

ABSTRACT FOR BEST PRACTICES IN GLOBAL MACRO AND MANAGED FUTURES STRATEGIES

- *Strategy, Investment Process and Market Opportunity*
Distinctive within the hedge fund universe is the area of global macro and managed futures (often referred to as “CTA”) investments. While the basis of analyzing these strategies will be similar to all other hedge fund strategies, there are both substantive and nuanced differences that investors need to consider.
- *Team and Organization*
A successful investment process will reflect not only a unique and clever trading idea or market theme but will also reflect the strengths and stability of the team implementing the strategy. Consideration of both the individuals central to trading in these hedge funds and the entire implementation and support infrastructure are critical steps in the investment process.
- *Fee Structure and Terms*
Some of the differences [in fees] reflect important underlying investment issues that should be understood (e.g., liquidity of the investment strategy). But, in any event, investors need to familiarize themselves with the particular provisions of each fund and be assured that the fund’s terms are consistent with their time horizon and with their sense of fairness and fair value.
- *Risk Management*
Hedge fund strategies differ across a number of dimensions, and risk measurement and analysis are best suited to particular circumstances. The successful investor in hedge funds will focus considerable time on these issues and use discussion of them with the manager as an important step in understanding the manager’s specific strategy.
- *Management Company, Fund Structure and Asset Base*
Investors need to employ the same critical thinking in hedge funds as in other investing. They need to consider the structure, ownership and financial strength of the entity directing the management of the assets. Equally important is an evaluation of the individual fund in which the investor will invest.
- *Quantitative Review*
There is certainly value in engaging in quantitative analysis of historical hedge fund performance. But the successful investor in hedge funds will use these analyses as a departure point for discussion with managers about issues such as performance under certain market conditions, identification of particularly good or difficult periods in the past and consistency of performance over time.
- *Operations and Transparency*
There is no question that a number of hedge funds are focused on privacy. But, it is important for each investor in hedge funds to develop an individual standard for

accessibility and transparency for his own investments. There is no single standard.

- *Third Parties*
Hedge funds require the support of a number of service providers in the operation of their business. The services being performed by these service providers, and their quality, are important in hedge fund investing.
- *Intuition, Judgment and Experience*
Investors in hedge funds need to bring to the investment process the same critical analysis and judgment they would apply to other areas of their personal and commercial life.