

Active Management of Commodity Strategies

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ICI Presentation Series

Absolute Plus
Management, LLC

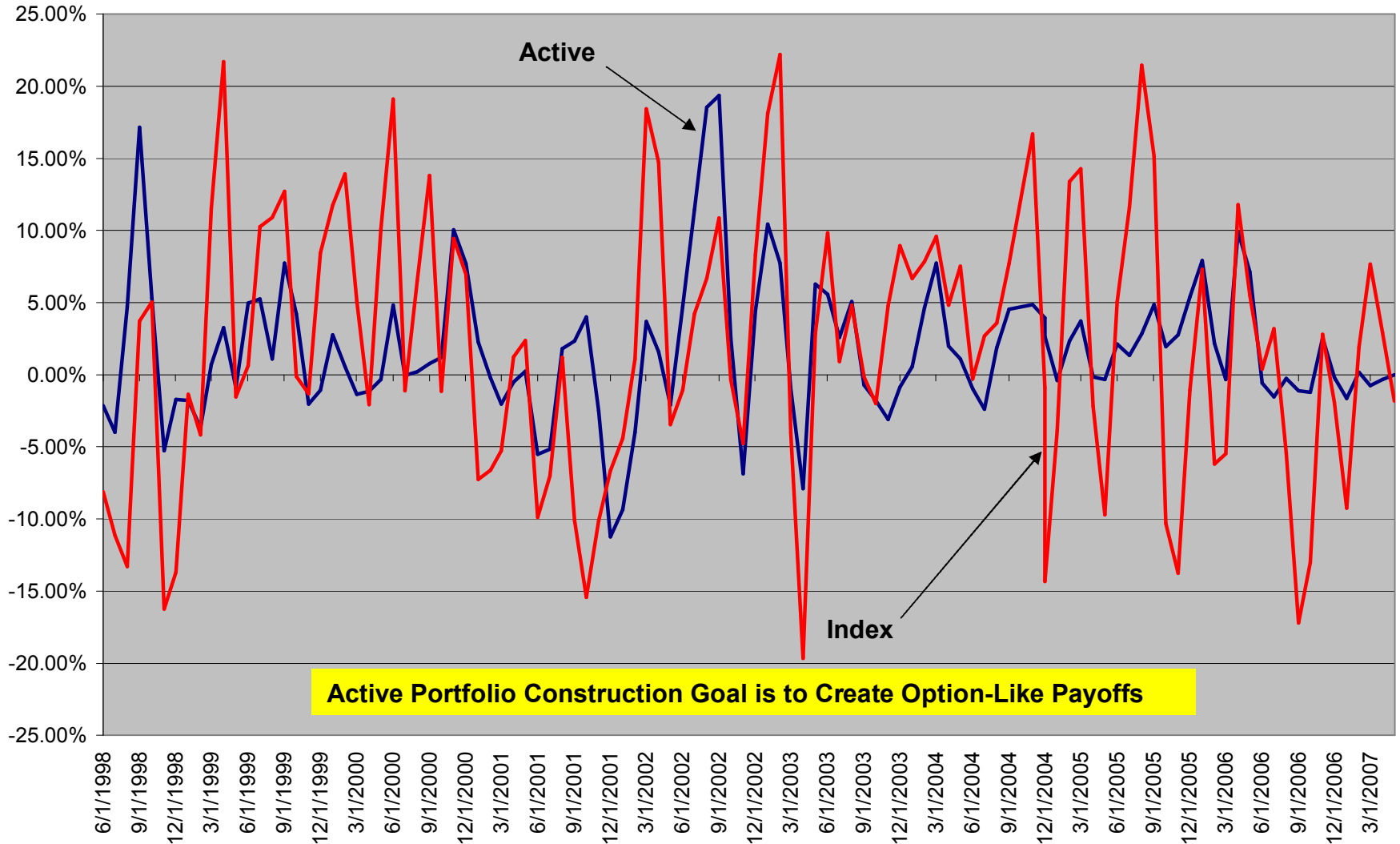
Kenneth Armstead, Chief Investment Officer

Commodity Derivatives: Sources of Active Return

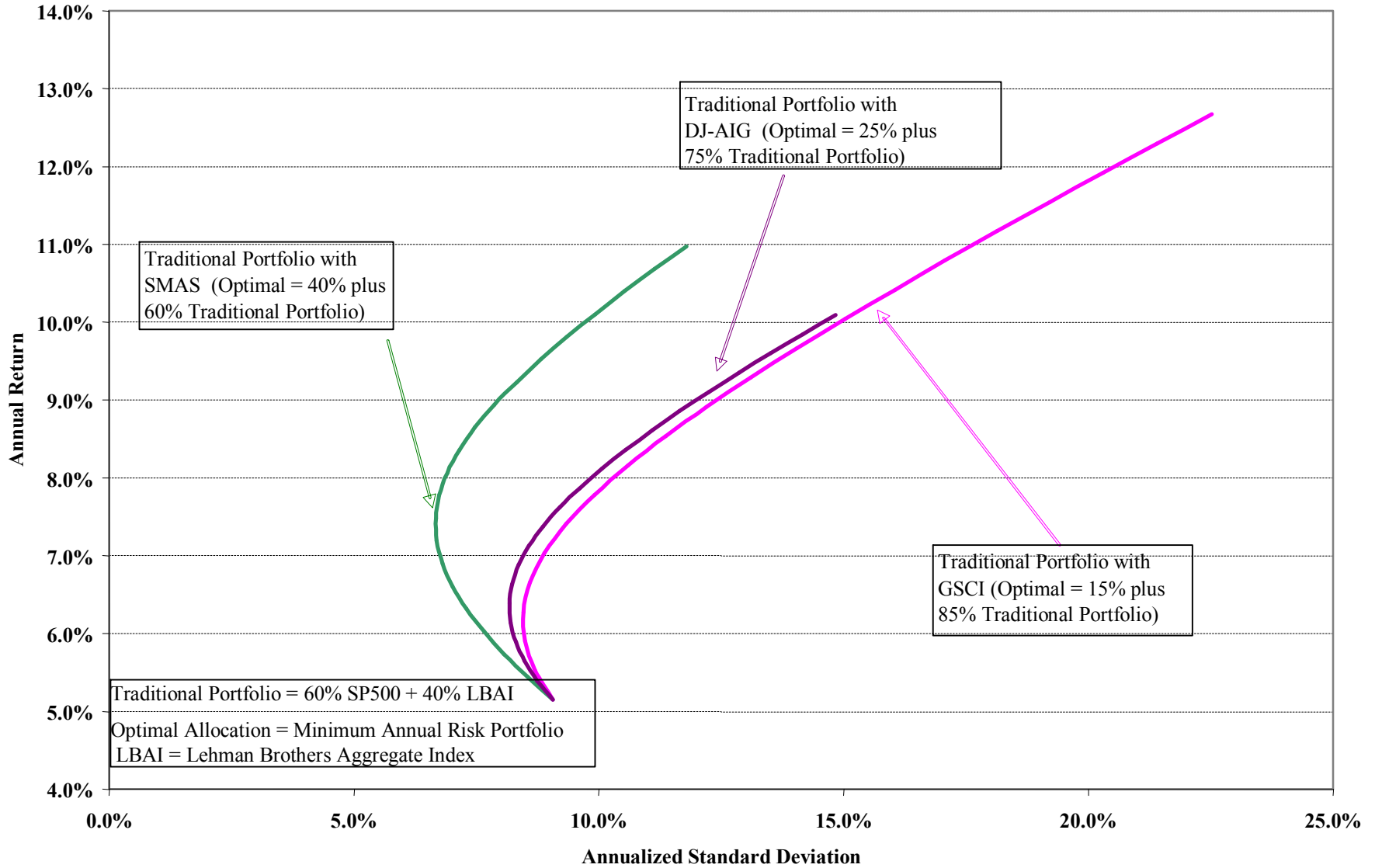
The returns from investing in commodity futures and options are apportioned among these components

1. Variance in the expected future spot price of the commodity
2. Collateral Yield
3. Insurance Premium
4. Roll Yield
5. Rebalancing Yield

Active Strategy Theta versus Index Strategy Theta

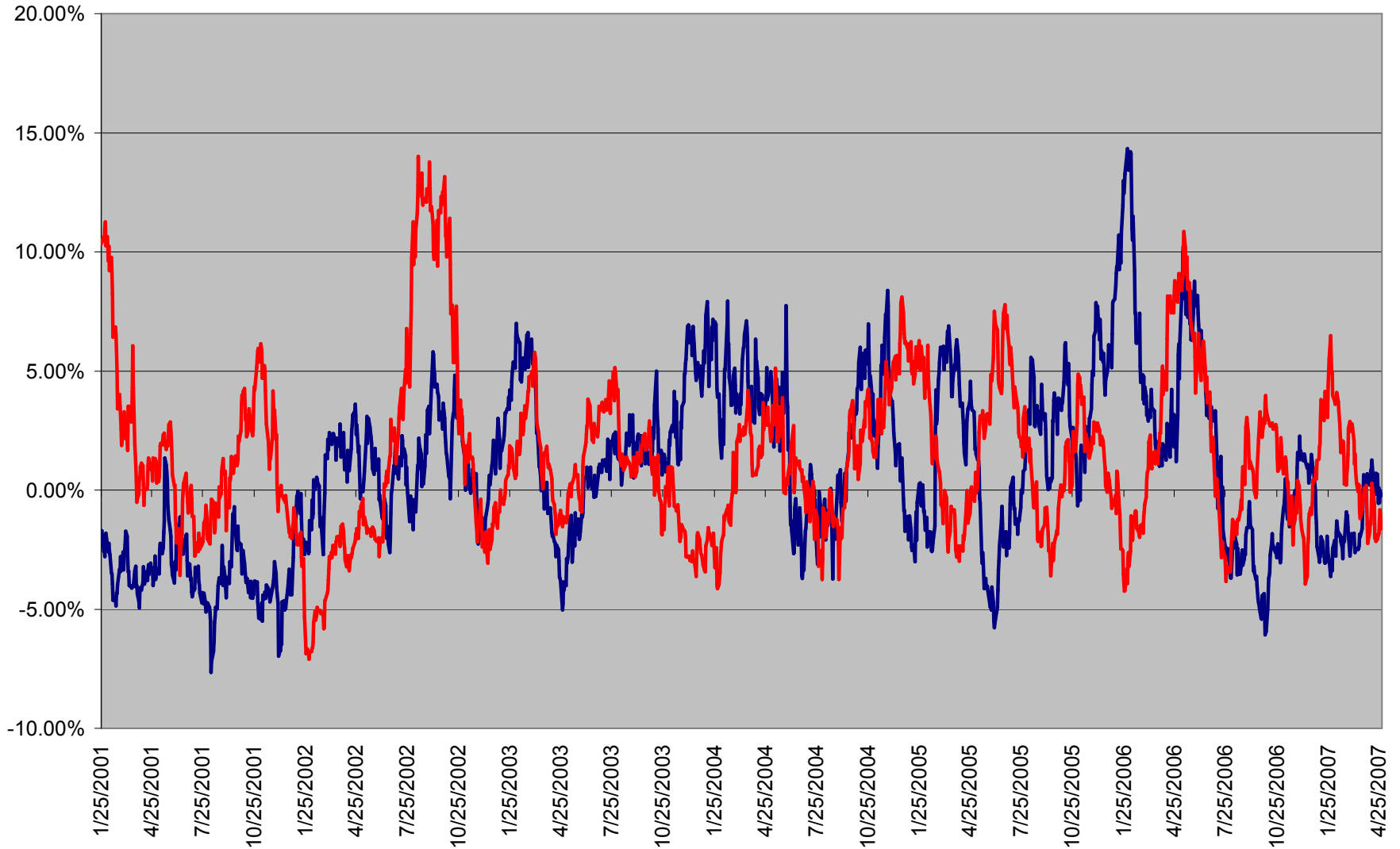


EFFICIENT FRONTIERS



Futures Term Structure Regimes	"G S C I" Backwardation Period	"G S C I" Contango Period	Total
G S C I			
Monthly Avg Return	3.10 %	-0.40 %	0.94 %
Monthly Stdev	6.38 %	6.37 %	6.57 %
G S C I Correlation	1.00	1.00	1.00
D J - A I G			
Monthly Avg Return	1.89 %	0.08 %	0.77 %
Monthly Stdev	4.00 %	4.39 %	4.32 %
G S C I Correlation	0.92	0.88	0.91
Active Strategy			
Monthly Avg Return	1.14 %	0.84 %	0.95 %
Monthly Stdev	3.55 %	3.41 %	3.45 %
G S C I Correlation	0.51	0.63	0.55
Upside/Downside Correlations			
	Active Strategy	G S C I	D J - A I G
S & P 500 Index			
Up Period Correlation	-0.13	-0.01	0.07
Dn Period Correlation	-0.43	0.09	0.09
Lehman Agg Index			
Up Period Correlation	0.43	0.13	0.19
Dn Period Correlation	-0.17	0.05	0.09
Outcome Symmetry			
	Active Strategy	G S C I	D J - A I G
Avg Quarter Up	6.27 %	8.85 %	6.87 %
Up Quarter Stdev	5.98 %	6.56 %	4.73 %
Avg Quarter Down	-2.85 %	-9.40 %	-5.62 %
Down Quarter Stdev	2.00 %	4.77 %	2.79 %
Avg Qtr Up/Down Ratio	2.20	0.94	1.22
Up/Down Stdev Ratio	2.99	1.37	1.70

Bond Portfolio Theta (Red) versus Commodity Portfolio Theta (Blue)



Portfolio Value from Active Commodity Strategies

1. Harvest variance in realized future spot price of the commodity
2. Actively manage collateral for enhanced return yield
3. Manage downside volatility
4. Manage roll yield in non-carry markets
5. Manage frequency of rebalancing yield process

Equity Like Returns, Less than Equity Vol, Anti-Correlated to Equities