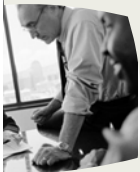




▶ COMMODITIES PROVE TO BE POSITIVE INVESTMENT PORTFOLIO DIVERSIFIERS AS HAS LONG BEEN SUGGESTED 1



▶ INTELLIGENT TRADING EXPLAINS THE DIFFERENCE BETWEEN MANAGED FUTURES AND COMMODITY ETFs 2



▶ SEE THE BACK PAGE OF MANAGED ACCOUNT FOCUS TO REVIEW A SAMPLING OF CTA PERFORMANCE 4

○ ISSUE 2 | ○ VOLUME 1 | ○ FEB 2008

Managed Account Research, Inc. www.ma-research.com Tel: 800.308.1495

Managed Account *focus*

MONTHLY PERIODICAL ON MANAGED FUTURES INVESTING AND THE COMMODITY, FOREX, FUTURES AND OPTIONS MARKETS.

Compiled by Mack Frankfurter, Chief Investment Strategist

The risk of loss in trading commodities, forex, futures and options can be substantial. Trading is speculative and not appropriate for all investors. Past performance is not necessarily indicative of future results.

Commodities prove to be diversifiers

Investment money has been pouring into commodities since the beginning of the year as the equities markets stumbled and the credit markets crunched. In fact, the CRB commodity index just hit a new record high supported by gold, oil and wheat prices. Meanwhile, industrial metals such as platinum are scorching, and coffee and cocoa are nearing the boiling point with prices at multi-year peaks. Investors are asking what is going on? Simply, emerging country demand combined with supply-side constraints have been supportive of tight fundamentals. The question is how long is this going to last and will high commodity prices result

in a bout of stagflation not unlike the 1970s? In times like these it is important to remember the well-embraced tenant of portfolio diversification. Spreading investments among different assets and strategies is an effective risk management tool and helps reduce exposure to a downturn in any one sector. Interestingly, it is from the 1970s that managed futures evolved. Academic studies have shown that the correlation between managed futures and traditional investments is low. To learn more about how managed futures may be able to help diversify your portfolio, speak with a Managed Account Research representative.



HEADLINE RECAP

“Rising wheat prices flatten bakers” and “fears of stagflation return” while the “dollar hits low as Fed chief hints at rate cut.” These were the headlines that caught our attention this February. Usually stories on commodities are relegated to the back pages, but on Monday, February 25th the Financial Times headline mentioned that the “UN is poised to ration food aid as prices soar.” These are interesting times and managed futures is taking a front seat. *Market Weekly* will resume next week. For back issues, contact MARI.



Managed Futures vs. Commodity ETFs

February's issue of *Intelligent Trading* answers some frequently asked questions (FAQs)

What is the difference between managed futures and commodity ETFs? This question is worthy of a book. Briefly, commodity exchange traded funds (ETFs) are a new type of investment vehicle which allows investors to invest in commodities as if the instrument was a stock. However, just a few years ago, the only way to invest in commodities was either directly through the futures and derivatives market or through a pooled investment vehicle.

Commodity ETFs are usually long-only, and marketed on the basis of three types of returns: (i) "collateral return," which results from investing monies into fixed income instruments which collateralize the derivatives that provide commodity exposure for the ETF; (ii) "spot return" which is

the change of price in the underlying commodity exposure; and (iii) "roll return" which supposedly results from the "rolling forward of futures contracts." The "roll return" is a hotly debated concept within academic circles, but Wall Street markets the idea nonetheless. There is a fourth source of return, less often stated, which is the "strategy return" that comes from rebalancing the portfolio.

Managed futures differs from commodity ETFs in that "strategy return" is the main focus. CTAs will go long and short a market taking advantage of "spot returns" either way. With respect to "roll returns," certain CTAs employ calendar spreads which arbitrages for this particular source of return. At the same time, managed futures accounts can be invested in t-bills allowing an investor to obtain "collateral return." How-

ever, it should be noted that futures involves leverage whereas ETFs usually invest on a fully collateralized basis.

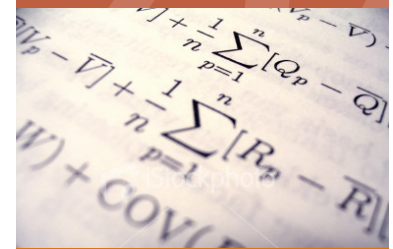
How do I invest in managed futures? Investing with a CTA involves two distinct steps: first, is setting up a futures brokerage account; second, is selecting a CTA or combination of CTAs who will advise your account. An intermediary knowledgeable about managed futures can be immensely helpful in the research, selection and ongoing monitoring of CTAs. Prudent words of advice: the best recommendation is to ask questions and do your homework. Find a managed futures advisor who is educationally oriented, and works with you in a collaborative way to help you achieve your goals. For more answers to FAQs see Volume 1, Issue 2 of *Intelligent Trading*, or speak with a MARI representative.

Next Week's Economic Calendar

Date	Time (ET)	Statistic	For	Briefing Forecast	Market Expects	Prior
3-Mar	10:00 AM	Construction Spending	Jan	-0.6%	-0.8%	-1.1%
3-Mar	10:00 AM	ISM Index	Feb	49.3	49.0	50.7
4-Mar	12:00 AM	Auto Sales	Feb	5.0M	5.2M	5.1M
4-Mar	12:00 AM	Truck Sales	Feb	6.8M	6.8M	6.6M
5-Mar	8:15 AM	ADP Employment	Feb	-	-	126K
5-Mar	8:30 AM	Productivity-Rev.	Q4	1.8%	1.8%	1.8%
5-Mar	10:00 AM	Factory Orders	Jan	-2.2%	-1.5%	2.3%
5-Mar	10:00 AM	ISM Services	Feb	48.0	48.5	44.6
5-Mar	10:30 AM	Crude Inventories	1-Mar	NA	NA	3231K
5-Mar	2:00 PM	Fed's Beige Book	-	-	-	-
6-Mar	8:30 AM	Initial Claims	1-Mar	360K	NA	373K
6-Mar	10:00 AM	Pending Home Sales	Jan	-	-	-1.5%
7-Mar	8:30 AM	Nonfarm Payrolls	Feb	30K	40K	-17K
7-Mar	8:30 AM	Unemployment Rate	Feb	5.0%	5.0%	4.9%
7-Mar	8:30 AM	Hourly Earnings	Feb	0.3%	0.3%	0.2%
7-Mar	8:30 AM	Average Workweek	Feb	33.7	33.7	33.7
7-Mar	3:00 PM	Consumer Credit	Jan	\$10.0B	\$7.5B	\$4.5B

Data is provided for informational purposes only, and is not intended for trading purposes.

STATISTICAL INSIGHT: Time Weighted Return Calculation



In the first issue of *Intelligent Trading* we introduced the basic formula for calculating rate-of-returns, which is $NP \div BNAV = ROR$. However, this method can sometimes result in distortions under certain circumstances. Because this is well-recognized, regulations allow CTAs to adjust the BNAV upward by prorating additions and downward by prorating withdrawals. While using this method will generally smooth out distortions, it can also obfuscate reporting. This happens when the introduction of a large new account, which is not immediately aligned to the CTA's full set of positions, alters the composite return in comparison to returns of older accounts with legacy positions.

CONTRACT SPOTLIGHT:

Though there are many different varieties of wheat grown throughout the world, such as soft, hard, white and red, there are actually only two main classifications of wheat: winter and spring. February saw an epic run in wheat as U.S forecast its lowest inventories in 60 years, and prices surged upwards over 50 percent since the beginning of the year. Derivatives is what managed futures is all about, and each issue of *Intelligent Trading* will discuss the attributes of a specific exchange traded futures contract.



Introducing the “CTA Color Intelligent Style Matrix™”

Managed Account Research develops “color intelligent” matrixes which provide qualitative insight into how various CTA programs compare style-wise.

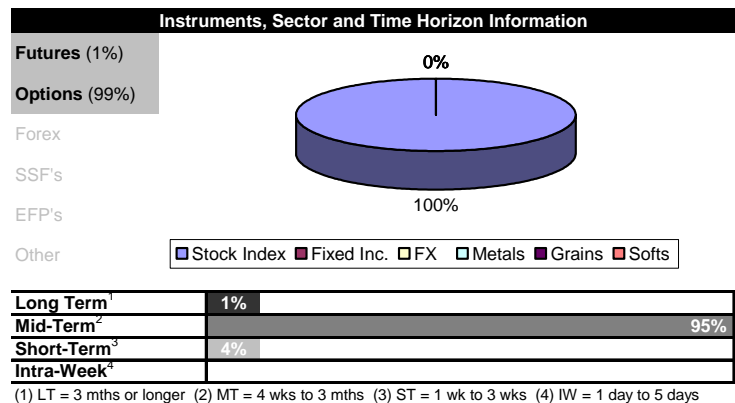
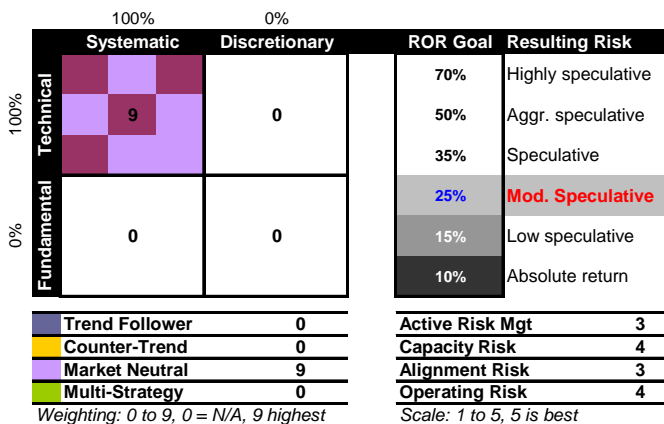
Past performance is not necessarily indicative of future results, but unfortunately, that is all too often what investors rely on. That is why MARI developed the CTA Color Intelligent Style Matrix™ (CISM). This patent pending matrix allows investors to easily compare various trading programs and assess how each respective CTA strategy might complement or overlap. Key to understanding a CTA's approach is learning about the underlying trade-decision process. This is reflected by the cross-section of technical, fundamental, as well as systematic, discretionary style boxes. For a more detailed analysis, CISM divides strategies into major and sub-categories which is shown to the right. Color distribution is based on the weightings the CTA provides to MARI for interpretation.

The CISM is now featured in several of our research publications, including *Coverage Initiation* and *Coverage Spotlight*. For copies of our research or to learn more about CISM, contact MARI.

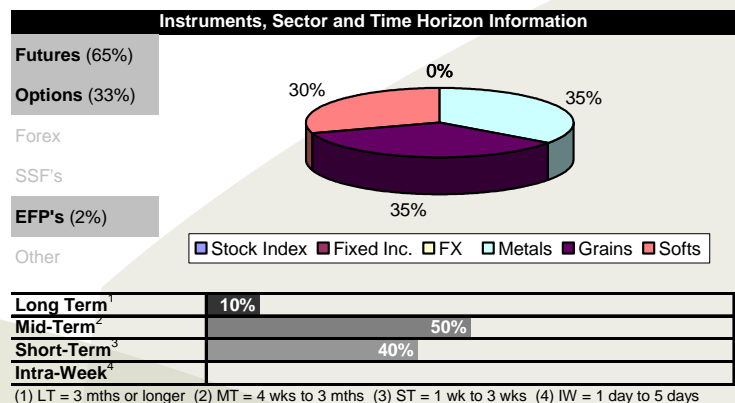
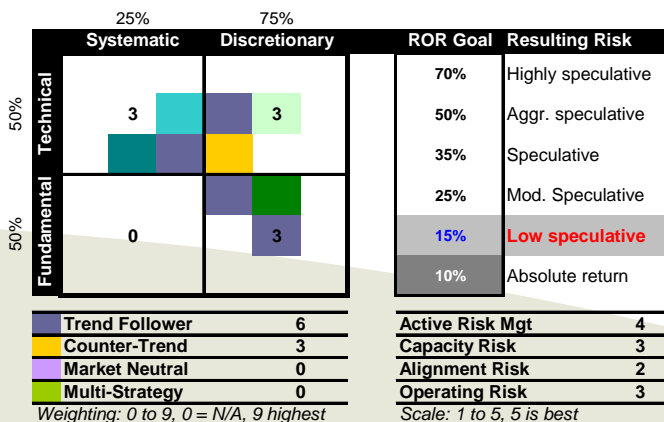
Color Intelligence Style Matrix™	
	Trend Follower
	Counter-Trend
	Market Neutral
	Multi-Strategy

CISM Sub-Strategies	
	Momentum
	Breakout
	Swing Trading
	Pattern Recognition
	Volatility-Based
	Premium Capture
	Spread trading
	Arbitrage
	Other

EXAMPLE: S&P 500 INDEX OPTIONS WRITING PROGRAM



EXAMPLE: DISCRETIONARY COMMODITY FUTURES PROGRAM



Managed Futures Research, Analysis and Investments

Managed Account Research's philosophy is "qualitative insight on quantitative research." Below is just a sample of the CTA "verticals" we are currently tracking in January '08. For a full list, contact 800-308-1495 or research@ma-research.com

COMMODITY VERTICAL	YTD	Last 12M	Annualized Return	Best Runup	Max Drawdown	Std. Dev.	Sharpe Ratio	Sortino Ratio	Margin/	Start Date	Minimum Account	Accepts Notional
									Equity Avg.			
DIVERSIFIED TRADERS												
Commodity Capital Inc.	0.58%	5.78%	10.71%	79.10%	-23.68%	21.18%	0.35	0.06	10.00%	Jul-84	250,000	Yes
Dighton Capital USA (Swiss Futures Trading)	9.20%	46.89%	59.80%	170.21%	-35.28%	46.96%	1.14	1.46	20.00%	Jul-03	100,000	Yes
Emil van Essen (Spread Trading)	31.00%	86.08%	122.85%	108.54%	-31.44%	65.33%	1.49	2.15	27.00%	Jan-07	250,000	Yes
Lone Wolf Investments LLC. (Diversified)	5.95%	20.42%	11.50%	26.57%	-14.69%	14.21%	0.49	0.14	10.00%	May-05	100,000	Yes
NDX Capital Mgmt.,LLC (Abendego)	-1.08%	2.91%	47.95%	117.90%	-4.80%	21.19%	1.74	6.32	20.00%	Sep-04	100,000	Yes
NDX Capital Mgmt.,LLC (Shadrach)	-3.05%	5.74%	143.66%	284.11%	-21.50%	58.06%	1.75	4.50	50.00%	Sep-04	100,000	Yes
Pearlman CTA (Silver)	-30.21%	39.74%	59.27%	105.36%	-56.66%	81.00%	0.87	0.96	30.00%	Nov-05	200,000	No
Range Wise, Inc. (Range Wise)	7.10%	19.03%	13.65%	67.78%	-23.95%	17.19%	0.55	0.35	25.00%	Feb-91	250,000	Yes
Rosetta Capital Mgmt, LLC (Rosetta Program)	13.85%	25.27%	66.70%	314.43%	-39.67%	58.29%	1.05	1.93	10.00%	Apr-00	50,000	Yes
Stewart Capital Mgmt (Small Cap Agriculture)	-0.17%	-16.11%	1.69%	46.73%	-32.59%	18.05%	-0.09	-0.58	10.00%	Jan-05	50,000	Yes
Strategic Ag Trading (Balanced)	3.49%	6.46%	10.80%	29.41%	-27.54%	25.25%	0.33	0.05	10.00%	Jan-05	50,000	Yes
Strategic Ag Trading (Grains)	3.18%	28.56%	17.28%	45.51%	-20.27%	20.95%	0.63	0.57	10.00%	Apr-02	100,000	Yes
Vision Capital Mgmt, LLC (Global Futures)	-8.46%	40.09%	34.39%	38.60%	-17.87%	30.95%	0.95	1.24	21.00%	Feb-06	250,000	Yes
METALS TRADERS												
Impact Advisory Corp. (MAP)	-0.43%	4.93%	27.60%	128.11%	-50.99%	26.41%	0.86	1.41	10.00%	Sep-92	50,000	Yes
ENERGY TRADERS												
Lone Wolf Investments (Emissions Instrument)	8.72%	11.01%	10.70%	6.67%	-4.07%	10.95%	0.53	0.10	5.00%	Jan-07	175,000	Yes
Mobius Asset Management (Diversified)	2.20%	24.76%	13.30%	14.91%	-10.74%	9.78%	0.83	0.45	20.00%	Jan-05	250,000	No
Pacific Capital Advisors Inc (Vanguard)	3.60%		18.76%	15.98%	-4.64%	9.43%	1.36	1.46	10.00%	Apr-07	50,000	Yes
Shield Plus LLC (Alternative Energy & Inflation)	-3.03%	-12.02%	40.56%	123.71%	-21.15%	36.04%	0.98	1.67	0.00%	Jan-04	250,000	Yes
EMERGING TRADERS VERTICAL	YTD	Last 12M	Annualized Return	Best Runup	Max Drawdown	Std. Dev.	Sharpe Ratio	Sortino Ratio	Margin/	Start Date	Minimum Account	Accepts Notional
									Equity Avg.			
CelerityFX, LLC (Global Monetary Program)	9.01%		30.63%	12.50%	-6.34%	21.07%	1.14	1.80	8.00%	Aug-07	50,000	Yes
Cervino Capital Mgmt LLC (Commodity Options)	0.34%		6.15%	9.81%	-4.69%	10.57%	0.15	-0.50	20.00%	Jul-07	50,000	Yes
Collateral Investment Mgmt, Ltd. (Equity Market Advise	8.61%		9.12%	16.07%	-10.75%	17.77%	0.30	-0.07	7.00%	Mar-07	50,000	Yes
Crescent Bay Capital Mgmt, Inc. (Balance Volatility)	-1.00%		77.17%	40.34%	-5.16%	23.56%	2.37	6.53	20.00%	Aug-07	10,000	Yes
Emil van Essen (Spread Trading)	31.00%	86.08%	122.85%	108.54%	-31.44%	65.33%	1.49	2.15	27.00%	Jan-07	250,000	No
H T Funds LLC (H T Funds CTA)	3.20%	36.93%	44.41%	41.59%	-8.65%	13.59%	2.45	3.45	50.00%	Jul-06	75,000	Yes
Lone Wolf Investments (Emissions Instrument)	8.72%	11.01%	10.70%	6.67%	-4.07%	10.95%	0.53	0.10	5.00%	Jan-07	175,000	Yes
NDX Capital Management LLC (Methuselah)	7.65%		65.51%	30.52%	-6.13%	21.21%	2.28	4.94	50.00%	Jun-07	40,000	Yes
Optimal Models and Decisions Inc. (Active Beta)	-4.99%	8.98%	11.31%	10.71%	-5.70%	14.07%	0.48	0.12	25.00%	Jan-07	500,000	Yes
Optimus Capital Management (Diversified Program)	7.17%		291.13%	63.02%	-9.84%	52.77%	2.85	8.97	25.00%	Aug-07	75,000	Yes
Pacific Capital Advisors Inc (Vanguard)	3.60%		18.76%	15.98%	-4.64%	9.43%	1.36	1.46	10.00%	Apr-07	50,000	No
Stein Investment Mgmt LLC (Trading Edge LT)	2.27%		0.01%	2.83%	-12.26%	14.21%	-0.28	-0.81	10.00%	Jun-07	300,000	
Summa Capital Mgmt, LLC (OSTP)	-9.20%	20.10%	12.71%	31.91%	-9.20%	12.59%	0.63	0.28	60.00%	Jun-06	50,000	

Futures trading is speculative and involves risk of substantial loss. Past performance is not necessarily indicative of future results. Trade with risk capital only. Futures trading is not appropriate for all investors. Information is based on data obtained from the advisors or other sources, and is believed to be accurate. Performance data may be based on estimated rate-of-returns reported by the advisors. Presentation only applies to those CTAs who submit their performance data to Managed Account Research, Inc., in no way purports to be representative of the entire universe of CTAs, and is presented here with no guarantee of completeness or accuracy. Copyright © 2007-2008 Managed Account Research, Inc. Reproduction in any form without permission is forbidden.

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