United States Diesel-Heating Oil Fund, LP
Form 10-Q
November 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2013.**

OR

¨ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from to .**

Commission File Number: 001-34016

United States Diesel-Heating Oil Fund, LP
(Exact name of registrant as specified in its charter)

Delaware	**20-8837345**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1999 Harrison Street, Suite 1530
Oakland, California 94612
(Address of principal executive offices) (Zip code)

(510) 522-9600
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

UNITED STATES DIESEL-HEATING OIL FUND, LP

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Part I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements.

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United States Diesel-Heating Oil Fund, LP
Condensed Statements of Financial Condition
At September 30, 2013 (Unaudited) and December 31, 2012

	September 30, 2013		December 31, 2012	
Assets				
Cash and cash equivalents (Notes 2 and 5)	$	5,933,300	$	5,938,635
Equity in UBS Securities LLC trading accounts:				
Cash and cash equivalents		498,354		433,948
Unrealized gain (loss) on open commodity futures contracts		(200,054)		173,628
Receivable from General Partner (Note 3)		71,133		87,974
Dividend receivable		73		83
Other assets		218,403		223,737
Total assets	$	6,521,209	$	6,858,005
Liabilities and Partners' Capital				
Professional fees payable	$	78,486	$	100,211
General Partner management fees payable (Note 3)		3,279		3,388
Brokerage commissions payable		177		177
Other liabilities		478		446
Total liabilities		82,420		104,222
Commitments and Contingencies (Notes 3, 4 and 5)				
Partners' Capital				
General Partner				
Limited Partners		6,438,789		6,753,783
Total Partners' Capital		6,438,789		6,753,783
Total liabilities and partners' capital	$	6,521,209	$	6,858,005
Limited Partners' units outstanding		200,000		200,000
Net asset value per unit	$	32.19	$	33.77
Market value per unit	$	32.11	$	33.73

See accompanying notes to condensed financial statements.

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United States Diesel-Heating Oil Fund, LP
Condensed Schedule of Investments (Unaudited)
At September 30, 2013

	Number of Contracts	Unrealized Loss on Open Commodity Contracts	% of Partners' Capital
Open Futures Contracts - Long			
United States Contracts			
NYMEX Heating Oil Futures HO November 2013 contracts, expiring October 2013*	52	$ (200,054)	(3.11)

	Principal Amount	Market Value	
Cash Equivalents			
United States Treasury Obligation			
U.S. Treasury Bill, 0.06%, 11/21/2013	$ 250,000	$ 249,978	3.88
United States - Money Market Funds			
Fidelity Institutional Government Portfolio - Class I	1,400,158	1,400,158	21.75
Morgan Stanley Institutional Liquidity Fund - Government Portfolio	1,801,936	1,801,936	27.98
Total Money Market Funds		3,202,094	49.73
Total Cash Equivalents		$ 3,452,072	53.61

* Collateral amounted to $498,369 on open futures contracts.

See accompanying notes to condensed financial statements.

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United States Diesel-Heating Oil Fund, LP
Condensed Statements of Operations (Unaudited)
For the three and nine months ended September 30, 2013 and 2012

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Income				
Gain (loss) on trading of commodity contracts:				
Realized gain on closed positions	$ 201,802	$ 1,294,864	$ 104,391	$ 996,064
Change in unrealized gain (loss) on open positions	30,576	(310,082)	(373,682)	(524,618)
Dividend income	228	265	750	721
Interest income	231	288	730	1,122
Other income				350
Total income (loss)	232,837	985,335	(267,811)	473,639
Expenses				
Professional fees	28,736	24,516	78,486	67,826
General Partner management fees (Note 3)	10,020	10,101	29,471	38,679
Registration fees	1,840	1,840	5,460	5,480
Brokerage commissions	1,036	1,056	3,124	4,170
Other expenses	608	605	1,775	2,139
Total expenses	42,240	38,118	118,316	118,294
Expense waiver (Note 3)	(26,233)	(22,314)	(71,133)	(58,478)
Net expenses	16,007	15,804	47,183	59,816
Net income (loss)	$ 216,830	$ 969,531	$ (314,994)	$ 413,823
Net income (loss) per limited partnership unit	$ 1.08	$ 4.85	$ (1.58)	$ 2.40
Net income (loss) per weighted average limited partnership unit	$ 1.08	$ 4.85	$ (1.57)	$ 1.64
Weighted average limited partnership units outstanding	200,000	200,000	200,000	252,190

See accompanying notes to condensed financial statements.

United States Diesel-Heating Oil Fund, LP
Condensed Statement of Changes in Partners' Capital (Unaudited)
For the nine months ended September 30, 2013

	General Partner		Limited Partners		Total	
Balances, at December 31, 2012	$		$	6,753,783	$	6,753,783
Net loss				(314,994)		(314,994)
Balances, at September 30, 2013	$		$	6,438,789	$	6,438,789
Net Asset Value Per Unit:						
At December 31, 2012					$	33.77
At September 30, 2013					$	32.19

See accompanying notes to condensed financial statements.

United States Diesel-Heating Oil Fund, LP
Condensed Statements of Cash Flows (Unaudited)
For the nine months ended September 30, 2013 and 2012

	Nine months ended September 30, 2013		Nine months ended September 30, 2012	
Cash Flows from Operating Activities:				
Net income (loss)	$	(314,994)	$	413,823
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Increase in commodity futures trading account - cash and cash equivalents		(64,406)		(195,106)
Unrealized loss on open futures contracts		373,682		524,618
Decrease in receivable from General Partner		16,841		73,607
(Increase) decrease in dividend receivable		10		(33)
Decrease in other assets		5,334		5,261
Decrease in professional fees payable		(21,725)		(74,349)
Decrease in General Partner management fees payable		(109)		(1,566)
Increase in brokerage commissions payable				6
Increase (decrease) in other liabilities		32		(110)
Net cash provided by (used in) operating activities		(5,335)		746,151
Cash Flows from Financing Activities:				
Addition of partnership units				
Redemption of partnership units				(3,213,709)
Net cash used in financing activities				(3,213,709)
Net Decrease in Cash and Cash Equivalents		(5,335)		(2,467,558)
Cash and Cash Equivalents, beginning of period		5,938,635		8,629,549
Cash and Cash Equivalents, end of period	$	5,933,300	$	6,161,991

See accompanying notes to condensed financial statements.

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United States Diesel-Heating Oil Fund, LP
Notes to Condensed Financial Statements
For the period ended September 30, 2013 (Unaudited)

NOTE 1 ORGANIZATION AND BUSINESS

The United States Diesel-Heating Oil Fund, LP (formerly, the United States Heating Oil Fund, LP) ("USDHO") was organized as a limited partnership under the laws of the state of Delaware on April 13, 2007. USDHO is a commodity pool that issues limited partnership units ("units") that may be purchased and sold on the NYSE Arca, Inc. (the "NYSE Arca"). Prior to November 25, 2008, USDHO's units traded on the American Stock Exchange (the "AMEX"). USDHO will continue in perpetuity, unless terminated sooner upon the occurrence of one or more events as described in its Second Amended and Restated Agreement of Limited Partnership, as amended March 1, 2013 (the "LP Agreement"). The investment objective of USDHO is for the daily changes in daily percentage terms of its units' per unit net asset value ("NAV") to reflect the daily changes in percentage terms of the spot price of heating oil (also known as No. 2 fuel oil) for delivery to the New York harbor, as measured by the daily changes in the price of the futures contract for heating oil traded on the New York Mercantile Exchange (the "NYMEX") that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case the futures contract will be the next month contract to expire (the "Benchmark Futures Contract"), less USDHO's expenses. It is not the intent of USDHO to be operated in a fashion such that the per unit NAV will equal, in dollar terms, the spot price of heating oil or any particular futures contract based on heating oil. It is not the intent of USDHO to be operated in a fashion such that its per unit NAV will reflect the percentage change of the price of any particular futures contract as measured over a time period greater than one day. United States Commodity Funds LLC ("USCF"), the general partner of USDHO, believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in Futures Contracts (as defined below) and Other Diesel-Heating Oil-Related Investments (as defined below). USDHO accomplishes its objective through investments in futures contracts for heating oil, crude oil, gasoline, natural gas and other petroleum-based fuels that are traded on the NYMEX, ICE Futures Exchange ("ICE Futures") or other U.S. and foreign exchanges (collectively, "Futures Contracts") and other diesel-heating oil-related investments such as cash-settled options on Futures Contracts, forward contracts for diesel-heating oil and over-the-counter transactions that are based on the price of diesel-heating oil, crude oil and other petroleum-based fuels, Futures Contracts and indices based on the foregoing (collectively, "Other Diesel-Heating Oil-Related Investments"). As of September 30, 2013, USDHO held 52 Futures Contracts for heating oil traded on the NYMEX and did not hold any Futures Contracts traded on ICE Futures.

Prior to August 1, 2012, USDHO was known as the United States Heating Oil Fund, LP. USCF believes that historically, the heating oil futures contract has been used by industry and financial participants as a way to hedge or invest in exposure to diesel fuel due to the close physical similarities between the two products. The NYMEX announced in April 2012 changes to the physical specifications of the heating oil contract which involves the reduction in the allowable amount of sulfur in heating oil down to the levels found in diesel fuel. In doing so, the NYMEX specifically referenced the desire to make the heating oil contract "…dual-use price benchmark for both the heating oil and on-road diesel markets." Aside from the change of the name and designated CUSIP number effective August 1, 2012, no other change was made to USDHO.

USDHO commenced investment operations on April 9, 2008 and has a fiscal year ending on December 31. USCF is responsible for the management of USDHO. USCF is a member of the National Futures Association (the "NFA") and became a commodity pool operator registered with the Commodity Futures Trading Commission (the "CFTC") effective December 1, 2005. USCF is also the general partner of the United States Oil Fund, LP ("USOF"), the United States Natural Gas Fund, LP ("USNG"), the United States 12 Month Oil Fund, LP ("US12OF") and the United States Gasoline Fund, LP ("UGA"), which listed their limited partnership units on the AMEX under the ticker symbols "USO" on April 10, 2006, "UNG" on April 18, 2007, "USL" on December 6, 2007 and "UGA" on February 26, 2008, respectively. As a result of the acquisition of the AMEX by NYSE Euronext, each of USOF's, USNG's, US12OF's and UGA's units commenced trading on the NYSE Arca on November 25, 2008. USCF is also the general partner of the United States Short Oil Fund, LP ("USSO"), the United States 12 Month Natural Gas Fund, LP ("US12NG") and the United States Brent Oil Fund, LP ("USBO"), which listed their limited partnership units on the NYSE Arca under the ticker symbols "DNO" on September 24, 2009, "UNL" on November 18, 2009 and "BNO" on June 2, 2010, respectively. USCF is also the sponsor of the United States Commodity Index Fund ("USCI"), the United States Copper Index Fund ("CPER"), the United States Agriculture Index Fund ("USAG") and the United States Metals Index Fund ("USMI"), each a series of the United States Commodity Index Funds Trust. USCI, CPER, USAG and USMI listed their units on the NYSE Arca under the ticker symbol "USCI" on August 10, 2010, "CPER" on November 15, 2011, "USAG" on April 13, 2012 and "USMI" on June 19, 2012, respectively. All funds listed previously are referred to collectively herein as the "Related Public Funds." USCF has also filed registration statements to register units of the United States Sugar Fund ("USSF"), the United States Natural Gas Double Inverse Fund ("UNGD"), the United States Gasoil Fund ("USGO") and the United States Asian Commodities Basket Fund ("UAC"), each a series of the United States Commodity Funds Trust I, and the US Golden Currency Fund ("HARD"), a series of the United States Currency Funds Trust. USSF, UNGD, USGO and HARD are currently not available to the public, as such funds are still in the process of review by various regulatory agencies which have regulatory authority over USCF and such funds. UAC has been declared effective by the regulatory agencies which have regulatory authority over USCF and UAC, but at the time of the filing of this quarterly report on Form 10-Q, UAC has not been made available to the public.

Effective February 29, 2012, USDHO issues units to certain authorized purchasers ("Authorized Purchasers") by offering baskets consisting of 50,000 units ("Creation Baskets") through ALPS Distributors, Inc., as the marketing agent (the "Marketing Agent"). Prior to February 29, 2012, USDHO issued units to Authorized Purchasers by offering baskets consisting of 100,000 units through the Marketing Agent. The purchase price for a Creation Basket is based upon the NAV of a unit calculated shortly after the close of the core trading session on the NYSE Arca on the day the order to create the basket is properly received.

From July 1, 2011 through September 30, 2013 (and continuing at least through May 1, 2014), the applicable transaction fee paid by Authorized Purchasers is $350 to USDHO for each order they place to create one or more Creation Baskets or to redeem one or more baskets ("Redemption Baskets"); prior to July 1, 2011, this fee was $1,000. Units may be purchased or sold on a nationally recognized securities exchange in smaller increments than a Creation Basket or Redemption Basket. Units purchased or sold on a nationally recognized securities exchange are not purchased or sold at the per unit NAV of USDHO but rather at market prices quoted on such exchange.

In April 2008, USDHO initially registered 10,000,000 units on Form S-1 with the U.S. Securities and Exchange Commission (the "SEC"). On April 9, 2008, USDHO listed its units on the AMEX under the ticker symbol "UHN". On that day, USDHO established its initial per unit NAV by setting the price at $50.00 and issued 200,000 units in exchange for $10,000,000. USDHO also commenced investment operations on April 9, 2008 by purchasing Futures Contracts traded on the NYMEX based on heating oil. As of September 30, 2013, USDHO had registered a total of 59,000,000 units.

The accompanying unaudited condensed financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the SEC and, therefore, do not include all information and footnote disclosure required under generally accepted accounting principles ("GAAP") in the United States of America. The financial information included herein is unaudited; however, such financial information reflects all adjustments, consisting only of normal recurring adjustments, which are, in the opinion of USCF, necessary for the fair presentation of the condensed financial statements for the interim period.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Commodity futures contracts, forward contracts, physical commodities, and related options are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized gains or losses on open contracts are reflected in the condensed statements of financial condition and represent the difference between the original contract amount and the market value (as determined by exchange settlement prices for futures contracts and related options and cash dealer prices at a predetermined time for forward contracts, physical commodities, and their related options) as of the last business day of the year or as of the last date of the condensed financial statements. Changes in the unrealized gains or losses between periods are reflected in the condensed statements of operations. USDHO earns interest on its assets denominated in U.S. dollars on deposit with the futures commission merchant at the overnight Federal Funds Rate, less 32 basis points. In addition, USDHO earns income on funds held at the custodian or futures commission merchant at prevailing market rates earned on such investments.

Brokerage Commissions

Brokerage commissions on all open commodity futures contracts are accrued on a full-turn basis.

Income Taxes

USDHO is not subject to federal income taxes; each partner reports his/her allocable share of income, gain, loss deductions or credits on his/her own income tax return.

In accordance with GAAP, USDHO is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes, based on the technical merits of the position. USDHO files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. USDHO is not subject to income tax return examinations by major taxing authorities for years before 2009. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in USDHO recording a tax liability that reduces net assets. However, USDHO's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analysis of and changes to tax laws, regulations and interpretations thereof. USDHO recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of and for the nine months ended September 30, 2013.

Creations and Redemptions

Effective February 29, 2012, Authorized Purchasers may purchase Creation Baskets or redeem Redemption Baskets only in blocks of 50,000 units at a price equal to the NAV of the units calculated shortly after the close of the core trading session on the NYSE Arca on the day the order is placed. Prior to February 29, 2012, Authorized Purchasers could only purchase Creation Baskets or redeem Redemption Baskets in blocks of 100,000 units.

USDHO receives or pays the proceeds from units sold or redeemed within three business days after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in USDHO's condensed statements of financial condition as receivable for units sold, and amounts payable to Authorized Purchasers upon redemption are reflected as payable for units redeemed.

Partnership Capital and Allocation of Partnership Income and Losses

Profit or loss shall be allocated among the partners of USDHO in proportion to the number of units each partner holds as of the close of each month. USCF may revise, alter or otherwise modify this method of allocation as described in the LP Agreement.

Calculation of Per Unit Net Asset Value

USDHO's per unit NAV is calculated on each NYSE Arca trading day by taking the current market value of its total assets, subtracting any liabilities and dividing that amount by the total number of units outstanding. USDHO uses the closing price for the contracts on the relevant exchange on that day to determine the value of contracts held on such exchange.

Net Income (Loss) Per Unit

Net income (loss) per unit is the difference between the per unit NAV at the beginning of each period and at the end of each period. The weighted average number of units outstanding was computed for purposes of disclosing net income (loss) per weighted average unit. The weighted average units are equal to the number of units outstanding at the end of the period, adjusted proportionately for units added and redeemed based on the amount of time the units were outstanding during such period. There were no units held by USCF at September 30, 2013.

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Offering Costs

Offering costs incurred in connection with the registration of additional units after the initial registration of units are borne by USDHO. These costs include registration fees paid to regulatory agencies and all legal, accounting, printing and other expenses associated with such offerings. These costs are accounted for as a deferred charge and thereafter amortized to expense over twelve months on a straight-line basis or a shorter period if warranted.

Cash Equivalents

Cash equivalents include money market funds and overnight deposits or time deposits with original maturity dates of six months or less.

Reclassification

Certain amounts in the accompanying condensed financial statements were reclassified to conform to the current presentation.

Use of Estimates

The preparation of condensed financial statements in conformity with GAAP requires USCF to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed financial statements, and the reported amounts of the revenue and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

NOTE 3 FEES PAID BY THE FUND AND RELATED PARTY TRANSACTIONS

USCF Management Fee

Under the LP Agreement, USCF is responsible for investing the assets of USDHO in accordance with the objectives and policies of USDHO. In addition, USCF has arranged for one or more third parties to provide administrative, custody, accounting, transfer agency and other necessary services to USDHO. For these services, USDHO is contractually obligated to pay USCF a fee, which is paid monthly, equal to 0.60% per annum of average daily total net assets.

Ongoing Registration Fees and Other Offering Expenses

USDHO pays all costs and expenses associated with the ongoing registration of its units subsequent to the initial offering. These costs include registration or other fees paid to regulatory agencies in connection with the offer and sale of units, and all legal, accounting, printing and other expenses associated with such offer and sale. For the nine months ended September 30, 2013 and 2012, USDHO incurred $5,460 and $5,480, respectively, in registration fees and other offering expenses.

Directors' Fees and Expenses

USDHO is responsible for paying its portion of the directors' and officers' liability insurance for USDHO and the Related Public Funds and the fees and expenses of the independent directors who also serve as audit committee members of USDHO and the Related Public Funds organized as limited partnerships and, as of July 8, 2011, the Related Public Funds organized as a series of a Delaware statutory trust. USDHO shares the fees and expenses on a pro rata basis with each Related Public Fund, as described above, based on the relative assets of each fund computed on a daily basis. These fees and expenses for the year ending December 31, 2013 are estimated to be a total of

$560,625 for USDHO and the Related Public Funds.

Licensing Fees

As discussed in *Note 4* below, USDHO entered into a licensing agreement with the NYMEX on April 10, 2006, as amended on October 20, 2011. Pursuant to the agreement, through October 19, 2011, USDHO and the Related Public Funds, other than USBO, USCI, CPER, USAG and USMI, paid a licensing fee that was equal to 0.04% for the first $1,000,000,000 of combined net assets of the funds and 0.02% for combined net assets above $1,000,000,000. On and after October 20, 2011, USDHO and the Related Public Funds, other than USBO, USCI, CPER, USAG and USMI, pay a licensing fee that is equal to 0.015% on all net assets. During the nine months ended September 30, 2013 and 2012, USDHO incurred $737 and $967, respectively, under this arrangement.

Investor Tax Reporting Cost

The fees and expenses associated with USDHO's audit expenses and tax accounting and reporting requirements are paid by USDHO. These costs are estimated to be $85,000 for the year ending December 31, 2013.

Other Expenses and Fees and Expense Waivers

In addition to the fees described above, USDHO pays all brokerage fees and other expenses in connection with the operation of USDHO, excluding costs and expenses paid by USCF as outlined in *Note 4* below. USCF has voluntarily agreed to pay certain expenses normally borne by USDHO to the extent that such expenses exceed 0.15% (15 basis points) of USDHO's NAV, on an annualized basis, through at least December 31, 2013. USCF has no obligation to continue such payments into subsequent periods. For the nine months ended September 30, 2013, USCF waived $71,133 of USDHO's expenses. This voluntary expense waiver is in addition to those amounts USCF is contractually obligated to pay as described in *Note 4*.

NOTE 4 CONTRACTS AND AGREEMENTS

USDHO is party to a marketing agent agreement, dated as of March 10, 2008, as amended from time to time, with the Marketing Agent and USCF, whereby the Marketing Agent provides certain marketing services for USDHO as outlined in the agreement. The fee of the Marketing Agent, which is borne by USCF, is equal to 0.06% on USDHO's assets up to $3 billion and 0.04% on USDHO's assets in excess of $3 billion. In no event may the aggregate compensation paid to the Marketing Agent and any affiliate of USCF for distribution related services exceed 10% of the gross proceeds of USDHO's offering.

The above fee does not include the following expenses, which are also borne by USCF: the cost of placing advertisements in various periodicals; website construction and development; or the printing and production of various marketing materials.

USDHO is also party to a custodian agreement, dated March 13, 2008, as amended from time to time, with Brown Brothers Harriman & Co. ("BBH&Co.") and USCF, whereby BBH&Co. holds investments on behalf of USDHO. USCF pays the fees of the custodian, which are determined by the parties from time to time. In addition, USDHO is party to an administrative agency agreement, dated February 7, 2008, as amended from time to time, with USCF and BBH&Co., whereby BBH&Co. acts as the administrative agent, transfer agent and registrar for USDHO. USCF also pays the fees of BBH&Co. for its services under such agreement and such fees are determined by the parties from time to time.

Currently, USCF pays BBH&Co. for its services, in the foregoing capacities, a minimum amount of $75,000 annually for its custody, fund accounting and fund administration services rendered to USDHO and each of the Related Public Funds, as well as a $20,000 annual fee for its transfer agency services. In addition, USCF pays BBH&Co. an asset-based charge of (a) 0.06% for the first $500 million of USDHO's, USOF's, USNG's, US12OF's, UGA's, USSO's, US12NG's, USBO's, USCI's, CPER's, USAG's and USMI's combined net assets, (b) 0.0465% for USDHO's, USOF's, USNG's, US12OF's, UGA's, USSO's, US12NG's, USBO's, USCI's, CPER's, USAG's and USMI's combined net assets greater than $500 million but less than $1 billion, and (c) 0.035% once USDHO's, USOF's, USNG's, US12OF's, UGA's, USSO's, US12NG's, USBO's, USCI's, CPER's, USAG's and USMI's combined net assets exceed $1 billion. The annual minimum amount will not apply if the asset-based charge for all accounts in the aggregate exceeds $75,000. USCF also pays transaction fees ranging from $7 to $15 per transaction.

On October 8, 2013, USDHO entered into a brokerage agreement with RBC Capital Markets, LLC ("RBC Capital" or "RBC") to serve as USDHO's futures commission merchant ("FCM"), effective October 10, 2013. Prior to October 10, 2013, the FCM was UBS Securities LLC ("UBS Securities"). The agreements require RBC Capital and UBS Securities to provide services to USDHO in connection with the purchase and sale of Futures Contracts and Other Diesel-Heating Oil-Related Investments that may be purchased and sold by or through RBC Capital and/or UBS Securities for USDHO's account. In accordance with each agreement, RBC Capital and UBS Securities charge USDHO commissions of approximately $7 to $15 per round-turn trade, including applicable exchange and NFA fees for Futures Contracts and options on Futures Contracts. Such fees include those incurred when purchasing Futures Contracts and options on Futures Contracts when USDHO issues units as a result of a Creation Basket, as well as fees incurred when selling Futures Contracts and options on Futures Contracts when USDHO redeems units as a result of a Redemption Basket. Such fees are also incurred when Futures Contracts and options on Futures Contracts are purchased or redeemed for the purpose of rebalancing the portfolio. USDHO also incurs commissions to brokers for the purchase and sale of Futures Contracts, Other Diesel-Heating Oil-Related Investments or short-term obligations of the United States of two years or less ("Treasuries"). During the nine months ended September 30, 2013, total commissions accrued to brokers amounted to $3,124. All of this amount was a result of rebalancing costs. By comparison, during the nine months ended September 30, 2012, total commissions accrued to brokers amounted to $4,170. Of this amount, approximately $3,731 was a result of rebalancing costs and approximately $439 was the result of trades necessitated by creation and redemption activity. The decrease in the total commissions accrued to brokers for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012, was primarily due to USDHO's smaller size in terms of net assets during the nine months ended September 30, 2013. As an annualized percentage of average daily total net assets, the figure for the nine months ended September 30, 2013 represents approximately 0.06% of average daily total net assets. By comparison, the figure for the nine months ended September 30, 2012 represented approximately 0.07% of average daily total net assets. However, there can be no assurance that commission costs and portfolio turnover will not cause commission expenses to rise in future quarters.

USDHO and the NYMEX entered into a licensing agreement on May 30, 2007, as amended on October 20, 2011, whereby USDHO was granted a non-exclusive license to use certain of the NYMEX's settlement prices and service marks. Under the licensing agreement, USDHO and the Related Public Funds, other than USBO, USCI, CPER, USAG and USMI, pay the NYMEX an asset-based fee for the license, the terms of which are described in *Note 3*. USDHO expressly disclaims any association with the NYMEX or endorsement of USDHO by the NYMEX and acknowledges that "NYMEX" and "New York Mercantile Exchange" are registered trademarks of the NYMEX.

NOTE 5 FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES

USDHO engages in the trading of futures contracts and options on futures contracts (collectively, "derivatives"). USDHO is exposed to both market risk, which is the risk arising from changes in the market value of the contracts, and credit risk, which is the risk of failure by another party to perform according to the terms of a contract.

USDHO may enter into futures contracts and options on futures contracts to gain exposure to changes in the value of an underlying commodity. A futures contract obligates the seller to deliver (and the purchaser to accept) the future delivery of a specified quantity and type of a commodity at a specified time and place. Some futures contracts may call for physical delivery of the asset, while others are settled in cash. The contractual obligations of a buyer or seller may generally be satisfied by taking or making physical delivery of the underlying commodity or by making an offsetting sale or purchase of an identical futures contract on the same or linked exchange before the designated date of delivery.

The purchase and sale of futures contracts and options on futures contracts require margin deposits with a futures commission merchant. Additional deposits may be necessary for any loss on contract value. The Commodity Exchange Act requires a futures commission merchant to segregate all customer transactions and assets from the futures commission merchant's proprietary activities.

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Futures contracts involve, to varying degrees, elements of market risk (specifically commodity price risk) and exposure to loss in excess of the amount of variation margin. The face or contract amounts reflect the extent of the total exposure USDHO has in the particular classes of instruments. Additional risks associated with the use of futures contracts are an imperfect correlation between movements in the price of the futures contracts and the market value of the underlying securities and the possibility of an illiquid market for a futures contract.

All of the futures contracts held by USDHO were exchange-traded through September 30, 2013. The risks associated with exchange-traded contracts are generally perceived to be less than those associated with over-the-counter transactions since, in over-the-counter transactions, a party must rely solely on the credit of its respective individual counterparties. However, in the future, if USDHO were to enter into non-exchange traded contracts, it would be subject to the credit risk associated with counterparty non-performance. The credit risk from counterparty non-performance associated with such instruments is the net unrealized gain, if any, on the transaction. USDHO has credit risk under its futures contracts since the sole counterparty to all domestic and foreign futures contracts is the clearinghouse for the exchange on which the relevant contracts are traded. In addition, USDHO bears the risk of financial failure by the clearing broker.

USDHO’s cash and other property, such as Treasuries, deposited with a futures commission merchant are considered commingled with all other customer funds, subject to the futures commission merchant’s segregation requirements. In the event of a futures commission merchant’s insolvency, recovery may be limited to a pro rata share of segregated funds available. It is possible that the recovered amount could be less than the total of cash and other property deposited. The insolvency of a futures commission merchant could result in the complete loss of USDHO’s assets posted with that futures commission merchant; however, the majority of USDHO’s assets are held in Treasuries, cash and/or cash equivalents with USDHO’s custodian and would not be impacted by the insolvency of a futures commission merchant. The failure or insolvency of USDHO’s custodian however, could result in a substantial loss of USDHO’s assets.

USCF invests a portion of USDHO’s cash in money market funds that seek to maintain a stable per unit NAV. USDHO is exposed to any risk of loss associated with an investment in such money market funds. As of September 30, 2013 and December 31, 2012, USDHO held investments in money market funds in the amounts of $3,202,094 and $3,202,094, respectively. USDHO also holds cash deposits with its custodian. Pursuant to a written agreement with BBH&Co., uninvested overnight cash balances are swept to offshore branches of U.S. regulated and domiciled banks located in Toronto, Canada, London, United Kingdom, Grand Cayman, Cayman Islands and Nassau, Bahamas, which are subject to U.S. regulation and regulatory oversight. As of September 30, 2013 and December 31, 2012, USDHO held cash deposits and investments in Treasuries in the amounts of $3,229,561 and $3,170,489, respectively, with the custodian and futures commission merchant. Some or all of these amounts may be subject to loss should USDHO’s custodian and/or futures commission merchant cease operations.

For derivatives, risks arise from changes in the market value of the contracts. Theoretically, USDHO is exposed to market risk equal to the value of futures contracts purchased and unlimited liability on such contracts sold short. As both a buyer and a seller of options, USDHO pays or receives a premium at the outset and then bears the risk of unfavorable changes in the price of the contract underlying the option.

USDHO’s policy is to continuously monitor its exposure to market and counterparty risk through the use of a variety of financial, position and credit exposure reporting controls and procedures. In addition, USDHO has a policy of requiring review of the credit standing of each broker or counterparty with which it conducts business. The financial instruments held by USDHO are reported in its condensed statements of financial condition at market or fair value, or at carrying amounts that approximate fair value, because of their highly liquid nature and short-term maturity.

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NOTE 6 FINANCIAL HIGHLIGHTS

The following table presents per unit performance data and other supplemental financial data for the nine months ended September 30, 2013 and 2012 for the unitholders. This information has been derived from information presented in the condensed financial statements.

	For the nine months ended September 30, 2013 (Unaudited)			For the nine months ended September 30, 2012 (Unaudited)		
Per Unit Operating Performance:						
Net asset value, beginning of period	$	33.77		$	32.79	
Total income (loss)		(1.34)			2.64	
Net expenses		(0.24)			(0.24)	
Net increase (decrease) in net asset value		(1.58)			2.40	
Net asset value, end of period	$	32.19		$	35.19	
Total Return		(4.68)	%		7.32	%
Ratios to Average Net Assets						
Total income (loss)		(4.08)	%		5.50	%
Management fees*		0.60	%		0.60	%
Total expenses excluding management fees*		1.81	%		1.23	%
Expenses waived*		(1.45)	%		(0.90)	%
Net expenses excluding management fees*		0.36	%		0.33	%
Net income (loss)		(4.80)	%		4.81	%

* Annualized

Total returns are calculated based on the change in value during the period. An individual unitholder's total return and ratio may vary from the above total returns and ratios based on the timing of contributions to and withdrawals from USDHO.

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

USDHO values its investments in accordance with Accounting Standards Codification 820 Fair Value Measurements and Disclosures ("ASC 820"). ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. The changes to past practice resulting from the application of ASC 820 relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurement. ASC 820 establishes a fair value hierarchy that distinguishes between: (1) market participant assumptions developed based on market data obtained from sources independent of USDHO (observable inputs) and (2) USDHO's own assumptions about market participant assumptions developed based on the best information available under the circumstances (unobservable inputs). The three levels defined by the ASC 820 hierarchy are as follows:

Level I Quoted prices (unadjusted) in active markets for *identical* assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level II Inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly or indirectly. Level II assets include the following: quoted prices for *similar* assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level III Unobservable pricing input at the measurement date for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

In some instances, the inputs used to measure fair value might fall within different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest input level that is significant to the fair value measurement in its entirety.

The following table summarizes the valuation of USDHO's securities at September 30, 2013 using the fair value hierarchy:

At September 30, 2013	Total	Level I	Level II	Level III
Short-Term Investments	$ 3,452,072	$ 3,452,072	$	$
Exchange-Traded Futures Contracts				
United States Contracts	(200,054)	(200,054)		

During the nine months ended September 30, 2013, there were no transfers between Level I and Level II.

The following table summarizes the valuation of USDHO's securities at December 31, 2012 using the fair value hierarchy:

At December 31, 2012	Total	Level I	Level II	Level III
Short-Term Investments	$ 3,502,081	$ 3,502,081	$	$
Exchange-Traded Futures Contracts				
United States Contracts	173,628	173,628		

During the year ended December 31, 2012, there were no transfers between Level I and Level II.

Effective January 1, 2009, USDHO adopted the provisions of Accounting Standards Codification 815 Derivatives and Hedging, which require presentation of qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts and gains and losses on derivatives.

Fair Value of Derivative Instruments

Derivatives not Accounted for as Hedging Instruments	Condensed Statements of Financial Condition Location	Fair Value At September 30, 2013	Fair Value At December 31, 2012
Futures - Commodity Contracts	Assets	$ (200,054)	$ 173,628

The Effect of Derivative Instruments on the Condensed Statements of Operations

		For the nine months ended September 30, 2013		For the nine months ended September 30, 2012	
Derivatives not Accounted for as Hedging Instruments	Location of Gain or (Loss) on Derivatives Recognized in Income	Realized Gain or (Loss) on Derivatives Recognized in Income	Change in Unrealized Gain or (Loss) on Derivatives Recognized in Income	Realized Gain or (Loss) on Derivatives Recognized in Income	Change in Unrealized Gain or (Loss) on Derivatives Recognized in Income
Futures Commodity Contracts	Realized gain on closed positions	$ 104,391		$ 996,064	
	Change in unrealized loss on open positions		$ (373,682)		$ (524,618)

NOTE 8 SUBSEQUENT EVENTS

USDHO has performed an evaluation of subsequent events through the date the condensed financial statements were issued. The subsequent events, which did not necessitate disclosures and/or adjustments to the financial statements, were as follows:

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On October 8, 2013, USCF entered into a Futures and Cleared Derivatives Transactions Customer Account Agreement with RBC Capital to serve as USDHO's FCM, effective October 10, 2013. Prior to October 10, 2013, UBS Securities was USDHO's FCM. This agreement requires RBC Capital to provide services to USDHO, as of October 10, 2013, in connection with the purchase and sale of Futures Contracts and Other Diesel-Heating Oil-Related Investments that may be purchased or sold by or through RBC Capital for USDHO's account. For the period October 10, 2013 and after, USDHO pays RBC Capital commissions for executing and clearing trades on behalf of USDHO. Prior to October 10, 2013, and therefore for the entire period of this quarterly report on Form 10-Q for the period ended September 30, 2013, USDHO paid UBS Securities commissions for executing and clearing trades on behalf of USDHO.

RBC Capital's primary address is 500 West Madison Street, Suite 2500, Chicago, Illinois 60661. UBS Securities' principal business address is 677 Washington Blvd., Stamford, CT 06901. From USDHO's commencement of trading to October 10, 2013, UBS Securities was a futures clearing broker for USDHO. Effective October 10, 2013, RBC Capital became the futures clearing broker for USDHO. Both RBC Capital and UBS Securities are registered in the U.S. with the Financial Industry Regulatory Authority as a broker-dealer and with the CFTC as a FCM. RBC Capital and UBS Securities are members of various U.S. futures and securities exchanges.

RBC is a large broker-dealer subject to many different complex legal and regulatory requirements. As a result, certain of RBC's regulators may from time to time conduct investigations, initiate enforcement proceedings and/or enter into settlements with RBC with respect to issues raised in various investigations. RBC complies fully with its regulators in all investigations being conducted and in all settlements it reaches. In addition, RBC is and has been subject to a variety of civil legal claims in various jurisdictions, a variety of settlement agreements and a variety of orders, awards and judgments made against it by courts and tribunals, both in regard to such claims and investigations. RBC complies fully with all settlements it reaches and all orders, awards and judgments made against it.

RBC has been named as a defendant in various legal actions, including arbitrations, class actions and other litigation including those described below, arising in connection with its activities as a broker-dealer. Certain of the actual or threatened legal actions include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. RBC is also involved, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding RBC's business, including among other matters, accounting and operational matters, certain of which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief.

RBC contests liability and/or the amount of damages, as appropriate, in each pending matter. In view of the inherent difficulty of predicting the outcome of such matters, particularly in cases where claimants seek substantial or indeterminate damages or where investigations and proceedings are in the early stages, RBC cannot predict the loss or range of loss, if any, related to such matters; how or if such matters will be resolved; when they will ultimately be resolved; or what the eventual settlement, fine, penalty or other relief, if any, might be. Subject to the foregoing, RBC believes, based on current knowledge and after consultation with counsel, that the outcome of such pending matters will not have a material adverse effect on the consolidated financial condition of RBC.

On March 11, 2013, the New Jersey Bureau of Securities entered a consent order settling an administrative complaint against RBC, which alleged that RBC failed to follow its own procedures with respect to monthly account reviews and failed to maintain copies of the monthly account reviews with respect to certain accounts that James Hankins Jr. maintained at the firm in violation of N.J.S.A. 49:3-58(a)(2)(xi) and 49:3-59(b). Without admitting or denying the findings of fact and conclusions of law, RBC consented to a civil monetary penalty of $150,000 (of which $100,000 was suspended as a result of the firm's cooperation) and to pay disgorgement of $300,000.

On May 2, 2012, the Massachusetts Securities Division entered a consent order settling an administrative complaint against RBC, which alleged that RBC recommended unsuitable products to its brokerage and advisory clients and failed to supervise its registered representatives’ sales of inverse and leveraged ETFs in violation of Section 204(a)(2) of the Massachusetts Uniform Securities Act (“MUSA”). Without admitting or denying the allegations of fact, RBC consented to permanently cease and desist from violations of MUSA, pay restitution of $2.9 million to the investors who purchased the inverse and leveraged ETFs and pay a civil monetary penalty of $250,000.

On September 27, 2011, the SEC commenced and settled an administrative proceeding against RBC for willful violations of Sections 17(a)(2) and 17(a)(3) of the 1933 Act for negligently selling the collateralized debt obligations to five Wisconsin school districts despite concerns about the suitability of the product. The firm agreed to pay disgorgement of $6.6 million, prejudgment interest of $1.8 million, and a civil monetary penalty of $22 million.

On February 24, 2009, the SEC commenced and settled an administrative proceeding against RBC for willful violations of Section 15B(c)(1) of the 1934 Act and Municipal Securities Rulemaking Board Rules G-17, G-20 and G-27, related to municipal expenses in connection with ratings agency trips. The firm was censured and paid a civil monetary penalty of $125,000.

On June 9, 2009, the SEC commenced and settled a civil action against RBC for willful violations of Section 15(c) of the 1934 Act, in connection with auction rate securities (ARS). The firm agreed to repurchase ARS owned by certain retail customers and to use best efforts to provide ineligible customers opportunities to liquidate ARS, and other ancillary relief.

Please see RBC's Form BD for more details.

RBC Capital will only act as a clearing broker for USDHO and as such will be paid commissions for executing and clearing trades on behalf of USDHO. Prior to October 10, 2013, UBS Securities acted only as clearing broker for USDHO and as such was paid commissions for executing and clearing trades on behalf of USDHO. Neither RBC Capital nor UBS Securities has passed upon the adequacy or accuracy of this quarterly report on Form 10-Q. Neither RBC Capital nor UBS Securities will act in any supervisory capacity with respect to USCF or participate in the management of USCF or USDHO.

Neither RBC Capital nor UBS Securities is affiliated with USDHO or USCF. Therefore, neither USCF nor USDHO believe that there are any conflicts of interest with RBC Capital and UBS Securities or their trading principals arising from their acting as USDHO's FCM.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Effective as of August 1, 2012, the United States Heating Oil Fund, LP was renamed the United States Diesel-Heating Oil Fund, LP ("USDHO"). No other change, aside from the change of the name and the designated CUSIP number, has been made to USDHO. The following discussion should be read in conjunction with the condensed financial statements and the notes thereto of USDHO included elsewhere in this quarterly report on Form 10-Q.

Forward-Looking Information

This quarterly report on Form 10-Q, including this "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements regarding the plans and objectives of management for future operations. This information may involve known and unknown risks, uncertainties and other factors that may cause USDHO's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by any forward-looking statements. Forward-looking statements, which involve assumptions and describe USDHO's future plans, strategies and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "intend" or "project," the negat words, other variations on these words or comparable terminology. These forward-looking statements are based on assumptions that may be incorrect, and USDHO cannot assure investors that the projections included in these forward-looking statements will come to pass. USDHO's actual results could differ materially from those expressed or implied by the forward-looking statements as a result of various factors.

USDHO has based the forward-looking statements included in this quarterly report on Form 10-Q on information available to it on the date of this quarterly report on Form 10-Q, and USDHO assumes no obligation to update any such forward-looking statements. Although USDHO undertakes no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, investors are advised to consult any additional disclosures that USDHO may make directly to them or through reports that USDHO in the future files with the U.S. Securities and Exchange Commission (the "SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K.

Introduction

USDHO, a Delaware limited partnership, is a commodity pool that issues units that may be purchased and sold on the NYSE Arca, Inc. (the "NYSE Arca"). The investment objective of USDHO is for the daily changes in percentage terms of its units' per unit net asset value ("NAV") to reflect the daily changes in percentage terms of the spot price of heating oil, as measured by the daily changes in the price of the futures contract for heating oil (also known as No. 2 fuel oil), for delivery to the New York harbor, traded on the New York Mercantile Exchange (the "NYMEX") that is the near month contract to expire, except when the near month contract is within two weeks of expiration, in which case it will be measured by the futures contract that is the next month contract to expire (the "Benchmark Futures Contract"), less USDHO's expenses. "Near month contract" means the next contract traded on the NYMEX due to expire. "Next month contract" means the first contract traded on the NYMEX due to expire after the near month contract. It is not the intent of USDHO to be operated in a fashion such that the per unit NAV will equal, in dollar terms, the spot price of heating oil or any particular futures contract based on heating oil. It is not the intent of USDHO to be operated in a fashion such that its per unit NAV will reflect the percentage change of the price of any particular futures contract as measured over a time period greater than one day. The general partner of USDHO, United States Commodity Funds LLC ("USCF"), believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in Futures Contracts (as defined below) and Other Diesel-Heating Oil-Related Investments (as defined below).

USDHO invests in futures contracts for heating oil, crude oil, gasoline, natural gas and other petroleum-based fuels that are traded on the NYMEX, ICE Futures Exchange ("ICE Futures") or other U.S. and foreign exchanges (collectively, "Futures Contracts") and other diesel-heating oil-related investments such as cash-settled options on Futures Contracts, forward contracts for diesel-heating oil, cleared swap contracts and over-the-counter transactions that are based on the price of diesel-heating oil, crude oil and other petroleum-based fuels, Futures Contracts and indices based on the foregoing (collectively, "Other Diesel-Heating Oil-Related Investments"). For convenience and unless otherwise specified, Futures Contracts and Other Diesel-Heating Oil-Related Investments collectively are referred to as "Diesel-Heating Oil Interests" in this quarterly report on Form 10-Q.

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USDHO seeks to achieve its investment objective by investing in a combination of Futures Contracts and Other Diesel-Heating Oil-Related Investments such that daily changes in its per unit NAV, measured in percentage terms, will closely track the daily changes in the price of the Benchmark Futures Contract, also measured in percentage terms. USCF believes the daily changes in the price of the Benchmark Futures Contract have historically exhibited a close correlation with the daily changes in the spot price of heating oil. It is not the intent of USDHO to be operated in a fashion such that the per unit NAV will equal, in dollar terms, the spot price of heating oil or any particular futures contract based on heating oil. It is not the intent of USDHO to be operated in a fashion such that its per unit NAV will reflect the percentage change of the price of any particular futures contract as measured over a time period greater than one day. USCF believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in Futures Contracts and Other Diesel-Heating Oil-Related Investments.

Regulatory Disclosure

Impact of Accountability Levels, Position Limits and Price Fluctuation Limits. Futures contracts include typical and significant characteristics. Most significantly, the Commodity Futures Trading Commission (the “CFTC”) and the futures exchanges have established accountability levels and position limits on the maximum net long or net short futures contracts in commodity interests that any person or group of persons under common trading control (other than as a hedge, which an investment by USDHO is not) may hold, own or control. The net position is the difference between an individual’s or firm’s open long contracts and open short contracts in any one commodity. In addition, most U.S.-based futures exchanges, such as the NYMEX, limit the daily price fluctuation for futures contracts. Currently, the ICE Futures imposes position and accountability limits that are similar to those imposed by U.S.-based futures exchanges and also limits the maximum daily price fluctuation, while some other non-U.S. futures exchanges have not adopted such limits.

The accountability levels for the Benchmark Futures Contract and other Futures Contracts traded on the NYMEX are not a fixed ceiling, but rather a threshold above which the NYMEX may exercise greater scrutiny and control over an investor’s positions. The current accountability level for any one-month in the Benchmark Futures Contract is 5,000 net contracts. In addition, the NYMEX imposes an accountability level for all months of 7,000 net futures contracts for investments in futures contracts for heating oil. In addition, ICE Futures maintains the same accountability levels, position limits and monitoring authority for its heating oil contract as the NYMEX. If USDHO and the Related Public Funds (as defined below) exceed these accountability levels for investments in the futures contracts for diesel-heating oil, the NYMEX and ICE Futures will monitor USDHO’s and the Related Public Funds’ exposure and may ask for further information on their activities, including the total size of all positions, investment and trading strategy, and the extent of liquidity resources of USDHO and the Related Public Funds. If deemed necessary by the NYMEX and/or ICE Futures, USDHO could be ordered to reduce its aggregate net position back to the accountability level. As of September 30, 2013, USDHO held 52 Heating Oil Futures HO Contracts traded on the NYMEX and did not hold any Futures Contracts traded on ICE Futures. For the nine months ended September 30, 2013, USDHO did not exceed accountability levels on the NYMEX or ICE Futures.

Position limits differ from accountability levels in that they represent fixed limits on the maximum number of futures contracts that any person may hold and cannot allow such limits to be exceeded without express CFTC authority to do so. In addition to accountability levels and position limits that may apply at any time, the NYMEX and the ICE Futures impose position limits on contracts held in the last few days of trading in the near month contract to expire. It is unlikely that USDHO will run up against such position limits because USDHO’s investment strategy is to close out its positions and “roll” from the near month contract to expire to the next month contract beginning two weeks from expiration of the contract. For the nine months ended September 30, 2013, USDHO did not exceed any position limits imposed by the NYMEX and the ICE Futures.

The regulation of commodity interest trading in the United States and other countries is an evolving area of the law, as exemplified by the various discussions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the

"Dodd-Frank Act"). The various statements made in this summary are subject to modification by legislative action and changes in the rules and regulations of the CFTC, the National Futures Association (the "NFA"), the futures exchanges, clearing organizations and other regulatory bodies. Pending final resolution of all applicable regulatory requirements, some specific examples of how the new Dodd-Frank Act provisions and rules adopted thereunder could impact USDHO are discussed below.

Futures Contracts and Position Limits

The CFTC is prohibited by statute from regulating trading on non-U.S. futures exchanges and markets. The CFTC, however, has adopted regulations relating to the marketing of non-U.S. futures contracts in the United States. These regulations permit certain contracts on non-U.S. exchanges to be offered and sold in the United States.

In October 2011, the CFTC adopted rules that impose new position limits on Referenced Contracts (as defined below) involving 28 energy, metals and agricultural commodities (the "Position Limit Rules"). The Position Limit Rules were scheduled to become effective on October 12, 2012. However, on September 28, 2012, the United States District Court for the District of Columbia vacated these regulations on the basis of ambiguities in the provisions of the Commodity Exchange Act ("CEA") (as modified by the Dodd-Frank Act) upon which the regulations were based. In its September 28, 2012 decision, the court remanded the Position Limit Rules to the CFTC with instructions to use its expertise and experience to resolve the ambiguities in the statute. On November 15, 2012, the CFTC indicated that it will move forward with an appeal of the District Court's decision to vacate the Position Limit Rules. At this time, it is not possible to predict how the CFTC's appeal could affect USDHO, but it may be substantial and adverse. Furthermore, until such time as the appeal is resolved or, if applicable revisions to the Position Limit Rules are proposed and adopted, the regulatory architecture in effect prior to the enactment of the Position Limit Rules will govern transactions in commodities and related derivatives (collectively, "Referenced Contracts"). Under that system, the CFTC enforces federal limits on speculation in agricultural products (e.g., corn, wheat and soy), while futures exchanges enforce position limits and accountability levels for agricultural and certain energy products (e.g., oil and natural gas). As a result, USDHO may be limited with respect to the size of its investments in any commodities subject to these limits. Finally, subject to certain narrow exceptions, the vacated Position Limit Rules would have required the aggregation, for purposes of the position limits, of all positions in the 28 Referenced Contracts held by a single entity and its affiliates, regardless of whether such position existed on U.S. futures exchanges, non-U.S. futures exchanges, in cleared swaps or in over-the-counter swaps. The CFTC is presently considering new aggregation rules, under a rulemaking proposal that is distinct from the Position Limit Rules. At this time, it is unclear how any modified aggregation rules may affect USDHO, but it may be substantial and adverse. By way of example, the aggregation rules in combination with any potential revised Position Limit Rules may negatively impact the ability of USDHO to meet its investment objectives through limits that may inhibit USCF's ability to sell additional Creation Baskets of USDHO.

Based on its current understanding of the final position limit regulations, USCF does not anticipate significant negative impact on the ability of USDHO to achieve its investment objective.

"Swap" Transactions

The Dodd-Frank Act imposes new regulatory requirements on certain "swap" transactions that USDHO is authorized to engage in that may ultimately impact the ability of USDHO to meet its investment objective. On August 13, 2012, the CFTC and the SEC published joint final rules defining the terms "swap" and "security-based swap." The term "swap" is broadly defined to include various types of over-the-counter derivatives, including swaps and options. The effective date of these final rules was October 12, 2012.

The Dodd-Frank Act requires that certain transactions ultimately falling within the definition of "swap" be executed on organized exchanges or "swap execution facilities" and cleared through regulated clearing organizations (which are referred to in the Dodd-Frank Act as "derivative clearing organizations" ("DCOs")), if the CFTC mandates the central clearing of a particular contract. On November 28, 2012, the CFTC issued its final clearing determination requiring that certain credit default swaps and interest rate swaps be cleared by registered DCOs. This is the CFTC's first clearing determination under the Dodd-Frank Act and became effective on February 11, 2013. Beginning on March 11, 2013, "swap dealers," "major swap participants" and certain active funds were required to clear certain credit default swaps and interest rate swaps; and beginning on June 10, 2013, commodity pools, certain private funds and entities predominantly engaged in financial activities were required to clear the same types of swaps. As a result, if USDHO enters into or has entered into certain interest rate and credit default swaps on or after June 10, 2013, such swaps will be required to be centrally cleared. Determination on other types of swaps are expected in the future, and, when finalized, could require USDHO to centrally clear certain over-the-counter instruments presently entered into and settled on a bi-lateral basis. If a swap is required to be cleared, the initial margin will be set by the clearing organization, subject to certain regulatory requirements and guidelines. Initial and variation margin requirements for swap dealers and major swap participants who enter into uncleared swaps and capital requirements for swap dealers and major swap participants who enter into both cleared and uncleared trades will be set by the CFTC, the SEC or the applicable "Prudential Regulator."

The Dodd-Frank Act also requires that certain swaps determined to be available to trade on a swap execution facility ("SEF") must be executed over such a facility. On June 5, 2013, the CFTC published a final rule regarding the obligations of SEFs, including the obligation for facilities offering multiple person execution services to register as a SEF by October 2, 2013. On September 27 and 30, 2013, the CFTC's Division of Market Oversight granted no-action relief to SEFs from compliance with certain regulatory and reporting requirements. The no-action relief granted on September 27, 2013 included relief, in effect until November 1, 2013, from a requirement that a SEF enforce its own rulebooks and compel its participants to consent to the jurisdiction of the SEF. Based upon applications filed by several SEFs with the CFTC in the second half of October 2013, it is expected that the CFTC will determine that certain interest rate swaps will be determined to be available to trade on those SEFs in the first quarter of 2014.

On April 11, 2013, the CFTC published a final rule to exempt swaps between certain affiliated entities within a corporate group from the clearing requirement. The rule permits affiliated counterparties to elect not to clear a swap subject to the clearing requirement if, among other things, the counterparties are majority-owned affiliates whose financial statements are included in the same consolidated financial statements and whose swaps are documented and subject to a centralized risk management program. However, the exemption does not apply to swaps entered into by affiliated counterparties with unaffiliated counterparties.

On November 14, 2012, the CFTC proposed new regulations that would require enhanced customer protections, risk management programs, internal monitoring and controls, capital and liquidity standards, customer disclosures and auditing and examination programs for FCMs. The proposed rules are intended to afford greater assurances to market participants that customer segregated funds and secured amounts are protected, customers are provided with appropriate notice of the risks of futures trading and of the FCMs with which they may choose to do business, FCMs are monitoring and managing risks in a robust manner, the capital and liquidity of FCMs are strengthened to safeguard their continued operations and the auditing and examination programs of the CFTC and the self-regulatory organizations are monitoring the activities of FCMs in a thorough manner. The final regulations have not yet been adopted.

Additionally, the CFTC published rules on February 17, 2012 and April 3, 2012 that require "swap dealers" and "major swap participants" to: 1) adhere to business conduct standards, 2) implement policies and procedures to ensure compliance with the CEA and 3) maintain records of such compliance. These new requirements may impact the documentation requirements for both cleared and non-cleared swaps and cause swap dealers and major swap participants to face increased compliance costs that, in turn, may be passed along to counterparties (such as USDHO) in the form of higher fees and expenses that related to trading swaps.

On April 5, 2013, the CFTC's Division of Clearing and Risk issued a letter granting no-action relief from certain swap data reporting requirements for swaps entered into between affiliated counterparties. In general, the letter grants relief from, among others: real-time, historical and regular swap reporting (under Part 43, Part 45 and Part 46 of the CFTC's regulations, respectively).

On April 9, 2013, the CFTC's Division of Market Oversight issued a letter granting time-limited no-action relief to non-swap dealer, non-major swap participant counterparties from the real-time, regular and historical swap reporting requirements (under Part 43, Part 45 and Part 46 of the CFTC's regulations, respectively). The regular reporting requirements (Part 45 of the CFTC regulations) for interest rate and credit swaps of a financial entity (including a commodity pool such as USDHO) began on April 10, 2013. The letter delays implementation of the reporting requirements based upon the asset class underlying the swap and the classification of the reporting counterparty. For a financial entity (including a commodity pool such as USDHO), regular reporting requirements for equity, foreign exchange and other commodity swaps (including swaps on diesel-heating oil) began on May 29, 2013 and reporting of all historical swaps for all asset classes begins on September 30, 2013.

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In addition to the rules and regulations imposed under the Dodd-Frank Act, swap dealers that are European banks may also be subject to European Market Infrastructure Regulation ("EMIR"). These regulations have not yet been fully implemented.

General Regulation Applicable to USDHO

On August 12, 2013, the CFTC issued final rules establishing compliance obligations for commodity pool operators ("CPOs") of investment companies registered under the Investment Company Act of 1940 (the "Investment Company Act") that are required to register due to recent changes to CFTC Regulation 4.5. The final rules were issued in a CFTC release entitled "Harmonization of Compliance Obligations for Registered Investment Companies Required to Register as Commodity Pool Operators." For entities that are registered with both the CFTC and the SEC, the CFTC will accept the SEC's disclosure, reporting and recordkeeping regime as substituted compliance for substantially all of Part 4 of the CFTC's regulations, so long as they comply with comparable requirements under the SEC's statutory and regulatory compliance regime. Thus, the final rules (the "Harmonization Rules") allow dually registered entities to meet certain CFTC regulatory requirements for CPOs by complying with SEC rules to which they are already subject. Although USDHO is not a registered investment company under the Investment Company Act, the Harmonization Rules amended certain CFTC disclosure rules to make the requirements for all CPOs to periodically update their disclosure documents consistent with those of the SEC. This change will decrease the burden to USDHO and USCF of having to comply with inconsistent regulatory requirements. It is not known whether the CFTC will make additional amendments to its disclosure, reporting and recordkeeping rules to further harmonize these obligations with those of the SEC as they apply to USDHO and USCF, but any such further rule changes could result in additional operating efficiencies for USDHO and USCF.

With regard to any other rules that the CFTC may adopt in the future, the effect of any such regulatory changes on USDHO is impossible to predict, but it could be substantial and adverse.

USCF, which is registered as a CPO and a swaps firm with the CFTC, is authorized by the Second Amended and Restated Agreement of Limited Partnership of USDHO, as amended on March 1, 2013 (the "LP Agreement") to manage USDHO. USCF is authorized by USDHO in its sole judgment to employ and establish the terms of employment for, and termination of, commodity trading advisors or FCMs.

Price Movements

Diesel-heating oil futures prices were volatile during the nine months ended September 30, 2013 with a general downward trend during the period. The price of the Benchmark Futures Contract started the period at $3.0318 per gallon. It hit a peak on February 8, 2013 at a price of $3.2384 per gallon. The low of the period was on April 17, 2013, when the price dropped to $2.7295 per gallon. The period ended with the Benchmark Futures Contract at $2.9715 per gallon, a decrease of approximately 1.99% over the period. USDHO's per unit NAV began the period at $33.77 and ended the period at $32.19 on September 30, 2013, a decrease of approximately 4.68% over the period. USDHO's per unit NAV reached its high for the period on February 8, 2013 at $36.11 and reached its low for the period on April 17, 2013 at $29.70. The Benchmark Futures Contract prices listed above began with the February 2013 contract and ended with the November 2013 contract. The decrease of approximately 1.99% on the Benchmark Futures Contract listed above is a hypothetical return only and could not actually be achieved by an investor holding Futures Contracts. An investment in Futures Contracts would need to be rolled forward during the time period described in order to simulate such a result. Furthermore, the change in the nominal price of these differing Futures Contracts, measured from the start of the period to the end of the period, does not represent the actual benchmark results that USDHO seeks to track, which are more fully described below in the section titled *"Tracking USDHO's Benchmark."*

During the nine months ended September 30, 2013, the diesel-heating oil futures market exhibited periods of both contango and backwardation. When the market is in a state of contango, the near month Futures Contract is typically lower than the price of the next month Futures Contract, or contracts further away from expiration. During periods of backwardation, the near month Futures Contract is typically higher than the price of the next month Futures Contract, or contracts further away from expiration. For a discussion of the impact of backwardation and contango on total returns, see *"Term Structure of Diesel-Heating Oil Futures Prices and the Impact on Total Returns"* below.

Valuation of Futures Contracts and the Computation of the Per Unit NAV

The per unit NAV of USDHO's units is calculated once each NYSE Arca trading day. The per unit NAV for a particular trading day is released after 4:00 p.m. New York time. Trading during the core trading session on the NYSE Arca typically closes at 4:00 p.m. New York time. USDHO's administrator uses the NYMEX closing price (determined at the earlier of the close of the NYMEX or 2:30 p.m. New York time) for the contracts held on the NYMEX, but calculates or determines the value of all other USDHO investments, including ICE Futures contracts or other futures contracts, as of the earlier of the close of the NYSE Arca or 4:00 p.m. New York time.

Results of Operations and the Diesel-Heating Oil Market

Results of Operations. On April 9, 2008, USDHO listed its units on the American Stock Exchange (the "AMEX") under the ticker symbol "UHN." On that day, USDHO established its initial offering price at $50.00 per unit and issued 200,000 units to the initial authorized purchaser in exchange for $10,000,000 in cash. As a result of the acquisition of the AMEX by NYSE Euronext, USDHO's units no longer trade on the AMEX and commenced trading on the NYSE Arca on November 25, 2008.

Since its initial offering of 10,000,000 units, USDHO has registered one subsequent offering of its units: 50,000,000 units which were registered with the SEC on April 30, 2010. Units offered by USDHO in the subsequent offering were sold by it for cash at the units' per unit NAV as described in the applicable prospectus. As of September 30, 2013, USDHO had issued 1,000,000 units, 200,000 of which were outstanding. As of September 30, 2013, there were 59,000,000 units registered but not yet issued.

More units may have been issued by USDHO than are outstanding due to the redemption of units. Unlike funds that are registered under the Investment Company Act of 1940, as amended, units that have been redeemed by USDHO cannot be resold by USDHO. As a result, USDHO contemplates that additional offerings of its units will be registered with the SEC in the future in anticipation of additional issuances and redemptions.

As of September 30, 2013, USDHO had the following authorized purchasers: Citadel Securities LLC, Citigroup Global Markets Inc., Credit Suisse USA LLC, Deutsche Bank Securities Inc., JP Morgan Securities Inc., Merrill Lynch Professional Clearing Corp., Morgan Stanley & Company Inc., NewEdge USA LLC, Nomura Securities International Inc., RBC Capital Markets Corporation, SG Americas Securities LLC and Virtu Financial Capital Markets.

<u>For the Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012</u>

As of September 30, 2013, the total unrealized loss on Futures Contracts owned or held on that day was $200,054 and USDHO established cash deposits and investments in short term obligations of the United States of two years or less ("Treasuries") and money market funds that were equal to $6,431,654. USDHO held 92.25% of its cash assets in overnight deposits and investments in money market funds at its custodian bank, while 7.75% of the cash balance was held as investments in Treasuries and margin deposits for the Futures Contracts purchased at the FCM. The ending per unit NAV on September 30, 2013 was $32.19.

By comparison, as of September 30, 2012, the total unrealized loss on Futures Contracts owned or held on that day was $176,522 and USDHO established cash deposits and investments in Treasuries and money market funds that were equal to $7,001,535. USDHO held 88.01% of its cash assets in overnight deposits and investments in money market funds at its custodian bank, while 11.99% of the cash balance was held as investments in Treasuries and margin deposits for the Futures Contracts purchased at the FCM. The decrease in cash assets in overnight deposits and investments in Treasuries and money market funds for September 30, 2013, as compared to September 30, 2012, was primarily the result of USDHO's smaller size on September 30, 2013. The ending per unit NAV on September 30, 2012 was $35.19. The decrease in the per unit NAV for September 30, 2013, as compared to September 30, 2012, was primarily a result of the decrease in the value of the futures contracts held by USDHO between September 30, 2012 and September 30, 2013.

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Portfolio Expenses. USDHO's expenses consist of investment management fees, brokerage fees and commissions, certain offering costs, licensing fees, the fees and expenses of the independent directors of USCF and expenses relating to tax accounting and reporting requirements. The management fee that USDHO pays to USCF is calculated as a percentage of the total net assets of USDHO. USDHO pays USCF a management fee of 0.60% of its average daily total net assets. The fee is accrued daily and paid monthly.

During the nine months ended September 30, 2013, the average daily total net assets of USDHO were $6,567,042. The management fee incurred by USDHO during the period amounted to $29,471. By comparison, during the nine months ended September 30, 2012, the average daily total net assets of USDHO were $8,611,124. The management fee paid by USDHO during the period amounted to $38,679.

In addition to the management fee, USDHO pays all brokerage fees and other expenses, including tax reporting costs, licensing fees for the use of intellectual property, ongoing registration or other fees paid to the SEC, the Financial Industry Regulatory Authority ("FINRA") and any other regulatory agency in connection with offers and sales of its units subsequent to the initial offering and all legal, accounting, printing and other expenses associated therewith. The gross total of these fees and expenses for the nine months ended September 30, 2013 was $88,845, as compared to $79,615 for the nine months ended September 30, 2012. The increase in gross total expenses excluding management fees for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, was primarily due to increased tax reporting, audit, licensing and other fees during the nine months ended September 30, 2013. USDHO incurred $5,460 and $5,480 in ongoing registration fees and other expenses relating to the registration and offering of additional units for the nine months ended September 30, 2013 and 2012, respectively. The decrease in registration fees and expenses incurred by USDHO for the nine months ended September 30, 2013, as compared to the nine months ended September 30, 2012, was due to one fewer day in the reporting period for the nine months ended September 30, 2013. During the nine months ended September 30, 2013 and 2012, an expense waiver was in effect which offset certain of the expenses incurred by USDHO. The total amount of the expense waiver was $71,133 for the nine months ended September 30, 2013 and $58,478 for the nine months ended September 30, 2012. For the nine months ended September 30, 2013 and 2012, the expenses of USDHO, including management fees, commissions, and all other expenses, before allowance for the expense waiver, totaled $118,316 and $118,294, respectively, and after allowance for the expense waiver, totaled $47,183 and $59,816, respectively.

USDHO is responsible for paying its portion of the directors' and officers' liability insurance of USDHO and the United States Oil Fund, LP, the United States Natural Gas Fund, LP, the United States 12 Month Oil Fund, LP, the United States Gasoline Fund, LP, the United States Short Oil Fund, LP, the United States 12 Month Natural Gas Fund, LP, the United States Brent Oil Fund, LP, the United States Commodity Index Fund, the United States Copper Index Fund, the United States Agriculture Index Fund and the United States Metals Index Fund (collectively, the "Related Public Funds") and the fees and expenses of the independent directors who also serve as audit committee members of USDHO and the Related Public Funds organized as limited partnerships and, as of July 8, 2011, the Related Public Funds organized as a series of a Delaware statutory trust. USDHO shares the fees and expenses on a pro rata basis with each Related Public Fund, as described above, based on the relative assets of each fund computed on a daily basis. These fees and expenses for the year ending December 31, 2013 are estimated to be a total of $560,625 for USDHO and the Related Public Funds. By comparison, for the year ended December 31, 2012, these fees and expenses amounted to a total of $540,586 for USDHO and the Related Public Funds. USDHO's portion of such fees and expenses for the year ended December 31, 2012 was $1,514.

USDHO also incurs commissions to brokers for the purchase and sale of Futures Contracts, Other Diesel-Heating Oil-Related Investments or Treasuries. During the nine months ended September 30, 2013, total commissions accrued to brokers amounted to $3,124. All of this amount was a result of rebalancing costs. By comparison, during the nine months ended September 30, 2012, total commissions accrued to brokers amounted to $4,170. Of this amount, approximately $3,731 was a result of rebalancing costs and approximately $439 was the result of trades necessitated by creation and redemption activity. The decrease in the total commissions accrued to brokers for the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012, was primarily due to USDHO's smaller average size in terms of net assets during the nine months ended September 30, 2013. As an annualized percentage of average daily total net assets, the figure for the nine months ended September 30, 2013 represents approximately 0.06% of average daily total net assets. By comparison, the figure for the nine months ended September 30, 2012 represented approximately 0.07% of average daily total net assets. However, there can be no assurance that commission costs and portfolio turnover will not cause commission expenses to rise in future quarters.

The fees and expenses associated with USDHO's audit expenses and tax accounting and reporting requirements are paid by USDHO. These costs are estimated to be $85,000 for the year ending December 31, 2013. USCF has voluntarily agreed to pay certain expenses normally borne by USDHO to the extent that such expenses exceed 0.15% (15 basis points) of USDHO's NAV, on an annualized basis, through at least December 31, 2013. USCF has no obligation to continue such payments into subsequent periods. For the nine months ended September 30, 2013, USCF waived $71,133 of USDHO's expenses. This voluntary expense waiver is in addition to those amounts USCF is contractually obligated to pay as described in *Note 4* in *Item 1* of this quarterly report on Form 10-Q.

Dividend and Interest Income. USDHO seeks to invest its assets such that it holds Futures Contracts and Other Diesel-Heating Oil-Related Investments in an amount equal to the total net assets of its portfolio. Typically, such investments do not require USDHO to pay the full amount of the contract value at the time of purchase, but rather require USDHO to post an amount as a margin deposit against the eventual settlement of the contract. As a result, USDHO retains an amount that is approximately equal to its total net assets, which USDHO invests in Treasuries, cash and/or cash equivalents. This includes both the amount on deposit with the FCM as margin, as well as unrestricted cash and cash equivalents held with USDHO's custodian bank. The Treasuries, cash and/or cash equivalents earn income that accrues on a daily basis. For the nine months ended September 30, 2013, USDHO earned $1,480 in dividend and interest income on such Treasuries, cash and/or cash equivalents. Based on USDHO's average daily total net assets, this was equivalent to an annualized yield of approximately 0.03%. USDHO purchased Treasuries during the nine months ended September 30, 2013 and also held cash and/or cash equivalents during this time period. By comparison, for the nine months ended September 30, 2012, USDHO earned $1,843 in dividend and interest income on such Treasuries, cash and/or cash equivalents. Based on USDHO's average daily total net assets, this was equivalent to an annualized yield of approximately 0.03%. USDHO purchased Treasuries during the nine months ended September 30, 2012 and also held cash and/or cash equivalents during this time period. Interest rates on short-term investments held by USDHO, including cash, cash equivalents and Treasuries, were similar during the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012. As a result, the amount of income earned by USDHO as a percentage of average daily total net assets was similar during the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012.

For the Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

Portfolio Expenses. During the three months ended September 30, 2013, the average daily total net assets of USDHO were $6,625,597. The management fee incurred by USDHO during the period amounted to $10,020. By comparison, during the three months ended September 30, 2012, the average daily total net assets of USDHO were $6,697,935. The management fee paid by USDHO during the period amounted to $10,101.

In addition to the management fee, USDHO pays all brokerage fees and other expenses, including tax reporting costs, licensing fees for the use of intellectual property, ongoing registration or other fees paid to the SEC, FINRA and any other regulatory agency in connection with offers and sales of its units subsequent to the initial offering and all legal, accounting, printing and other expenses associated therewith. The gross total of these fees and expenses for the three months ended September 30, 2013 was $32,220, as compared to $28,017 for the three months ended September 30, 2012. The increase in gross total expenses excluding management fees for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, was primarily due to increased tax reporting, audit, licensing and other fees during the three months ended September 30, 2013. USDHO incurred $1,840 in ongoing registration fees and other expenses relating to the registration and offering of additional units for the three months ended September 30, 2013 and 2012, respectively. The registration fees and expenses incurred by USDHO for the three months ended September 30, 2013, as compared to the three months ended September 30, 2012, were the same. During the three months ended September 30, 2013 and 2012, an expense waiver was in effect which offset certain of the expenses incurred by USDHO. The total amount of the expense waiver was $26,233 for the three months ended September 30, 2013 and $22,314 for the three months ended September 30, 2012. For the three months ended September 30, 2013 and 2012, the expenses of USDHO, including management fees, commissions, and all other expenses, before allowance for the expense waiver, totaled $42,240 and $38,118, respectively, and after allowance for the expense waiver, totaled $16,007 and $15,804, respectively.

USDHO is responsible for paying its portion of the directors' and officers' liability insurance of USDHO and the Related Public Funds and the fees and expenses of the independent directors who also serve as audit committee members of USDHO and the Related Public Funds organized as limited partnerships and, as of July 8, 2011, the Related Public Funds organized as a series of a Delaware statutory trust. USDHO shares the fees and expenses on a pro rata basis with each Related Public Fund, as described above, based on the relative assets of each fund computed on a daily basis. These fees and expenses for the year ending December 31, 2013 are estimated to be a total of $560,625 for USDHO and the Related Public Funds. By comparison, for the year ended December 31, 2012, these fees and expenses amounted to a total of $540,586 for USDHO and the Related Public Funds. USDHO's portion of such fees and expenses for the year ended December 31, 2012 was $1,514.

USDHO also incurs commissions to brokers for the purchase and sale of Futures Contracts, Other Diesel-Heating Oil-Related Investments or Treasuries. During the three months ended September 30, 2013, total commissions accrued to brokers amounted to $1,036. All of this amount was a result of rebalancing costs. By comparison, during the three months ended September 30, 2012, total commissions accrued to brokers amounted to $1,056. All of this amount was a result of rebalancing costs. The total commissions accrued to brokers for the three months ended September 30, 2013 as compared to the three months ended September 30, 2012, were essentially the same. As an annualized percentage of average daily total net assets, the figure for the three months ended September 30, 2013 represents approximately 0.06% of average daily total net assets. By comparison, the figure for the three months ended September 30, 2012 represented approximately 0.06% of average daily total net assets. However, there can be no assurance that commission costs and portfolio turnover will not cause commission expenses to rise in future quarters.

The fees and expenses associated with USDHO's audit expenses and tax accounting and reporting requirements are paid by USDHO. These costs are estimated to be $85,000 for the year ending December 31, 2013. USCF has voluntarily agreed to pay certain expenses normally borne by USDHO to the extent that such expenses exceed 0.15% (15 basis points) of USDHO's NAV, on an annualized basis, through at least December 31, 2013. USCF has no obligation to continue such payments into subsequent periods. For the three months ended September 30, 2013, USCF waived $26,233 of USDHO's expenses. This voluntary expense waiver is in addition to those amounts USCF is contractually obligated to pay as described in *Note 4* in *Item 1* of this quarterly report on Form 10-Q.

Dividend and Interest Income. USDHO seeks to invest its assets such that it holds Futures Contracts and Other Diesel-Heating Oil-Related Investments in an amount equal to the total net assets of its portfolio. Typically, such investments do not require USDHO to pay the full amount of the contract value at the time of purchase, but rather require USDHO to post an amount as a margin deposit against the eventual settlement of the contract. As a result, USDHO retains an amount that is approximately equal to its total net assets, which USDHO invests in Treasuries, cash and/or cash equivalents. This includes both the amount on deposit with the FCM as margin, as well as unrestricted cash and cash equivalents held with USDHO's custodian bank. The Treasuries, cash and/or cash equivalents earn income that accrues on a daily basis. For the three months ended September 30, 2013, USDHO earned $459 in dividend and interest income on such Treasuries, cash and/or cash equivalents. Based on USDHO's average daily total net assets, this was equivalent to an annualized yield of approximately 0.03%. USDHO purchased Treasuries during the three months ended September 30, 2013 and also held cash and/or cash equivalents during this time period. By comparison, for the three months ended September 30, 2012, USDHO earned $553 in dividend and interest income on such Treasuries, cash and/or cash equivalents. Based on USDHO's average daily total net assets, this was equivalent to an annualized yield of approximately 0.03%. USDHO purchased Treasuries during the three months ended September 30, 2012 and also held cash and/or cash equivalents during this time period. Interest rates on short-term investments held by USDHO, including cash, cash equivalents and Treasuries, were similar during the three months ended September 30, 2013 as compared to the three months ended September 30, 2012. As a result, the amount of income earned by USDHO as a percentage of average daily total net assets was similar during the three months ended September 30, 2013 as compared to the three months ended September 30, 2012.

Tracking USDHO’s Benchmark

USCF seeks to manage USDHO’s portfolio such that changes in its average daily per unit NAV, on a percentage basis, closely track the daily changes in the average price of the Benchmark Futures Contract, also on a percentage basis. Specifically, USCF seeks to manage the portfolio such that over any rolling period of 30-valuation days, the average daily change in USDHO’s per unit NAV is within a range of 90% to 110% (0.9 to 1.1) of the average daily change in the price of the Benchmark Futures Contract. As an example, if the average daily movement of the price of the Benchmark Futures Contract for a particular 30-valuation day time period was 0.5% per day, USCF would attempt to manage the portfolio such that the average daily movement of the per unit NAV during that same time period fell between 0.45% and 0.55% (*i.e.*, between 0.9 and 1.1 of the benchmark’s results). USDHO’s portfolio management goals do not include trying to make the nominal price of USDHO’s per unit NAV equal to the nominal price of the current Benchmark Futures Contract or the spot price for diesel-heating oil. USCF believes that it is not practical to manage the portfolio to achieve such an investment goal when investing in listed Futures Contracts.

For the 30-valuation days ended September 30, 2013, the simple average daily change in the Benchmark Futures Contract was (0.12)%, while the simple average daily change in the per unit NAV of USDHO over the same time period was (0.13)%. The average daily difference was (0.005)% (or (0.5) basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the Benchmark Futures Contract, the average error in daily tracking by the per unit NAV was (1.850)%, meaning that over this time period USDHO's tracking error was within the plus or minus 10% range established as its benchmark tracking goal. The first chart below shows the daily movement of USDHO's per unit NAV versus the daily movement of the Benchmark Futures Contract for the 30-valuation day period ended September 30, 2013, the last trading day in September. The second chart below shows the monthly total returns of USDHO as compared to the monthly value of the Benchmark Futures Contract for the five years ended September 30, 2013.

Since the commencement of the offering of USDHO's units to the public on April 9, 2008 to September 30, 2013, the simple average daily change in the Benchmark Futures Contract was (0.009)%, while the simple average daily change in the per unit NAV of USDHO over the same time period was (0.011)%. The average daily difference was 0.002% (or 0.2 basis points, where 1 basis point equals 1/100 of 1%). As a percentage of the daily movement of the Benchmark Futures Contract, the average error in daily tracking by the per unit NAV was (0.844)%, meaning that over this time period USDHO's tracking error was within the plus or minus 10% range established as its benchmark tracking goal.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

***PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**

An alternative tracking measurement of the return performance of USDHO versus the return of its Benchmark Futures Contract can be calculated by comparing the actual return of USDHO, measured by changes in its per unit NAV, versus the *expected* changes in its per unit NAV under the assumption that USDHO's returns had been exactly the same as the daily changes in its Benchmark Futures Contract.

For the nine months ended September 30, 2013, the actual total return of USDHO as measured by changes in its per unit NAV was (4.68)%. This is based on an initial per unit NAV of $33.77 as of December 31, 2012 and an ending per unit NAV as of September 30, 2013 of $32.19. During this time period, USDHO made no distributions to its unitholders. However, if USDHO's daily changes in its per unit NAV had instead exactly tracked the changes in the daily total return of the Benchmark Futures Contract, USDHO would have had an estimated per unit NAV of $32.42 as of September 30, 2013, for a total return over the relevant time period of (4.00)%. The difference between the actual per unit NAV total return of USDHO of (4.68)% and the expected total return based on the Benchmark Futures Contract of (4.00)% was an error over the time period of (0.68)%, which is to say that USDHO's actual total return underperformed the benchmark result by that percentage. USCF believes that a portion of the difference between the actual total return and the expected benchmark total return can be attributed to the net impact of the expenses that USDHO pays, offset in part by the income that USDHO collects on its cash and cash equivalent holdings. During the nine months ended September 30, 2013, USDHO earned dividend and interest income of $1,480, which is equivalent to a weighted average income rate of approximately 0.03% for such period. During the nine months ended September 30, 2013, USDHO did not collect any fees from its Authorized Purchasers for creating or redeeming baskets of units. During the nine months ended September 30, 2013, USDHO incurred net expenses of $47,183. Income from dividends and interest and Authorized Purchaser collections net of expenses was $(45,703), which is equivalent to an annualized weighted average net income rate of approximately (0.93)% for the nine months ended September 30, 2013.

By comparison, for the nine months ended September 30, 2012, the actual total return of USDHO as measured by changes in its per unit NAV was 7.32%. This was based on an initial per unit NAV of $32.79 as of December 31, 2011 and an ending per unit NAV as of September 30, 2012 of $35.19. During this time period, USDHO made no distributions to its unitholders. However, if USDHO's daily changes in its per unit NAV had instead exactly tracked the changes in the daily total return of the Benchmark Futures Contract, USDHO would have had an estimated per unit NAV of $35.44 as of September 30, 2012, for a total return over the relevant time period of 8.08%. The difference between the actual per unit NAV total return of USDHO of 7.32% and the expected total return based on the Benchmark Futures Contract of 8.08% was an error over the time period of (0.76)%, which is to say that USDHO's actual total return underperformed the benchmark result by that percentage. USCF believes that a portion of the difference between the actual total return and the expected benchmark total return can be attributed to the net impact of the expenses that USDHO paid, offset in part by the income that USDHO collected on its cash and cash equivalent holdings. During the nine months ended September 30, 2012, USDHO earned dividend and interest income of $1,843, which was equivalent to a weighted average income rate of approximately 0.03% for such period. In addition, during the nine months ended September 30, 2012, USDHO also collected $350 from its Authorized Purchasers for creating or redeeming baskets of units. This income also contributed to USDHO's actual total return. During the nine months ended September 30, 2012, USDHO incurred net expenses of $59,816. Income from dividends and interest and Authorized Purchaser collections net of expenses was $(57,623) which was equivalent to an annualized weighted average net income rate of approximately (0.89)% for the nine months ended September 30, 2012.

There are currently three factors that have impacted or are most likely to impact USDHO's ability to accurately track its Benchmark Futures Contract.

First, USDHO may buy or sell its holdings in the then current Benchmark Futures Contract at a price other than the closing settlement price of that contract on the day during which USDHO executes the trade. In that case, USDHO may pay a price that is higher, or lower, than that of the Benchmark Futures Contract, which could cause the changes in the daily per unit NAV of USDHO to either be too high or too low relative to the daily changes in the Benchmark Futures Contract. During the nine months ended September 30, 2013, USCF attempted to minimize the effect of these transactions by seeking to execute its purchase or sale of the Benchmark Futures Contract at, or as close as possible to, the end of the day settlement price. However, it may not always be possible for USDHO to obtain the closing settlement price and there is no assurance that failure to obtain the closing settlement price in the future will not adversely impact USDHO's attempt to track the Benchmark Futures Contract over time.

Second, USDHO earns dividend and interest income on its cash, cash equivalents and Treasuries. USDHO is not required to distribute any portion of its income to its unitholders and did not make any distributions to unitholders during the nine months ended September 30, 2013. Interest payments, and any other income, were retained within the portfolio and added to USDHO's NAV. When this income exceeds the level of USDHO's expenses for its management fee, brokerage commissions and other expenses (including ongoing registration fees, licensing fees and the fees and expenses of the independent directors of USCF), USDHO will realize a net yield that will tend to cause daily changes in the per unit NAV of USDHO to track slightly higher than daily changes in the Benchmark Futures Contract. During the nine months ended September 30, 2013, USDHO earned, on an annualized basis, approximately 0.03% on its cash and cash equivalent holdings. It also incurred cash expenses on an annualized basis of 0.60% for management fees, approximately 0.06% in brokerage commission costs related to the purchase and sale of futures contracts, and approximately 0.30% for other net expenses. The foregoing fees and expenses resulted in a net yield on an annualized basis of approximately (0.93)% and affected USDHO's ability to track its benchmark. If short-term interest rates rise above the current levels, the level of deviation created by the yield would decrease. Conversely, if short-term interest rates were to decline, the amount of error created by the yield would increase. When short-term yields drop to a level lower than the combined expenses of the management fee and the brokerage commissions, then the tracking error becomes a negative number and would tend to cause the daily returns of the per unit NAV to underperform the daily returns of the Benchmark Futures Contract. USCF anticipates that interest rates will continue to remain at historical lows and, therefore, it is anticipated that fees and expenses paid by USDHO will continue to be higher than interest earned by USDHO. As such, USCF anticipates that USDHO will continue to underperform its benchmark until such a time when interest earned at least equals or exceeds the fees and expenses paid by USDHO.

Third, USDHO may hold Other Diesel-Heating Oil-Related Investments in its portfolio that may fail to closely track the Benchmark Futures Contract's total return movements. In that case, the error in tracking the Benchmark Futures Contract could result in daily changes in the per unit NAV of USDHO that are either too high, or too low, relative to the daily changes in the Benchmark Futures Contract. During the nine months ended September 30, 2013, USDHO did not hold any Other Diesel-Heating Oil-Related Investments. If USDHO increases in size, and due to its obligations to comply with regulatory limits, USDHO may invest in Other Diesel-Heating Oil-Related Investments, which may have the effect of increasing transaction related expenses and may result in increased tracking error.

Term Structure of Diesel-Heating Oil Futures Prices and the Impact on Total Returns. Several factors determine the total return from investing in a futures contract position. One factor that impacts the total return that will result from investing in near month Futures Contracts and "rolling" those contracts forward each month is the price relationship between the current near month contract and the next month contract. For example, if the price of the near month contract is higher than the next month contract (a situation referred to as "backwardation" in the futures market), then absent any other change there is a tendency for the price of a next month contract to rise in value as it becomes the near month contract and approaches expiration. Conversely, if the price of a near month contract is lower than the next month contract (a situation referred to as "contango" in the futures market), then absent any other change there is a tendency for the price of a next month contract to decline in value as it becomes the near month contract and approaches expiration.

As an example, assume that the price of diesel-heating oil for immediate delivery (the "spot" price), was $2 per gallon, and the value of a position in the near month futures contract was also $2. Over time, the price of a gallon of diesel-heating oil will fluctuate based on a number of market factors, including demand for diesel-heating oil relative to its supply. The value of the near month contract will likewise fluctuate in reaction to a number of market factors. If investors seek to maintain their position in a near month contract and not take delivery of the diesel-heating oil, every month they must sell their current near month contract as it approaches expiration and invest in the next month contract.

If the futures market is in backwardation, *e.g.*, when the expected price of diesel-heating oil in the future would be less, the investor would be buying a next month contract for a lower price than the current near month contract. Using the $2 per barrel price above to represent the front month price, the price of the next month contract could be $1.96 per barrel, that is, 2% cheaper than the front month contract. Hypothetically, and assuming no other changes to either prevailing diesel-heating oil prices or the price relationship between the spot price, the near month contract and the next month contract (and ignoring the impact of commission costs and the income earned on cash and/or cash equivalents), the value of the $1.96 next month contract would rise as it approaches expiration and becomes the new near month contract with a price of $2. In this example, the value of an investment in the second month contract would tend to rise faster than the spot price of diesel-heating oil, or fall slower. As a result, it would be possible in this hypothetical example for the spot price of diesel-heating oil to have risen 10% after some period of time, while the value of the investment in the second month futures contract would have risen 12%, assuming backwardation is large enough or enough time has elapsed. Similarly, the spot price of diesel-heating oil could have fallen 10% while the value of an investment in the futures contract could have fallen only 8%. Over time, if backwardation remained constant, the difference would continue to increase.

If the futures market is in contango, the investor would be buying a next month contract for a higher price than the current near month contract. Using again the $2 per barrel price above to represent the front month price, the price of the next month contract could be $2.04 per barrel, that is, 2% more expensive than the front month contract. Hypothetically, and assuming no other changes to either prevailing diesel-heating oil prices or the price relationship between the spot price, the near month contract and the next month contract (and ignoring the impact of commission costs and the income earned on cash and/or cash equivalents), the value of the next month contract would fall as it approaches expiration and becomes the new near month contract with a price of $2. In this example, it would mean that the value of an investment in the second month would tend to rise slower than the spot price of diesel-heating oil, or fall faster. As a result, it would be possible in this hypothetical example for the spot price of diesel-heating oil to have risen 10% after some period of time, while the value of the investment in the second month futures contract will have risen only 8%, assuming contango is large enough or enough time has elapsed. Similarly, the spot price of diesel-heating oil could have fallen 10% while the value of an investment in the second month futures contract could have fallen 12%. Over time, if contango remained constant, the difference would continue to increase.

The chart below compares the price of the near month contract to the price of the next month contract over the last 10 years for diesel-heating oil. When the price of the near month contract is higher than the price of the next month contract, the market would be described as being in backwardation. When the price of the near month contract is lower than the price of the next month contract, the market would be described as being in contango. Although the prices of the near month contract and the price of the next month contract do tend to move up or down together, it can be seen that at times the near month prices are clearly higher than the price of the next month contract (backwardation), and other times they are below the price of the next month contract (contango). In addition, the forward curves of diesel-heating oil prices, both near month and next month, often display a seasonal pattern in which the price of diesel-heating oil tends decline in the summer months and increase in the winter months and. This mirrors the physical demand for diesel-heating oil, which typically peaks in the winter.

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An alternative way to view backwardation and contango data over time is to subtract the dollar price of the next month diesel-heating oil futures contract from the dollar price of the near month diesel-heating oil futures contract. If the resulting number is a positive number, then the price of the near month contract is higher than the price of the next month and the market could be described as being in backwardation. If the resulting number is a negative number, then the near month price is lower than the price of the next month and the market could be described as being in contango. The chart below shows the results from subtracting the next month contract price from the price of the near month contract for the 10-year period between September 30, 2003 and September 30, 2013. Investors will note that the near month diesel-heating oil futures contract spent time in both backwardation and contango. Investors will further note that the markets display a very seasonal pattern that corresponds to the seasonal demand patterns for diesel-heating oil mentioned above. That is, in many, but not all cases, the price of the near month is higher than the next month during the middle of the winter months as the price of diesel-heating oil for delivery in those winter months rises to meet peak demand. At the same time, the price of the near month contract, when that month is just before the onset of fall, does not rise as far or as fast as the price of a next month contract whose delivery falls closer to the start of the winter season.

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While the investment objective of USDHO is not to have the market price of its units match, dollar for dollar, changes in the spot price of diesel-heating oil, contango and backwardation have impacted the total return on an investment in USDHO units during the past year relative to a hypothetical direct investment in diesel-heating oil. For example, an investment in USDHO units made on December 31, 2012 and held to September 30, 2013 decreased, based upon the changes in the per unit NAV for USDHO units on those days, by approximately 4.68%, while the spot price of diesel-heating oil for immediate delivery during the same period decreased by 1.99%. By comparison, an investment in USDHO units made on December 31, 2011 and held to September 30, 2012 increased, based upon the changes in the per unit NAV for USDHO units on those days, by approximately 7.32%, while the spot price of diesel-heating oil for immediate delivery during the same period increased by 9.32%. (note: this comparison ignores the potential costs associated with physically owning and storing diesel-heating oil, which could be substantial).

Periods of contango or backwardation do not materially impact USDHO’s investment objective of having the daily percentage changes in its per unit NAV track the daily percentage changes in the price of the Benchmark Futures Contract since the impact of backwardation and contango tend to equally impact the daily percentage changes in price of both USDHO’s units and the Benchmark Futures Contract. It is impossible to predict with any degree of certainty whether backwardation or contango will occur in the future. It is likely that both conditions will occur during different periods.

Heating Oil Market. During the nine months ended September 30, 2013, the price of heating oil in the United States was impacted by several factors. In particular, USCF believes that rising crude oil prices in the United States were partially offset by a reduction in refinery capacity on the East Coast of the United States, near the New York harbor where the Benchmark Futures Contract is priced. During the nine months ended September 30, 2013, the price of heating oil in the United States, as measured by changes in the price of the futures contract traded on the NYMEX that was closest to expiration, fell by approximately 1.99% from $3.0318 per gallon to $2.9715 per gallon. Investors are cautioned that these represent prices for heating oil on a wholesale basis and should not be directly compared to retail prices.

Crude Oil Market. During the nine months ended September 30, 2013, crude oil prices were impacted by several factors. On the consumption side, demand growth remained moderate inside and outside the United States as global economic growth, including emerging economies such as China and India, showed signs of slow economic growth. Europe in particular showed signs of weakness as the ongoing financial and banking crisis raised concerns during the first quarter of 2013. On the supply side, efforts to reduce production in recent years by the Organization of the Petroleum Exporting Countries ("OPEC") to more closely match global consumption were partially successful. However, continuing concerns about the political standoff with Iran have left the market subject to bouts of heightened volatility as OPEC's ability to replace Iranian oil currently subject to embargo is not unlimited. In addition, security issues in Libya, Egypt, Iraq, and Syria also contribute to heightened volatility. In recent years, oil production in the United States and Canada has increased. However, limits on oil transportation infrastructure, including pipelines, have made it more difficult for the increased production to move to the centers of refining, often leading to a build-up in crude oil inventory in areas of the United States, such as the U.S. Midwest, and Canada. The result is that crude oil prices in the U.S. Midwest, where the pricing point of the light, sweet crude oil contract is located, have tended to trade at a lower price than crude oil in other parts of the United States and lower than global crude oil benchmarks such as Brent crude oil. United States crude oil prices finished the third quarter of 2013 approximately 11.45% higher than at the beginning of the year, as the global economy continues to adjust to periods of slow recovery and economic growth. USCF believes that should the global economic situation cease to improve, or decline, there is a meaningful possibility that crude oil prices could further retreat from their current levels, while any military actions involving Iran would likely have the opposite effect.

USCF believes that over both the medium-term and the long-term, changes in the price of crude oil will exert the greatest influence on the price of refined petroleum products such as diesel-heating oil. At the same time, there can be other factors that, particularly in the short term, cause the price of diesel-heating oil to rise (or fall), more (or less) than the price of crude oil. For example, warmer weather during the high demand period of the winter season could cause American consumers to reduce their diesel-heating oil consumption. Furthermore, diesel-heating oil prices are impacted by the availability of refining capacity. As a result, it is possible that changes in diesel-heating oil prices may not match the changes in crude oil prices.

Diesel-Heating Oil Price Movements in Comparison to Other Energy Commodities and Investment Categories. USCF believes that investors frequently measure the degree to which prices or total returns of one investment or asset class move up or down in value in concert with another investment or asset class. Statistically, such a measure is usually done by measuring the correlation of the price movements of the two different investments or asset classes over some period of time. The correlation is scaled between 1 and -1, where 1 indicates that the two investment options move up or down in price or value together, known as "positive correlation," and -1 indicates that they move in completely opposite directions, known as "negative correlation." A correlation of 0 would mean that the movements of the two are neither positively nor negatively correlated, known as "non-correlation." That is, the investment options sometimes move up and down together and other times move in opposite directions.

For the ten-year time period between September 30, 2003 and September 30, 2013, the table below compares the monthly movements of diesel-heating oil prices versus the monthly movements of the prices of several other energy commodities, such as natural gas, crude oil and unleaded gasoline, as well as several major non-commodity investment asset classes, such as large cap U.S. equities, U.S. government bonds and global equities. It can be seen that over this particular time period, the movement of diesel-heating oil on a monthly basis was neither strongly correlated nor inversely correlated with the movements of natural gas, large cap U.S. equities, global equities or U.S. government bonds. However, movements in diesel-heating oil were strongly correlated to movements in crude oil and unleaded gasoline.

Correlation Matrix
September 30, 2003-2013