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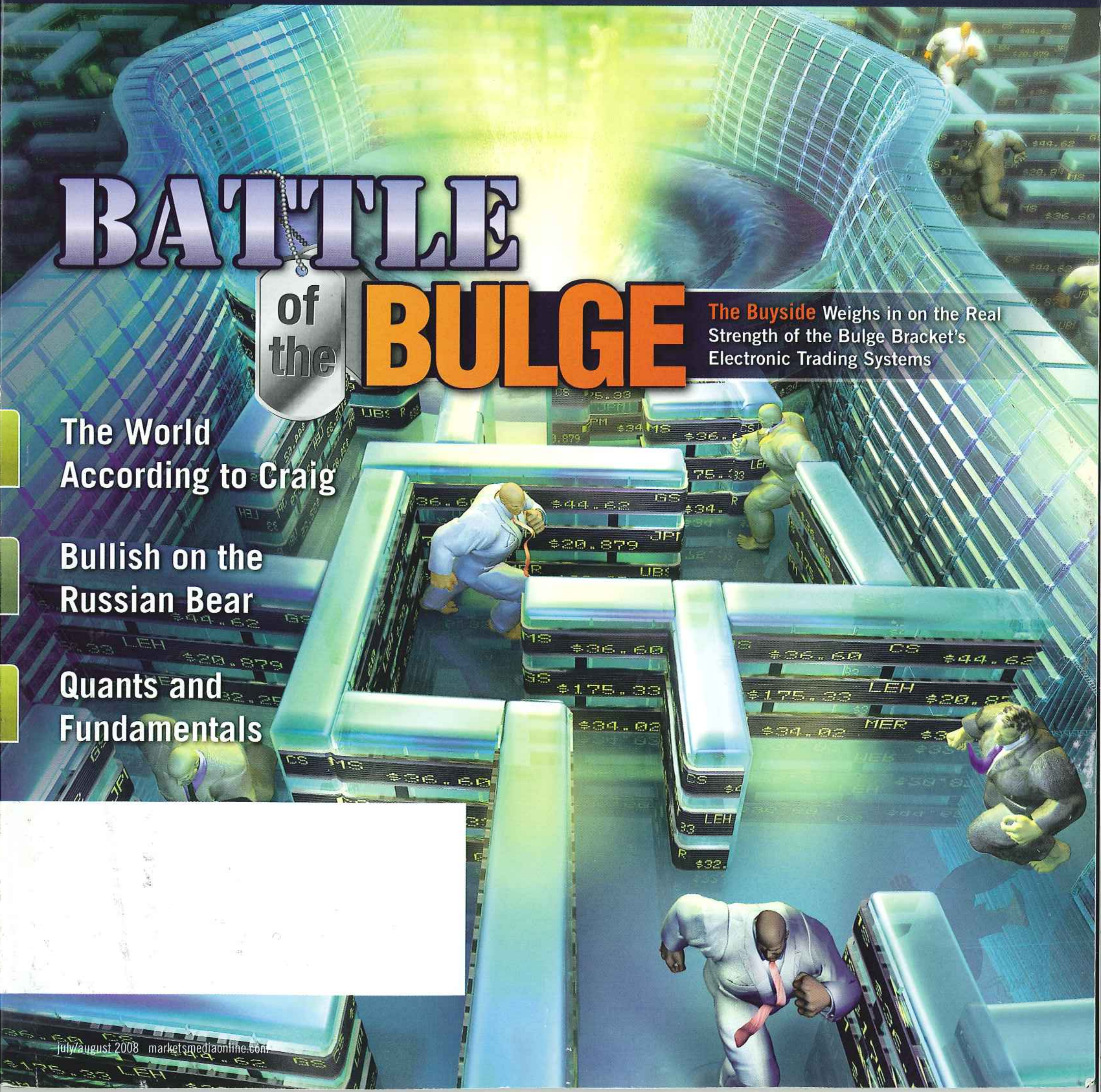

BATTLE of the BULGE

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Managed Futures

An Undiscovered Asset Class

By Bruce W. Fraser

"Typically, managed futures have been primarily available to institutions that can invest larger amounts. Our strategy, launched 12 years ago, has been to make this asset class accessible to the mass affluent." – **Paul Wigdor,** Superfund Asset Management COO

Managed futures may be one of the best kept secrets on Wall Street. Investors looking for alternatives to equities, especially during volatile market conditions, may want to consider the funds which invest in financial and commodity futures that trade on exchanges worldwide.

Proponents say their main advantage is their low historical correlation to other traditional investments. They can go long and short in rising or falling markets, and have the potential to improve returns and reduce volatility in a portfolio.

As evidence of the growing interest in this undiscovered asset class, managed futures assets under management have increased more than 500 percent in the past decade, soaring to more than $205 billion at the end of 2007.

Much of those assets are institutional, and Superfund Asset Management seeks to bring managed futures from Wall Street to the retail investor on Main Street.

"Typically, managed futures have been primarily available to institutions that can invest larger amounts," says Paul Wigdor, Superfund's COO. "Our strategy, launched 12 years ago, has been to make this asset class accessible to the mass affluent. Superfund products can be purchased through registered representatives and advisors for a $5,000 minimum. And while fees are generally higher than for mutual funds, we're competitive within our industry."

Wigdor explains why managed futures have been largely unknown by investors: "People think they're something esoteric. They're not, and once they understand the underlying benefits and logic, they understand why institutions like Harvard, Yale and CalPERS have been investing in them for decades."

Superfund, which trades almost exclusively at the retail level, was founded in 1995 in Vienna, Austria, by Christian Baha under the name Quadriga and now operates in 18 countries globally. With 50,000 clients worldwide, it manages $1.4 billion in assets.

With its U.S. headquarters in New York, Superfund also maintains an investment center and a full service trading operation in Chicago that trades futures on more than 100 markets around the world.

"Managed futures are not designed to anchor a portfolio," Wigdor says. "Ideally, they should represent 5 (percent) to 10 percent of the retail investor's portfolio and, for best results, be owned for at least a three- to five-year period." Unfortunately, many investors, he notes, make the mistake of putting "all their eggs in one basket," using primarily stocks and bonds, and don't achieve proper diversification. "The important thing to understand," says Wigdor, "is that we're adding a noncorrelated asset class to the portfolio. This is the key to diversification."

Performance, of course, is the ultimate proof of an investment strategy and since its inception, Superfund has had total annual returns averaging 18 percent, net of fees, with a correlation of less than zero to the S&P 500.

Managed futures tend to get noticed when other asset classes are underperforming, Wigdor explains. "When equity markets are up 10 (percent) or 15 percent in a year, investors are not thinking about diversification and noncorrelation of assets," he says. "Conversely, when equities are underperforming, investors worry more about how to protect the performance of their portfolios. What we want investors to know, is that a non-correlated asset class like managed futures has the potential to perform in any market condition."

Ryan Hobbs, an investment advisor with Geneos Wealth Management in Ardmore, Okla., has used Superfund's managed futures products as an alternative investment in some client portfolios for about a year. "They're a relatively small holding, only 5 (percent) to 8 percent of a portfolio, but historically the returns have been good," says Hobbs. "Many things that would cause stress in the stock and bond markets, such as rising oil prices and interest rates, are the same factors that can lead to good performance in a managed futures fund. The more volatile the markets, the better they've performed."

Wigdor, 40, who began his career as a lawyer at the Chicago Board Options Exchange, sees his role not so much as a salesman but as an educator. "It's my goal to educate, not only retail investors, but everyone about managed futures," he says.

To accomplish this, Superfund conducts numerous seminars across the country, and has featured Professor Harry Markowitz, a Nobel Laureate in Economics, who originally proved the benefits of non-correlation to a portfolio.

Wigdor believes the recent increased interest in commodities is helping boost momentum for managed futures, but concedes there is still much to be done to educate investors. "We liken ourselves to Charles Merrill back in the 1940s, when he was educating retail investors about stocks. We believe eventually this will be a mainstream asset class, not an alternative."