

MAAP February Review

March 2, 2011

The MAAP portfolio had profitable returns in February led by the long positions in metals. Also contributing to the gains were the long positions in the crude oil and petroleum product complex, and the long positions in the Australian and Canadian dollars. Small losses occurred in the short position in the U.S. Treasury bond and long positions in the grains, which experienced short-term corrections during February.

February 2011 experienced an unusual number of surprise news events and cross currents which buffeted investment markets globally. While surprise events cannot always be anticipated, investors who thoroughly understand what can be known will be better prepared for dealing with surprises. What we do know is that, we in the developed world are operating in an environment of high debt leverage, aggressive central bank easing policies, and strong growth in the developing world that is placing strong upward price pressure on commodity prices. Concurrently developed world economic growth is spotty, unemployment remains at socially unacceptable levels, and a strong tug of war is now developing among voters over the continued value of Keynesian spending and debt policies. On the one hand a majority of voters appear to favor debt reduction policies; however, a similarly sized majority of voters are opposed to cutting entitlement spending, which is the largest portion of public spending. Now superimposed on this economic environment is the political upheaval in the oil producing Middle East and North Africa.

In such an environment the traditional concepts of minimizing risk and volatility become difficult while still maintaining an acceptable rate of return. Federal Reserve policy of forcing interest rates to near zero forces the investor to accept more volatility. In a near zero rate environment, capital flows to higher return developing economies, in turn further pushing up demand for foreign currencies, commodities, and precious metals. Developing world economic growth has reached a level which is now creating a rapidly expanding middle class in many of these countries. Therefore if there are no supply disruptions, global economic growth will actually accelerate this decade, even as the developed countries continue to experience only modest growth. The spending of this expanding middle class will place unprecedented upward price pressures on key food prices, industrial commodities, and precious metals. This is fundamental demand growth, as more of the world's inhabitants expand their more expensive food consumption habits, purchase clothing, cars, homes, jewelry and other items we in the west have taken for granted.

The most likely factor which can derail this global expansion is a critical supply constraint such as limited supplies of oil. Whether this occurs in the shorter term due to political upheaval, or in several years through further economic growth, is impossible to know. However, we do believe that a future energy supply constraint, and significantly higher prices for oil, will be the most serious issue facing the global economy. MAAP's direct investment in the basic commodities, precious metals, and currencies of commodity exporters provides the investor with one of the most direct ways to participate in these trends.

Past results are not necessarily indicative of future performance. Actual trading for 3X-6X commenced on 7/8/92 and 2X-4X commenced on 10/15/92. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. For a complete disclosure document of AIS Futures Management LLC's MAAP Program, contact AIS Futures Management LLC, 187 Danbury Rd. Wilton, CT 06897 (203) 563-1180.