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 Index Strategy**
**Offered by Commodity Trading Solutions LLC**
www.commoditytradingsolutions.com

The Commodity Index Strategy is a fully diversified, turn key trading strategy that trades 27 of the most highly liquid futures markets available. It trades across seven non-correlated market sectors: Energies, Financials, Currencies, Metals, Meats, Grains and Softs.

The Commodity Index Strategy exploits price trends in the markets by waiting for low risk, high opportunity trades to occur. It uses wide stops to stay in the trade and capture big, bull-market moves.

Subscribers to the Commodity Index Strategy are essentially creating their own personal commodity index.

The strategy is made up of three core components. These unique, highly-advanced components give the Commodity Index Strategy an enormous trading edge over other commodity trading strategies and indexes. They are:

- Fundamental driven inputs
- Directional biased signals
- Superior money management controls

Fundamentally Driven Inputs
The Commodity Index 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 component of the strategy.

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. They are long only, short only, or long and short.

Superior Money Management Controls
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 Index 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 Index 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.

***No other commodity index actively manages your exposure to the individual markets***. Investors participating in any of the mainstream commodity indexes still need to know when it is a good time to buy or sell. After this decision, they can still only purchase the index in its entirety. The Commodity Index Strategy switches back and forth from a cash position to being fully invested based on the proprietary valuation algorithm.

The Commodity Index Strategy will also not initiate new positions in any over-valued markets.

These features remove all the guess work by the investor.

Real Time Results

***The Commodity Index Strategy has been trading since 15 June 2007 or 4.13 years, it has been compounding at 14.7% per year!***

***That's compounded not average returns!***

**Commodity Index Strategy**

Composite Actual Supplemental Performance Record June 15, 2007 Through July 2011

| 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 | Net Performance (8) | Ending Equity (9) | Period Rate of Return (10) | Value of a Hypothetical $1,000 Investment (VAMI) (11) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | $1,000 |
| Jun-07 | 62,679.17 | 0.00 | (2637.24) | (87.75) | 194.75 | 3000.00 | (2,530.24) | 63,148.93 | -4.04% | $960 |
| Jul-07 | 60,148.93 | 0.00 | (824.07) | (84.86) | 4383.50 | 3000.00 | 3,474.57 | 66,623.50 | 5.78% | $1,015 |
| Aug-07 | 63,623.50 | 0.00 | (1810.59) | (34.48) | (2712.00) | 3000.00 | (4,557.07) | 62,066.43 | -7.16% | $942 |
| Sep-07 | 59,066.43 | 0.00 | 4698.84 | (51.93) | 4051.48 | 3000.00 | 8,698.39 | 70,764.82 | 14.73% | $1,081 |
| Oct-07 | 67,764.82 | 0.00 | 1499.98 | (44.72) | 5458.50 | 1500.00 | 6,913.76 | 76,178.58 | 10.20% | $1,191 |
| Nov-07 | 74,678.58 | 0.00 | 17277.89 | (121.44) | (10273.88) | 1500.00 | 6,882.57 | 83,061.15 | 9.22% | $1,301 |
| Dec-07 | 81,561.58 | 0.00 | 2398.65 | (52.90) | 780.03 | 0.00 | 3,125.78 | 84,687.36 | 3.83% | $1,351 |
| **2007** | | | | | | | 22,007.76 | | **35.11%** | |
| Jan-08 | 84,686.93 | 0.00 | (1589.44) | (35.22) | 18156.97 | 0.00 | 16,532.31 | 101,219.24 | 19.52% | $1,615 |
| Feb-08 | 101,219.24 | 0.00 | 20042.13 | (154.72) | (1662.77) | 1,000.00 | 18,224.64 | 120,443.88 | 18.01% | $1,906 |
| Mar-08 | 119,346.07 | 0.00 | 1232.07 | (54.54) | (16606.09) | 1,000.00 | (15,428.56) | 104,917.51 | -12.93% | $1,659 |
| Apr-08 | 103,325.96 | 0.00 | (4190.25) | (36.47) | (2957.71) | 1,000.00 | (7,184.43) | 97,141.53 | -6.95% | $1,544 |
| May-08 | 97,141.53 | (31,082.98) | (2185.17) | (36.09) | (219.50) | 0.00 | (2,440.76) | 63,617.79 | -2.51% | $1,505 |
| Jun-08 | 63,617.79 | 0.00 | 882.29 | (55.88) | 8,030.92 | 0.00 | 8,857.33 | 72,475.12 | 13.92% | $1,715 |
| Jul-08 | 72,475.12 | 0.00 | (4753.97) | (45.47) | (6430.62) | 0.00 | (11,230.06) | 61,245.06 | -15.50% | $1,449 |
| Aug-08 | 61,245.06 | 0.00 | (7139.86) | (43.07) | (895.80) | 0.00 | (8,078.73) | 53,166.33 | -13.19% | $1,258 |
| Sep-08 | 53,166.33 | 0.00 | (1013.94) | (31.38) | (290.00) | 0.00 | (1,335.32) | 51,831.01 | -2.51% | $1,226 |
| Oct-08 | 51,831.01 | (10,000.00) | (537.48) | 0.00 | 0.00 | 0.00 | (537.48) | 41,293.53 | -1.04% | $1,214 |
| Nov-08 | 41,293.53 | 0.00 | (562.62) | (11.86) | 1310.00 | 0.00 | 735.52 | 42,029.05 | 1.78% | $1,235 |
| Dec-08 | 42,029.05 | 0.00 | 3864.30 | (11.86) | (1310.00) | 0.00 | 2,542.44 | 44,571.49 | 6.05% | $1,310 |
| **2008** | | | | | | | 656.90 | | **-3.05%** | |
| Jan-09 | 44,571.49 | 0.00 | (1762.03) | 0.00 | 0.00 | 0.00 | (1,762.03) | 42,809.46 | -3.95% | $1,258 |
| Feb-09 | 42,809.46 | 0.00 | (1320.79) | 0.00 | 0.00 | 0.00 | (1,320.79) | 41,488.67 | -3.09% | $1,219 |
| Mar-09 | 41,488.67 | 0.00 | (270.24) | 0.00 | 0.00 | 0.00 | (270.24) | 41,218.43 | -0.65% | $1,211 |
| Apr-09 | 41,218.43 | 0.00 | 777.07 | 0.00 | 0.00 | 0.00 | 777.07 | 41,995.50 | 1.89% | $1,234 |
| May-09 | 41,995.50 | 0.00 | 1448.87 | (21.84) | 0.00 | 0.00 | 1,427.03 | 43,422.53 | 3.40% | $1,276 |
| Jun-09 | 43,422.53 | 0.00 | (981.11) | 0.00 | 0.00 | 0.00 | (981.11) | 42,441.42 | -2.26% | $1,247 |
| Jul-09 | 42,441.42 | 0.00 | 374.75 | (44.22) | 1393.88 | 0.00 | 1,724.41 | 44,165.83 | 4.06% | $1,298 |
| Aug-09 | 44,165.83 | 0.00 | (244.90) | 0.00 | 130.40 | 0.00 | (114.50) | 44,051.33 | -0.26% | $1,295 |
| Sep-09 | 44,051.33 | 0.00 | 2689.22 | (33.84) | 2787.16 | 0.00 | 5,442.54 | 49,493.87 | 12.35% | $1,455 |
| Oct-09 | 49,493.87 | 0.00 | (1703.34) | (36.28) | 2226.20 | 0.00 | 486.58 | 49,980.45 | 0.98% | $1,469 |
| Nov-09 | 49,980.45 | 0.00 | 13,043.29 | (90.78) | (4775.36) | 0.00 | 8,177.15 | 58,157.60 | 16.36% | $1,709 |
| Dec-09 | 58,157.60 | 0.00 | (2685.94) | (46.62) | 2602.72 | 0.00 | (129.84) | 58,027.76 | -0.22% | $1,705 |
| **2009** | | | | | | | 13,456.27 | | **30.19%** | |
| Jan-10 | 58,027.76 | 5,000.00 | (2592.43) | (11.92) | (1022.00) | 0.00 | (3,626.35) | 59,401.41 | -6.25% | $1,599 |
| Feb-10 | 49,401.41 | 0.00 | 4350.34 | (17.07) | (1046.25) | 0.00 | 3,287.02 | 52,688.43 | 6.65% | $1,705 |
| Mar-10 | 52,688.43 | 0.00 | (1319.77) | (125.45) | (3383.57) | 0.00 | (4,828.79) | 47,859.64 | -9.16% | $1,549 |
| Apr-10 | 47,859.64 | 0.00 | (1705.71) | (69.40) | 10,021.08 | 0.00 | 8,245.97 | 56,105.61 | 17.23% | $1,816 |
| May-10 | 56,105.61 | 0.00 | 2145.91 | (91.88) | (9037.86) | 0.00 | (6,983.83) | 49,121.78 | -12.45% | $1,590 |
| Jun-10 | 49,121.78 | 0.00 | (360.00) | (21.84) | 1384.48 | 0.00 | 1,002.64 | 50,124.42 | 2.04% | $1,622 |
| Jul-10 | 50,124.42 | 0.00 | (1480.94) | (69.84) | (1588.30) | 0.00 | (3,139.08) | 46,985.34 | -6.26% | $1,521 |
| Aug-10 | 46,985.34 | 0.00 | (4107.48) | (69.84) | 3372.02 | 0.00 | (805.30) | 46,180.04 | -1.71% | $1,495 |
| Sep-10 | 46,180.04 | 0.00 | 586.87 | 0.00 | 4346.40 | 0.00 | 4,933.27 | 51,113.31 | 10.68% | $1,654 |
| Oct-10 | 51,113.31 | 0.00 | 134.86 | 0.00 | 4352.60 | 0.00 | 4,487.46 | 55,600.77 | 8.78% | $1,799 |
| Nov-10 | 55,600.77 | 0.00 | 13,921.83 | (78.31) | (6627.56) | 0.00 | 7,215.96 | 62,816.73 | 12.98% | $2,033 |
| Dec-10 | 62,816.73 | 0.00 | 1704.88 | (58.59) | 2673.14 | 0.00 | 4,319.43 | 67,136.16 | 6.88% | $2,173 |
| **2010** | | | | | | | 14,108.40 | | **27.41%** | |
| Jan-11 | 67,136.16 | 0.00 | (2737.32) | (91.46) | (7471.68) | 0.00 | (10,300.46) | 56,835.70 | -15.34% | $1,839 |
| Feb-11 | 56,835.70 | 0.00 | (833.62) | (69.63) | 1014.90 | 0.00 | 111.65 | 56,947.35 | 0.20% | $1,843 |
| Mar-11 | 56,947.35 | 0.00 | 1489.05 | (78.23) | 2872.42 | 0.00 | 4,283.24 | 61,230.59 | 7.52% | $1,982 |
| Apr-11 | 61,230.59 | 0.00 | (1625.38) | (44.64) | 393.50 | 0.00 | (1,276.52) | 59,954.07 | -2.08% | $1,940 |
| May-11 | 59,954.07 | 0.00 | 230.59 | (33.87) | (2765.24) | 0.00 | (2,568.52) | 57,385.55 | -4.28% | $1,857 |
| Jun-11 | 57,385.55 | 0.00 | (3708.90) | (66.28) | 820.67 | 0.00 | (2,954.51) | 54,431.04 | -5.15% | $1,762 |
| Jul-11 | 54,431.04 | 0.00 | (984.63) | (22.46) | 1025.25 | 0.00 | 18.16 | 54,449.20 | 0.03% | $1,762 |
| **2011** | | | | | | | (12,686.96) | | **-18.90%** | |

* T-bills collatateralized 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.

Analysis of Real Time Results vs. Backtest Results

The Commodity Index Strategy began trading on June 15, 2007. It ended the year + 29.89% (not including T-bill interest and collateral held in foreign currencies) after ***only five and a half months of trading!***

Below is an analysis between the real-time trading performance and the results of the backtest, from June 15, 2007 to December 31, 2007.

The tables below show three sets of trades. Table 1 is the actual trades by the Commodity Index Strategy. Table 2 is the trades from the backtest, from June 4, 2007 until December 31, 2007. Table 3 is the trades from the Order Manager from the Mechanica Trading platform. This is the exact order sheet used by Angus Jackson traders.

**Table 1. Actual Account**

| Entry Date | Position | Market | Entry Fill | Exit Date | Exit Fill | Result | Discount Comm & Fees | Full service Comm/Fees |
|---|---|---|---|---|---|---|---|---|
| 20070615* | L 1 | Jul07 YI | 1323.00 | 20070625 | 1282.60 | ($404.00) | -16.86 | -41.86 |
| 20070621 | L 1 | Sep07 BP | 198.82 | 20070913 | 203.04 | $2,637.50 | -17.44 | -42.44 |
| 20070913 | Roll | Dec07 BP | 202.60 | 20071211 | 204.59 | $1,243.75 | -16.44 | -41.44 |
| 20071211 | Roll | Mar08 BP | 203.93 | 20071231 | 198.85 | ($3,175.00) | -16.44 | -41.44 |
| 20070622 | L 1 | Sep07 PA | 381.95 | 20070627 | 366.05 | ($1,590.00) | -18.07 | -43.07 |
| 20070629 | L 1 | Dec07 BO | 38.75 | 20070810 | 37.10 | ($990.00) | -16.86 | -41.86 |
| 20070702 | S 1 | Sep07 DX | 81.38 | 20070815 | 81.710 | ($330.00) | -18.34 | -43.34 |
| 20070821 | S 1 | Sep07 DX | 81.250 | 20070912 | 79.480 | $1,770.00 | -18.34 | -43.34 |
| 20070912 | Roll | Dec07 DX | 79.300 | 20071130 | 76.210 | $3,090.00 | -18.34 | -43.34 |
| 20070710 | L 1 | Aug07 LC | 92.45 | 20070712 | 92.425 | ($10.00) | -16.57 | -41.57 |
| 20070712 | Roll | Oct07 LC | 96.65 | 20070809 | 95.425 | ($490.00) | -16.57 | -41.57 |
| 20070711 | L 1 | Sep07 LKD | 1925.00 | 20070713 | 1848.00 | ($385.00) | -16.3 | -41.3 |
| 20070723 | L 1 | Aug07 YG | 683.80 | 20070726 | 668.60 | ($504.64) | -16.86 | -41.86 |
| 20070726 | Roll | Dec07 YG | 681.30 | 20070730 | 672.60 | ($288.84) | -16.86 | -41.86 |
| 20070904 | L 1 | Dec07 YG | 686.00 | 20071129 | 794.00 | $3,585.60 | -16.86 | -41.86 |
| 20071129 | Roll | Feb08 YG | 800.80 | 20071231 | 842.60 | $1,387.76 | -16.86 | -41.86 |
| 20070917 | L 1 | Dec07 CC | 18.85 | 20071102 | 19.82 | $970.00 | -18.49 | -43.49 |
| 20071102 | Roll | Mar08 CC | 19.91 | 20071231 | 20.57 | $660.00 | -18.74 | -43.74 |
| 20071017 | L 1 | Dec07 BO | 40.57 | 20071114 | 44.85 | $2,568.00 | -18.86 | -43.86 |
| 20071114 | Roll | Jan08 BO | 45.30 | 20071212 | 45.85 | $330.00 | -18.86 | -43.86 |
| 20071212 | Roll | Mar08 BO | 46.45 | 20071231 | 49.67 | $1,932.00 | -18.86 | -43.86 |
| 20071019 | L 1 | Dec07 TY | 110-05.5 | 20071130 | 114-00 | $3,828.12 | -17.51 | -42.51 |
| 20071130 | Roll | Mar08 TY | 113-09.2 | 20071231 | 112-29 | ($382.81) | -16.36 | -41.36 |
| 20071019 | L 1 | Dec07 FV | 107-15.5 | 20071130 | 110-11 | $2,859.37 | -17.51 | -42.51 |
| 20071130 | Roll | Mar08 FV | 110-02.7 | 20071231 | 109-30.5 | ($132.81) | -16.36 | -41.36 |
| 20071025 | L 1 | Dec07 YI | 1398.00 | 20071128 | 1439.40 | $414.00 | -16.86 | -41.86 |
| 20071128 | Roll | Mar08 YI | 1459.80 | 20071129 | 1456.10 | ($37.00) | -16.86 | -41.86 |
| 20071030 | L 1 | Jan08 LKD | 1871.00 | 20071203 | 1736.00 | ($675.00) | -15.8 | -40.8 |
| 20071205 | L 1 | Mar08 C | 4.12 | 20071231 | 4.52 | $2,000.00 | -18.86 | -43.86 |
| | *Entered on start of program just to match position | | | | | $19,881.00 | ($503.94) | ($1,228.94) |
| | | | | | | $19,377.06 | Total w/ Actual Commisions | |
| | | | | | | $18,652.06 | Total w/ Std Commissions | |

**Tracking Error Actual **** **6.02%** **(Actual Account Performance in Regard to BackTest)**

**Tracking Error full service commission *** **2.37%** **(Account Performance w/ full service Comm Rate in Regard to Back Test)**

**** T-Bill Return Not Included**

Table 1 shows actual trades with real slippage and commission. We pay a discount commission, so we added the last column in table 1 to show the actual results with a full service commission as well. There are only two slight discrepancies between the orders and the actual trades.

The first error is in the Sept 07 US Dollar Index. In our account, the trade was exited on 08/15/07 at 81.710. It was reentered on 8/21/07 at 81.250. This resulted in a $460 error plus an extra $18.34 round turn commission that went against us. This means that the trade should have had a $478.34 larger profit.

The second error is more of a discrepancy between the real world and the hypothetical. Notice the Dec07 Mini-gold roll on July 26, 2007. In the orders, the roll did not take place. Most likely, this is due to the actual order being filled on July 23, 2007, rather than July 20, 2007 (as in the Order Manager). Again, this results in an extra commission of $16.86, which goes against us.

**Table 2. Back Test Ran over duration of Actual Trading 20070615 - 20071231**

Created 1/2/2008

| Symbol | Entry Date | Exit Date | $ P/L | Position Size |
|---|---|---|---|---|
| YI_0_I0B | 20070604 | 20070625 | ($1,005.00) | L 1 |
| BP20100B | 20070620 | 20071231 | ($350.00) | L 1 |
| PA_0_I0B | 20070622 | 20070627 | ($1,780.00) | L 1 |
| BO_0_I0B | 20070629 | 20070810 | ($1,131.00) | L 1 |
| DX_0_I0B | 20070702 | 20071130 | $4,978.00 | S 1 |
| LC20_I0B | 20070710 | 20070809 | ($732.00) | L 1 |
| LKD1100B | 20070711 | 20070713 | ($485.00) | L 1 |
| YG_0_I0B | 20070720 | 20070727 | ($584.00) | L 1 |
| YG_0_I0B | 20070904 | 20071231 | $4,723.00 | L 1 |
| CC_0_I0B | 20070917 | 20071231 | $1,338.00 | L 1 |
| BO_0_I0B | 20071017 | 20071231 | $4,728.00 | L 1 |
| TY20_I0B | 20071019 | 20071231 | $3,856.00 | L 1 |
| FV20_I0B | 20071019 | 20071231 | $2,966.00 | L 1 |
| YI_0_I0B | 20071025 | 20071129 | $308.00 | L 1 |
| LKD1100B | 20071030 | 20071203 | ($695.00) | L 1 |
| C__0_I0B | 20071205 | 20071231 | $2,075.00 | L 1 |
| | | | $18,210.00 | |

**Table 3. Mechanica Order Manager**

| Entry Date | Position | Market | Entry Fill | Exit Date | Exit Fill | Total wS&C |
|---|---|---|---|---|---|---|
| 20070604 | L 1 | Jul07 YI | 1374.50 | 20070625 | 1281.50 | ($1,005.00) |
| 20070620 | L 1 | Sep07 BP | 199.28 | 20070911 | 202.26 | |
| 20070911 | Roll | Dec07 BP | 202.26 | 20071211 | 203.96 | |
| 20071211 | Roll | Mar08 BP | 203.96 | 20071231 | 198.86 | ($350.00) |
| 20070622 | L 1 | Sep07 PA | 383.00 | 20070627 | 365.95 | ($1,780.00) |
| 20070629 | L 1 | Dec07 BO | 38.80 | 20070810 | 37.04 | ($1,131.00) |
| 20070702 | S 1 | Sep07 DX | 81.47 | 20070912 | 79.50 | |
| 20070912 | Roll | Dec07 DX | 79.50 | 20071130 | 76.21 | $4,978.00 |
| | *error in real account should not have exited on 08/15/07 | | | | | |
| 20070710 | L 1 | Aug07 LC | 92.45 | 20070712 | 96.75 | |
| 20070712 | Roll | Oct07 LC | 96.75 | 20070809 | 95.40 | ($732.00) |
| 20070711 | L 1 | Sept07 LKD | 1930.00 | 20070713 | 1848.00 | ($485.00) |
| 20070720 | L 1 | Aug07 YG | 678.10 | 20070727 | 662.9 | ($584.00) |
| | * Roll did not take place in model | | | | | |
| 20070904 | L 1 | Dec07 YG | 685..90 | 20071130 | 802.40 | |
| 20071130 | Roll | Feb08 YG | 802.40 | 20071231 | 842.60 | $4,723.00 |
| 20070917 | L 1 | Dec07 CC | 1884.00 | 20071102 | 1980.00 | |
| 20071102 | Roll | Mar08 CC | 1980.00 | 20071231 | 2057.00 | $1,338.00 |
| 20071017 | L 1 | Dec07 BO | 40.52 | 20071114 | 44.58 | |
| 20071114 | Roll | Jan08 BO | 44.58 | 20071212 | 46.55 | |
| 20071212 | Roll | Mar08 BO | 46.55 | 20071231 | 49.67 | $4,728.00 |
| 20071019 | L 1 | Dec07 TY | 110.15625 | 20071203 | 113.2188 | |
| 20071203 | Roll | Mar08 TY | 113.21875 | 20071231 | 112.9063 | $3,856.00 |
| 20071019 | L 1 | Dec07 FV | 107.48438 | 20071130 | 110.0625 | |
| 20071130 | Roll | Mar08 FV | 110.0625 | 20071231 | 109.9531 | $2,966.00 |
| 20071025 | L 1 | Dec07 YI | 1397.50 | 20071127 | 1470.00 | |
| 20071127 | Roll | Mar08 YI | 1470.00 | 20071129 | 1459.70 | $308.00 |
| 20071030 | L 1 | Jan08 LKD | 1860.00 | 20071203 | 1736.00 | ($695.00) |
| 20071205 | L 1 | Mar08 C | 412.50 | 20071231 | 452.00 | $2,075.00 |
| | | | | | | $18,210.00 |

Even with the two errors the actual account out-performed the order manager and the backtested trades by 6.02%. This figure does not include T-bill interest, which further increases the real time results.

With the full service commission rate and the two errors, the actual results again outperformed the order manager and the backtested trades- this time by 2.37%. (Again this does not include the T-bill rate.)

The actual account outperformed the order manger and the backtest for two reasons: 1) the exceptional execution by Angus Jackson’s traders 2) realistic slippage and commission used in the backtest and applied on contract rolls as well.

The purpose of a backtest is to create a perspective of the structure that can be **duplicated in the real world**. An over optimized back-test or a simulation that can not be followed in real world trading is worse than useless. It is dangerous.

Below is the complete backtest ran from 1 Jan 1990 to 8 April 2008

Proof of Concept

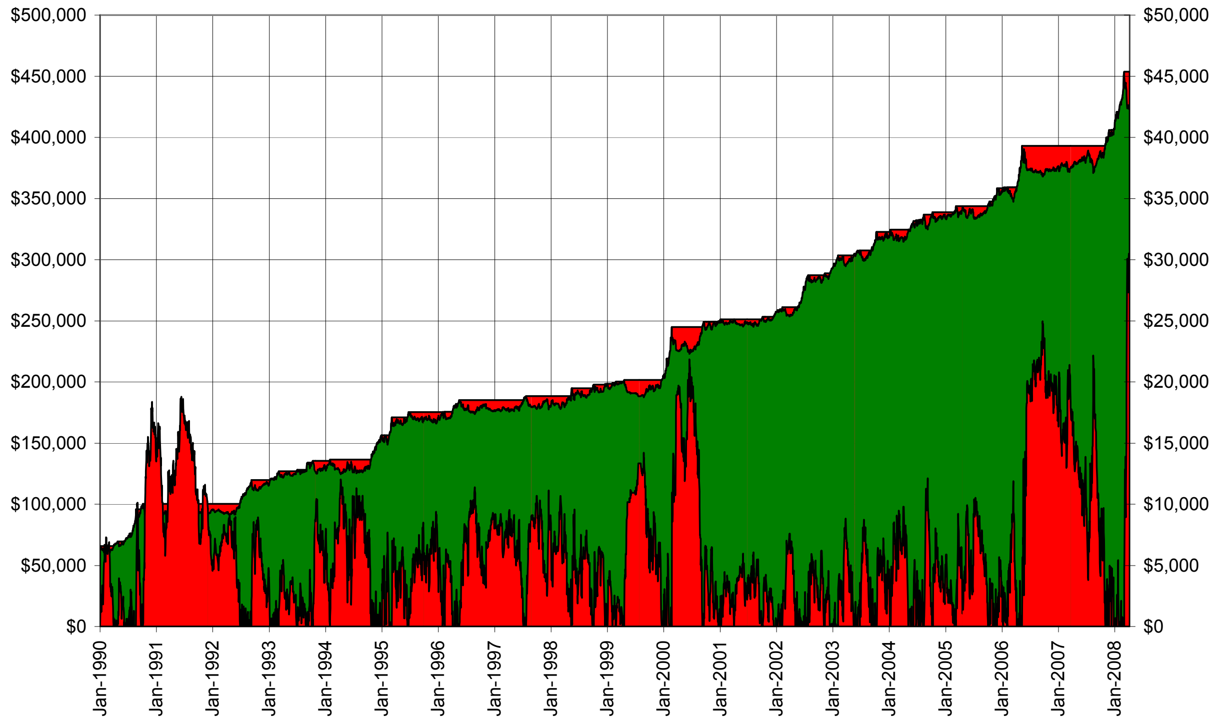
Below is the hypothetical backtest or what we like to refer to as the proof of concept of the Commodity Index Strategy. The test is just over 18 ½ years.

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

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

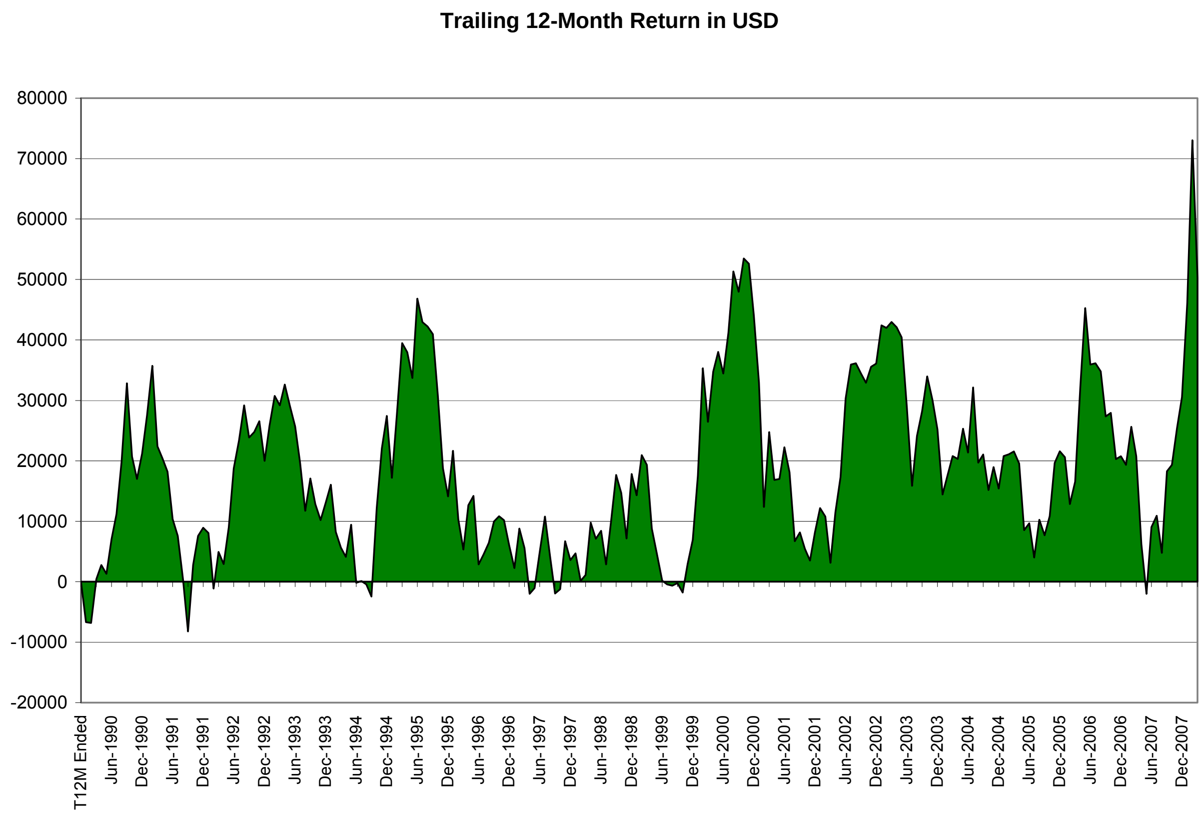
Slippage and commission was $75 on each new trade and $37.50 on each roll.

**Equity Curve in USD**
**Left scale = equity ($), Right scale = drawdown ($)**



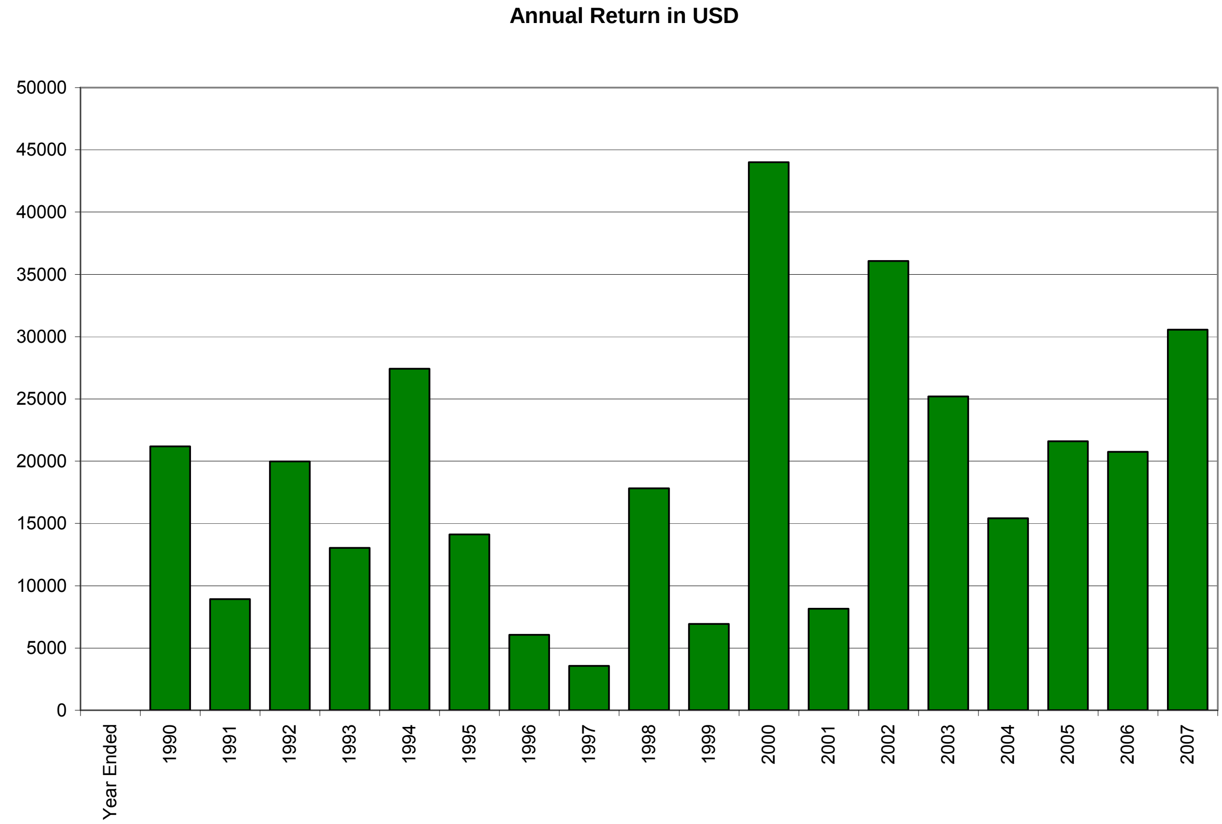

**Equity Curve**
The account equity is on the left hand scale and the account drawdown is on the right hand scale. The duration of the draw downs can be viewed by the red shaded valleys on the green curve. The depth of the draw downs can be viewed in the lower red shaded plot. The performance of the strategy can be seen by the green shaded plot. The Commodity Index Strategy averaged 28.73% per year or **$18,935.28 per year**.

The drawdowns are larger in the Commodity Index Strategy as compared to our Commodity Trading Strategy. However, as shown, the larger drawdowns in the index strategy occur after huge run-ups in returns. The Commodity Index Strategy uses larger stops that allow us to stay in the trades to take advantage of bull market moves.

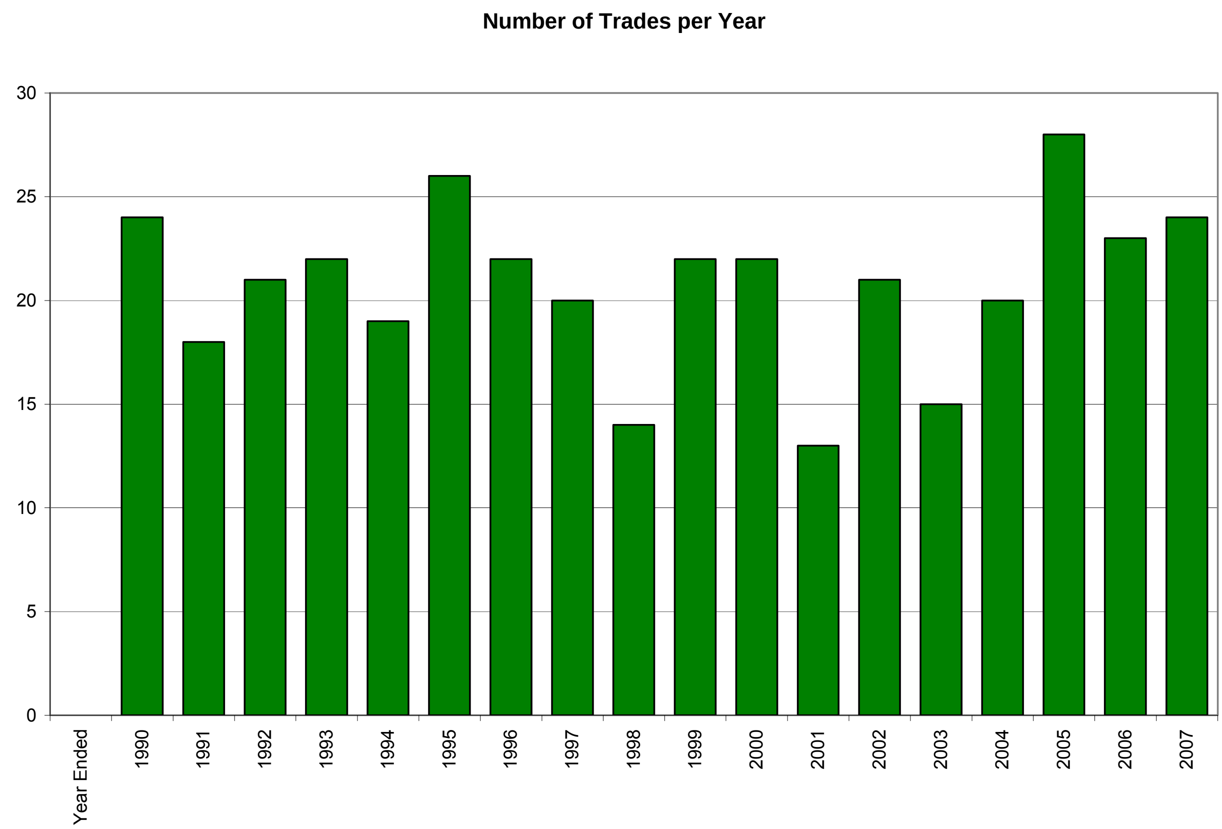



**Trailing 12 Month Returns**

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**
The return or decline at the end of each year. There has never been a losing year in the Commodity Index Strategy. The average return for all years is **$18,935.28**.




**<u>A Brokers Nightmare</u>**
Overtrading is the number one reason why traders lose money. This chart is the number of trades per year. The Commodity Index Strategy trades an average of **only** 20 times per year.

**Commodity Trading Solutions LLC**
(hypothetical Backtest) Commodity Index Strategy

| **Test Information** | | |
|---|---|---|
| Start Date | 01/01/90 | |
| End Date | 04/08/08 | |
| Initial Balance | $ 65,769 | |
| Net Win Loss | $ 357,575 | |
| Ending Equity | $ 423,344 | |
| Total Number of Trades | 378 | 378 |
| # Wins | 151 | 151 |
| #Losses | 227 | 227 |
| % Winners | 39.90 | |
| Max Consecutive Wins | 6 | |
| Max Consecutive Losses | 8 | |

| **Performance Information** | | |
|---|---|---|
| ROI | 543.68 | |
| Average Annual ROI | 28.73 | |
| Avg. 5 Largest Drawdowns % | 22978 | |
| Five Largest DD $ Date | 30486 | 4/2/2008 |
| | 24948 | 9/21/2006 |
| | 21862 | 6/16/2000 |
| | 18797 | 6/12/1991 |
| | 14218 | 8/25/1999 |
| Longest Drawdown in Years | 1.72 | |
| Drawdawn Start Date | 10/8/1990 | |
| Drawdawn End Date | 6/25/1992 | |
| Longest Excursion in Years | 0.68 | |
| Excursion Start Date | 10/8/1990 | |
| Excursion End Date | 6/12/1991 | |
| MAR Ratio | 0.62 | |
| Modified MAR Ratio | 0.82 | |
| Sharpe Ratio | 1.42 | |
| Std. Dev. Daily ($) (%) Returns | 1047.95 | 1.59 |
| 3 Std. Dev. Daily ($) (%)Returns | 3143.84 | 4.78 |
| Expectation | 81.23% | |
| Percent New Highs | 8.96 | |
| Kelly | 0.23 | |

| **Trailing 12-m Returns** | |
|---|---|
| Avg. Trailing 12-M Return | 18,265.98 |
| Std. Dev. of Trailing 12-M Return | 14,094.06 |
| **Monthly Returns** | |
| Avg. Monthly Return | 1,646.68 |
| Std. Dev. of Monthly Return | 5,349.34 |
| **Quarterly Returns** | |
| Avg. Quarterly Return | 4,939.05 |
| Std. Dev. of Quarterly Return | 7,598.57 |
| **Annual Returns** | |
| Avg. Annual Return | 18,935.28 |
| Std. Dev. of Annual Return | 10,900.54 |
| Return Efficiency | 0.31 |
| Estimation of future Max DD | 26746.68 |
| Estimation of future Returns | 34.55 |
| Avg Winning Trade | 4,122.78 |
| Avg Losing Trade | -1,163.89 |
| W:L Ratio | 3.54 |
| Average Trade | 947.98 |
| Trades/Year | 20.40 |
| Round Turns/Million | 1,057.12 |
| Length of Test (yrs.) | 18.53 |
| Avg Length Winning Trade | 99 |
| Avg Length Losing Trade | 30 |
| Avg Length All Trades | 58 |

**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 $1047.95 approximately two thirds of the time.

The average trade is $947.98. 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 | $PnL | Profit Factor | $Profit | $Loss | Wins | Losses | %Wins |
|---|---|---|---|---|---|---|---|
| AD | 19232 | 1.61 | 50529 | -31297 | 12 | 24 | 33.3 |
| BO | 5496 | 1.66 | 13791 | -8295 | 5 | 12 | 29.4 |
| BP | -14890 | 0.46 | 12630 | -27520 | 6 | 18 | 25 |
| C | 6325 | 3.49 | 8863 | -2538 | 2 | 3 | 40 |
| CC | 294 | 1.03 | 10458 | -10164 | 4 | 9 | 30.8 |
| CT | 19423 | 2.1 | 37043 | -17620 | 5 | 11 | 31.2 |
| DX | 20302 | 1.76 | 47123 | -26821 | 8 | 19 | 29.6 |
| EBL | 3019 | 1.37 | 11143 | -8124 | 5 | 5 | 50 |
| ED | 23500 | 6.75 | 27588 | -4088 | 12 | 6 | 66.7 |
| FC | 18575 | 2.31 | 32739 | -14164 | 6 | 11 | 35.3 |
| FV | 22998 | 2.87 | 35310 | -12312 | 11 | 11 | 50 |
| HG | 53112 | 7.39 | 61426 | -8314 | 7 | 7 | 50 |
| HO | 26483 | 8.36 | 30081 | -3598 | 3 | 3 | 50 |
| JY | 31375 | 3.48 | 44051 | -12676 | 8 | 7 | 53.3 |
| KW | 299 | 1.03 | 10463 | -10164 | 2 | 10 | 16.7 |
| LC | -3629 | 0.69 | 7956 | -11585 | 6 | 13 | 31.6 |
| LGO | 6863 | 4.45 | 8851 | -1988 | 3 | 1 | 75 |
| LH | -3291 | 0.74 | 9235 | -12526 | 5 | 8 | 38.5 |
| LKD | 4533 | 6.19 | 5406 | -873 | 3 | 3 | 50 |
| PA | 40558 | 6.77 | 47591 | -7033 | 6 | 7 | 46.2 |
| QG | -825 | 0.34 | 425 | -1250 | 1 | 1 | 50 |
| QM | 7651 | 9.98 | 8503 | -852 | 2 | 1 | 66.7 |
| S | 30713 | 14.07 | 33063 | -2350 | 3 | 3 | 50 |
| SB | -803 | 0.87 | 5619 | -6422 | 4 | 11 | 26.7 |
| TY | 33004 | 3.12 | 48573 | -15569 | 13 | 11 | 54.2 |
| YG | 8629 | 3.47 | 12119 | -3490 | 5 | 5 | 50 |
| YI | -610 | 0.76 | 1961 | -2571 | 4 | 7 | 36.4 |
| Total | 358336 | 2.36 | 622540 | -264204 | 151 | 227 | 0.399 |
| #Trades | 378 | | | | | | |

The Commodity Index Strategy is offered exclusively through an annual subscription traded by our preferred brokers.

We recommend 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 Commodity Index Strategy with between 50–80k USD, depending on your level of risk. For larger account sizes, trade 1 additional lot for each 60–90k USD.

The Commodity Index Strategy is available through the low-cost annual subscription rate of only $997.

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

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1914 Cordova Rd.
Suite 208
Ft. Lauderdale, FL 33316

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Signature Date

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Suite 208
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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

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