

MANAGED INVESTMENTS

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COORDINATOR'S MESSAGE

By Scott McKenzie

We've had a tough time in 2008 and again in 2009. Australian and global equities have been very bad news. But there's been one group of managed funds that have been positive, very positive, almost 20% in fact for 2008. That's managed futures funds.

These funds are a sub-class of hedge funds in which futures are the assets traded – futures in commodities (mineral or agricultural), or currencies, or interest rates for example. These depend on how good the analyst is in predicting how the market will move in these assets. And 2008 was a good year for trends to be followed.

Dominic McCormick of Select Asset Management counselled against assuming that trend-following would be necessarily as good in 2009. (Money Management 16.1.2009)

But many of us have seen good returns from Man Investments' OM-IP series over the last 12 years.

So managed futures funds are well worth a look. And since there aren't that many in Australia it won't take that long! (We could find only the four below.)

We hope you find something well worth the effort in tracking down more information about the managed futures funds we highlight below.

Scott McKenzie is a financial planner and Vice President of the AIA.

MANAGED FUTURES FUNDS

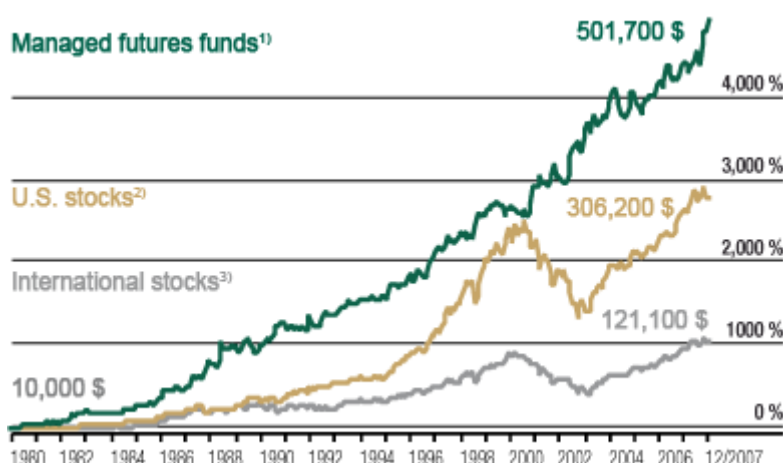
By Scott McKenzie

What are managed futures funds?

Managed futures funds first emerged as an investment option in the USA during the mid-1950s. They differentiate themselves from traditional asset classes such as stocks and bonds because of the many advantages offered to investors. An asset class in their own right, managed futures funds can profit from over 100 different financial and commodity markets in both rising and falling markets. As a result, more and more retail investors are now realising the long-term benefits of managed futures funds.

"Global managed futures giant Superfund set up an investment centre in Sydney, open to the public, to help investors understand how managed futures work. Set up in Austria back in 1995, Superfund has grown to manage more than US\$1.4 billion on behalf of 50,000 investors in over 20 countries.

Last year, the managed futures industry benchmark, the Barclay's CTA Index gained 14%, against the S&P/ASX200 index, which lost 42 per cent. The Superfund Group's oldest fund, Superfund Q-AG, returned 18.5% pa, net of all fees over the 12 years since inception in March 1996." (*Financial Standard*, February 11, 2009)



- 1) CISDM CTA Equal Weighted Index (grey line)
- 2) S&P 500 Total Return (brown line)
- 3) MSCI World Source: Superfund; 01/1980-12/2007 (green line)

In a comparison of long-term performance over the past 28 years, managed futures funds demonstrated significantly higher returns than equities. An initial investment of \$10,000 in a managed futures index (CISDM CTA Equal Weighted), would now yield an impressive total return of 4,917 %.

For more information about managed futures and managed future funds, read Select Asset Management's report *The Case for Managed Futures* (Nov 2008). Click on:

http://www.selectfunds.com.au/download/reports/educational/SELECT%27s_Case_for_Managed_Futures.pdf

For even more information have a look at the Queensland Investment Corporation's Red Paper: *The Value of Investing in Managed Futures*.

<http://www.qic.com/knowledge/Investment%20Insights/Value%20of%20investing%20in%20managed%20futures%20-%20Diversification%20when%20you%20need%20it%20most.pdf>

Funds

Super Alpha Fund 1

This fund is available globally and now has an Australian distribution arm. Super Alpha Fund 1 is comprises a multi-strategy systematic trading fund that aims to generate medium term returns in rising and falling markets. It is invested in over 100 international markets across a diverse range of sectors including bonds, currencies, interest rates, commodities and so on. It has well outperformed the ASX 200 and most global indices over the last couple of years since its investments are un-correlated to equities.

This fund has a minimum investment of \$10,000. An Aegis Research report is accessible at: http://www.superalphafund.com.au/hp07/download/SuperAlpha%20Fund_Research.pdf

Select Futures Fund

Select Futures Fund is a systematic global futures trading programme managed by Aspect Capital and distributed by Select Asset Management. It has a minimum investment of \$25,000. It has returned about 19% pa since inception in March 2007.

More details at:

http://www.selectfunds.com.au/download/reports/monthly/Select_Futures_Fund_Monthly_Report.pdf

Man OM-IP funds

The Man OM-IP series of funds were launched in Australia in 1997, and there have been 33 funds opened (and later closed to new investment) since then. They have an extraordinary record of returns given that they are capital-guaranteed on maturity (less than 10 years in most cases) and have a rising guarantee over time. The overall annual compound return is 17% pa since inception.

These funds are well known to many of us. More information at:

<http://www.maninvestments.com.au/index.cfm?cat=home&rid=&CFID=1606430&CFTOKEN=99082433>

Winton Global Alpha Fund

Winton Capital Management Limited (Winton) is a global investment management company, based in London, who focus on statistical research in financial markets and global managed futures. Founded in 1997, currently Winton has over \$US13.3 billion under management. This fund is distributed in Australia by Macquarie.

As of 31 March the fund had returned 13.3% for the year. Minimum initial investment is \$25,000. For more information:

http://www.macquarie.com.au/acrobat/mps_wgaf_fund_review.pdf?refer=mps_collection_new

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