



"PORTFOLIO DIVERSIFICATION
THROUGH THE USE OF
MANAGED FUTURES AND MANAGED
FUTURES FUND
OF FUNDS"

Zachary Oxman
Senior Trader

Risk Considerations

- Futures trading is speculative and volatile, and investors could lose all or a substantial part of their investment. There is no guarantee that an investment of this type will achieve its objective and investors may suffer losses. Any person subscribing to a managed futures investment must be able to bear the risks involved and must meet specific suitability requirements relating to such investments. Past performance is not indicative of future results. This presentation is for informational purposes only and does not constitute an offer to sell, nor a solicitation of an offer to buy, nor advice to invest in any security product or service.

Presentation Outline

- Zachary Oxman
- What are Managed Futures
- What is a Managed Futures Account
- Why Managed Futures
- Why Invest in Commodities
- What is a Commodity Trading Advisor (CTA)
- Why use a CTA
- Choosing a CTA

Zachary Oxman

- B/A Business Economics with emphasis in Finance and Econometrics
- Series 3, Series 30
- CMT Level 1 2007
- Appeared twice on CNBC
 - Power Lunch with Bill Griffeth
 - Power Lunch with Sue Herrera
- Quoted actively in Barrons (print), Wall Street Journal (print and on-line), Bloomberg, Market Watch, Reuters, Resource Investor
- Active Trader for:
 - Individuals
 - Institutions
 - Doulos II Fund of Funds (Registered AP)
 - CTA's
 - CPO's

The Commodities Boom

THE next big market moves

What Tech was to the late 90's
Real Estate to the 00's

COMMODITIES WILL BE FOR THE NEXT 15 YEARS

As of Friday:

- **Crude Oil – Over \$92, contract and record highs**
- **Gold – Over \$780 per ounce, 30 year highs**
- **Dollar – Near all time lows**
 - Canadian \$ over parity, first time in 30 years
 - British Pound over 2:1
 - Euro Currency over 1.5:1

What are Managed Futures?

The term “Managed Futures” represents an industry comprised of experienced, professional money managers who manage investor assets in the futures, forward and inter-bank currency markets.

What exactly is a Managed Futures Account?

A Managed Futures account is comparable to other brokerage accounts apart from the responsibility for determining what trades to make and what time, including discretionary authority to direct trading, is delegated to a professional trading advisor.

Why Managed Futures

- opportunity for reduced portfolio volatility risk
- potential for enhanced portfolio returns
- ability to profit in any economic environment
- opportunity to participate easily in global markets

Why Invest in Commodities

Statistically

Modern Portfolio Theory

• Non correlated asset class

Ability to profit in any economic environment

Fundamentally

Supply versus Demand

The China Factor

Inflation

Long Term Commodity Bull Markets

Statistical Reasons

- **Modern Portfolio Theory**
- **Non correlated asset class**
- **Ability to profit in any economic environment**

Modern Portfolio Theory

Jack Meyer, the head of Harvard University's Endowment portfolio, concerning futures, stated, "Holding commodities offers protection against the ups and downs of stocks and bonds." Referring to commodities, he added, "They're the most diversifying asset in the portfolio...The benefits of diversification are indisputable. Diversification rules. It's powerful and our portfolio is a good deal less risky than the S&P 500."

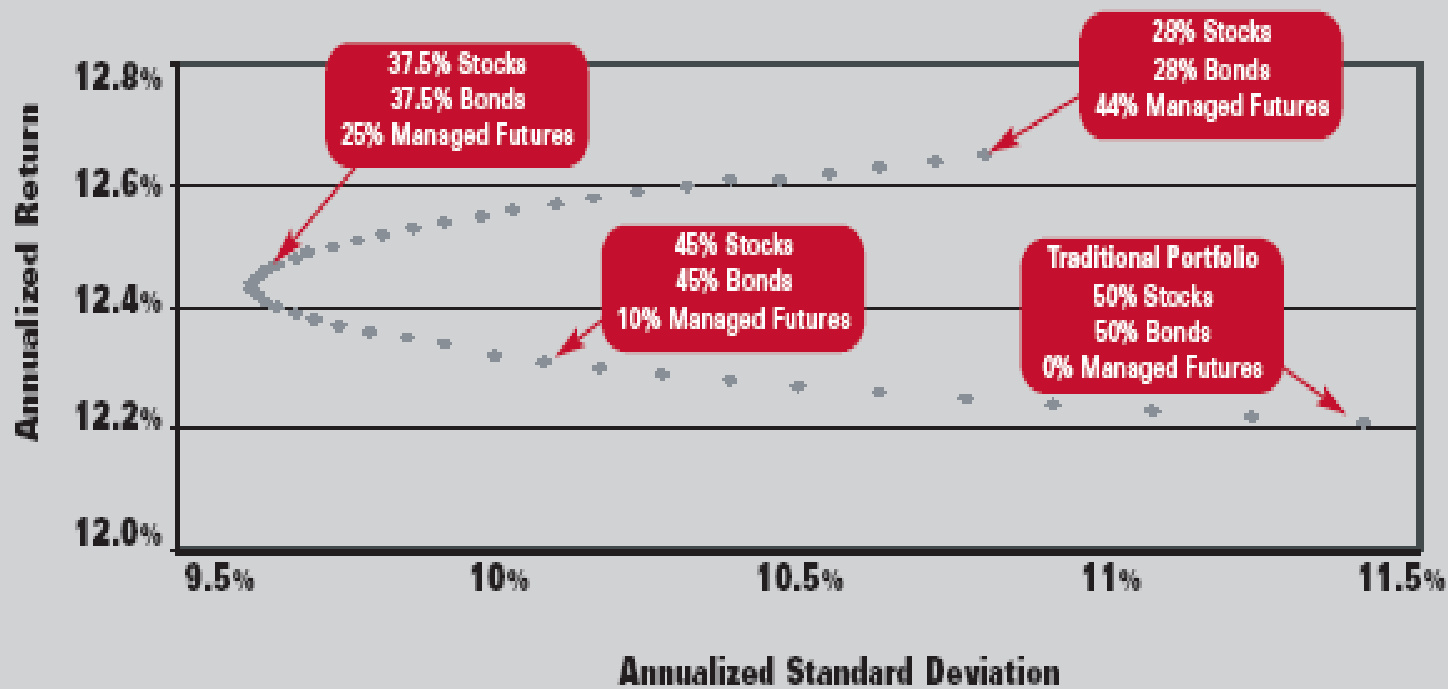
According to the CME study, "Portfolios with as much as 20% of assets in managed futures yield up to 50% more than a portfolio of stocks and bonds alone."

"Portfolios...including judicious investments... in leveraged managed futures accounts show substantially less risk at every possible level of expected return than portfolios of stocks (or stocks and bonds) alone." Dr. John Litner, Harvard University

From 1968 through 1995, in all of the worst declines for stocks listed, managed futures were positive. And even in the stock market's best periods, managed futures were also positive.

The Effect of Managed Futures in a Traditional Portfolio

Chart 1: Potential Impact of Managed Futures on the Traditional Portfolio Jan.1980 - Dec. 2004



Source: Barclay Trading Group, Ltd., Managed Futures: Barclay CTA Index; Bonds: Lehman Brothers Long-Term Treasury Index; Stocks: S&P 500 Total Return Index

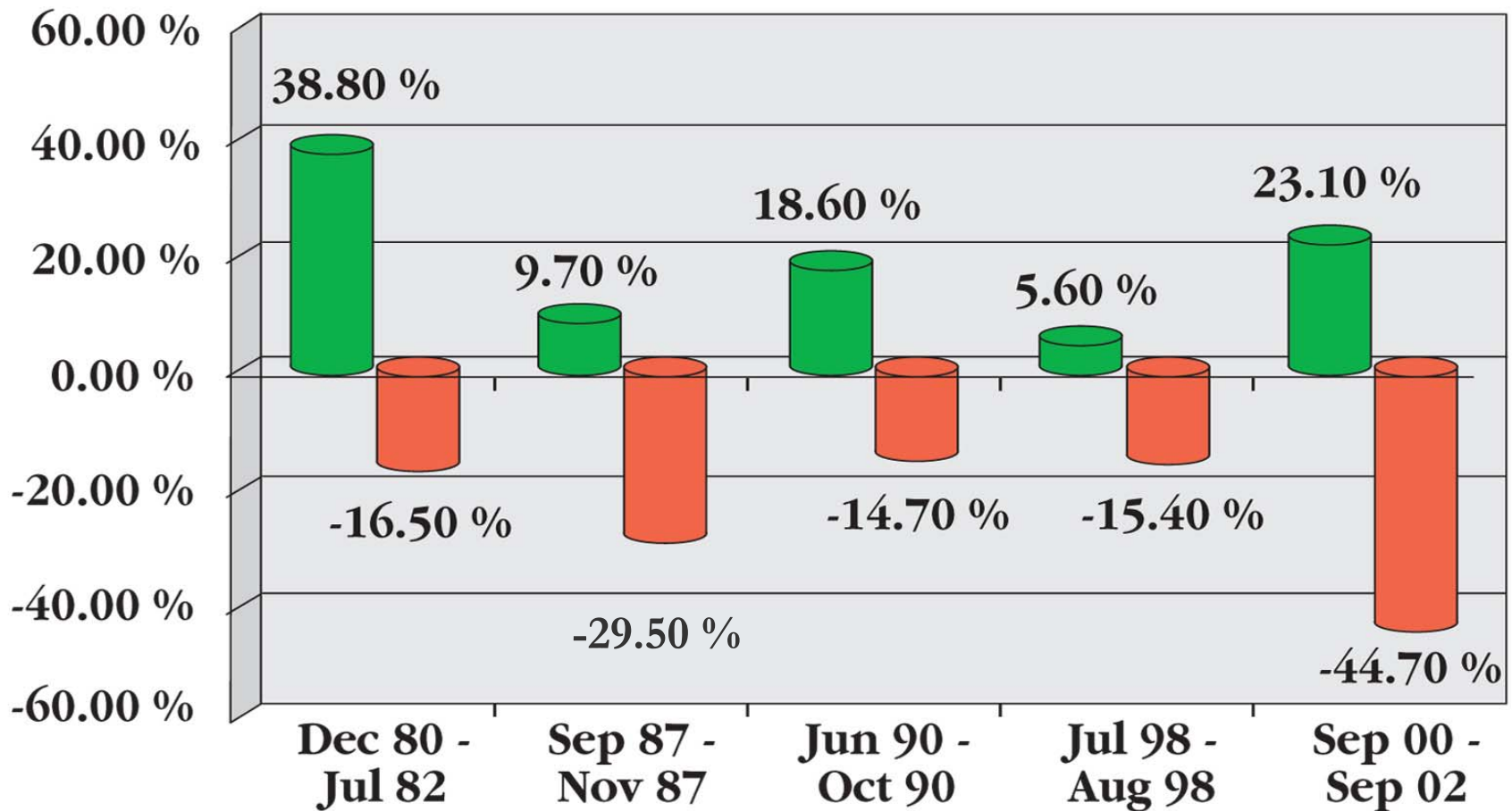
Non-correlated Performance



Barclay CTA Index



S & P Index



What is a Commodity Trading Advisor

- Commodity Trading Advisors (CTAs)
 - Licensed Professional Money Managers
- Registered with the National Futures Association (NFA)
 - Regulatory Organization for the Futures and Options Markets
- Required Disclosure Document by NFA
 - Strict Performance Reporting Requirements
 - Fees
 - Business background
 - Trading practices

Why Use a CTA?

Professional management

- Superior resources to devote to trading and research
- Full time commitment to risk / reward

Incentive based fee structured

- CTA is only compensated when the account is profitable
- Assures CTA is focused on low trading costs, high return and minimum drawdowns

Disciplined trading strategy

- Defined objective, adheres to strict policies and techniques of the disclosure document

Choosing a CTA

- Overall Investment Objective
- Risk Tolerance
- Desired Rate of Return
- Investment Time Frame
- Asset Allocation
- Portfolio Efficiency

Growth of Money Under Management

1980 – 2006

\$ billions on Dec. 31

1980 0.31	1989 7.00	1998 36.00
1981 0.38	1990 10.54	1999 41.30
1982 0.56	1991 14.50	2000 37.90
1983 0.63	1992 18.50	2001 41.30
1984 0.77	1993 26.00	2002 50.94
1985 1.49	1994 24.90	2003 86.50
1986 1.96	1995 22.80	2004 131.90
1987 3.90	1996 23.98	2005 130.60
1988 5.51	1997 33.10	10/07* 190.00

Fundamental Reasons

■ Supply and Demand

- Self Depleting
- Commodity Bear Market
- Industrialization
- Increase In Standard of Living

■ The China Factor

- Cement- 40%
- Iron Ore- 33%
- Cotton-33%
- Raw Steel -30%
- Stainless Steel-25%
- Aluminum- 23%
- Zinc- 21%
- Refined Copper-20%
- Soybeans-20%
- Crude Oil-8%

Long Term Commodity Bull Markets

- Past 100 years: 3 other commodity bull markets that have lasted an average of 15+ years
- Since 1870: Stocks and Commodities have alternated 7 times

What styles will work best in this market climate?

- Trend Following
- Options Selling
- Sector Specific Trading
- The Benefits of a Fund of Funds Approach; The Doulos II Fund

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CTA/CPO Trading Styles

Trend Following

- Market prices do not adjust instantly to new information.
- Financial markets, in the real world, are not as efficient as the models presented by academic financial theories.
- Market prices move from states of equilibrium, through states of transition, and back to new states of equilibrium, creating trends in the process.
- Historically, when major global economic or political events occur unexpectedly, they often ultimately manifest themselves in the markets as dramatic continuations of trends already in place.
- Utilizing a “trend-following” methodology allows managers to attempt to position themselves on the profitable side of such events.

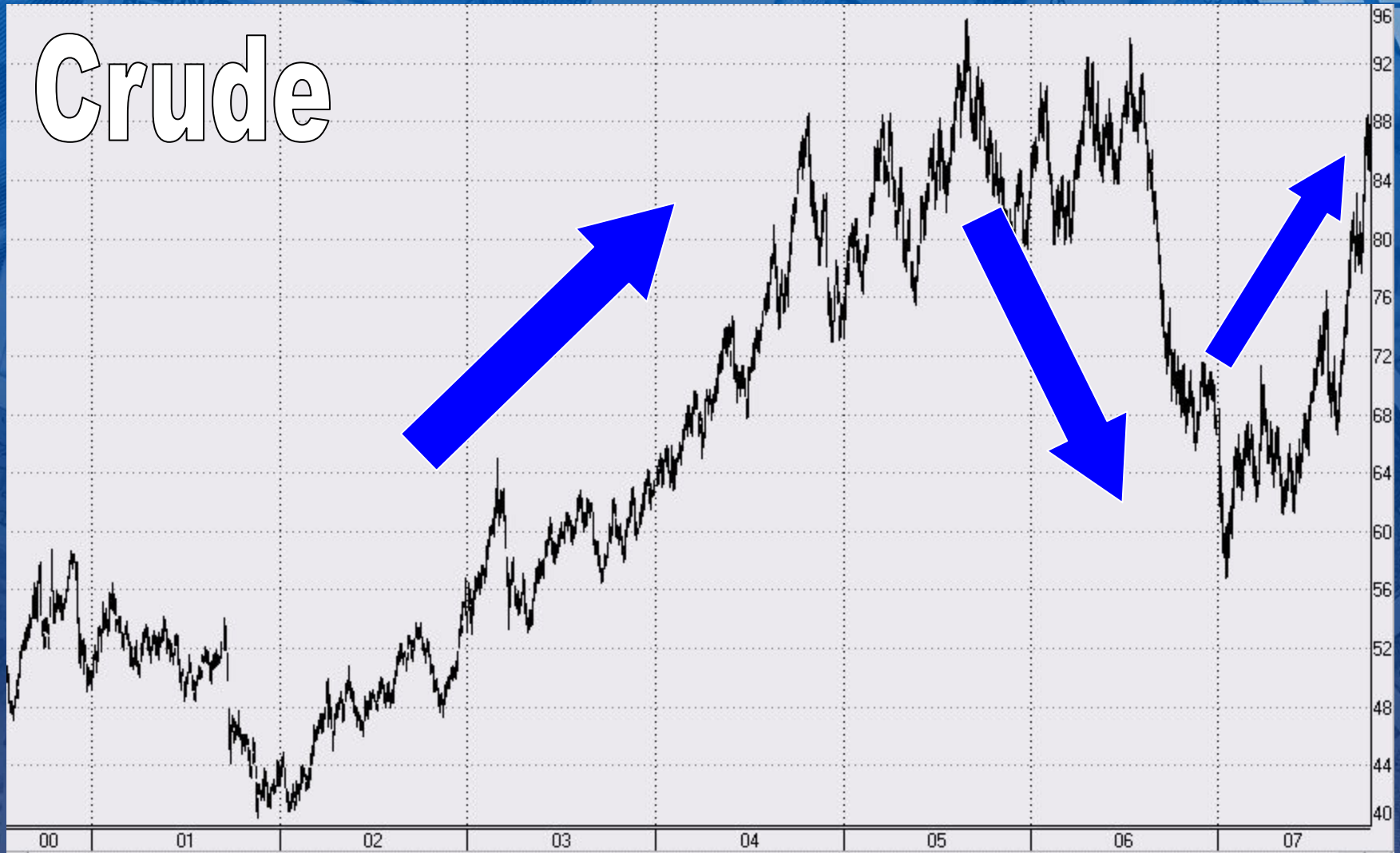
Examples of Trend Following Trades

Milk



Examples of Trend Following Trades

Crude



Examples of Trend Following Trades



Conditions where Trend Following will not do well....

- Sideways/Choppy markets
- Trend Following tends to chop in and out trying to find a directional trend

What styles will work best in this market climate?

- Trend Following
- **Options Selling**
- Sector Specific Trading

- The Benefits of a Fund of Funds Approach;
The Doulos II Fund

CTA/CPO Trading Styles

Options Selling

The practice of selling options on either futures or futures indices with the hopes that the option sold expires worthless and the seller of the option (the manager) collects the premium paid to him by the long-side holder of the option (the purchaser)

Conditions where Options Selling will not do well....

- Large volatility swings
- Huge movements in the underlying market the manager is selling
 - Feb. 27
 - August Movements

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- ***Sector Specific Trading***
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CTA/CPO Trading Styles

Sector Specific Trading

The practice of trading a strategy that focuses on one sector

- Meats
- Grains
- Energies
- Interest Rates
- Softs



Conditions where Sector Specific Trading will not do well....

- Depends on the Mangers trading style

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The Doulos II Multi-Manager Fund of Funds

For more information on the Doulos II Fund, including:

- Slide Presentation
- Pro-Forma Results
- Specific Manager by Manager Results
- Subscription Documents and Account Paperwork

Please fill out the request form and I'll contact you after the presentation