

Recent Barclay Top50 CTA Index Performance Forecasts Rebound in 2012

Rho Asset Management AG

■ INTRODUCTION

Since 1987, there have been 33 instances in which the Barclay Top50 CTA index (BTop50) has endured seven losing months over rolling twelve-month intervals. Generally, this occurrence represents exceptionally difficult trading conditions, and such periods have been consistently followed by a period of strong trends, and improved performance. The most recent instances occurred in January–February, 2010 and October, 2011.

■ PERFORMANCE AFTER JANUARY, 2010 FORECAST

We observed 7/12 losing months ending January, 2010 and made the bold prediction that CTA performance would rebound, during the depths of the credit crisis, when the future looked bleak. The tables below summarize the performance of the BTop50 index and the Rho Altius 1XL Program in the period after January, 2010. Table 1 shows that both, the Rho Altius 1XL Program and the BTop50 index were up strongly in the following 12–15 months.

TABLE 1

Absolute Returns
after Jan 2010

	Rho Altius 1XL	BTop50 Index
+3 months	9.44%	3.56%
+6 months	7.33%	-0.01%
+9 months	18.40%	6.98%
+12 months	14.79%	7.29%
+15 months	26.52%	8.75%

TABLE 2

Returns as Multiple of
Standard Deviation

	Rho Altius 1XL	BTop50 Index
+3 months	1.76	1.83
+6 months	1.37	0.00
+9 months	3.44	3.59
+12 months	2.76	3.75
+15 months	4.95	4.50

In Table 2 we divided the absolute returns in Table 1 by the standard deviation of monthly returns calculated from the inception of the Altius Program, i.e., from November, 2007 through January, 2010. Table 2 shows that both the Rho Altius 1XL Program and the BTop50 were up strongly, between 4 to 5 standard deviations after fifteen months.

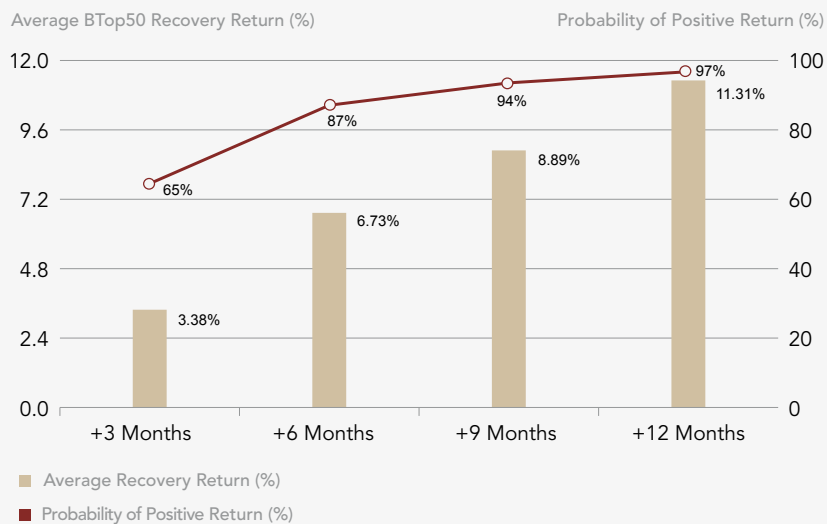
■ REBOUND FOR 2012

In October, 2011 we observed that the BTop50 had suffered seven losing months in the prior twelve months. We updated the probabilities and magnitude of returns expected over the next twelve months based on the average performance of the BTop50 including the data in Table 1 (see Figure 1).

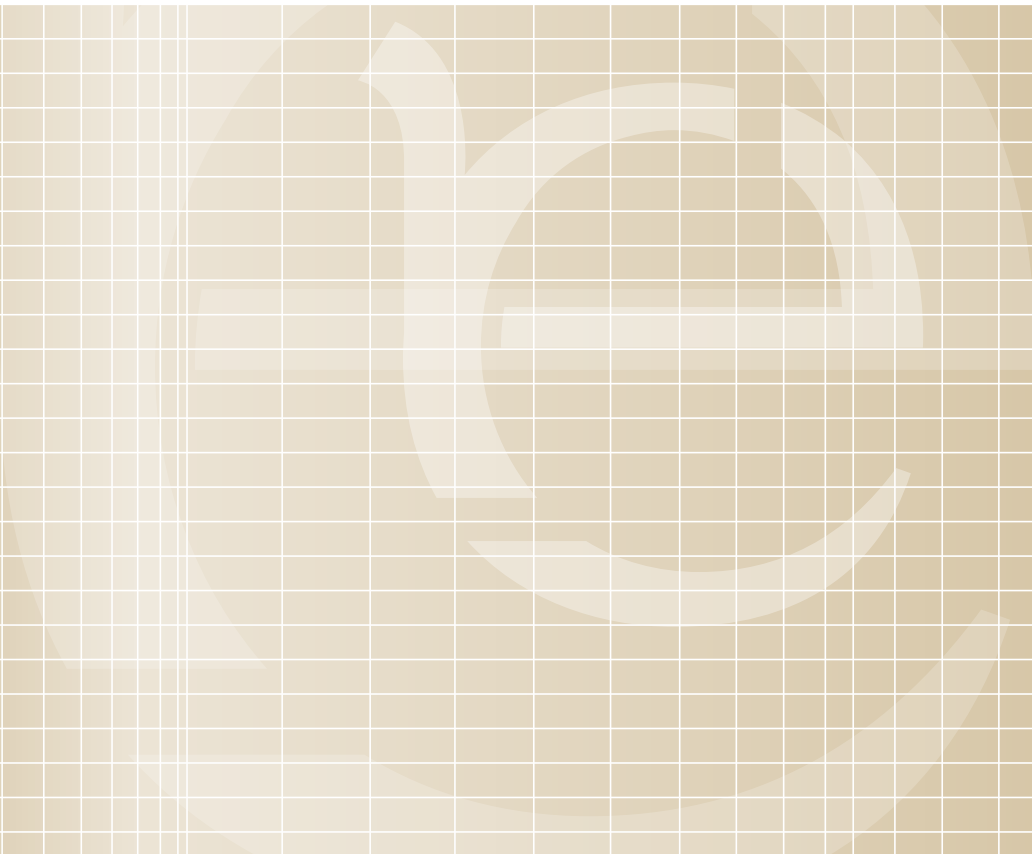
FIGURE 1

Figure 1 shows the probability (right-hand scale) and average amplitude of recovery (left-hand scale) after the BTop50 index suffers seven losing months out of the previous twelve months.

The average expected 12-month return for the BTop50 index after 7/12 losing months is a bit more than its annualized volatility. Of course, actual returns will vary.



Historically, there is a 75% probability of a positive 4th quarter for the BTop50 index. However, we began this Q4 with a losing month in October. Combining the seasonal tendency and the rebound from 7/12 losing months, we feel optimistic about future performance, even after recognizing that past performance is not necessarily indicative of future returns. A 12–15 month horizon takes us to the end of 2012. Hence, despite the extraordinary economic confusion in Europe, and slow growth elsewhere, we remain optimistic about CTA performance in general, and our Altius Program in particular, through the end of 2012.



Rho Asset Management (“Rho”) is a Swiss based CTA established in 2007. The founders of Rho have combined more than 50 years of experience in alternative investments and a successful track record in trading and managing client assets.

Our goal is to provide the highest possible RETURN EFFICIENCY to our investors using ALTIUS, CITIUS and FORTIUS, all fully automated trading programs. Rho is research and technology driven, specializing in design and implementation of systematic trading strategies. All strategies are based on quantitative analyses of price behavior in the global financial and commodity markets.

Rho is dedicated to providing our clients with tangible value in investment performance and quality of client service.