%
Attain Portfolio Advisors Strategic Diversification Program	20.3%	8.6%
Clarke Capital Mgt. Global Magnum	15.8%	26.2%
Clarke Capital Mgt. Worldwide	19.2%	26.1%
DMH Futures Mgt.	23%	6.5%
Pere Trading Group Pere Trading Program	46.8%	60.7%
Clarke Capital Mgt. Millennium	16.9%	26.7%
Cervino Capital Mgt. Diversified Options	7.2%	5.9%

Opalesque
FUTURES INTELLIGENCE

PUBLISHER
Matthias Knab - knab@opalesque.com

EDITOR
Chidem Kurdas - kurdas@opalesque.com

ADVERTISING DIRECTOR
Denice Galicia - dgalicia@opalesque.com

EDITORIAL ADVISOR
Tim Merryman - tmerryman@opalesque.com

CONTRIBUTORS
Bucky Isaacson, Frank Pusateri, Pavel Topol, Ty Andros, Walt Gallwas.

FOR REPRINTS OF ARTICLES, PLEASE CONTACT:
Denice Galicia dgalicia@opalesque.com