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MAAP January Review February 1, 2012

MAAP experienced solid gains in January led primarily by long positions in the metals, with currencies (long Australian and Canadian dollars) and long energy positions also contributing modest gains. The long position in the grains experienced a minimal loss. The systematic risk reduction system remains cautious but is moving closer to giving a positive reading.

The Pause that Refreshed the Commodity Bull Market It has been our view that the world is in the middle of a powerful multi-decade bull market in both commodities and precious metals. The bull market commenced in late 2001 and has been in a three year corrective phase since the second half of 2008. This three year corrective phase has consisted of the sharp decline in 2008, a two plus year advance into the second quarter of 2011 and a second milder correction in the second half of 2011. This three year period is very similar to the U.S. stock market from 1987-1990 and other powerful multi-decade bull markets in both foreign stock markets and commodity/precious metal markets of the past. In these past bull markets, the first advancing phase, combined with the end of the multi-year pause, often represented completion of approximately half to two thirds of the bull market from a time perspective, but significantly less than half of the entire price move. Very often in the last half to third of the full bull market, prices would experience an accelerating advance. For instance, in our example of the 1980's-1990s U.S. equities bull market, the decade of the 1990s produced an advance that was over four times greater than the advance in the 1980s.

This experience of accelerating price moves is common in strong bull markets and we believe that conditions exist to support something similar in this commodity bull market. As we have outlined in previous commentaries, the world is experiencing an unprecedented economic expansion in the developing world. Never in history has there been such a large percentage of the world's population participating in economic growth, as is now occurring. In China alone, three times as many people are estimated to enter the middle class this decade as entered it in the first decade of this century. Likewise the number of people moving from rural areas to cities is placing enormous strains on these countries' infrastructure. Finally the developing world now accounts for a larger percentage of global imports than the developed world. All of these factors are placing unprecedented demands on the finite supplies of commodities. These factors will lead to higher prices over time in order to ration demand and stimulate new, higher cost supplies.

Coincident with this, central banks in the developed world are engaging in unprecedented monetary stimulation that appears likely to continue far longer than previous economic cycles. As this monetary ease continues, money will flow to higher return opportunities in the developing world and to scarcer items such as gold and other commodities that governments are unable to produce. In this environment we fully expect our systematic leverage system to move to a full leverage position in the near future and for the commodity bull market to commence a second multi-year advance.