

CALIFORNIA MANAGED ACCOUNTS, INC
Buzz Bartholomew

**QUESTIONS YOU'VE ALWAYS WANTED TO ASK YOUR
MONEY MANAGER BUT WERE AFRAID TO ASK. (PART I)**

**AN EXCLUSIVE INTERVIEW WITH CHARLES F. WRIGHT,
CHAIRMAN of FALL RIVER CAPITAL, a Registered Commodity Trading
Advisor.**

Tell me Charlie, does Fall River really make money for your clients or is it just Fall River that makes the money?

We really do make money for our clients. Our oldest account started trading in August 2000. Since then, it has produced a compounded annual rate of return of 19.21% after fees through July 2008.

But that it not to say that the account has not gone through difficult times – in 2004-2005 it experienced a 49% drawdown. Our research showed that this losing period was caused by a significant change in the worldwide futures markets, not our program. In response to these unprecedented changes, in June 2005, we instituted a progressive and continuing series of Exposure Management upgrades. In the last 3 years, since these upgrades started the account has compounded at 33.98% after fees with a peak to valley drawdown of just less than 12%.

Why do clients lose money with Fall River?

Even the best of traders have clients who lose money. A significant part of a trader's job is to insure a client survives long enough to make money and that clients who make money keep it.

Some investors lose money because they do not take the time to understand the nature of what we do and close out their investment before it has had enough time to become profitable.

Our programs are totally mechanical in nature and make money over time, not instantly, and not every month. Drawdowns, our term for losing money, are common and occur frequently. We estimate that 85% to 90% of the time our programs are breaking even or experiencing a drawdown even though they consistently deliver returns over time. Conversely the programs make up their losses and produce profits in 10% - 15% of the time. An investment that is breaking even or experiencing a drawdown 85% to 90% of the time is not an easy investment to live through until a client has experienced several performance cycles and understands this type of investment's unique personality.

Other clients undercapitalize their accounts or invest too large a portion of their assets. When a drawdown occurs they experience that unsettling fear of losing everything, they may panic, lose

their nerve, and ultimately close their account with a loss. Our research shows our programs to be a solid investment over time. To reap the benefits you should be financially capable of holding this investment for the long-term and over several profit/loss cycles.

Do you trade your own money, and if so how much, and is it traded the same way as you trade client's money?

Rob Friedl, my partner, and I have all of our liquid investments invested in our funds and programs, alongside our investors. Our money is traded in exactly the same way as our clients.

How long have you been trading for yourself?

I invested in stocks from 1973 to 1982 when I switched to trading futures. I traded for my own account until the early 90's when I started investing in managed futures. Since forming Fall River Capital in 1999, neither Rob nor I have traded for our own personal account. We are invested in our programs with our investors.

If you're so profitable, why do you even bother with client money, why not just trade for yourself?

That's a great question. Trading effectively has become very expensive in the last 10 years. The days are pretty much over where trading a simple system from your home office is likely to be an effective investment. The complexity of the markets has made it difficult if not impossible to develop effective trading programs without significant financial investment in research and trading infrastructure. For instance, we spent several hundred thousand dollars to develop an electronic execution capability before we made our first electronic trade.

Rob and I elected to trade client money to help support our trading infrastructure and research. We benefit personally from having more cash flow available for research and development and to fund a state of the art infrastructure that we could not otherwise afford. The client benefits by investing alongside Rob and me. We charge a management fee and an incentive fee. The management fee covers most of our overhead. The incentive fee is only paid when the client is profitable. Ultimately all of us benefit together.

Look for the second half of the interview next week. In the meantime, if you can think of any questions you'd like me to ask Charlie, please let me know. Thanks Buzzy

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. FUTURES TRADING IS SPECULATIVE AND INVOLVES SUBSTANTIAL RISK OF LOSS. THIS INFORMATION IS NOT INTENDED AS A SOLICITATION, AND SHOULD BE READ IN CONJUNCTION WITH FALL RIVER'S DISCLOSURE DOCUMENT.