

FUTURES INTELLIGENCE

Three Managers, Three Methods

We feature three very different approaches to managed futures in this issue. Troy Buckner has been applying one basic strategy for 10 years. He talks about it in [Founders](#).

By contrast, Yu-Dee Chang manages eleven programs that can have widely differing returns. Get his perspective on investing and markets in [Insider Talk](#).

Then there's AQR, perhaps not a big name within the CTA world but a well-known hedge fund with over 23 billion in assets. AQR started a managed futures fund in January and recently put out a study on managed futures. We give the highlights of this and an earlier paper from AQR in [Futures Lab](#). The new AQR mutual fund and its trend-following strategy are the subject of [Manager Profile](#).

Compared to most CTAs, AQR is a large player. Whether this is an advantage or disadvantage in managed futures remains to be seen. Mr. Buckner and Mr. Chang have original strategies and impressive track records. But the former Goldman Sachs hands who founded AQR have immense experience with quantitative trading.

This variety is great for investors. They have more choice and can pick what best suits their needs and preferences.

It may be worth remembering that even the largest managers have trouble. Man Group's AHL, for instance, had a bad year in 2009. But it has started 2010 on a positive note—see [News Briefs](#).

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Pattern Recognition Pioneer

We've wanted to talk with **Troy Buckner** for a while. In the 10 years or so since he started NuWave, he made fairly steady and robust annual returns. The compound rate of return for NuWave Combined Futures Portfolio (2X) is more than 15.5%.

Then in 2008 two notable – and conflicting – developments occurred. Combined Futures Portfolio (2X) returned 52%. But because of the financial crisis, NuWave became an open “ATM” for clients who scrambled for liquidity as many hedge funds froze redemptions.

In 2009 Mr. Buckner's long-term track record drew recognition and he received two awards from HFM Week. Combined portfolio took the top spot in the CTA category while a separate high-frequency equity fund was first among newcomer equity funds. NuWave assets recovered and are around \$685 million.

Here he explains his distinct pattern recognition strategy, which underpins both the flagship combined portfolio and the newer equity fund, and discusses the roller-coaster of the past two years.



Troy Buckner

Opalesque Futures Intelligence: How did you get into futures trading?

Troy Buckner: I started my career with a broker's perspective in 1986 at the futures and options department of Salomon Brothers, where I generated ideas for clients. Later, my responsibilities expanded to equities and portfolio trades for large clients. After three years there, I left the firm for a proprietary trading position, primarily in commodity futures. This was a change from what I did at Salomon Brothers, where I focused on financial futures.

OFI: Why did you prefer to trade commodities?

TB: I found it easier to hedge my risks with spread trading, like gasoline versus heating oil or heating oil versus crude. In addition to seasonal spreads, I used calendar spreads such as three-month versus nine-month contracts.

OFI: What was your strategy?

TB: During the time I traded independently, I

developed the pattern recognition technology we use today. I traded by day to support myself and at night worked on the intellectual capital that is now the basis of NuWave's trading. When I launched NuWave 10 years ago, I applied the basic model and software to diversified markets, including stocks as well as financial and commodity futures.

OFI: What is pattern recognition?

TB: Our model generates probabilistic forecasts based on patterns in prices. We forecast weeks or months ahead whether a price will be higher or lower, and with what probability, to determine whether we should risk capital. This methodology was novel at the time we developed it in the 1990s. It was nowhere to be found.

OFI: Is this similar to trend following?

TB: There is common ground. What we share is a focus on persistent directional moves,

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looking for moves that diverge from the mean, which is another way to say that we trade trends. If there are strong directional moves, the industry will tend to converge to our position or we will converge to the industry position. We have about a 0.5 correlation with trend followers.

OFI: What's the difference?

TB: The difference is how we understand market moves. Trend followers typically do not forecast. They follow a heuristic process, for instance buying if the price moves above a 60-day high. By contrast, we don't follow behind market moves, but rather forecast ahead those moves that have the greatest probability of occurring. It's a matter of different perspective and timing.

OFI: In 2008, were you long oil during the first half of the year and short oil in second half like everybody?

TB: Our perspective does not imply participation in a trend at any price. When trends are too strong, the risk can be too high. While crude oil rose to \$145 in '08, we were out of oil at \$118 because we lost faith in the ability of that trend to continue. Our two-to-three month forecast was a lower price. For a significant time we were on sidelines, but we started very early on to move into short trades in energy and grains. That was in June 2008. As a result, in July and August '08 we made big gains while trend followers were still long oil and lost money as the trend reversed. Eventually the industry converged to our position.

OFI: Are you a contrarian?

TB: Not typically. But we can disagree as to whether to be exposed to a trend and the likelihood of a correction. We continually forecast directional opportunity. When that directional forecast is powerful, it indicates a high probability of continuation. When the direction wanes, we exit our position because there is higher probability of correction. We don't want to stand in front of the trend and take the opposite position at that stage, but we will exit, as we did the long oil trade in June '08. At that time we

were flat and moved toward being slightly short, although we don't seek contrarian trades.

OFI: How do investors categorize NuWave's futures portfolio?

TB: We are often grouped with trend followers, but we're rather unique within that category. When trends are not evident or there are turning points, NuWave can hold opposite positions to trend followers. Like many CTAs we did very well in 2008, but we had a negative correlation with certain CTAs, some of whom have the largest assets under management. Our monthly return profile was different. We all had a very good year, but approached the problem differently.

OFI: What happened in 2009?

TB: We followed our best year ever with our worst year ever, but fortunately the upside was over six times the downside. In 2009, we experienced a headwind for our style across multiple sectors due to choppiness and a lack of direction in many markets. There had been significant downward trends in equities, commodities and the US dollar; followed by a ricochet off the lows. That was a painful transition. By mid-year trends were in place, but, except for equities, you were mostly chopping back and forth. The dollar and energy were very difficult to trade. Only equities had the type of moves that we profit from. Your return depended upon how early you got into the long equity trade, but for most diversified CTAs that was not enough to carry the entire portfolio.

OFI: Is the 2009 pattern continuing in 2010?

TB: So far, yes. Commodities, energy in particular, are very choppy. But the stronger dollar looks like an emerging trend. Since November we've thought that markets are very stretched and subject to correction. Equities are up hugely from their March lows and energy has doubled. Though choppy, markets still had significant overall moves. We're happy to be less exposed during the past three months.

“When trends are not evident or there are turning points, NuWave can hold opposite positions to trend followers.”

FOUNDING FATHER Q&A

OFI: What do you see looking forward?

TB: We anticipated the corrections that happened early this year. I think that several sectors – equities, bonds, energy – are still not clear of speculative excess and there is still significant risk. But after the corrections, the latter part of this year should offer very good return opportunities.

OFI: Has your approach changed in the 10 years since you started NuWave?

TB: Our philosophy has not changed, but the models do evolve. The NuWave Combined Futures Portfolio consists of three sub-portfolios, each with a different time horizon—referred to as Alpha (long-term), Pattern Recognition (intermediate-term) and Beta (short-term). We could have offered these three as separate products, but because they complement each other well and have low correlation to each other, we offer a blend that exhibits the most compelling risk-adjusted returns during a variety of market environments. Over time, we developed variants of each, so now the combined portfolio has 33 sub-strategies. It is all systematic, including the risk overlay.

OFI: How does the risk overlay work?

TB: Our three main sub-portfolios operate independently of one another. You can think of them as separate managers. At times they may take similar positions. The individual strategies do not recognize macro factors, such as markets becoming highly correlated with each other. The overlay steps in when analysis indicates that the environment is overly risky. It reviews net positions created by individual strategies and can reject certain trades that might exacerbate the overall risk to the portfolio. These past three months the overlay has been very restrictive and caused our margin exposure to be half of our norm.

OFI: Does the short-term sub-portfolio use high-frequency trading?

TB: No, but we have a separate long/short strategy that trades individual US stocks, not futures, that is high frequency. We applied the same theory and pattern recognition modeling to high-frequency equity trading to develop a market-neutral

strategy. This portfolio started equities-only trading in February 2007, and now has a three-year track record. It is relatively small – about \$55 million, compared to the \$630 million in the Combined Futures Portfolio – but growing. The performance is exceptional, with a 1.64 Sharpe ratio. Initially, we thought the business would grow more on the equity side than in futures, but as it turned out the futures side grew more quickly.

OFI: Is this a statistical arbitrage strategy?

TB: No, as in our futures portfolio, the style benefits from directional markets with some volatility. The past three years were favorable for this approach. For instance, Aug 2007 was a very difficult month for statistical arbitrage, but our best month ever! We were able to capture the dislocation that month in both directions. NuWave's Long/Short Portfolio is slightly negatively correlated with the HFR market neutral index—unlike many market neutral managers, we tend not to focus on mean reverting opportunities but on divergence from recent prices.

OFI: Did you need new trading capabilities for high-frequency trading?

TB: We've had fully automated trading since 2001. It has recently become much more fashionable, but it's not a new thing for us.

OFI: Have investors' attitudes toward managed futures changed?

TB: CTAs have become more sophisticated and accepted as part of the alternative investment pie. Institutions, in particular public and private pensions, have become active in this space. But we are subject to the vagaries of the general environment. In the 2008 financial crisis, people took their money out despite the favorable return environment experienced by many CTAs! While it was bitter-sweet to see money going out the door, we saw the flip side of that in 2009 and experienced a good opportunity to raise capital.

“We applied the same theory and pattern recognition modeling to high-frequency equity trading...”

Why Do Trends Exist?

People sometimes object to trend-following strategies on the ground that there is no necessity for markets to exhibit trends. Why should there be trends in market prices? AQR Capital, a quantitative hedge and mutual fund manager, has issued a couple of papers that in part address this question. Below is a summary of some of the key points, written by Chidem Kurdas.

The two AQR studies we draw on are “Understanding Managed Futures” (winter 2010) by Brian Hurst, Yao Hua Ooi and Lasse Pedersen, and “The Case for Momentum Investing,” (summer 2009) by Adam Berger, Ronen Israel and Tobias Moskowitz.

See [Manager Profile](#) for the new AQR managed futures fund.

Many systematic traders look for market momentum—the tendency of markets to persist in one direction for some time. Assets that have performed relatively well continue to perform relatively well, while those that have performed relatively poorly continue to perform relatively poorly. Models pick up momentum in various time frames and signal trade opportunities.

A large body of academic research provides evidence for momentum, which does not appear to be a random or transient pattern. The investment style can generate strong returns across asset classes and over decades (Table 1). There are a number of explanations for this phenomenon based on studies of human behavior, drawing on the Nobel-Prize winning work of A. Tversky and D. Kahneman and other research.

If prices initially under-react to good or bad news and move slowly to fully reflect the changes in fundamental value, trends will tend to develop. Behavioral biases may explain why there is under-reaction. On the other hand, if investors chase a trend, prices will over-react, further extending the trend.

Of course, sooner or later all trends end. Dealing with transitions and trend reversals is a pivotal component of any investment program that seeks to take advantage of momentum. Models and managers have varying degrees of success in this tricky matter, which explains why investment programs that trade on the same market trends can make different returns.

According to efficient markets theory, past price behavior provides no information about future prices. If markets are efficient, then returns to momentum must be due to differences in risk. But no such risk factor has been established. Instead, momentum is associated with some inefficiency in markets, possibly due to quirks in behavior that investors share with the rest of humanity.

TABLE 1

Performance of a Long/Short Momentum Strategy Across Asset Classes

The hypothetical long-short strategy that yields these returns isolates the gains to momentum from the directional market return.

	Annualized Return	Time Period
Individual Stocks		
US	10.5%	1975-2008
UK	9.0%	1985-2008
Japan	3.0%	1985-2008
Continental Europe	16.5%	1988-2008
Other Asset Classes		
Currencies (Developed)	7.5%	1975-2008
Commodities	12.0%	1975-2008
Equity Indexes (Developed)	9.0%	1975-2008

Source: C. Asness, T. J. Moskowitz and L. H. Pedersen, "Value and Momentum Everywhere," National Bureau of Economic Research Working Papers (2009). Also AQR Case for Momentum paper, cited above.

Trend Life Cycle

The behavioral rationale for why trends persist can be understood in terms of the life cycle of a trend. Different biases explain the start and continuation of trends. At the start, under-reaction to a catalyst event like a supply shock slows price discovery. A possible reason is that people anchor their views to historical data and adjust their views insufficiently to new information.

Another factor, called the disposition effect, is that people tend to sell winners too early and ride losers too long. They sell winners too early because they like to realize their gains. This selling puts downward pressure on price, which slows down upward adjustment to the new fundamental level. But people also hang on to losers for too long since realizing losses is painful. Instead, they try to make back the loss. The absence of sellers keeps prices from adjusting downward as fast as they should.

A third reason is that non-profit-seeking market participants fight trends. Central banks try to reduce exchange-rate volatility and inflation expectations, potentially slowing down adjustments in currency and fixed-income markets. Hedgers in commodity markets can slow down price discovery.

Because of these effects, the price initially moves too little in response to events, which creates a continued price drift as the market realizes the full implications of the event over time. An investment strategy that trades on the initial news can profit if the trend continues.

Over-Reaction

Once a trend starts, a number of other behavioral patterns come to play. These are listed in table 2. Possibly the most widespread and best-known is herding. When prices have moved up or down for a while, some traders may jump on the bandwagon. This herding effect can feed on itself, further propelling the trend.

Many groups show signs of herding. It has been documented in institutions' investment decisions and equity analysts' recommendations and earnings forecasts. Investors tend to move from funds with recent poor performance and herd into funds that have recently done well.

Confirmation bias may also be important. People tend to look for information that confirms what they already believe and regard recent price moves as representative of the future. This can lead investors to move capital into investments that have recently made money and out of investments that have declined, causing trends to continue.

Risk management techniques that result in selling in down markets and buying in up markets, in line with the trend, have a similar effect. Stop-losses can cause buying or selling in the direction of the prevailing movement. Table 2 lists various behavioral explanations.

TABLE 2

Behavioral Reasons for Trends

Start of trend	Continuation of trend
Anchor-and-insufficient-adjustment	Herding and feedback trading
Disposition effect	Confirmation Bias
Non-profit-seeking market players	Certain risk management tools

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A Diverse Lineup



Yu-Dee Chang

It's common for one commodity trading advisor to run a number of trading programs. Typically the returns from those programs are not identical, but stay close to each other. By contrast, our guest Yu-Dee Chang manages almost a dozen portfolios with radically different strategies. At least, that's the impression you get from the 2008 returns. Some portfolios had double-digit gains, others double-digit losses.

This wide range fits Mr. Chang's overall business model. His CTA firm, ACE Investment Strategists LLC, is allied with his futures brokerage, Chesapeake Investment Services Inc., which offers clients the diverse lineup.

His strategies differ not only from each other but also from trend-following CTAs. For instance, ACE Diversified Commodity Program made 48% in 2009, a year that was difficult for trend followers. This year ACE funds can be found in BarclayHedge top rankings. Total assets in its futures programs are around \$160 million.

Mr. Chang explains these differences, his connections to China and what he expects in markets.

Opalesque Futures Intelligence: What's your Taiwan connection?

Yu-Dee Chang: My grandparents moved to Taiwan from China, so I have strong ties to China as well as to Taiwan. My financial career started with an import/export firm in Taiwan in the 1980s. Their clients were big retailers in the US like Walmart and Kmart, and they needed currency hedging. That's how I got involved with forex and from that moved to currency futures.

OFI: What is your approach to markets?

YDC: I went through a couple of cycles before finding the right approach. My basic philosophy is that fundamentals, like price/earnings ratios, matter and do dictate market direction, but over the long term. In the short term, the psychology of traders and investors and money flows are

key. Those factors can be best captured via technical analysis. We follow the fundamentals to decide what we would like to buy or sell, but we use technical analysis to decide when to get in and out of a trade. That is one part. The second part is how to take advantage of an opportunity.

OFI: Would you give an example?

YDC: Let's say fundamentals point to the price of sugar going higher. Should I buy it today or wait for a possible short-term correction? I will keep an eye on sugar but use statistical and probability tools to guide me in and out of sugar. But that's just the first step. There are different ways to pursue a trade. You want to go long sugar; there are many ways to do that. You could buy sugar futures, buy call options on sugar futures, do a covered call on sugar futures, or

sell puts. Which is the best way to go long sugar? I believe we have a big advantage in making these decisions.

OFI: Do you still trade currencies?

YDC: Currency futures account for about 20% of what we do. We have clients and contacts with investment firms in China as well as Taiwan and Singapore. I believe we have insight into Pacific Rim economies that tie in with currencies, giving us an advantage.

OFI: What is the strategy you use to decide what to trade?

YDC: We think of ourselves as many CTAs in one. We have different programs for different markets, including short-term trading and long-term trend-following. Altogether we have 11 strategies and follow almost all domestic futures markets. One program follows all commodity and financial futures markets, but trades only options. Another strategy, called dollar cost averaging, is for trading S&P 500 futures. This is one of our big programs. Our diversified commodity program trades financial and commodity futures but no stock indexes. Another popular program is called hybrid because it is very flexible and can use a variety of trading methods.

OFI: How did these strategies do in 2008?

YDC: We had a wide range of results because we took various approaches and some of them did not work in the unusual conditions of 2008 whereas others worked very well and made double-digit returns. Our worst hit program was the stock index trading program. The diversified program held up well.

OFI: How did the programs do in 2009?

YDC: Every single one of our programs made money in 2009. Even the worst-performing program had returns of over 30%! A major reason is that we benefit from volatility as long as it is not extreme. We were able to take advantage of all the market movements and control risk in 2009.

OFI: Have you changed your approach?

YDC: The lesson we learnt from 2008 is that we needed one additional piece of risk control. The programs that got hit were mostly stock index related. 2008 was not only a bad year but a chaotic year. We can make money in down markets but certain strategies just don't work in chaotic conditions. So if there is extreme volatility of the kind we encountered in 2008, we will liquidate all positions and go to cash in those portfolios until the chaos subsides.

OFI: You have both a brokerage and a CTA. How are they related?

YDC: Our brokerage, Chesapeake, has three lines of business—services for clients who want to open an account to trade futures, online discount trading and finding clients for our managed futures programs. The third business is a large part of the brokerage.

OFI: What do you see happening in the future?

YDC: In the 1990s all the action was in stocks. Since 2000, stocks have not done well and the action has shifted back to other markets like commodities and currencies. We think that trend will continue. I don't expect the stock market to crash or go back to its past lows but I doubt that it will provide the kind of returns that it did in the 1990s. Traditional stock and bond investments will always be part of portfolios but they will probably not have fantastic returns in the next three years, so people need to have alternatives. We believe volatility and swings will create a lot of opportunity in financial markets. Strategies that can take advantage of different kinds of price action, not necessarily trends, will benefit.

“We think of ourselves as many CTAs in one.”

OFI: Do you work with other CTAs?

YDC: Yes we do, but not often. We rarely farm out money to other CTAs because we manage so many diverse programs. Only when we get a very substantial client do we put some of the money to another CTA, in order to further diversify the client's portfolio.

OFI: Does China figure in your plans for the future?

YDC: China just opened up equity index futures trading. Options are to follow. This is domestic only. If they open up their managed market we might use some of our strategies in that market. We are developing business relationships in China that could help us enter that market.

AQR Managed Futures

Well-known hedge fund manager AQR Capital launched a series of mutual funds in the past year. This January it launched a managed futures fund. There's good news and bad news about this new vehicle. On one hand, the fund lost 4.30% in its first two months.

At the same time, assets grew from the \$10 million seed capital AQR put in to almost \$59 million. That's a small part of the firm's \$23 billion in total assets (as of 2009) but growth has been strong.

AQR managed futures follows what sounds like a fairly standard trend-following strategy and its returns are roughly in line with most trend followers. Below we present selected highlights from the prospectus.

When AQR started up in 1998, big investors were drawn to the hedge fund because of the reputation of the former Goldman Sachs managers who founded the firm. The experienced team is a draw also for the new fund. However, the Goldman Sachs attraction may have faded somewhat with the weak performance of the bank's quantitative hedge funds in recent years.

AQR founder Clifford Asness was a managing director and head of quantitative research at Goldman Sachs Asset Management. John Liew, another founder, was vice president and portfolio manager at Goldman and before that worked at Trout Trading Company. Brian Hurst was an associate in Goldman's quantitative research group. All three are among the AQR futures fund's managers.

Another manager, Lasse Pedersen, was professor of finance at New York University's Stern School of Business before joining AQR in 2007. He has been consultant to the Federal Reserve Bank of New York and served on the economic advisory board of NASDAQ. Yao Hua Ooi was an analyst at UBS before coming to AQR.

The fund pursues absolute returns using proprietary quantitative models to identify price trends in equity, fixed income, currency and commodity instruments. Once a trend is determined, it takes either a long or short position. The investment philosophy aims to profit from behavioral biases and inefficiencies in markets—described in this issue's [Futures Lab](#), based on papers from the AQR team.

Short and Long Terms

Several strategies are used. Thus the short-term strategy has the goal of taking advantage of market inefficiencies due to anchoring bias, which slows down price changes, disposition effect, which impedes price responses to events, and the interventions of price-insensitive market players like central banks. These factors cause trends to start.

The long-term strategy targets other behavioral patterns that cause trends to continue—in particular investor herding, confirmation bias and certain risk management tools. For instance, people project recent data into the future, which leads to piling into investments that recently made money. Some risk-management schemes will sell in down markets and buy in up markets. These behaviors cause trends to persist for some time.

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Another piece of the AQR manages futures approach is the over-extended trend strategy. This component signals when a trend is over-extended and is likely to reverse, on the basis of trend velocity and length and magnitude. Trends that move very quickly or have persisted for a long period and moved prices substantially have a higher tendency to reverse.

AQR uses a proprietary drawdown control system engineered to reduce the size of drawdowns. Despite risk control measures to limit drawdowns, the managers expect the fund's returns to be volatile over short-term periods because of the inherent leverage in futures instruments. The target annualized volatility is 10%, with a range between 5% and 13%.

Regarding trading costs, the fund relies on the proprietary portfolio optimization techniques and electronic order placement algorithms AQR developed for the various quantitative trading programs it runs. The net expense ratio for retail investors is 1.50%.

Like other managed futures programs, the fund is expected to have low correlation to stock, bond, currency and commodity markets over a market cycle and hence add diversification to investor portfolios.

David Kabiller, AQR head of client strategies, says that given the strategy's close to zero correlation to other asset classes, it can provide significant diversification to both alternative and traditional stock and bond portfolios, particularly during a bear market.

AHL December Loss Dents Man Assets

Man Group, the London-listed hedge fund company, reported that a 6% December decline in its flagship trend-following manager AHL adversely affected sales. "The fourth quarter of the financial year has seen a decline in funds under management, driven principally by the negative performance of AHL in December," said Man Group chief executive Peter Clarke, in a statement.

"Reflecting that, private investor sales in the quarter were lower, although redemptions have continued to fall back towards their historically low levels. This dynamic is something we have observed in previous periods following negative AHL performance," he said.

The company says trading conditions were difficult throughout 2009 for trend-following strategies, with gains in stock indexes and metals more than offset by sudden market reversals in currencies and bonds.

Man's total assets were about \$39 billion at the end of March, down from \$46.8 billion a year ago. Mr. Clarke says the catalyst for improved sales will be material positive performance in the managed futures style and from AHL. This year so far AHL has done better. It was up more than 2% for 2010 and over 5% for the month though March 22.

"We have also continued significant investment in people and systems at AHL and have a strong research pipeline to apply AHL's trading methodology to a wider range of systematic strategies," Mr. Clarke said.

Regulator Alleges Long-Time Futures Ponzi Scheme

The US Commodity Futures Trading Commission charged Ohio resident Enrique Villalba Jr. and his firm, Money Market Alternative LP, with operating a fraudulent scheme that began as early as 1996 and continued through at least November 2009.

According to the CFTC, Mr. Villalba solicited investments from the public to trade S&P 500 futures and opened a futures trading account in the name of Money Market Alternative. He deposited more than \$23.2 million in this account and had net losses of more than \$17 million, but sent investors false statements showing consistent profits.

The regulator says the Mr. Villalba misappropriated at least \$3 million in investor money to finance his coffee business and buy real estate among other things and used more than \$7 million to make Ponzi payments.

In a separate recent action, the US District Court for the Western District of Virginia ordered John Donnelly, Tower Analysis Inc., Nasco Tang Corp., Nadia Capital Corp. and associated defendants to pay \$4.6 million to settle a 2009 CFTC charge that they operated a \$10 million Ponzi scheme. They misappropriated at least \$1 million investor funds and committed other fraud in raising money to trade US Treasury Note and S&P 500 futures.

Newedge Prime Broker Wins Award

Newedge received the best prime broker capital introduction award from HFM Week. The Newedge prime broker business services liquid hedge funds using managed futures and global macro strategies as well as fixed-income arbitrage, quantitative, market neutral or long/short equity and volatility funds.

The cap intro team, headed by Duncan Crawford, has working relationships with a variety of investors. Philippe Teilhard, global head of prime brokerage, says the award proves Newedge's competitive edge in the capital introduction area.

EFX Starts Cap Intro For Emerging Managers

EFX Prime Services announced the first manager-investor get-together in its capital introduction program for investors in small and mid-sized funds and emerging managers. Family offices, wealth advisors and fund of funds that allocate to small hedge funds are expected to attend. EFX plans to hold at least eight events in 2010.

The upcoming event is scheduled for later this month in New York. "The program offers clients direct contact with our growing network of qualified and accredited early stage investors including family offices and Wall Street executives looking for co-investment ideas," according to EFX managing director Brian Stutman.

EFX, part of First New York Securities, a trading firm, announced the new hedge fund initiative last month. It in part draws on people from First New York. For instance, Mario Maugeri, EFX managing director of operations, joined First New York in 1995. Mr. Stutman says EFX has one of the most experienced teams in the industry.

Corzine Joins MF Global

Derivatives and securities broker MF Global Holdings Ltd. tapped Jon Corzine as chief executive and chairman. Until recently he was the governor of New Jersey and before that was a US senator. Prior to entering the political arena he was a partner at Goldman Sachs, where he developed business in Asia and held the job of chief financial officer. As senior partner of Goldman, at the time a private partnership, Mr. Corzine took the company public in 1999. He ended his Goldman career as chairman.

Exchange Volume Trends Mixed

Derivatives exchanges reported increases in some contracts and declines in others. CME Group says volume averaged 11 million contracts per day in March, up 2% from March 2009, and volumes in interest rates, foreign exchange, commodities and alternative investments and metals grew by double digits. However, CME equity index volume averaged 2.7 million contracts per day, down 35% from the previous March. Treasury futures volume rose 36% while Treasury options were down 8 percent.

Eurex Group reported average daily volume of 10 million contracts in March, down 17% from a year ago. This includes both Eurex contracts and US-based International Securities Exchange (ISE) contracts. Equity index derivatives fell to 69.5 million contracts from 92.5 million a year ago. But equity options and single-stock futures increased 8%.

Separately, Eurex Clearing introduced real-time risk management for clients. The firm says it is the first central counterparty to offer risk management and margining data in real-time to its trading and clearing members.

"Our customers will directly benefit from increased control over their own risk management and greater efficiency in their collateral management," says Thomas Book, a member of the Eurex Executive Board. "By offering such a service Eurex Clearing actively contributes to policy makers' goal of a safe and sound financial market structure."

The new service expands existing risk management tools and is available across all asset classes, including derivatives, cash equities, bonds and repo transactions. It is a response to the dramatic rise in the number of transactions and speed of trading due to the spread of algorithmic trading and direct market access. The system is based on open standards to allow customization of the data stream in different applications.

Global Trend Hedge Funds

We had not featured Morningstar rankings before but heard from some commodity trading advisors that they were ranked by Morningstar. So we decided to look into the matter.

The Morningstar class that covers managed futures is global trend hedge funds, defined as strategies that profit from momentum or price trends in currencies, interest rates, stocks and commodities. In the index system, trend and non-trend funds are the two components of the global index.

Below are the top global trend hedge funds by 12-month return through the end of February 2010. Some managers had two funds with similar returns in the Morningstar ranking. We've included only one fund per manager.

Name	12-month return	Inception
CKP Masters Aggressive Program	240.19%	1/11/2008
BTR Strategic Growth Fund	220.66%	2/2/2009
Acer Cube Acc	151.32%	5/5/1993
AIS Gold Fund LP	135.72%	12/31/2002
Gerbino Gold Group LLC	123%	6/3/1996
Bayou City Capital LP	116.42%	1/3/2001
AIS MAAP Leveraged 3x - 6x Inc Net	101.7%	7/1/1992
Ardsley Offshore Fund Ltd Class A	94.88%	4/3/1989
Enter Maximal Inc	80.21%	2/5/2007
Nisswa Fund Ltd.	72.12%	6/3/2002

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