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September 15, 1998

Jean A. Webb
Commodity Futures Trading Commission
Division of Trading & Markets
Three Lafayette Centre
Washington, D.C 20581

Re: Performance Data and Disclosure for CTA's and CPO's

Dear Jean,

My name is Lawrence R. Powell, I am the President of Rohden Funds Management, Inc., an alternative investment management firm that offers futures based strategies primarily to institutional investors as a registered Commodity Trading Advisor. I am writing this letter to address the controversial issue of notional funds, including the FFS (fully-funded subset) vs Composite (based upon the nominal account size) methodologies, and the Calculation of Nominal account sizes. As the Principal of a rapidly growing money management firm these issues are very important to us and should be of utmost concern to all futures based managers.

As a money management firm catering to a diverse group of primarily institutional investors, having the ability to compare our performances on an apples to apples basis to our peers, which include, "long only" equity and fixed income managers, market neutral and other alternative investment managers, is of utmost importance. With the current performance measurement standards, used by CTA's, the "Fully Funded Subset" methodology, we feel prospective investors are able to realistically compare our performance with that of our peers. On the other hand, if we were forced to use the NFA proposed "Composite" only methodology, we feel CTA's would be at a competitive disadvantage to its peers. In the next few paragraphs I would like to explain why.

Other than liquidity, the primary benefit that the futures based client has over the client invested with managers using SEC regulated instruments is that because of the relatively low margin requirements, the futures based client does not need to commit all of his/her funds to a particular manager's program. Therefore, the futures based client can invest

the excess funds in other investment strategies, t-bills, etc.. Whereas in the securities arena, the hedge fund or mutual fund manager typically demand and in some cases are required by their regulators to receive fully funded accounts even if, in reality, they don't really need all of the assets in order to implement their program. As a result, the hedge fund or mutual fund manager, who may also use futures contracts in their trading program, receives credit in his/her rate of return for passive income receipts such as stock dividends, bond coupons, money market instruments or other income producing investments. Whereas the futures manager with partially or fully notional accounts, not only does not get credit for interest that would have been earned had these accounts been fully funded, they are actually penalized because of the imbedded cost to carry a futures position. This penalty is particularly taxing to long-term money managers like Rohden Funds Mgmt, Inc. who have chosen to use futures in lieu of SEC products because, among others, they are more advantageous to their clients. It doesn't seem fair that just because a manager is registered as a CTA and caters to a clientele that understands the benefits of futures and managed account's, that he/she should be penalized for providing his/her client with the most efficient means of implementing a particular strategy.

The downside of using the FFS is the question of whether the FFS is representative of the performance of the managers "composite" of accounts. But, that is why the CFTC developed the 2 tests. In conclusion, I have always felt that it's not prudent to completely do away with or trash one idea and move on to the next. If change is needed, it should be incremental, not a wholesale shift. Therefore, it is my opinion that there ought to be 2 permissible methods of reporting performance, the FFS (subject to the current tests) and the Composite. In order to reduce the chance of abusing this option, CTA's with fully funded accounts would be required to use the FFS and those without fully funded accounts would be able to use the NFA proposed Composite methodology.

In reference to the issue of Nominal account size, I think giving the CTA carte blanche in determining his/her Nominal account size is asking for trouble. I do however believe that determination of Nominal account size should be up to the manager, however, the manager ought to have a viable method of calculating it and be required to demonstrate his/her methodology. Developing a universal method of calculating Nominal account size is probably not possible, given the diversity of CTA programs, contracts traded, etc. We believe our method of calculating market exposure is not only rational, but it can be easily conveyed to most participants and provides them with a good idea of how much risk we take in generating our returns. Further, if we stick to our guidelines, it gives our clients an accurate worst case scenario picture. It's the theoretical or worst case scenario risk that makes mutual funds less risky than hedge funds. As an example of one viable method for determining Nominal account size, the following paragraphs were taken from our investment advisory agreement, which is provided to all of our clients.

The Financial Markets Overlay program is an investment program that uses futures contracts as well as options on futures contracts to participate in directional movements in the US stock and bond markets. The following market exposure guidelines generally will be observed for the Clients account managed under the Financial Markets Overlay program:

<u>US Stock Markets:</u> The Maximum long or short exposure when trading futures in the stock index markets is 75% (or 0.75:1) of the clients account.

<u>US T-bond Market:</u> The Maximum long or short exposure when trading futures in the stock index markets is 75% (or 0.75:1) of the clients account.

The Clients market exposure is controlled by the Advisor and calculated by comparing the Clients account value with the controlling market value of a particular futures or options on futures contract:

For Example, with an account size of $2.0 Million, and an S&P 500 futures contract having a controlling market value of $250 Thousand, a net position of 6 S&P 500 contracts would be the maximum number permitted for the Clients account in the stock index market (net market exposure of $1,500,000). Also assuming the same account size and a US T-bond futures contract having a controlling market value of $125,000, a net position of approximately 12 contracts would be the maximum number permitted for the Clients account in the T-bond market (net market exposure of $1,500,000 and maximum total market exposure of $3,000,000)

As can be seen from the previous paragraphs our Nominal account size is based on the controlling market value of the futures contract positions held. Although these are only guidelines, we have never violated them since the inception of the program.

Thank you for taking the time to review our comments and recommendations. If you have any questions, please contact the undersigned at (312) 377-0020.

Very truly yours,

Lawrence R. Powell
President