PRICE Futures Group
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What is a Managed Account?

| The 5 Things You Should Know |

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MANAGED FUTURES MAY BE WHAT YOUR PORTFOLIO IS MISSING!

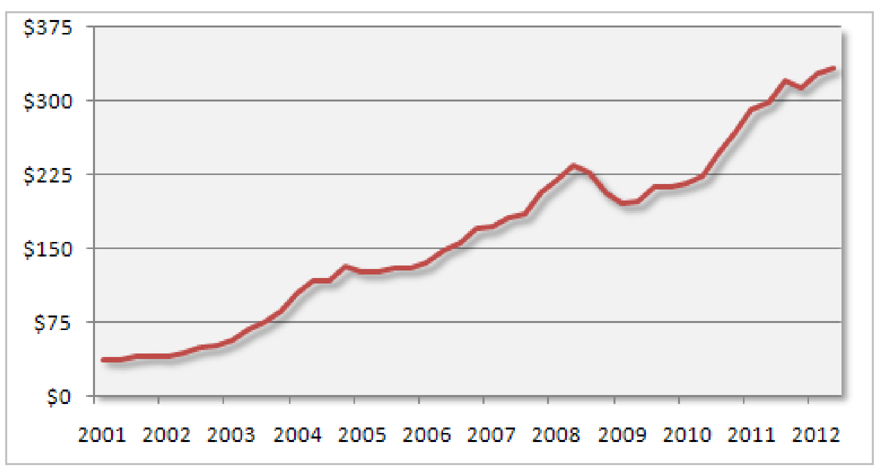
Perhaps the most powerful statement supporting a managed futures investment was put forward in the 1960's by renowned Harvard Professor, Mr. John Virgil Lintner, Jr. He deemed managed futures to be an investment vehicle that had the astonishing capability of "reducing volatility, while simultaneously enhancing return."

Over the infamous 20+ year period from January 1987 - August 2008, stocks turned in some pretty great returns. With great returns though came along a great amount of volatility. Likewise, bonds exhibited low returns but had demonstrated little volatility in the markets. Managed futures however, exhibited returns and volatility between that of stocks and bonds.

The futures industry defines a managed account (or managed futures account) as an account managed by a commodity trading advisor ("CTA"). They create and provide structured programs which seek to provide returns on client assets using various technical or discretionary strategies with global futures markets as an investment medium. A futures broker's role is to assist clients in selecting the appropriate CTA programs.

1 MANAGED FUTURES CONTINUE TO GROW!

"The world of traditional hedge funds has experienced a net outflow of assets in 2012, declining -0.8% so far this year, in part due to significant outflows from the fund of funds category. Managed futures just keeps on climbing, and now stands at one-fifth the size of the rest of the hedge fund industry. Aside from a dip in AUM between 2008 and 2010, managed futures have experienced fairly consistent growth throughout the last

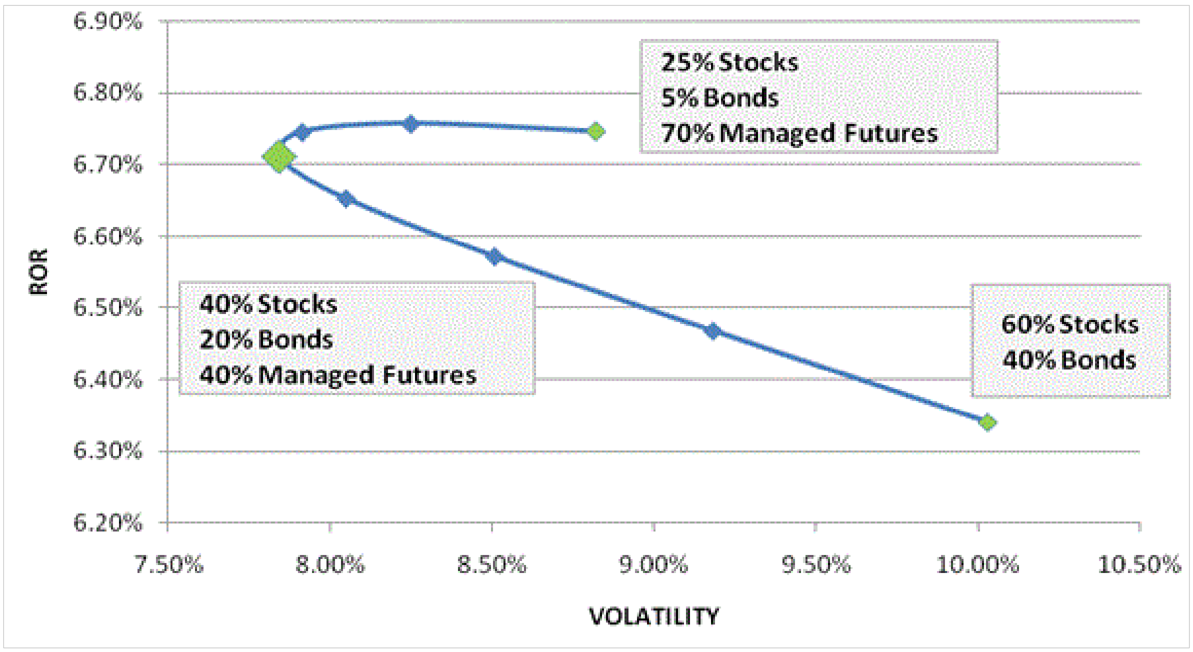


Managed Futures AUM (in billions)

decade." - via Hedge Funds Review.

2 LOWER RISK AND INCREASE RETURNS

The Efficient Frontier (1/1/1994 – 2/28/2012)



Source: Stocks = S&P 500, Bonds = CitiWorld Bond Index, Managed Futures = DJCS Managed Futures Index

"A portfolio that includes managed futures, historically, would hav**e provided higher returns AND lower risk.** Let's repeat that – additions of managed futures to the typical stock and bond portfolio increased the annual rate of return, while lowering the volatility of the portfolio..." - via Attain Capital's Blog "Is Your Portfolio Buckled In?" March 12, 2012.

Statistical studies suggest that a managed futures allocation should be anywhere from 5% to 15% in a portfolio. However, this particular graph shows a larger allocation to Managed Futures. The Efficient Frontier is really more of a broad strokes tool and shouldn't be relied on to set hard and fast asset allocation levels. Working with an experienced managed futures specialist to determine one's individual risk profile must be considered. The goal might not always be the highest return at the lowest risk point. Depending on age and financial situations, various considerations may shift the Efficient Frontier up or down for that specific investor. For example, a young affluent investor in their prime earning years may target taking on more risk for a higher return.

3 Show Positive Returns in Each Market Cycle

Market Comparison Performance (Rolling 12 Month Returns)

	←← Bear Market		Choppy/Flat Market		Bull Market →→		
When the S&P 500 12mo RORs	**-25% or lower**	**-25% to -12.50%**	**-12.50% to 0%**	**0% to 7.50%**	**7.50% to 15%**	**15% to 30%**	**30% or higher**
World Stocks	-43.40%	-19.53%	-10.88%	2.48%	14.12%	13.39%	20.95%
Bonds	2.41%	4.95%	9.62%	0.51%	2.18%	4.57%	8.95%
Hedge Funds	-14.80%	2.38%	5.25%	5.40%	11.45%	13.17%	21.67%
Managed Futures	**+9.17%**	**+13.96%**	**+10.83%**	**+1.52%**	**+3.93%**	**+7.19%**	**+2.02%**

Source: World Stocks = MSCI, Bonds = CitiWorld Bond Index, Hedge Funds = DJCS Hedge Fund Index, Managed Futures = DJCS Managed Futures Index

Attain Capital's Blog broke down the stock market performance based on 12 month rolling rates of return of the S&P 500 going back to 1994, and then created various "buckets" of performance representing seven different market environments - ranging from the very good (rolling 12 month returns of over 30%) to the very bad (rolling 12 month returns of -25% or lower).

From there, they looked at the rolling 12 month rates of return for managed futures on those dates which fell into each "bucket," and averaged across all such dates.

The conclusion here is that Managed futures have the potential to generate favorable returns in any kind of economic environment, bull or bear.

4 PROVIDE PROPER DIVERSIFICATION

Diversification remains paramount when it comes to managing portfolios.

Efficient diversification would be a vehicle that provide low-volatility, largely positive returns and low or negative correlations with clients' existing assets. The goal is to achieve an improvement in the portfolio's risk-adjusted returns.

A recent white paper from San Francisco-based Forward Management makes the case that managed futures can accomplish those goals. Their argument: the Barclay Commodity Trading Advisor (CTA) Index has produced long-term returns that match the S&P 500 Index and outperformed the Barclays Capital U.S. Aggregate Bond Index.

During the 1980-2011 periods, the CTA Index was slightly less volatile than the S&P 500. Plus, it has also significantly lower one-month maximum losses, as shown in the following table:

Comparison of Monthly Returns by Asset Class (1/1/1980 – 12/31/2011)

	Annualized Return	*Standard Deviation*	*Maximum Monthly Decline*	*Correlation to the S&P 500*
Barclay CTA Index	11.16%	15.07%	-9.81%	0.01
S&P 500 Total Return Index	11.06%	15.62%	-21.54%	1.00
He Barclays Capital S.S. Aggregate Bond Index	8.69%	5.69%	-5.92%	0.20

Source: Forward Management, LLC

These results have attracted the attention of both investors and funds. Forward Management notes that assets under management by CTAs grew from $10.9 billion at year-end 1990 to $37.9 billion at year-end 2000. That figure grew to $314 billion by year-end 2011.

5 Require Full Due Diligence!

Once you have decided to add managed futures to your portfolio, the next step is to develop a *strategy*. There are thousands of CTA programs available, which is why it is at this stage that it is very important to work with an *experienced futures broker* that specializes in structuring managed futures accounts.

Here are some of the things that one needs to consider to when selecting CTA programs:

- Each program's risk management policies, background, operations, and trading mindset.
- The various levels of diversification and exposure provided by each program. Here are a few examples:
    - Asset Class/Sector - There is a wide range and combination of global markets available.
    - Trading Style - Such as trend following, long/short volatility/regression, fundamental, etc.
    - Time Frame - By investing with CTAs using different time frames you have the potential to take advantage of short, medium, and long-term market moves.
- Objectives for the role of managed futures in your portfolio. The primary objective is to provide a return stream that is uncorrelated to traditional asset classes.
- Viewing managed futures as a long-term investment, with a minimum 3-year time frame.
- Your individual risk profile and tolerance.

There are countless combinations and permutations of the portfolio holdings of each CTA over a limited period of time. How can one effectively find the right mix? How do we know what would fit our individual profiles?