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# The Bache Commodity Green Index<sup>SM</sup>

*Only Bache's Green Index holds a cross section of multiple sectors, and employs a dynamic asset allocation strategy.*

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## *Introducing the Bache Commodity Green Index<sup>SM</sup>*

*Bache Commodities Group has launched the Bache Commodity Green Index<sup>SM</sup> (BCGI<sup>SM</sup>) to offer investors a benchmark for commodities with an environmental focus.*

The BCGI<sup>SM</sup> takes a multi-faceted approach, with a cross-section of commodity sectors. The BCGI<sup>SM</sup> holds commodities and materials needed in the production of sustainable energy and the reduction of carbon emissions. The selected commodities are anticipated to experience growth as they contribute to reducing the effects of climate change.

### **BCGI<sup>SM</sup> Composition**

The BCGI<sup>SM</sup> comprises two index composites: the Bache Biofuels Composite (BBC), with an initial allocation of 60%, and the Bache Clean Air Composite (BCAC), with an initial allocation of 40%.

The BBC includes commodities used for ethanol and biodiesel production. The BCAC includes commodities related to reducing carbon emissions.

The BCGI<sup>SM</sup> offers diversified exposure to four commodity sub-sectors:

- ❖ Ethanol Feedstock
- ❖ Biodiesel Feedstock
- ❖ Carbon
- ❖ Pollution Control

### **Methodology**

The BCGI<sup>SM</sup> currently comprises 11 commodities traded on futures exchanges and OTC markets in the US, Canada, UK, France, and Malaysia.

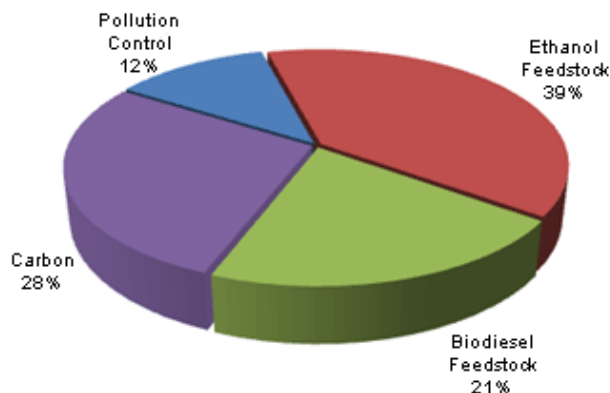
The BCGI<sup>SM</sup> follows the BCI<sup>SM</sup> methodology, that manages the target allocation of commodities based on price momentum and also utilizes a defensive cash position.

Overall construction of the BCGI<sup>SM</sup> is monitored by an Advisory Committee that reviews the methodology and composition on an ongoing basis, and recommends changes as needed.

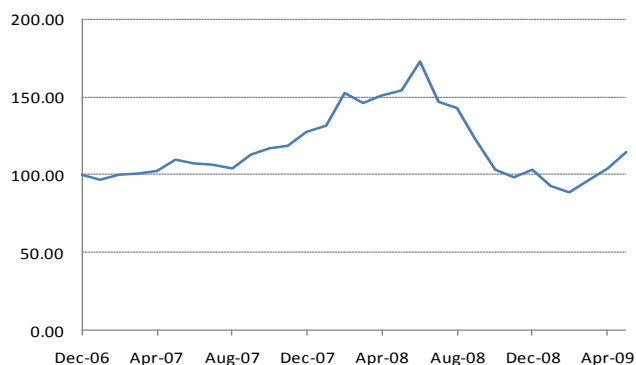
## Components

Commodity Market	Sector	Weight (%)
<b>Ethanol Feedstock</b>		<b>39.0</b>
Corn	Agriculture	27.0
Sugar	Agriculture	12.0
<b>Biodiesel Feedstock</b>		<b>21.0</b>
Soybeans	Agriculture	12.0
Cotton	Agriculture	3.0
Palm Oil	Agriculture	1.5
Rapeseed	Agriculture	1.5
Canola Oil	Agriculture	3.0
<b>Carbon</b>		<b>28.0</b>
Carbon Futures	Emissions	14.0
Carbon Spot	Emissions	14.0
<b>Pollution Control</b>		<b>12.0</b>
Platinum	Metals	8.5
Palladium	Metals	3.0
Rhodium	Metals	1.0

## Weight Composition



## Index Performance\*: Jan 2007 to May 2009



The chart above depicts the Index from a beginning point of 100.

## Annual Performance\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	St Dev*
<b>2007</b>	(3.3)	3.1	0.8	1.9	7.0	(2.3)	(0.4)	(2.5)	9.1	3.2	1.6	7.3	27.6	14.1
<b>2008</b>	3.2	16.0	(4.4)	3.4	2.1	12.1	(14.9)	(2.9)	(13.9)	(15.8)	(5.1)	5.3	(18.9)	35.5
<b>2009</b>	(10.0)	(4.7)	9.3	7.6	9.9								10.8	31.7

## Sector Performance\*

	2007		2008		2009	
	Return	St Dev	Return	St Dev	Return	St Dev
<b>Biodiesel Feedstock</b>	46.0	14.9	(23.1)	39.4	7.4	22.3
<b>Ethanol Feedstock</b>	4.9	18.4	(1.7)	29.2	(1.5)	21.3
<b>Carbon</b>	40.2	34.4	(30.9)	52.4	(14.6)	72.9
<b>Pollution Control</b>	29.1	11.2	(44.6)	57.2	16.4	29.1

## Sector Correlation\*

	Biodiesel Feedstock	Ethanol Feedstock	Carbon	Pollution Control
<b>Biodiesel Feedstock</b>	1.00			
<b>Ethanol Feedstock</b>	0.73	1.00		
<b>Carbon</b>	0.50	0.35	1.00	
<b>Pollution Control</b>	0.78	0.65	0.36	1.00

Source: Bache Commodities Group

\*These are hypothetical measures. Please see important disclosures at end of this document.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. THERE CAN BE NO ASSURANCE THAT INVESTMENT OBJECTIVES WILL BE ACHIEVED OR THAT CLIENTS WILL REALIZE ANY PROFITS AT ALL. FUTURES TRADING IS SPECULATIVE AND INVOLVES THE RISK OF SUBSTANTIAL LOSS. Besides commodity price risk, the BCGI also has a foreign currency risk component as certain commodities that make up the index are traded on exchanges in which the valuations are priced in non-dollar currencies.**

## Competitive Analysis: Jan 2007 to May 2009

	BCGI <sup>SM</sup>	Biofuel Indices	Clean Energy Indices	Broad Commodity Indices	MSCI World Index U.S. Currency TR	S&P 500 TR Index	Barclays Capital Global Aggregate Index (USD)	Lehman Global Aggregate Index (USD)
Annualized Return	5.8%	1.9%	-17.4%	-4.5%	-14.2%	-14.5%	6.3%	5.6%
Annualized Std. Dev.	27.4%	28.2%	44.2%	26.4%	22.8%	20.7%	7.8%	4.3%
Sharpe Ratio*	0.21	0.08	-0.27	-0.17	-0.71	-0.82	0.38	0.47
Maximum Drawdown	-48.7%	-47.8%	-75.8%	-54.9%	-54.0%	-50.9%	-10.1%	-3.8%
Max Monthly Return	16.0%	15.8%	18.3%	15.2%	11.2%	9.6%	6.2%	3.7%
Min Monthly Return	-15.8%	-19.5%	-36.0%	-21.3%	-19.0%	-16.8%	-3.7%	-2.4%
Correlation with BCGI <sup>SM</sup>	1.00	0.90	0.60	0.84	0.63	0.54	0.50	0.35

\*Using 3-month T-Bill rate as risk-free rate

Source: Bache Commodities Group

## Notes:

1. The Biofuel indices in the chart above include the Bunge Four Blend Biofuel Price Index, the MLCX Biofuel Index, the S&P GSCI Biofuel Index, and the UBS Diapson Global Biofuel Index.
2. The Clean Energy indices in the chart above include the S&P Global Clean Energy index and the WilderHill Clean Energy Index.
3. The Broad Commodity indices in the chart above include the Bache Commodity Index, the S&P GSCI, the DJ-UBS Commodity Index, and the Rogers International Commodity Index.

## Disclosures

The methodology of, and intellectual property rights in, the Bache Commodity Green Index<sup>SM</sup> ("BCGI<sup>SM</sup>") are proprietary to, and owned by, PFDS Holdings, LLC and may be covered by one or more pending patent applications.

There can be no assurance that a client participating in the BCGI<sup>SM</sup> will enjoy any profits at all or be able to avoid incurring substantial losses.

The returns presented in this document were determined based on the pro forma calculations of the historical performance of the BCGI<sup>SM</sup>. BCGI<sup>SM</sup> was not actually being calculated and published during these prior periods, and no actual trading was conducted in accordance with the BCGI<sup>SM</sup>, these returns could be considered to be hypothetical performance results. Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any trading program or strategy will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved.

These results are based on simulated or hypothetical performance results that have certain inherent limitations. Unlike the results shown in an actual performance record, these results do not represent actual trading. Also, because these trades have not actually been executed, these results may have under- or over-compensated for the impact, if any, of certain market factors, such as lack of liquidity. Simulated or hypothetical trading programs in general are also subject to the benefit of hindsight. No representation is being made that any account will or is likely to achieve profits or losses similar to these being shown.

One of the limitations of hypothetical performance results is that they are necessarily prepared with the benefit of hindsight and, if the BCGI<sup>SM</sup> were actually being calculated and published during these periods, it might have been based on different criteria and a different methodology. Moreover, the market conditions that existed during prior periods will most likely not be repeated and this difference could adversely affect performance.

The hypothetical performance results shown were derived from a model based on an asset allocation strategy and daily roll strategy. The hypothetical performance reflects the historical contract daily return plus daily interest on the funds hypothetically committed to the investment. The hypothetical performance returns are estimates using current and historical futures price data as described. Historical results should not and cannot be viewed as an indicator of future results.

The hypothetical performance results do not reflect any management fees, transaction costs or expenses which would reduce actual return. Indices are unmanaged and one cannot invest directly in an index. Past performance is no guarantee of future results.

There are numerous factors related to the markets in general or the implementation of any investment strategy, which cannot be fully accounted for in the preparation of hypothetical results and all of which can adversely affect actual trading results, including but not limited to market liquidity, general levels of interest rates and the effect on the relevant markets of political, economic or other external events. In addition, hypothetical performance results do not involve financial risk, and no hypothetical performance results can completely account for the impact of financial risk in actual performance.

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Information for inclusion in, or for use in, the calculation of the BCGI<sup>SM</sup> is obtained from sources whose accuracy is believed to be reliable but which may be subject to errors in data sources.

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