
THE MONEY REPORT

Cashing In On Credit

If you are looking to take some money out of the stock market but find the idea of single digit annual returns from bank deposits less than enthralling, there is a mutual fund for you.

The Proteus Currency Fund will let you keep your money in the bank or in the stock market. A letter of credit from your bank will suffice to buy shares.

"The primary advantage of the letter-of-credit option is that underlying assets can be maintained and positions do not need to be liquidated or new cash raised to invest in the fund," said Perry Cooper, one of Proteus's architects.

Banks will provide investors with letters of credit at an annual cost of 0.5 to 2 percent of the amount being certified, Mr. Cooper said. A letter of credit is a promise by

the bank to pay a stated amount of money if the investor cannot do so.

Mr. Cooper said the letters were unlikely to be called upon. Investors might lose money if the funds does poorly, but unless the reversals were calamitous, there would not be any calls for additional payments.

"By investing in the Proteus Fund, investors are adding a layer of performance on their existing portfolio," he said. "Let's say investors were in cash. They would get money market returns from the cash plus the performance of the Proteus Fund."

Of course, the performance of the fund is key. Proteus, which began operations earlier this year, uses the trading strategy of Peter Panholzer, who has a system that involves frequent trading of the yen, dollar and euro. His company, Dynex Corp., executes trades for up to twice the

value of the Proteus shares purchased.

So far this year, Mr. Panholzer is down 9.5 percent, but, Mr. Cooper noted, he made 40.4 percent in 1998. His return in 1997 was 10.7 percent, following a 1996 loss of 6.5 percent and a 1995 gain of 34.4 percent.

In short, you would need a tolerance for volatility and a multiyear time horizon to find this fund attractive.

"Many currency funds act like hedge funds," Mr. Cooper said. "The Proteus trading strategy is distinguished by its low leverage. Two times is the leverage utilized by Dynex Corp. At the same time, the trading strategy used has nearly six years of 20 percent returns."

PROTEUS FX TRADING FUND. Web site: www.proteusfund.com. The fund is registered in the Cayman Islands and is not available to U.S. residents. The minimum subscription is \$20,000. Shares can be redeemed once a month.