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COMMENT

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September 30, 1999

Jean A. Webb, Secretary of the Commission
Commodity Futures Trading Commission
1155 21st Street, NW
Washington, DC 20581

VIA FACSIMILE 202-418-5221

Re: Performance Data and Disclosure for Commodity Trading Advisors

Dear Ms. Webb:

The proposed rule changes for CTA performance reporting are a major improvement. However, there are some minor technical points that need clarification to make the new rules clear and fair to all participants. The comments are referenced to the paragraphs in the proposed rules as follows:

B. Changes to Calculations

The inclusion of interest in calculating results is illogical and misleading. The purpose of reporting performance data is to allow investors to evaluate the <u>trading</u> ability of the CTA. Interest income varies with the level of notional funding, assuming there is no imputed interest. The source of the interest income is usually more under the control of the FCM or the client. Excluding interest income will expose advisors who do little trading but rely on the interest to show good "performance." The point was also well made in the previous comments that two accounts with the same advisor and different funding levels would show different nominal returns because of interest differences. This is true now at low interest rates; what would be the disparity if we return to double-digit interest rates?

C. Disclosure Concerning Draw-Downs

The concept of presenting draw-downs on both the nominal funds and on the actual funds is sound and doable. However, as I pointed out in previous comments to the Commission, a straight multiple of the nominal draw-down to determine the actual draw-down is misleading if not totally incorrect. To use your example, a 15% nominal draw-down at a 25% funding level would only produce a 60% drop if the account size were untouched for the entire month. As a practical matter, the underfunded account could and should be rebalanced to reflect the lower asset level. Depending on the circumstances, the true drop in actual funds would be about 50%. For example, three 5% nominal drops would produce three 20% drops in the actual account. The draw-down would then be .8x.8x.8-1 = -48.8%.

Incidentally, the opposite type of calculation is also wrong. In the example above, a true 60% drop in actual funds would produce a nominal draw-down of about 20%, not the 15% as shown in your example.

All that being said, the "20% Actual Funding Level" draw-downs shown in the Appendix A example should reflect **actual** draw-downs on **actual** accounts and not some arbitrary multiple of the nominal draw-downs. To report otherwise would severely mislead potential investors.

I am also concerned with the proposal to report the worst draw-down for the life of the program if that exceeds five years. Maximum draw-down is a highly over-rated evaluation tool. It could be of very short duration and really only fully impacts an investor unlucky enough to enter at the top. CTA's are constantly changing and improving their programs, often as a result of a major draw-down. To make them report a long-ago draw-down and carry this forward forever does nothing to inform the potential investor. Five years is enough.

E. Disclosures Concerning Range of Rates of Returns

The language needs to be clarified in this paragraph. Due to the addition and withdrawal of funds or to the vagaries of compounding, it is quite possible to have a loss of funds in an account and a positive return. It is also possible to have a cash gain and a percentage loss.

F. Disclosure of Monthly Performance

The addition of a bar graph to the Capsule Performance would not be a significant burden and could better communicate the performance. The tabular presentation should be retained, since that is what most professional evaluators use. To truly be a capsule, all of this information in Appendix A should fit on one page.

Thank you for this opportunity to present my views and hope they are of some benefit. For further comments or discussion, I may be reached at (858) 454-0067 or e-mail at muirland@ix.netcom.com.

Sincerely,

Dale W. Miller

Dale W. Miller
President & CTA