



Commodity Trading Solutions LLC

"Our mission is to help you succeed in trading and investing in the commodity futures markets."

Description and backtest of the Commodity Trading Strategy Offered by Commodity Trading Solutions LLC

www.commoditytradingsolutions.com

The Commodity Trading Strategy offers investors an entrance into market sectors and trading strategies that are normally **only available** to institutions and high net worth individuals. Our trading strategy allows the investor to have their investment run like a business. The concepts behind the strategy are consistent with most successful **wealth building** approaches.

The Commodity Trading Strategy is a fully diversified, turn key trading strategy that trades seven non-correlated market sectors: Energies, Financials, Currencies, Metals, Meats, Grains and Softs. The strategy trades 67 worldwide liquid markets.

The strategy exploits price trends in the markets traded by waiting for low risk opportunities to occur. Advanced money and risk management tactics then protect not only the initial capital risked on each trade, but any open equity profits. Different time frames, filtering and aggressive exits further increase the strategy's edge.

Because we do not in any way think we have quantified the future, the main focus of the strategy is to **manage risk and exposure**.

The strategy is made up of four core components. These unique, highly-advanced components are what give the strategy an enormous trading edge over other trading strategies and systems. They are:

- Fundamental driven inputs
- Dynamic portfolio selection
- Directional biased signals
- Superior money management controls

Fundamentally Driven Inputs

The strategy begins with the proprietary valuation determination algorithm. This 100% systematic filter determines when a market is under or over valued. The program also takes advantage of common sense, real-world trading inputs to filter out trades that do not make sense in the real world.

These fundamental inputs are then passed on to the next two components of the strategy.

Dynamic Portfolio Selection

The program does not trade a static portfolio like most other trading strategies and systems. The program dynamically **ranks each market** using a proprietary ranking metric. The markets are ranked daily and trading signals are only generated in the highest ranked markets.

Directionally Biased Signals

Market sectors traded do not necessarily trade long and short. This component of the strategy keys off of the fundamental inputs and establishes a trade direction for the market sector.

Superior Money Management Controls

Trading systems are incomplete. They do not have a money management component. For new trades, the Commodity Trading Strategy **manages exposure** on three levels.

All signals generated must pass through the risk and money management filters. The strategy can then examine risk prior to selecting the trades for the account. Each trade has to meet certain criteria to ensure that no one trade can adversely impact your account.

The Commodity Trading Strategy also monitors the amount of risk that it will accept in each market group to protect against too much exposure in any one sector. The markets that make up each sector are usually highly correlated.

Finally, the Commodity Trading Strategy manages the total risk of your account by monitoring the amount of exposure in all the open positions. This **protects your capital** against a random event.

Open trades are managed by a set of exits that lock in open profits.

Our [money management page](#) elaborates more in depth about money and risk management.

Real Time Results

The Commodity Trading Strategy just returned 32.03% in its first full month of trading!

| Commodity Trading Strategy | | | | | | | | | | |
|---|---|---------------------------------|--|---------------------------|--|-----------------------------|---------------------------|----------------------|-------------------------------------|---|
| Composite Actual Supplemental Performance Record May 23, 2008 Through June 2008 | | | | | | | | | | |
| Month | Beginning Equity Nominal Account Size (2) | Addition / Withdrawal (3) | Gross Realized Gains (Losses) (5) | Brokerage Comm. (6) | Change in Unrealized Gains (Losses) (7) | T-Bill Adjustment (8) | Net Performance (8) | Ending Equity (9) | Period Rate of Return (10) | Value of a Hypothetical \$1,000 Investment (VAM) (11) |
| May-08 | 65,000.00 | 0.00 | (3465.65) | (69.51) | 0.00 | 0.00 | (3,535.16) | 61,464.84 | -5.44% | \$1,000 |
| Jun-08 | 61,464.84 | 0.00 | 8,523.28 | (200.83) | 11,361.88 | 0.00 | 19,684.33 | 81,149.17 | 32.03% | \$946 |
| | | | | | | | | 16,149.17 | | \$1,248 |
| | | | | | | | | | | 24.84% |

* T-bills collateralized at 95%.

(1) Converted Market Value from last months statement.

(2) Nominal account value.

(5) This months statement ending balance minus last months statement ending balance plus commissions

(6) Commissions, clearing fees, exchange fees, regulatory fees

(7) This months statement open trade equity (futures + options) minus last months statement open trade equity (futures + options)

(8) (5) + (6) + (7)

(9) is equal to Ending balance + open trade equity + t-bills

CFTC REQUIRED RISK DISCLOSURE

Futures and options trading involve substantial risk. The valuation of futures and options may fluctuate, and as a result, clients may lose more than their original investment. In no event should the content of this brochure be construed as an express or an implied promise, guarantee or implication by or from Commodity Trading Solutions, llc. that you will profit or that losses can or will be limited in any manner whatsoever. Past performance is not necessarily indicative of future results. Information provided in this brochure is intended solely for informative purposes and is obtained from sources believed to be reliable. Information is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted.

Proof of Concept

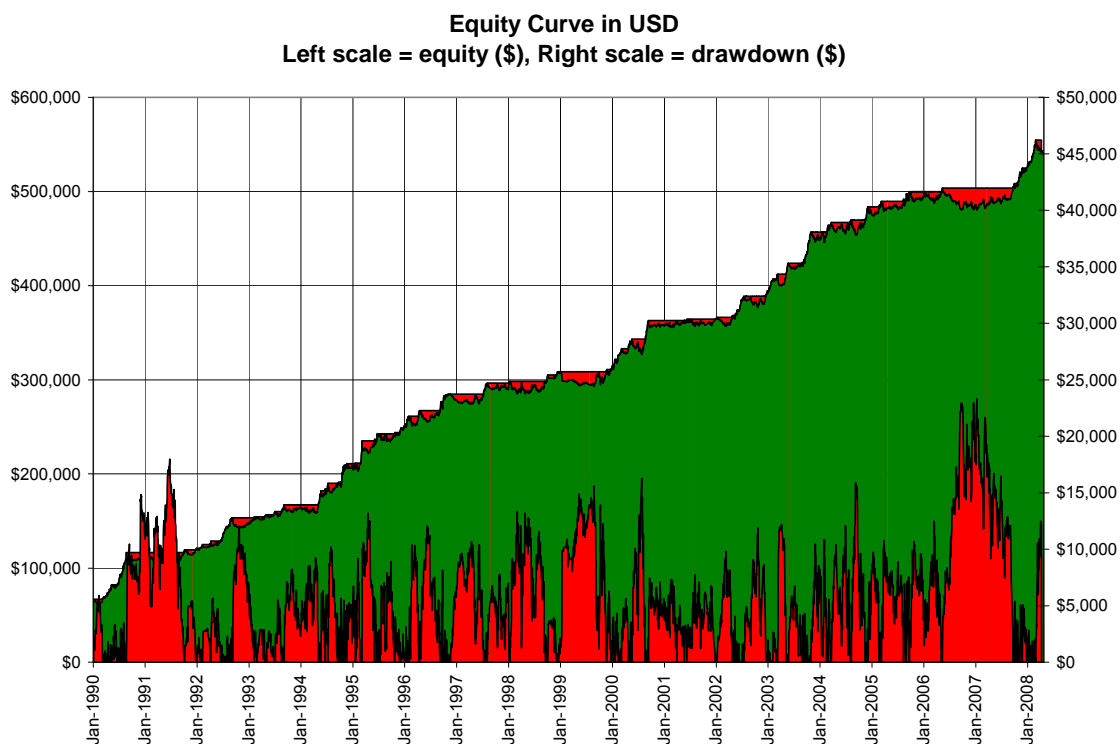
Below is the hypothetical backtest or what we like to refer to as the proof of concept of the strategy. The test is from 1 Jan 1990 to 25 April 2008 or just over 18 ½ years.

The test was run with an initial investment of \$65,000.

All tests were run with the Mechanics Portfolio Engineering software combined with an Excel macro to test 1 lot trading metrics.

Slippage and commission was \$75 on each new trade and \$37.50 on each roll.

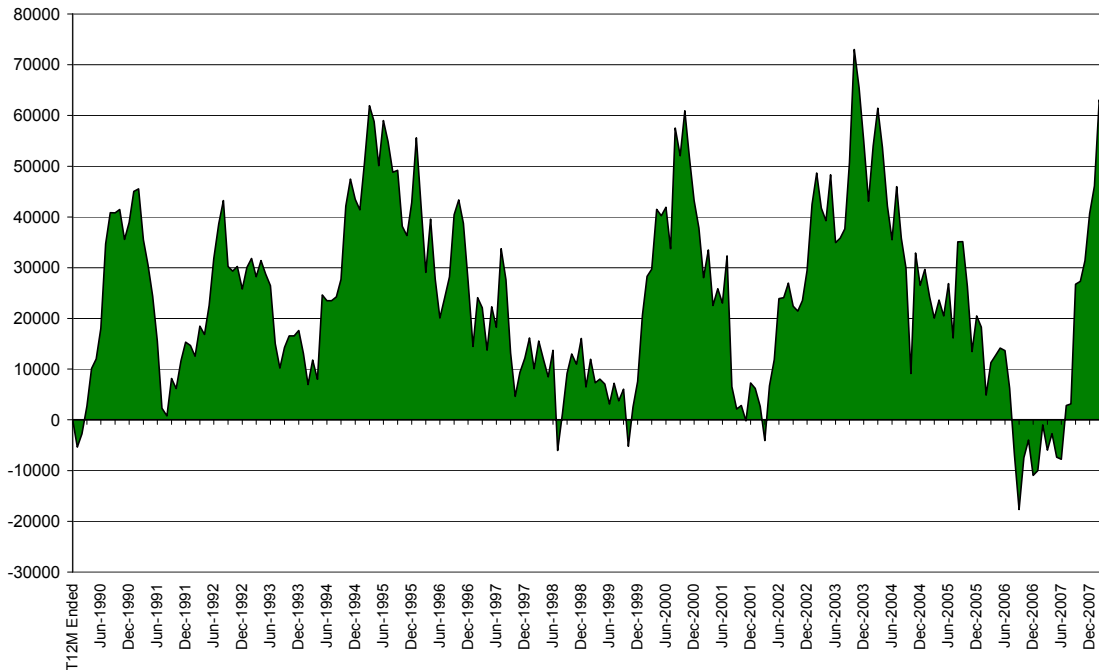
See our real time performance on the [Commodity Index Strategy](#) page to see that our slippage and commission assumptions are actually higher than our real world costs.



Equity Curve

The account equity is on the left hand scale and the account drawdown is on the right hand scale. The duration of the draw downs can be viewed by the red shaded valleys on the green curve. The depth of the draw downs can be viewed in the lower red shaded plot. The performance of the strategy can be seen by the green shaded plot. The strategy averaged 38.18% per year or **\$25,495.39 per year**.

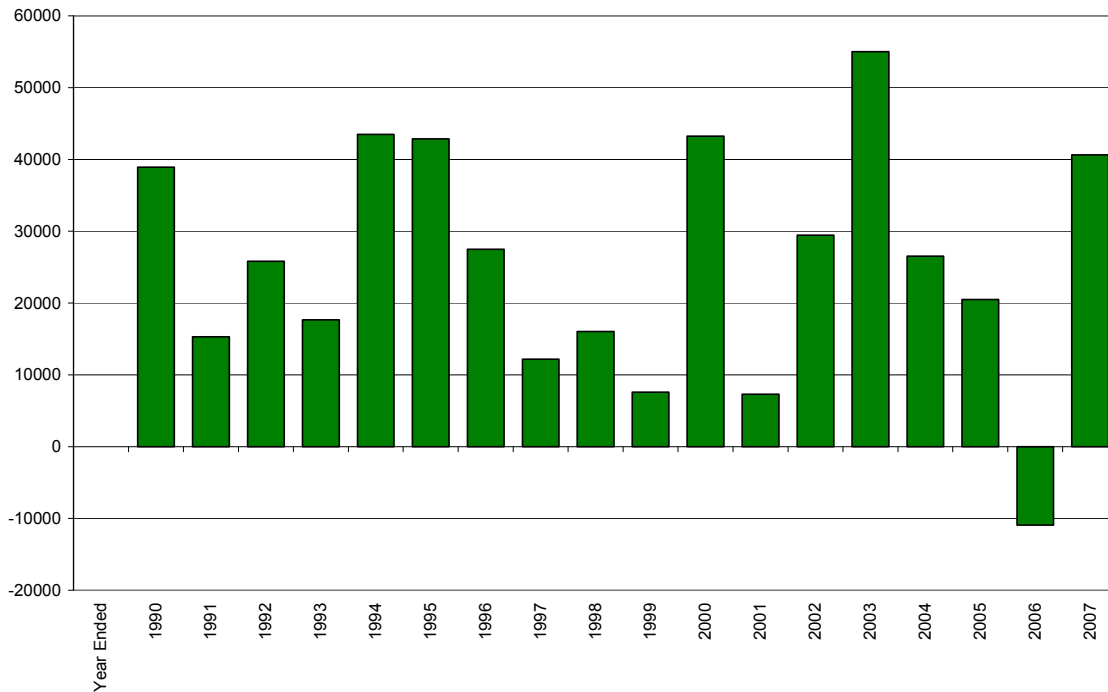
Trailing 12-Month Return in USD



Trailing 12 Month Returns

It represents the 12 month return or decline from each day in the test. The majority of the time the chart is positive. This means your chances to make money the first year trading are very much in **your favor**.

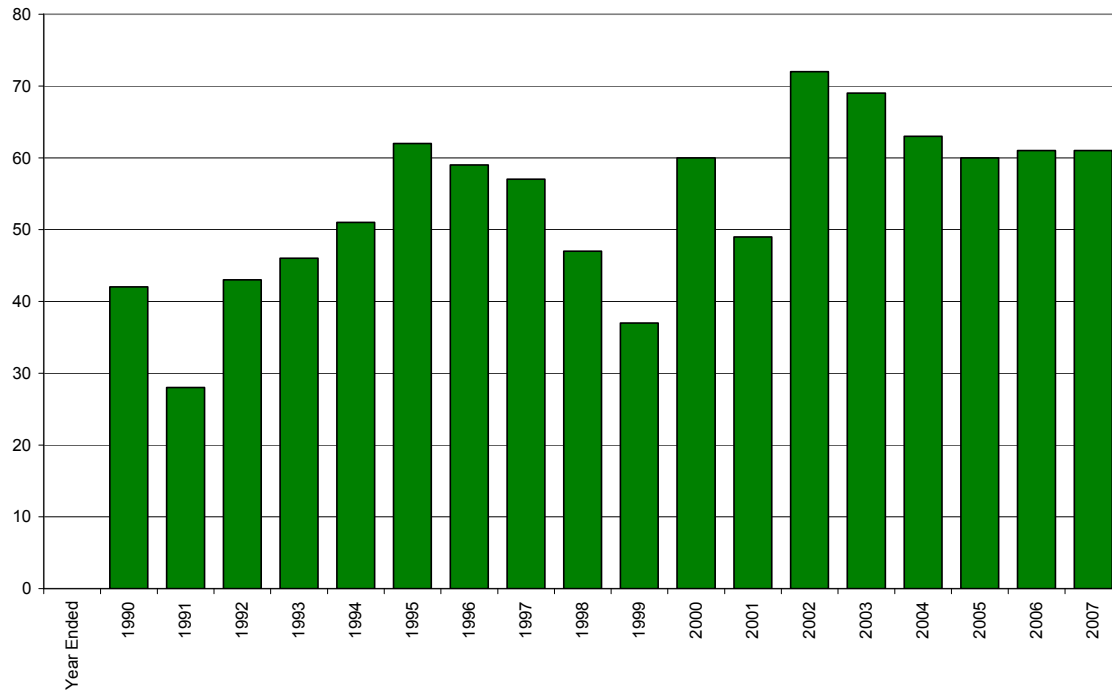
Annual Return in USD



Annual Return in USD

The return or decline at the end of each year. There is only one losing year. The average return for all years is **\$25,495.39**.

Number of Trades per Year



A Brokers Nightmare

Overtrading is the number one reason why traders lose money. This chart is the number of trades per year. The strategy trades an average of **only** 52 times per year.

Commodity Trading Solutions LLC

(hypothetical Backtest) Commodity Trading Strategy

Test Information

| | |
|------------------------|-----------|
| Start Date | 01/01/90 |
| End Date | 04/25/08 |
| Initial Balance | \$ 65,000 |
| Net Win Loss | \$473,270 |
| Ending Equity | \$540,083 |
| Total Number of Trades | 977 |
| # Wins | 330 |
| #Losses | 647 |
| % Winners | 33.80 |
| Max Consecutive Wins | 10 |
| Max Consecutive Losses | 17 |

Performance Information

| | |
|-----------------------------------|-----------------|
| ROI | 708.35 |
| Average Annual ROI | 38.18 |
| Avg. 5 Largest Drawdowns % | 17860 |
| Five Largest DD % Date | 23311 1/10/2007 |
| | 17978 6/24/1991 |
| | 16265 7/26/2000 |
| | 15873 9/8/2004 |
| | 15588 8/25/1999 |
| Longest Drawdown in Years | 1.35 |
| Drawdown Start Date | 5/15/2006 |
| Drawdown End Date | 9/19/2007 |
| Longest Excursion in Years | 0.83 |
| Excursion Start Date | 8/24/1990 |
| Excursion End Date | 6/24/1991 |
| MAR Ratio | 1.09 |
| Modified MAR Ratio | 1.43 |
| Std. Dev. Daily (\$) (%) Returns | 1161.53 1.79 |
| 3 Std. Dev. Daily (\$) (%)Returns | 3484.60 5.36 |
| Expectation | 62.20% |
| Percent New Highs | 9.19 |
| Kelly | 0.16 |

Trailing 12-m Returns

| | |
|-----------------------------------|-----------|
| Avg. Trailing 12-M Return | 24,418.53 |
| Std. Dev. of Trailing 12-M Return | 17,959.25 |

Monthly Returns

| | |
|-----------------------------|----------|
| Avg. Monthly Return | 2,184.46 |
| Std. Dev. of Monthly Return | 5,817.69 |

Quarterly Returns

| | |
|-------------------------------|----------|
| Avg. Quarterly Return | 6,552.38 |
| Std. Dev. of Quarterly Return | 8,448.08 |

Annual Returns

| | |
|----------------------------|-----------|
| Avg. Annual Return | 25,495.39 |
| Std. Dev. of Annual Return | 16,586.66 |

| | |
|-----------------------------|----------|
| Return Efficiency | 0.38 |
| Estimation of future Max DD | 29088.43 |

| | |
|------------------------------|-------|
| Estimation of future Returns | 48.68 |
|------------------------------|-------|

| | |
|-------------------|----------|
| Avg Winning Trade | 2,975.01 |
| Avg Losing Trade | -783.11 |
| W:L Ratio | 3.80 |
| Average Trade | 486.26 |

| | |
|-------------|-------|
| Trades/Year | 52.58 |
|-------------|-------|

| | |
|-----------------------|-------|
| Length of Test (yrs.) | 18.58 |
|-----------------------|-------|

| | |
|--------------------------|----|
| Avg Length Winning Trade | 53 |
| Avg Length Losing Trade | 15 |
| Avg Length All Trades | 28 |

Summary Table

The metrics that we feel have the most value going forward are the standard deviation of daily returns and the average trade. The above standard deviation of daily return means that the daily change in your account value will be within \$1161.53 approximately two thirds of the time. The average trade is \$486.26. This provides us with a **good cushion** for a rough period or higher costs from slippage or commission.

Below is the list of markets traded and the performance per market.

| Market | Profit | | | Wins | Losses | %Wins | |
|--------|--------|--------|----------|--------|--------|-------|--------|
| | \$PnL | Factor | \$Profit | | | | \$Loss |
| AD | -3893 | 0.86 | 23114 | -27007 | 8 | 26 | 23.5 |
| BAX | -691 | 0.82 | 3134 | -3825 | 3 | 11 | 21.4 |
| BO | 2911 | 1.58 | 7935 | -5024 | 3 | 12 | 20 |
| BP | 23824 | 2.06 | 46244 | -22420 | 12 | 19 | 38.7 |
| C | 6962 | 5.31 | 8576 | -1614 | 3 | 3 | 50 |
| CC | -2800 | 0.65 | 5238 | -8038 | 2 | 14 | 12.5 |
| CD | 8963 | 1.66 | 22559 | -13596 | 9 | 19 | 32.1 |
| CL | 12066 | 1.93 | 25021 | -12955 | 7 | 12 | 36.8 |
| CT | 11746 | 1.91 | 24611 | -12865 | 6 | 12 | 33.3 |
| CU | 20539 | 2.76 | 32176 | -11637 | 8 | 7 | 53.3 |
| DX | 21207 | 1.88 | 45329 | -24122 | 12 | 19 | 38.7 |
| EBL | 10612 | 3.85 | 14338 | -3726 | 3 | 3 | 50 |
| EBM | 7532 | 4.26 | 9842 | -2310 | 4 | 3 | 57.1 |
| EBS | -1205 | 0 | 0 | -1205 | 0 | 4 | 100 |
| ED | 11075 | 2.7 | 17601 | -6526 | 9 | 12 | 42.9 |
| FC | 5234 | 1.31 | 21888 | -16654 | 6 | 22 | 21.4 |
| FEI | 840 | 3 | 1261 | -421 | 2 | 1 | 66.7 |
| FLG | 30546 | 3.6 | 42276 | -11730 | 8 | 8 | 50 |
| FSS | 4645 | 2.67 | 7422 | -2777 | 7 | 8 | 46.7 |
| FV | 18210 | 3.12 | 26806 | -8596 | 10 | 12 | 45.5 |
| GC | 5048 | 1.94 | 10426 | -5378 | 3 | 6 | 33.3 |
| HG | 850 | 1.08 | 12014 | -11164 | 6 | 10 | 37.5 |
| HO | 15544 | 2.31 | 27428 | -11884 | 5 | 9 | 35.7 |
| JAC | 3245 | 36.27 | 3337 | -92 | 1 | 1 | 50 |
| JAU | -2212 | 0.5 | 2202 | -4414 | 2 | 16 | 11.1 |
| JCR | -1201 | 0.73 | 3289 | -4490 | 1 | 10 | 9.1 |
| JGL | 6713 | 2.08 | 12948 | -6235 | 5 | 8 | 38.5 |
| JKE | -3865 | 0.4 | 2557 | -6422 | 2 | 6 | 25 |
| JNS | -1198 | 0 | 0 | -1198 | 0 | 8 | 100 |

| Market | Profit | | | Wins | Losses | %Wins | |
|----------------|---------------|-------------|---------------|----------------|------------|------------|--------------|
| | \$PnL | Factor | \$Profit | | | | \$Loss |
| JPL | 9466 | 3.85 | 12786 | -3320 | 10 | 11 | 47.6 |
| JRU | -267 | 0.84 | 1362 | -1629 | 3 | 5 | 37.5 |
| JY | 34988 | 2.6 | 56814 | -21826 | 10 | 13 | 43.5 |
| KC | 28032 | 1 | 28032 | 0 | 4 | 0 | 100 |
| KPO | 12141 | 11.71 | 13275 | -1134 | 5 | 4 | 55.6 |
| KW | 2636 | 1.37 | 9826 | -7190 | 3 | 12 | 20 |
| LC | -6274 | 0.51 | 6598 | -12872 | 7 | 24 | 22.6 |
| LCC | 706 | 1.55 | 1982 | -1276 | 1 | 3 | 25.000 |
| LCO | 3668 | 1.29 | 16301 | -12633 | 5 | 14 | 26.3 |
| LGO | 12164 | 4.99 | 15214 | -3050 | 4 | 2 | 66.7 |
| LH | -660 | 0.95 | 11771 | -12431 | 5 | 17 | 22.7 |
| LKD | -297 | 0.9 | 2671 | -2968 | 2 | 9 | 18.2 |
| LSU | 1211 | 1.29 | 5341 | -4130 | 4 | 10 | 28.6 |
| MCU | 750 | 1.07 | 11275 | -10525 | 3 | 8 | 27.3 |
| MHA | 9500 | 2.37 | 16425 | -6925 | 6 | 7 | 46.2 |
| MNI | 17400 | 3.3 | 24975 | -7575 | 5 | 5 | 50 |
| MP | -2499 | 0.84 | 13027 | -15526 | 5 | 14 | 26.3 |
| MW | 1773 | 1.21 | 10301 | -8528 | 3 | 15 | 16.7 |
| MZS | 5625 | 1.64 | 14375 | -8750 | 4 | 10 | 28.6 |
| NG | 12486 | 4.96 | 15636 | -3150 | 5 | 3 | 62.5 |
| PA | 4706 | 1.55 | 13233 | -8527 | 5 | 12 | 29.4 |
| QG | 1713 | 3.59 | 2375 | -662 | 1 | 1 | 50 |
| QM | -4666 | 0.11 | 600 | -5266 | 1 | 4 | 20 |
| RB | 0 | 1 | 0 | 0 | 0 | 0 | 100 |
| RS | 85 | 1.05 | 1790 | -1705 | 2 | 10 | 16.7 |
| S | 6249 | 2.3 | 11050 | -4801 | 3 | 5 | 37.5 |
| SB | 1435 | 1.32 | 5979 | -4544 | 3 | 12 | 20 |
| SEY | 596 | 1.67 | 1485 | -889 | 6 | 8 | 42.9 |
| SF | 38213 | 3.3 | 54814 | -16601 | 13 | 14 | 48.1 |
| SI | -1169 | 0.64 | 2055 | -3224 | 3 | 9 | 25 |
| SJB | 3974 | 1.48 | 12326 | -8352 | 5 | 12 | 29.4 |
| SM | 12708 | 3.41 | 17984 | -5276 | 6 | 6 | 50 |
| TU | 12231 | 2.77 | 19147 | -6916 | 8 | 12 | 40 |
| TY | 12026 | 1.92 | 25106 | -13080 | 10 | 14 | 41.7 |
| US | 20049 | 1.91 | 42126 | -22077 | 10 | 16 | 38.5 |
| W | 5363 | 2 | 10702 | -5339 | 5 | 10 | 33.3 |
| YG | 7561 | 3.54 | 10536 | -2975 | 4 | 8 | 33.3 |
| YI | 210 | 1.08 | 2886 | -2676 | 4 | 7 | 36.4 |
| Total | 475080 | 1.94 | 981753 | -506673 | 330 | 647 | 0.338 |
| #Trades | 977 | | | | | | |

The Commodity Trading Strategy is offered exclusively through an annual subscription through our preferred brokers.

We recommend, especially if you are a newer trader, you take advantage of our preferred broker, [Angus Jackson Inc.](#) They have been in business for over twenty years. Their execution services are **superb** and they provide a seamless implementation of our strategies.

We recommend trading the strategy with between 60–80k USD, depending on your level of risk. For larger account sizes, trade 1 lot for each 80–100k USD.

The Commodity Trading Strategy is available through the low-cost annual subscription rate of only \$1,197.

Use our [secured order page](#) for online orders.

Or if you prefer regular mail, complete the next two pages and mail it with your payment to:

Commodity Trading Solutions, LLC.
1914 Cordova Rd.
Suite 208
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Date

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For any questions please call us at (954) 892-5004.

Requested information (all info must be included to process order):

Bill to:

Name _____ Company _____

Street _____ City, State, Zip _____

Country _____ Phone/Fax _____ E-Mail _____

Order Info:

| Product | Price | Quantity | Subtotal |
|----------------------------|--------|--------------------|----------|
| Commodity Index Strategy | \$997 | | |
| Commodity Trading Strategy | \$1197 | | |
| Both Strategies | \$1997 | | |
| | | Order Total | |

Preferred Broker _____

Method of Payment (please check one):

Visa Money Order MasterCard American Express
 Check (Commodity Trading Solutions, LLC)
 Transfer from Brokerage account (Only available for Angus Jackson clients)

Information for Credit Card payments:

Name (First, Last) as it appears on the card

Credit card Number

____ - ____ - ____
Exp. Date

Address (address for credit card account)

Signature

Date

CFTC REQUIRED RISK DISCLOSURE

Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those being shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

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