

Interview: John Hyland



ETF INTERVIEW: FEATURING UNITED STATES COMMODITY FUNDS, LLC

John T. Hyland is the Chief Investment Officer for United States Commodity Funds. Prior to joining USCF, Mr. Hyland founded Towerhouse Capital Management, LLC, which provided portfolio management and new fund development expertise to non-US institutional investors.



*John Hyland
Chief Investment
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Capital Link: Thank you for joining us today. Can you give us a bit of background on the United States Commodity Funds and your role as Chief Investment Officer?

John Hyland: United States Commodity Funds launched our first ETF, United States Oil Fund, in 2006. At that time, the ETF market was expanding rapidly and we were at the forefront of this expansion. We now have 12 ETFs; 8 of them energy focused, and 4 broader basket commodity funds. The energy funds are typically used to implement tactical trades related to those commodities, such as oil, natural gas or unleaded gasoline. The broad basket funds are often used as part of an allocation strategy.

My most recent experience prior to this company, was managing a REIT portfolio- and the opportunity to be in start-up mode again was something I couldn't pass up. While I oversee the portfolio operations, I also spend time on education and marketing outreach as well.

Capital Link: Contango has dominated the futures markets for raw materials. Can you please shed some insight into the contango market? What are some of the strategies USCF is using in this market?

John Hyland: All commodity markets that involve futures contracts will find themselves with market prices on their futures that either trend lower than the spot price as you look forward, a state called "backwardation", or trend higher, a state called "contango". Whether the price of a futures contract that expires three months from now is higher or lower than the commodity's spot price today is mostly a function of the current levels of physical inventory. As inventories go up and down, commodity markets move in and out of backwardation and contango.

As an investor buying futures contracts, our investment's total return is typically helped when the commodity is in backwardation and hurt when the market is in contango. A number of our funds attempt to minimize the negative drag of

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contango in various ways. In some cases they invest in multiple contract months. In other cases, we buy the single contract month that displays the most backwardation or the least contango. However, no approach is perfect and investors will be impacted by backwardation and contango as they invest in commodities.

Capital Link: We have been seeing an upward investment trend in Latin America. What were some of the driving factors for USCF to list its five exchange traded products (ETPs) Mexican Stock Exchange, Bolsa Mexicana de Valores in Spanish (BMV)?

John Hyland: ETF use in Latin America is growing rapidly. That is clear. However many of the local markets still remain small in absolute terms and having a presence in each one will take time. We think the Bolsa Mexicana de Valores is evolving to be the dominant regional market serving the entire area, much like a Singapore or Frankfurt helps serve their regions. For USCF it seemed the logical first stop in attempting to serve the Latin American market.

Capital Link: What are some of the benefits for Mexican investors now that these ETPs can be traded in pesos?

John Hyland: One of the defining features of ETFs in general has always been convenience. The ETF structure tends to allow an investor to obtain a specific type of investment exposure in a manner that has more liquidity and transparency, and often lower cost, than other investment vehicles. By offering investors some of our funds, and allowing them to trade locally in Mexican pesos instead of dollars, we're simply offering them convenience and choice. They may still elect to trade in New York and in US dollars, and now they have more options.

ABOUT JOHN HYLAND

John T. Hyland is the Chief Investment Officer for United States Commodity Funds. Prior to joining USCF, Mr. Hyland founded Towerhouse Capital Management, LLC, which provided portfolio management and new fund development expertise to non-US institutional investors. Mr. Hyland's previous experience includes Roulac International and CB Richard Ellis. He has served on the board for the San Francisco Security Analysts, and is a member of the CFA Institute and the National Association of Petroleum Investment Analysts. He serves as an arbitrator for the FINRA as part of their dispute resolution program. Mr. Hyland was awarded his Chartered Financial Analyst (CFA) designation in 1994. He graduated from the University of California, Berkeley.

ABOUT UNITED STATES COMMODITY FUNDS, LLC



United States Commodity Funds® LLC is the manager of exchange

traded securities that are designed to track the movements in the prices of different commodity futures. United States Commodity Funds LLC is registered with the CFTC as a commodity pool operator and has approximately \$2.6 billion in assets under management as of August 30, 2013.

ABOUT CAPITAL LINK, INC.



Capital Link is a New York-based investor relations and financial communications firm, which, among other activities, maintains a strategic focus on closed-end funds and ETFs.

Capital Link has developed specific investor outreach programs and IR tools focused on CEFs and ETFs in order to enhance their profiles among analysts, investors, and financial media.

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