



HATTERAS
Funds

MANAGED FUTURES

An Allocator's Perspective

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Recent Client Base Changes

More regulated products have allowed High Net Worth Individuals to gain greater access

- ▶ '40 Act in U.S.
- ▶ UCITs in Europe

More and more acceptable for institutions looking to diversify to Managed Futures

Behavioral finance has shown the biggest investment mistakes are made during a crisis



2008 was a Turning Point

Managed futures held up well in volatile markets

Liquidity crunch

- ▶ Spending policies struggled with illiquidity
- ▶ Baby boomers have changed time horizons
- ▶ Many other diversification tools didn't protect capital and were not liquid

Asset Class	2008
Equities	
MSCI EAFE	-43%
S&P 500 TR	-37%
Alternatives	
HFRI Equity Hedge	-27%
Barclay Systematic Traders Index	18%
Barclay CTA Index	14%



Changing Perceptions

Efficient market hypothesis is dying with high volatility

Fundamental focused managers and strategies are struggling with high correlations

Macro concerns have always been present, i.e. Bretton Woods, fixed currencies, and current sovereign debt issues are here to stay

Time arbitrage is perhaps the largest arbitrage opportunity today



Managed Futures – A Liquid Alternative

A diversifier that invests in large, liquid markets

- ▶ Futures Industry Association estimates 22.3 billion futures and options contracts traded in 2010

Demonstrated low level of correlation to equity volatility

- ▶ Barclay Systematic Traders Index + 2.9% in Q3

A complement to fundamentally oriented traditional and hedge fund strategies

- ▶ No connecting dots, no macro views
- ▶ No narrative or cocktail party discussion



Managed Futures Considerations

Speed to Trading Programs

- ▶ Short, Medium to Long-Term

Volatility targets

- ▶ Low volatility during compressed opportunities
- ▶ High in a more benevolent environment

A program over an allocation

- ▶ A piece of the puzzle
- ▶ Shotgun approach over rifle shot

When it works

When it doesn't



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