

MAAP April Review

May 2, 2011

The MAAP portfolio continued with another profitable month in April led by the long positions in metals. Also contributing to the gains were the long positions in the energy complex, the long positions in the Australian and Canadian dollars and a small gain in the long position in grains. A small loss occurred in the short position in the U.S. Treasury bond.

It remains our well researched view that we are in the midst of a very powerful, possibly once in a lifetime, multi-year bull market in commodities. The world has never experienced such a significant expansion of the middle class, urbanization of its population, and a more entrepreneurial political environment in the developing world than is occurring now. This combination of factors is placing unprecedented demand on basic industrial and food commodities. If increasing supplies are more limited, as we anticipate, major price advances will be necessary to balance supply and demand.

One of the challenges for investors is to be patient and sit tight when very powerful trends are driving markets. In this type of environment markets can become somewhat extended based on more average conditions. However, we may also be at a stage in the bull market where price trends accelerate to the upside and short-term volatility increases. Past examples would include precious metals in the late 1970s, when prices advanced 8 to 10 times over a period of approximately three and a half years. It is impossible to know if such an environment will develop in the near term. What we do believe, based on our research, is that commodity markets are likely to continue higher in the next several years, with expectations that prices will substantially exceed the highs of mid-2008. In this environment there will be short-term corrections that can shake the confidence of some investors. However our experience has been that investors who believe they can trade short lived counter moves are usually left without a position when incorrectly trying to time bull market corrections.

Given the bullish environment for commodities that we continue to expect, as well as the potential for short-term corrections, we cut back leverage in the MAAP strategy to 75 percent of maximum leverage in each of the sectors, as of late April. This will enable us to take advantage of short-term corrections if they occur. If instead, markets accelerate to the upside, a slightly reduced level of leverage will still produce above average returns. In addition we also continue to use our proprietary systematic leverage management system which would lower leverage further, if it moved from its current positive reading to a negative reading. This system last turned cautious in late January 2010. It then gave a green light in early August 2010 as the current intermediate advance was commencing. We are confident that it will provide us with timely market protection in the future.

In summary, our research continues to suggest that we are in the midst of a powerful multi-year commodity bull market, with MAAP well positioned to benefit investors.