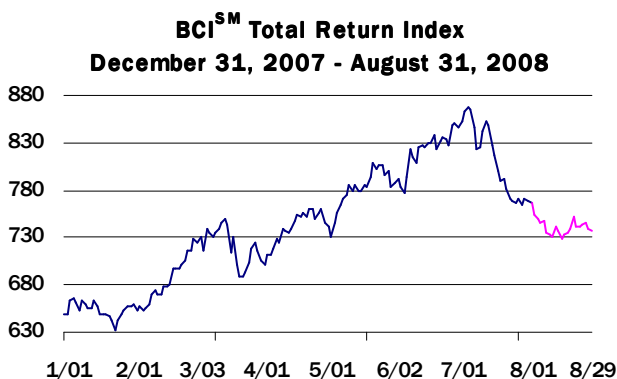


## Performance Overview August 2008

- **Bache Commodity Index<sup>SM</sup>:** August was another difficult month for commodities across all sub-sectors of the BCI<sup>SM</sup>. The BCI<sup>SM</sup> declined 4.1% for the month, and is up 13.5% for the year. Strength in the U.S. dollar and fears that slower global growth would reduce demand had a negative impact on commodity prices in August.
- **Agricultural Sector:** The BCI<sup>SM</sup> Agriculture Total Return fell 2.9% in August. Corn and soybeans fell on concern that U.S. crop supply might be higher than expected as suspected crop damage from flooding was less than predicted.
- **Energy Sector:** The BCI<sup>SM</sup> Energy Total Return declined 3.6% in August. Reduced energy consumption due to conservation and mild weather conditions reduced demand for energy, which weighed on prices. Gasoline demand in the U.S. fell 2.1% in the first seven months of the year, according to the American Petroleum Institute.
- **Metals Sector:** The BCI<sup>SM</sup> Metals Total Return fell 6.8% in August. Silver led the drop in the metals sector. Gold and silver prices were both impacted by the strength in the U.S. dollar.



## Key Economic Factors

- In August, the U.S. dollar had the biggest monthly gain versus the euro since its 1999 debut. The dollar ended the month at 1.4673 to the euro.
- The FOMC opted to leave U.S. rates unchanged at 2.0% at the August meeting. In a statement the FOMC said that downside risks to growth remain.
- The S&P 500 Total Return Index rose 1.4% in August, while the MSCI World Index (USD) declined 1.4% in the same month.
- The Lehman Global Aggregate Index (USD) of fixed income securities fell 1.7% in August.

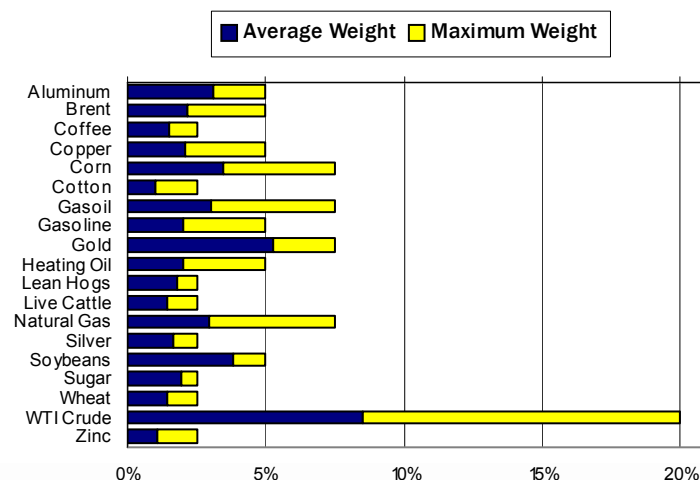
## BCI<sup>SM</sup> Composite Index Performance

	Aug 2008 (%)	2008 YTD (%)
BCI <sup>SM</sup> Total Return	(4.1)	13.5
BCI <sup>SM</sup> Excess Return	(4.3)	12.1

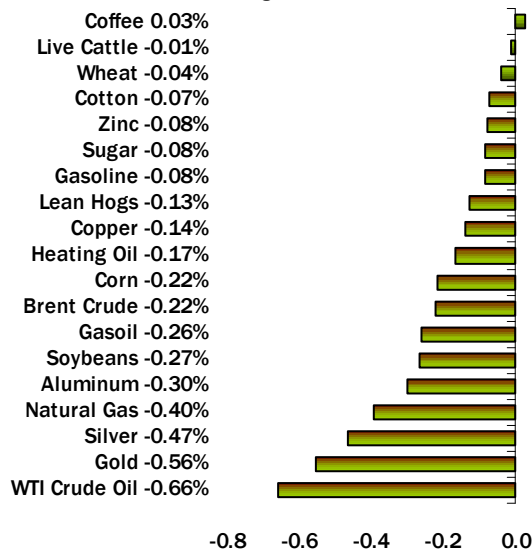
## BCI<sup>SM</sup> Sector and Single-Commodity Performance (Total Returns)

	Aug 2008 (%)	2008 YTD (%)	Max Allocation in BCI <sup>SM</sup> (%)	Aug 2008 Average Weight in BCI <sup>SM</sup> (%)
<b>Agriculture</b>	(2.9)	5.3	27.5	16.6
Coffee	1.1	(3.1)	2.5	1.5
Corn	(3.0)	18.5	7.5	3.4
Cotton	(2.9)	(9.2)	2.5	1.0
Lean Hogs	(5.5)	(10.8)	2.5	1.8
Live Cattle	(0.5)	(2.5)	2.5	1.5
Soybeans	(5.5)	7.9	5.0	3.8
Sugar	(3.6)	4.0	2.5	2.0
Wheat	(1.7)	(5.8)	2.5	1.5
<b>Energy</b>	(3.6)	22.9	50.0	20.7
Brent Crude	(4.4)	22.0	5.0	2.2
Gasoil	(3.5)	31.6	7.5	3.0
Gasoline	(1.7)	9.6	5.0	2.0
Heating Oil	(3.4)	25.1	5.0	2.0
Natural Gas	(5.4)	20.0	7.5	3.0
WTI Crude Oil	(3.3)	20.8	20.0	8.5
<b>Metal</b>	(6.8)	1.5	22.5	13.3
Aluminum	(6.0)	4.7	5.0	3.1
Copper	(2.8)	12.9	5.0	2.1
Gold	(7.5)	(1.3)	7.5	5.3
Silver	(18.0)	(6.5)	2.5	1.7
Zinc	(3.0)	(17.0)	2.5	1.1

## BCI<sup>SM</sup> August 2008 Maximum and Average Realized Weights



**BCI<sup>SM</sup> Market Factor Decomposition  
August 2008**

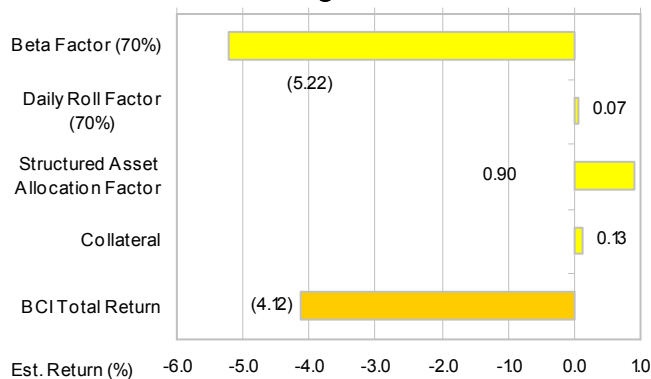


Contribution of each commodity market to the BCI<sup>SM</sup> Total Return is determined by the change in commodity price, the effect of commodity rolls, the Treasury bill collateral return, and the weight of each commodity in the BCI<sup>SM</sup>.

**Return Attribution Analysis**

- Coffee was the only market to provide a positive contribution to index returns in August, as commodity markets were broadly lower for the month.
- The Beta Factor had the largest negative contribution for the month, with a -5.22% return. For the year, the Beta factor is up 7.50%
- The non-Beta factors have contributed one-third of the BCI<sup>SM</sup> annual return so far this year. The Structured Asset Allocation factor added 3.40% since January, and the relative roll return has contributed 1.22% to the BCI<sup>SM</sup> return this year.

**BCI<sup>SM</sup> Style Factor Decomposition  
August 2008**



**Index Composition Entering September 2008**

After last month's large shift to cash, the BCI<sup>SM</sup> structured risk reduction model responded to falling prices by further increasing the index cash allocation level to more than 50%. This is the highest level of cash allocation since October 2006. The allocation to energy ended the month at 20%, the minimum allowable for that sector.

Market	Index Weight (%) 7/31/2008	Index Weight (%) 8/31/2008	Change in Index Weight (%)
<b>Agriculture</b>	<b>17.6</b>	<b>16.3</b>	<b>(1.2)</b>
Coffee	1.7	1.7	(0.0)
Corn	4.3	3.7	(0.6)
Cotton	1.1	1.0	(0.1)
Lean Hogs	1.5	1.7	0.1
Live Cattle	1.5	1.3	(0.2)
Soybeans	4.4	3.2	(1.2)
Sugar	1.8	2.0	0.3
Wheat	1.2	1.8	0.5
<b>Energy</b>	<b>25.5</b>	<b>20.0</b>	<b>(5.5)</b>
Brent Crude	2.9	2.0	(0.9)
Gasoil	3.6	3.0	(0.6)
Gasoline	2.1	2.0	(0.1)
Heating Oil	2.1	2.0	(0.1)
Natural Gas	3.0	3.0	0.0
WTI Crude Oil	11.8	8.0	(3.8)
<b>Metal</b>	<b>16.0</b>	<b>11.2</b>	<b>(4.9)</b>
Aluminum	4.0	2.3	(1.7)
Copper	2.5	2.0	(0.5)
Gold	6.1	4.4	(1.7)
Silver	2.0	1.3	(0.8)
Zinc	1.4	1.2	(0.1)
Total Commodity	59.1	47.5	(11.6)
Cash	40.9	52.5	11.6

**Competitive Analysis**

- August was another month which highlighted the benefit of the BCI<sup>SM</sup>'s risk reduction mechanism. Due to the relatively high allocation to cash at the start of August, the BCI<sup>SM</sup> outperformed the major indices by about 3.00% for the month.
- The BCI<sup>SM</sup> continues to have the lowest volatility among the major commodity indices. The index also has a higher risk-adjusted return in 2008, as measured by the Sharpe ratio, than either the SPGSCI or the DJAIG.

	Aug 2008 Total Return	2008 YTD Total Return	2008 YTD Std. Dev.	2008 YTD Sharpe
BCI <sup>SM</sup>	-4.1%	13.5%	19.2%	0.77
SPGSCI	-7.1%	15.3%	28.0%	0.61
DJAIG	-7.3%	4.0%	22.3%	0.15



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