



## **FUNDS HUB**

### **Money managers under the microscope**

## **Yu-Dee Chang: Opportunities for managed futures funds**

May 12, 2010

**Guest blogger Yu-Dee Chang is the sole principal and chief trader of ACE Investment Strategists. He has continuously been registered in the commodity industry for the past 14 years. From August of 1997 to the present he has operated Chesapeake Investment Services Inc., a Virginia based Introducing Broker where he is the President and Chief Executive Officer.**

**The views expressed here are entirely the author's own and do not constitute Reuters' point of view.**

Investors often make no differentiation between commodities and professionally managed futures. While commodities are an asset class, professionally managed futures are an investment vehicle, which use the commodity futures and options markets in an attempt to capitalize on a rise or fall in commodity prices. In professionally managed futures, performance results are more dependent on the skill of the manager, not the investment vehicle or economic environment.

2008 was one of the worst years on record for not only stocks, but also commodities, which fell 46 pct. However, professionally managed futures were up 14 pct to 18 pct according to the Credit Suisse/Tremont Managed Futures Index and the Barclay CTA Index. This is due to Commodity Trading Advisors' ("CTAs") ability to capitalize on significant declines in commodity prices.

According to The Barclay Group, in 1980 there was \$31 million placed in managed futures. By 2002, that number climbed to \$50 billion. From 2002 through the end of 2009, the assets in managed futures surged to \$213 billion. Simply put, the assets invested in managed futures over the past 8 years increased 400 pct more than it did over the previous 22 years.

Today, there are a number of emerging opportunities that managed futures portfolios can capitalize upon. The emergence of China as an industrial power will influence commodity prices for years to come — no matter the short or intermediate term gyrations caused by news events, the long-term direction of basic materials is up. As the unprecedented growth in the Chinese economy works its way down to the general population, demand for consumer goods will put upward pressure on consumer staples such as sugar, cotton, and grains.

The long-term trend toward socialism in the U.S. and Western Europe will continue to undermine the Dollar as nations look for an alternative world currency standard. Gold still has popular appeal, but is too unwieldy and too inflexible to serve the world's needs.

What will eventually emerge remains unclear, but the trading opportunities presented by the search will be numerous.

In addition, the inevitable inflation brought about by astronomical debt in the U.S. and Western Europe will eventually force interest rates higher. The only question is when the move will start and how virulent it will be. The inflation and deflation of bubbles will continue to provide ample trading opportunities.

Another looming question relates to how long will the Federal Reserve continue to prop up the banks. As long as banks can borrow money for next to nothing to buy appreciating assets the stock, commodity and derivatives markets will remain hot.

**Trading futures and options involves substantial risk of loss and is not suitable for all investors. There are no guarantees of profit no matter who is managing your money. Past performance is not necessarily indicative of future results. There is unlimited risk of loss in selling options.**