



COMMODITY
MONEY
MANAGEMENT
YEARBOOK
VOLUME III

Edited by
MORTON S. BAR
LJR, Inc.

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MANAGEMENT

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Compiled and Edited by
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Columbia, Maryland



A Wiley-Interscience Publication

JOHN WILEY & SONS

New York • Chichester • Brisbane • Toronto • Singapore

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Published by John Wiley & Sons, Inc.

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ISBN 0-471-87628-3

Printed in the United States of America

10 9 8 7 6 5 4 3 2 1

Foreword

From its inception in March 1979, MANAGED ACCOUNT REPORTS has been the principal source of knowledge and education about the rapidly growing field of commodity money management. Through its monthly newsletter, its annual conferences on commodity money management, its periodic seminars for investors, and various occasional publications, MAR disseminates information about all phases of the industry. This book, the third in a series, is an additional dimension of MAR's continuing effort to serve all those who are or want to be involved in the field.

For current and prospective investors, this book provides facts and expert opinions to be taken into account when making investment decisions. For professionals, the book contains information and ideas that bear directly upon their daily work. For students of the industry, the book affords an invaluable reference source. The publishers and editor stress that it is *not* their intention to promote or sell the services of any person or firm named in these pages, but simply to report what of particular interest and significance was said and done by money management professionals in the year ending February 1982.

The materials in this book were drawn from several sources. All but three of the bylined articles are edited versions of presentations at MANAGED ACCOUNT REPORTS' Third Annual Conference on Commodity Money Management, held in San Diego in January 1982. The article by Polly Shouse (in Part I) was presented by her at MAR's Seminar on Performance Measurement and Evaluation, held in Los Angeles in July 1980. The article by Richard D. Donchian (in Part III) is based on his talk at MAR's First Annual Conference on Commodity Money Management, convened in Chicago in January 1980. It is included in this volume because the recognition of Donchian as the "father" of commodity money management demands that his recounting of the development of systems trading be given prominence. The contribution by Morton S. Baratz (in Part IV) was originally read at MAR's Seminar on Performance Measurement in Chicago in July 1981. All unsigned articles were prepared for and published in MANAGED ACCOUNT REPORTS during 1981. Each of the 12 reports on trading advisors, whenever originally published in 1981, has been updated through that year's end.

Anthologies such as this can be published only with the help of many others. We have had more than our fair share of assistance in completing this book. We acknowledge gratefully the contributions of each person whose byline appears on an article. We express our appreciation for the unfailing courtesy and cooperation extended us by principals and employees of the various trading advisors reported on in Part V. We thank officials of the National Association of Futures Trading Advisors for their generous help. We also say "thanks and well done" to Phyllis Corry, who spent many taxing hours at the unenviable task of transcribing audio tapes from workshops and formal presentations.

Leon and Joy Rose
Morton S. Baratz

Contents

PART 1 THE PERFORMANCE OF MANAGED ACCOUNTS

The Performance of Public Funds and Private Pools in 1981 3
Joy Rose

Managed Accounts vs. "Do-It-Yourself" Trading 19
Morton S. Baratz

**Individual Speculators vs. Managed Accounts: When the
Broker Is Also the CTA** 29
Almer H. Orr III

**Two Years of Performance of Public Commodity Funds and
Individual Managed Accounts, March 1979-March 1981** 39

Performance Measurement in the Commodity Markets 47
Polly Shouse

**Managed Account Reports' Performance Indices: An
Explanation** 63

**Performance Indicators: Public Funds, Private Pools,
Individual Accounts** 65

PART II THE WIDENING HORIZON OF MANAGED ACCOUNTS

Trading on International Markets 75
Eugene M. Grummer

New Directions for Domestic Markets 81
Robert L. Martin

PART III THE CHANGING WORLD OF COMMODITY MONEY MANAGERS

Reflections of a Commodity Money Manager	91
<i>Richard D. Donchian</i>	
Must Trading Systems Be Changed in Changing Times?	101
<i>Donald L. Jones</i>	
Using Commodity Options for Managed Accounts	111
<i>James B. Cloonan</i>	
Applying the Profitable Art of Arbitrage to Managed Accounts	119
<i>Gary Ginter</i>	
The Orderly Management of Orders	129
<i>Donald Braverman</i>	
Interest Rates and Commodities Prices	141
Marketing Public Funds	147
<i>Ronald Filler</i>	

PART IV THE LAW AND MANAGED ACCOUNTS

Exclusive Jurisdiction—Its Present and Its Future	159
<i>Carl Duncan</i>	
The Effects of Recent Tax Revisions on Managed Accounts	181
<i>Daniel P. Letizia</i>	
The CFTC's New Reporting Format: Some Pros and Cons	195
<i>Morton S. Baratz</i>	

PART V REPORTS ON COMMODITY TRADING ADVISORS

A. O. Management Corporation	205
AVM Associates	213
George Booth & Associates	221
Buell Commodity Company	227
Computerized Commodity Advisory, Inc.	235

CONTENTS

ix

Desai & Company	243
Funding Brokerage Services	249
Futures Equity Management, Inc.	257
Lawrence J. Hayes	265
Phoenix Capital Management	273
Trend Analysis and Portfolio Management, Inc.	281
Thomte & Co., Inc.	289
A Selected Reading List	297
Index	301

PART I:

The Performance of Managed Accounts

The Performance of Public Funds and Private Pools in 1981

JOY ROSE

The past two years have been ones of growth for both public funds and private pools. Let's first take a look at the activity that has occurred in the public fund sector.

At the end of 1980, MAR was reporting on 17 actively trading funds. By the end of 1981, the number had increased to 36. As Table I shows, the average gain for the 17 funds in 1980 came to 24.6%. Looking at these figures for 1980, there are some interesting points that can be made.

Notice in Table I that the average life of the the 17 funds at the end of 1980 was 17.5 months, the oldest having a life of 24 months and the youngest, 2 months. Four funds (not shown on this table) were dissolved during 1980. They were Antares (2/80), Mountain View (4/80), McClean II (4/80) and McClean I (12/80).

Another item of interest is that none of the funds made any distributions in 1980. This is understandable for those started in the latter part

TABLE I. PERFORMANCE OF PUBLICLY OFFERED COMMODITY FUNDS

Fund Name	Start Date	Offering Value Per Share (\$) ^a	Unit Value (\$) 12/31/78	Unit Value (\$) 11/30/79	Unit Value (\$) 12/31/79	Record for Month (%)	Record for Year (%)	Cash Distributions (%)
Antares Futures Fund (Paine Webber, Inc.)	1/78	1000	647	740	626	-15.4	+43.1	300
The Dunn Corporation (Limited Partnership)	10/74	1000	2301	3672	3830	+4.3	+66.5	
Galileo Futures Fund (Clayton, A.C. Edwards, Blunt, Ellis & Lowe)	3/79	1000	—	862	822	-4.6	-17.8	
The Future Fund (Heinold/Blyth Eastman Dillon)	7/79	1000	—	1213	1286	+28.6	+5.7	
Harvest Futures Fund (Heinold Commodities, Inc.)	6/78	1000	1543	4549	4709	+3.5	+205.2	
Heinold, Illinois Commodity Fund (Heinold Commodities, Inc.)	1/78	1000	812	1201	1363	+13.5	+67.9	
Heinold Recovery Fund I (Heinold Commodities, Inc.)	3/78	465	411	578	625	+7.9	+52.1	

Heinold Recovery Fund II (Heinold Commodities, Inc.)	3/78	189	153	220	262	+ 18.6	+ 71.2
McLean Futures Fund (ContiCommodity Services)	12/78	1000	1000	1347	1241	- 7.8	+ 64.1
McLean Futures Fund II (ContiCommodity Services)	8/79	1000	—	753	685	- 9.0	- 31.5
Mountain View Futures Fund (ContiCommodity Services)	9/76	1000	864 ^b	653	511	- 21.7	- 37.5
The Resources Fund (Heinold/Blyth Eastman Dillon)	8/78	1000	920	1337	1421	+ 6.3	+ 54.5
Thomson McKinnon Futures Fund (Thomson McKinnon Securities)	11/78	1000	867	968	983	+ 1.5	+ 13.4
Norwood Index (average performance this month and last 12 months)							
						+ 0.2	+ 44.6

Note. Compilation is done for MAR by Jay Klopfenstein of Norwood Securities, 6134 N. Milwaukee Ave., Chicago, IL 60646. Information is taken from public records and reports and is believed to be reliable. However, neither Norwood nor MAR guarantees the accuracy of the data. If you have any questions, contact Mr. Klopfenstein at (312) 763-1540.

^aOffering value per share does not reflect deductions for sales or management fees taken prior to the start of trading or during the annual trading period (i.e., Thomson McKinnon Fund starting value was \$942 after deduction of fees).

^b\$113.37 of distribution paid in 1978; \$100 in 1979.

of the year, but why not the older ones that showed profits of at least 50%? (Both the Harvest and Recovery Funds' distributions were made prior to 1980). There are several possible answers to this question, so we can't single out one with any confidence.

Showing a respectable performance in 1980, the brokerage houses proceeded to take advantage of this favorable record and offered to the investing public 17 new funds in 1981. Now we can compare performance between the years of '80 and '81.

First take a look at the bottom line figure for 1981 shown in Table II. The average performance of all funds for the 12 months ending December 31, 1981 was a 3.1% gain. Compare this to a 24.6% gain in 1980 and we immediately see that the funds lost 21.5 percentage points or over 87% in their average performance during '81 compared with '80. An investor looking at this bottom line would probably have said to himself, "Heck, I would have made more on my money by putting it in a money market fund." What then are some of the factors that affected the funds' unimpressive performance during '81?

The most obvious explanation is that the commodity market in '81 was one of the most difficult and unpredictable for some time. A lot of trend-following systems were caught in whipsawing markets, while fundamentalists missread their indicators and were caught on the wrong side, or in some cases, the advisor pulled out of the markets completely until some definite trading pattern could be determined.

Chart I was supplied to us by TAPMAN, a private pool. I would like to quote several paragraphs from their year-end report to investors. "The chart illustrates the existence of trends in prices early in the year as well as the sideways price movement from about June 30. As the Tapman

TABLE II. PERFORMANCE OF PUBLICLY OFFERED COMMODITY FUNDS

Name of Fund	Start Date	Offering Value Per Share (\$) ^a	Unit Value (\$) ^b 1/1/81	Unit Value (\$) ^c 11/30/81	Unit Value (\$) ^d 12/31/81	Record for Month (%)	Record for Year (%) ^d	Cash Payouts (\$)	MAR/PI 1/1/81 = 100
Aries Commodity Fund	2/80	1000	1137	1000 ^b	920	-8.0	-19.1		80.9
Saturn Commodity Fund (A.G. Edwards & Sons)	2/81	1000	—	856	718	-8.8	-21.9		—
Boston Futures Fund I	1/80	957	955	1155	992	-14.1	+11.3 ^c	71 ^e	111.3 ^c
Boston Futures Fund II	8/80	957	946	1114	955	-14.3	+7.3 ^c	60	107.3 ^c
Western Capital Fund I (Eastern Capital Corp.)	11/81	1000	—	1074	923	-14.1	-7.7		
Chancellor Financial Futures Fund	3/81	1000	—	910	752	-17.4	-24.8	100 ^f	—
Chancellor Financial Futures Fund II	10/81	1000	—	1042	894	-14.2	-10.6		—
Chancellor Futures Fund (Bache Halsey Stuart Shields)	2/80	942	1046	1187	1277	+7.6	+22.1		122.1
Commodity Trend Timing Fund	1/80	963	1263	1761	1468	-8.1 ^c	+28.1 ^c	150 ^g	128.1 ^c
Commodity Venture Fund	11/80	1000	1047	1550	1375	-1.6 ^c	+45.7 ^c	150 ^g	145.7 ^c
Matterhorn Commodity Partners	6/81	950	—	979	955	-2.0	+1.0		—
Vista Futures Fund (Shearson American Express)	4/81	934	—	1092	1034	-5.0	+11.0		—
Galileo Futures Fund (Clayton, A.G. Edwards, Blunt, Ellis & Loewl)	3/79	1000	1294	983	819	-9.4	-19.6 ^c	150 ^h	80.4 ^c
Financial Futures Fund (Dunn & Hargitt, Inc.)	7/81	8.08	—	8.74	6.71	-23.2	-17.0		—

8 TABLE II. PERFORMANCE OF PUBLICLY OFFERED COMMODITY FUNDS (continued)

Name of Fund	Start Date	Offering Value Per Share (\$) ^a	Unit Value (\$) 1/1/81	Unit Value (\$) 11/30/81	Unit Value (\$) 12/31/81	Record for Month (%)	Record for Year (%) ^d	Cash Payouts (\$)	MAR/PI 1/1/81 = 100
The Future Fund	7/79	1000	2325	3521	3128	-11.2	+34.5		134.5
The Resource Fund (Heinold/Blyth Eastman Dillon)	8/78	1000	2457	3585	3412	-4.8	+38.9		138.9
Harvest Futures Fund I	6/78	1000	3056	2972	2987	+0.5	-2.3		97.7
Harvest Futures Fund II	2/80	970	505	489	492	+0.6	-2.6		97.4
Heinold, Illinois Commodity Fund	1/78	1000	1625	3325	2855	-14.2	+75.6		175.6
Heinold Recovery Fund I	3/78	465	1146	814	771	-5.3	-32.7		67.3
Heinold Recovery Fund II	3/78	189	457	285	270	-5.3	-40.9		59.1
Global Fund (Heinold Commodities, Inc.)	9/81	994	—	1034 ^b	1033	-0.1	+3.9		—
Horizon Futures Fund (Heinold/Smith Barney Upham)	10/80	1000	1039	1272	1095	-13.9	+5.4		105.4
Hutton Commodity Partners	2/80	1000	1056	1088	1058	-0.9	+0.2		100.2
Hutton Partnership II (E.F. Hutton & Co.)	12/80	1000	991	1280	1107	-5.7 ^c	+21.8	100 ⁱ	121.8 ^c
La Salle St. Futures Fund (A.G. Becker & Co.)	9/81	937	—	1000	975	-2.5	+4.1		—
Enterprise Fund	11/81	1000	—	997	—	-2.4	-0.3		—
Lake Forest Fund	1/81	1000	—	610	599	-1.8	-40.1		—
Midwest Commodity Fund (Filler, Weiner, Zaner)	6/81	1000	—	1200	866	-27.8	-13.4		—

Peavey Commodity Futures Fund I	10/80	876	869	978	895	-8.5	+22.0 ^c	165 ⁱ	122.0 ^c
Peavey Commodity Futures Fund II (Peavey/Dain Bosworth, Inc.)	4/81	847	—	964	892	-7.5	+25.4 ^c	170 ⁱ	—
Princeton Future Fund	3/81	989	—	1100	1069	-2.8	+8.1	—	—
Princeton Future Fund II (Paine Webber)	11/81	985	—	995	973	-2.2	-1.2	—	—
Sceptre Futures (Dolphin Securities, Inc.)	2/81	90	—	73	65	-11.0	-27.8	—	—
Thomson McKinnon Futures Fund	11/78	942	1146	1904	1686	-11.4	+26.1 ^c	100 ^h	126.1 ^c
Thomson McKinnon Commodity Partners (Thomson McKinnon Securities)	8/81	1000	—	1187	1124	-5.3	+12.4	—	—
Dean Witter Reynolds Commodity Partners (Dean Witter Reynolds, Inc.)	3/81	1000	—	1111	968	-12.9	-3.2	—	—
Average performance this month and last 12 months MAR/Leading Funds Index (1/1/81) = 100						-7.8	+3.2		108.5

Note: Information is taken from public records and reports and is believed to be reliable. However, MAR cannot guarantee the accuracy of data. ^aIn some cases, offering value per share does not reflect deductions for sales or management fees taken prior to the start of trading or during the annual trading period.

^bCorrected figure.

^cIncludes cash payouts in 1981.

^dIf a fund has not traded for full 12 months, figure in column is percentage change since its start date.

^eJuly 1981.

^fJune 1981.

^gDecember 1981.

^hApril 1981.

ⁱSeptember 1981.