

Commodities 2012: The Road Ahead

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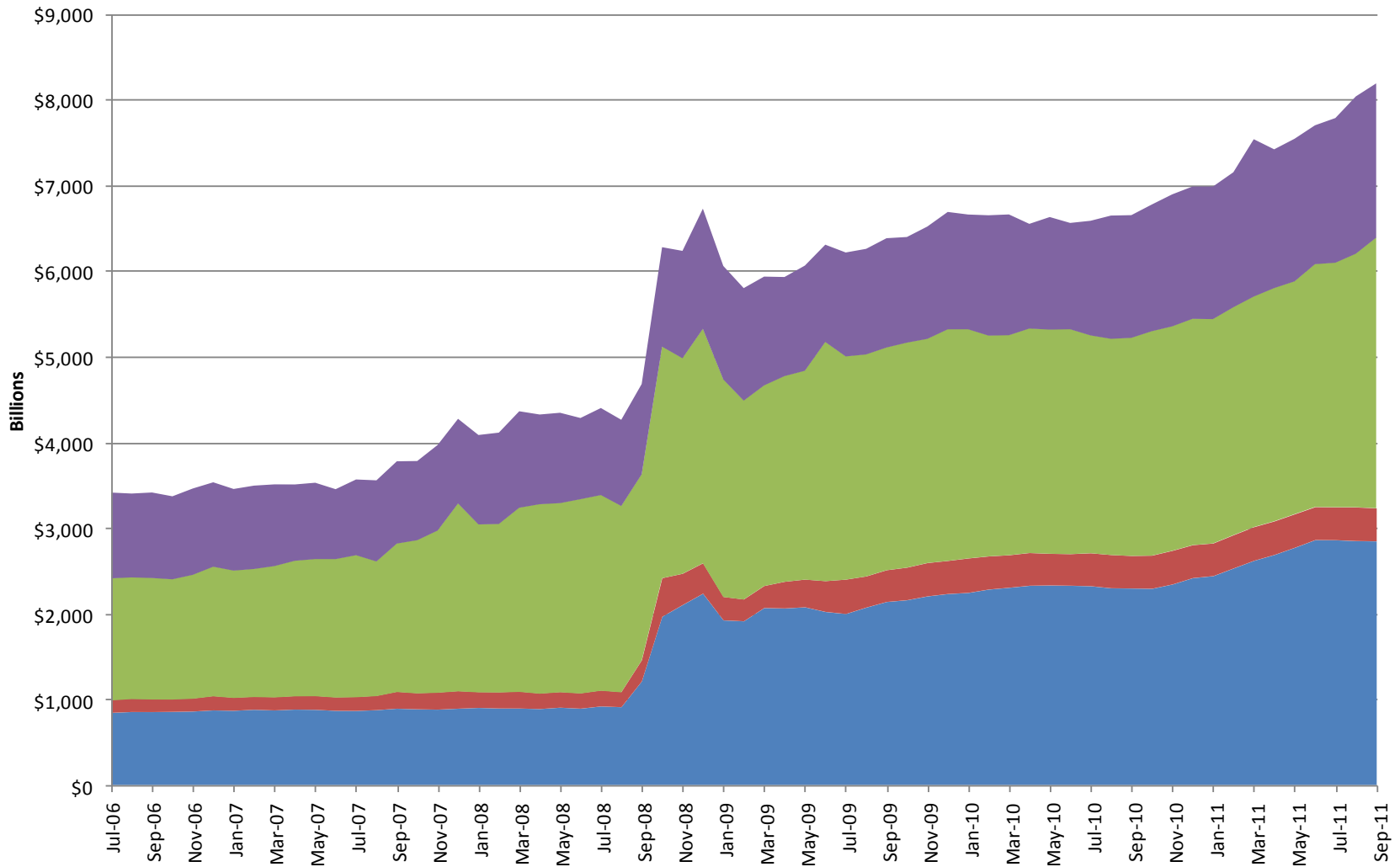
Is There a Correlation Between US M2 Velocity and Commodities / Precious Metals?

David Kotok, *Panelist*

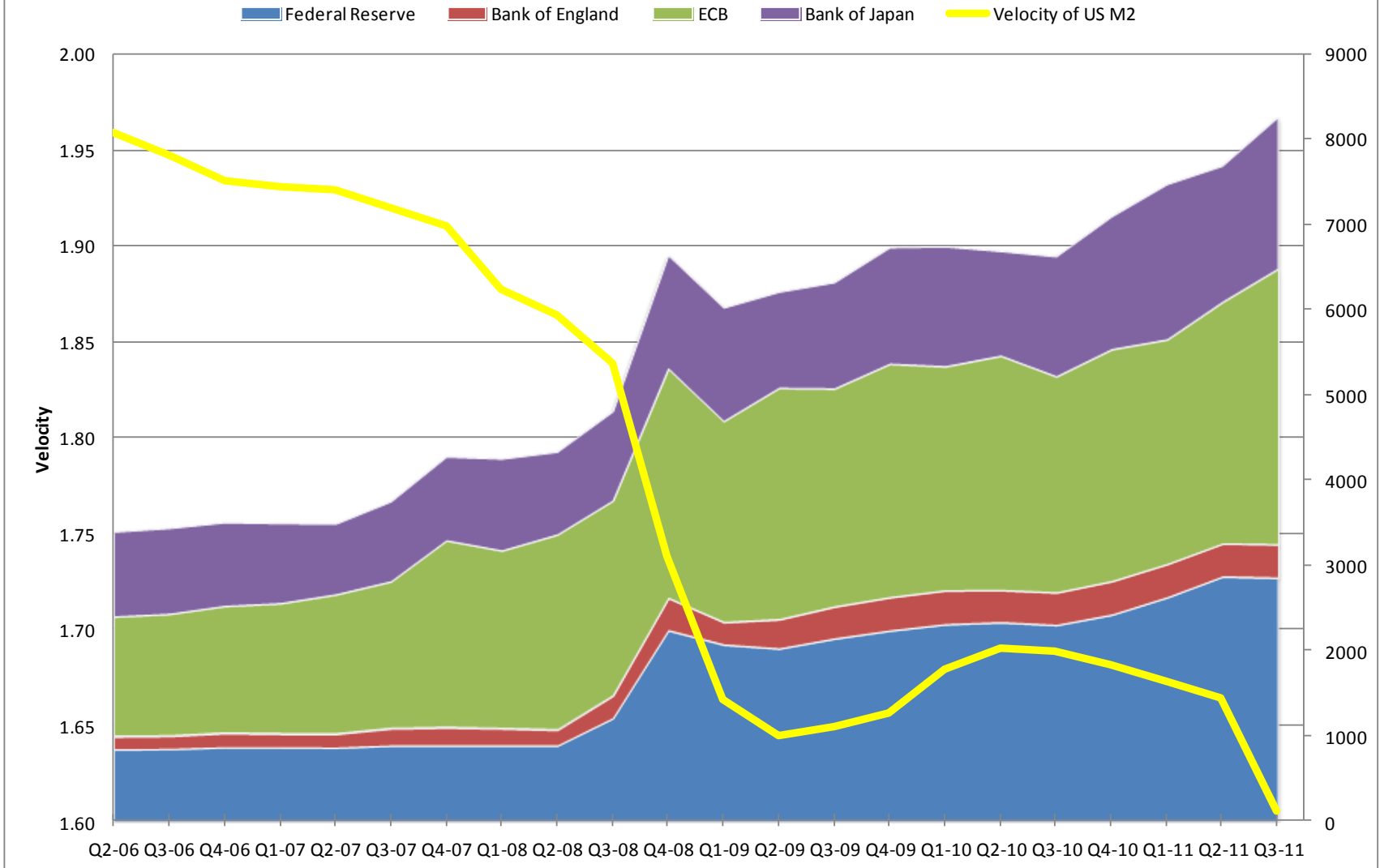
Chief Investment Officer, Cumberland
Advisors

Total Assets of Major Central Banks from 07/01/06 Through 09/11

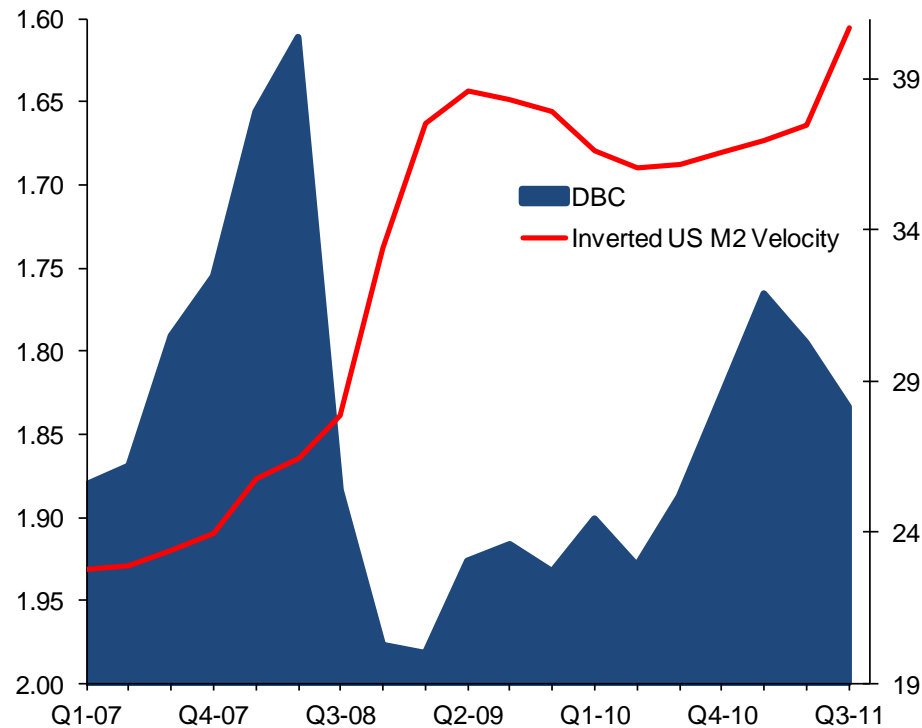
- Federal Reserve Total Assets
- BK of England Total Assets - Dollar Equivalent
- ECB Total Assets - Dollar Equivalent
- BK of Japan Total Assets - Dollar Equivalent



Quarterly Central Bank Assets (Right Scale \$ Billions) and Velocity for US M2 from June 2006 to Sep 2011



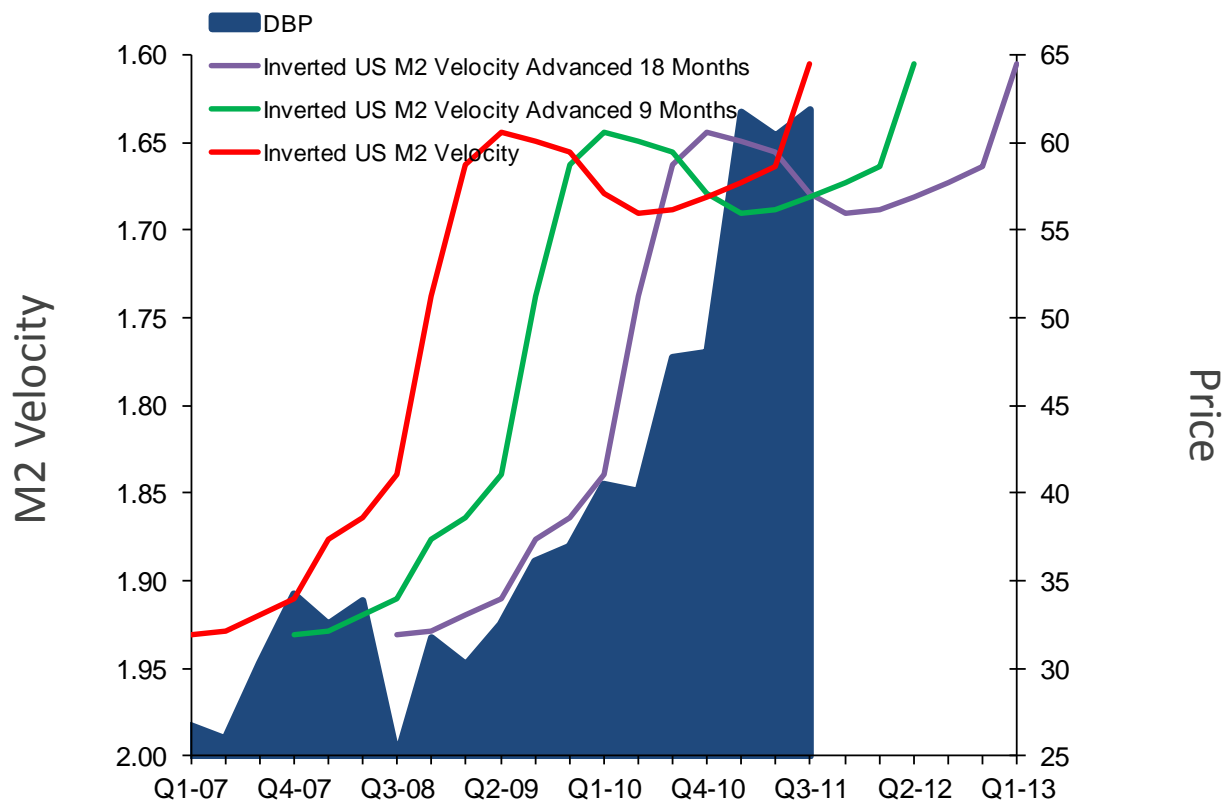
Commodities (DBC)



PowerShares DB Commodity Index Tracking (DBC) - The investment seeks to track changes, whether positive or negative, in the level of the Deutsche Bank Liquid Commodity Index - Optimum Yield Diversified Excess Return. The fund will pursue its investment objective by investing in a portfolio of exchange-traded futures on the commodities comprising the index, or the index commodities. The index commodities are light, Sweet Crude Oil (WTI), Heating Oil, RBOB Gasoline, Natural Gas, Brent Crude, Gold, Silver, Aluminum, Zinc, Copper Grade A, Corn, Wheat, Soybeans, and Sugar. The index is composed of notional amounts of each of the index commodities. Source: Yahoo Finance

US M2 Velocity – Nominal GDP/M2 Source: Fed and Haver Analytics

Precious Metals (DBP)



PowerShares DB Precious Metals (DBP) - The investment seeks to track the price and yield performance, before fees and expenses, of the Deutsche Bank Liquid Commodity Index - Optimum Yield Precious Metals Excess Return. The index is a rules-based index composed of futures contracts on two of the most important precious metals gold and silver. The index is intended to reflect the performance of the precious metals sector. Source: Yahoo Finance

US M2 Velocity – Nominal GDP/M2 Source: Fed and Haver Analytics

	Grail American Beacon Large Cap Value (GVT)	Grail RP Growth (RPX)	Grail McDonnell Intermediate Municipal Bond (GMMB)
Regulatory Risk	11.1%	11.1%	11.1%
AUM	0.6%	1.8%	0.9%
Average Daily \$ Volume	1.2%	1.5%	1.3%
Fund Family Health Factor	0.5%	0.5%	0.5%
Competitive Rank	0.0%	0.3%	0.0%
Corporate action pending	0.0%	0.0%	0.0%
Bid-Ask Spread	0.0%	0.0%	0.0%
Total Fund Closure Risk Score (out of 100%)	13.3%	15.1%	13.8%
Fund Closure Risk score	High	High	High

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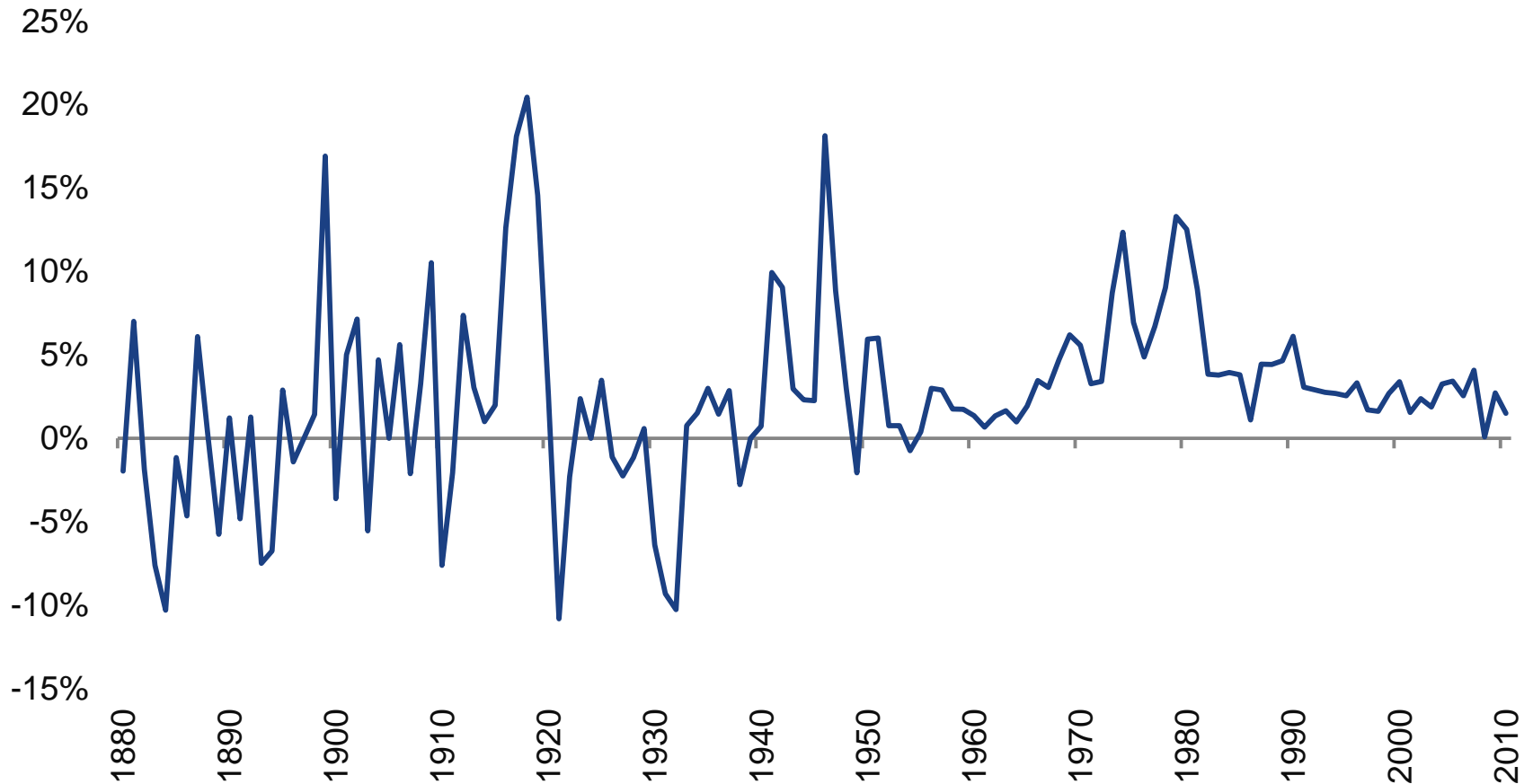
Jess Gaspar, *Panelist*

Managing Director, Commodities &
Fixed Income Portfolio Strategist,
Commonfund Asset Management

United States Inflation

US Inflation History of Inflation (1880-2010)

U.S. CPI Inflation

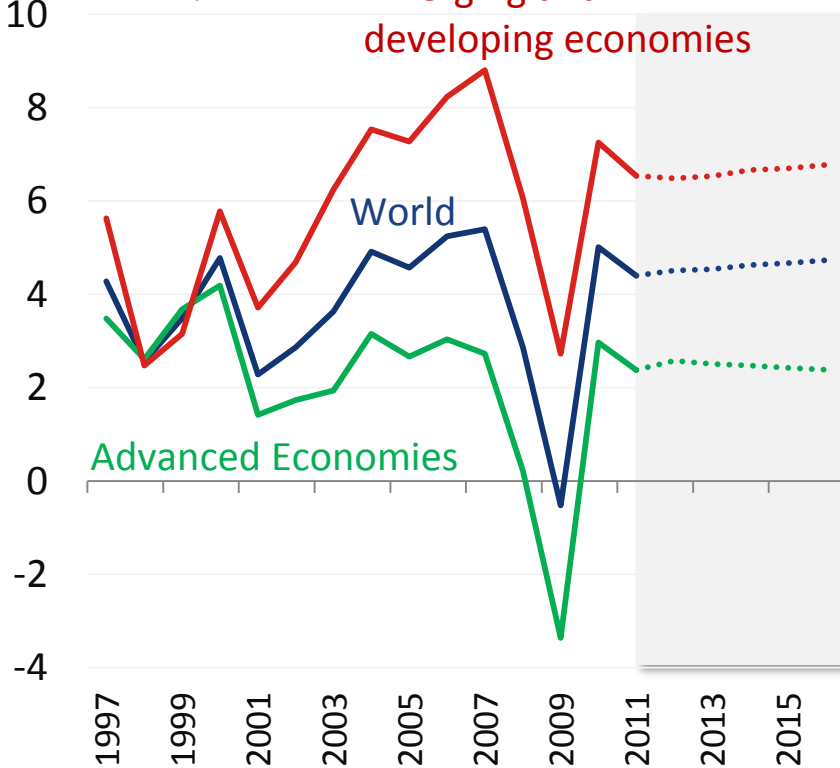


Source: Bureau of Labor Statistics, Historical Statistics of the United States

Global GDP Growth and Inflation

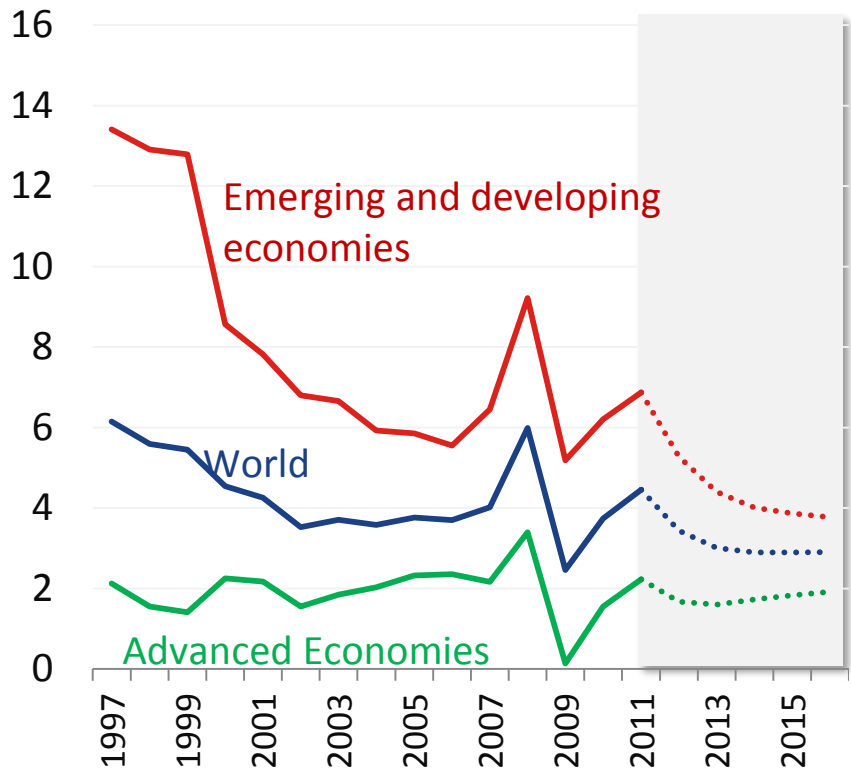
GDP Growth

(percent; quarter over quarter, annualized)



Inflation

(percent; year over year, period average consumer price index)



IMF estimates overly optimistic. U.S. low and slow: Europe rolling recessions.

Source: International Monetary Fund, World Economic Outlook Database, April 2011

Real Growth and Headline Inflation

Top Performing Asset Class

- Commodities
- Equities
- Bonds

Commodities and Equities Perform Well in Periods of Headline Inflation

*Annualized real returns by asset class since 1965**



High	4.9% Commodities -7.5% Bonds -11.0% Equities	13.3% Equities 9.9% Commodities 1.0% Bonds	8.9% Commodities -6.6% Bonds -11.6% Equities
	10.1% Bonds 5.2% Equities -2.3% Commodities	13.5% Equities 4.4% Commodities -0.2% Bonds	12.0% Commodities 2.0% Bonds 0.7% Equities
	11.1% Bonds -2.4% Equities -15.4% Commodities	11.0% Equities 7.9% Bonds 6.2% Commodities	13.7% Equities 6.8% Bonds 5.5% Commodities
Medium	Low	Medium	High



* Quarterly log returns annualized. Boxes delineated by bottom, middle and top thirds of historical real annualized GDP growth and annualized headline CPI inflation since 1965. Data from 12/31/1965 to 12/31/2010. Bonds: Barclays Aggregate since 1/1976; Ibbotson Associates Long Term Corporate Bond Index prior. Cash: 3 month US Treasury bill yields from FRB H15. Commodities: DJUBS Total Return Commodity Index since 12/31/1990; equal-weighted collateralized commodity futures prior. Equities: S&P 500 total returns; Ibbotson Associates.

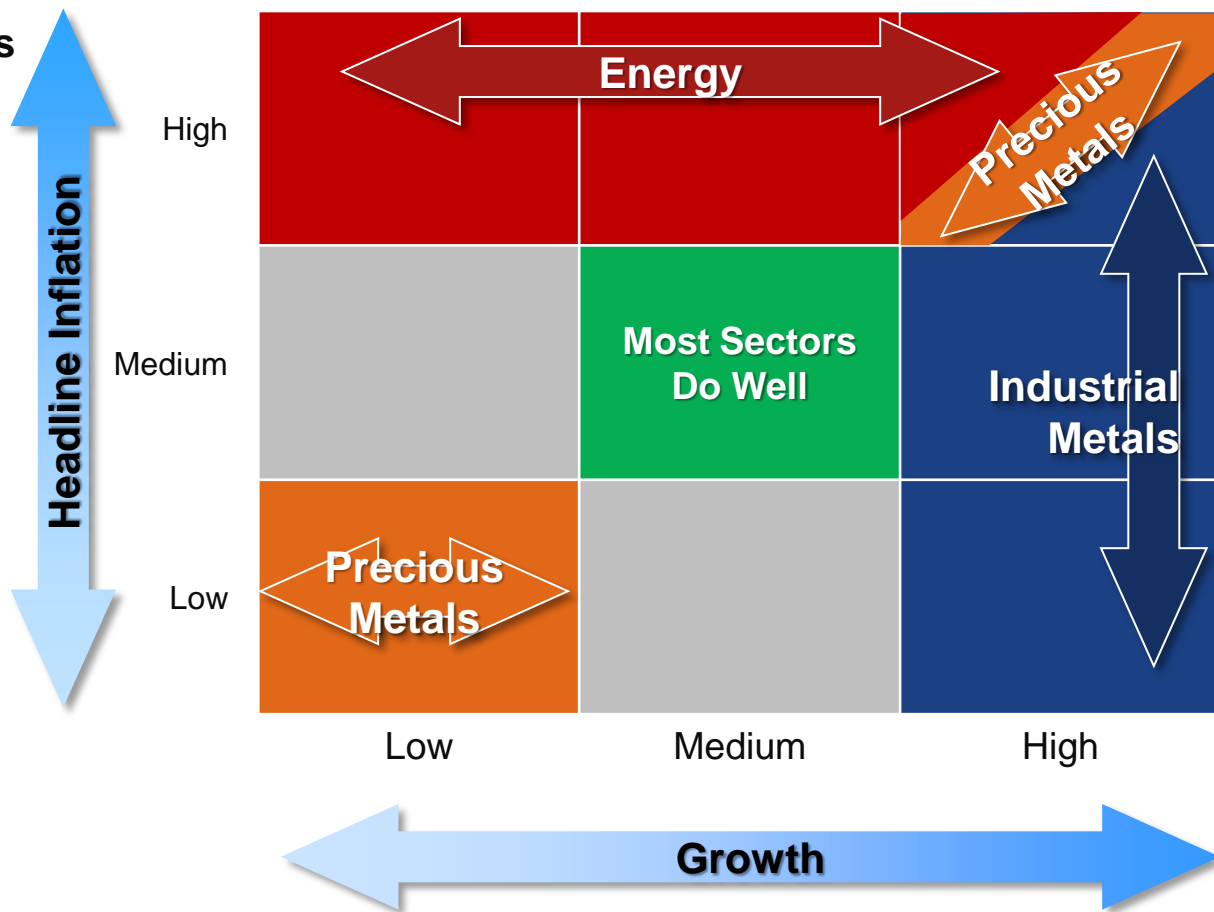
Returns During Panics, Booms and Inflation

Top Performing Asset Class

- Energy
- Industrial Metals
- Precious Metals
- Mixed

Precious in a Panic,
 Industrials in
 Booms, Energy in
 Inflations

*Annualized real
 returns by asset class
 since 1991**



* Quarterly log returns annualized. Boxes delineated by bottom, middle and top thirds of historical real annualized GDP growth and annualized headline CPI inflation since 1991. Data from 12/31/1990 to 6/30/2011. Individual commodities and sectors: DJUBS Total Return Commodity Indices. Energy: crude oil, gasoline, heating oil, natural gas; Grains: corn, soybeans, soybean oil, wheat; Industrial: aluminum, copper, nickel, zinc; Livestock: cattle, hogs; Precious: gold, silver; Softs: coffee, cotton, sugar.

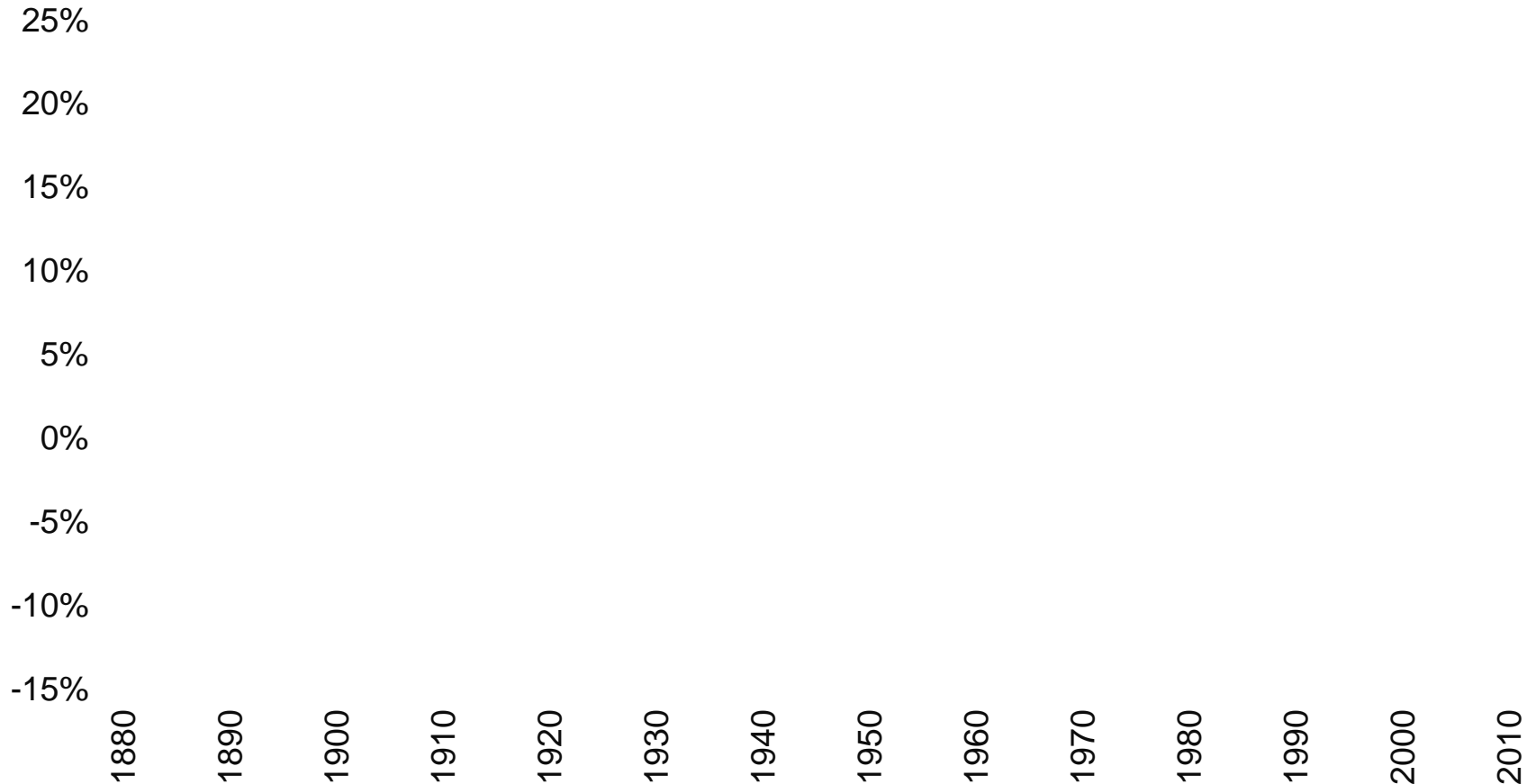
Commodities Point of View

Sector	Point of View	Rationale
Agriculture	Overweight	Tights supplies in corn and soybeans Weather the dominant risk – near term La Nina concerns for harvest
Livestock	Overweight	Severe drought hurt pastures, reducing herds Strong export growth especially to Asia
Precious Metals	Overweight	Negative real rates far out the curve with more central banking easing Reserve diversification
Energy	Neutral	European debt turmoil keeps Europe in recession Global demand revised lower for 2011/2012 by IEA But market appears undersupplied for 2012 with lots of geopolitical risk
Softs	Underweight	Cotton, sugar inventories growing; increased production from India, China and Pakistan Cotton apparent demand falling as consumers destock
Industrial Metals	Underweight	European debt turmoil keeps Europe in recession Aluminum production high, heavy inventories in long term financing Nickel and zinc production to expand on new projects China engineering slowdown but watch for monetary policy reversal

United States Inflation

US Inflation History of Inflation (1880-2010)

U.S. CPI Inflation



Source: Bureau of Labor Statistics, Historical Statistics of the United States

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