

# Rogers International Commodity Index®



*Put the Power of  
Raw Materials to Work  
in Your Portfolio*

# Risk Factors

• Exposure to the Rogers International Commodity Index is typically gained by investing in “alternative” investment products that are linked to the performance of the RIC. Alternative investment products may entail leveraging, commodity trading and other speculative investment practices which involve substantial risk of loss. Alternative investment performance can be volatile. Not all products are suitable for all investors and some products may only be available to certain qualified and sophisticated investors.

• RIC-based alternative investment products may include structured notes and/or pooled funds and/or mutual funds. Each product has risk considerations which may include, but are not limited to, the following:

• **Structured Notes**

- Credit Risk – Structured notes are guaranteed by the issuer. As a result, investors assume the credit risk of the issuer.
- Principal Risk – Structured notes are not ordinary debt securities and may not offer any protection of principal.
- Liquidity Risk – Structured notes are not typically listed on any securities exchange. Accordingly, there may be little or no secondary market for the notes and information regarding independent market pricing of the notes may be limited.

• **Pooled Funds**

- Risk of Loss – The Managing Member or General Partner of a fund cannot guarantee that investors may not lose all or substantially all of their investment.
- Past Performance Is Not Necessarily Indicative of Future Results of a Fund – For a fund to be profitable, the average value of the futures contract in a fund’s portfolio (including interest income) must increase at a rate that exceeds a fund’s expenses.
- Substantial Expenses – A fund may be obligated to pay brokerage commissions, monthly management fees, and operating expenses regardless of whether the fund is profitable.

• **Mutual Funds**

• Most commodity index-linked mutual funds gain their exposure by investing in derivative investment vehicles such as commodity index-linked structured notes and futures contracts. Therefore, these mutual funds indirectly share the same risks as their underlying derivative investments. Such risks may include highly leverage trading, loss of principal, and liquidity risk.

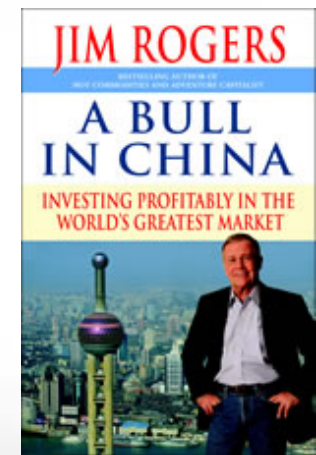
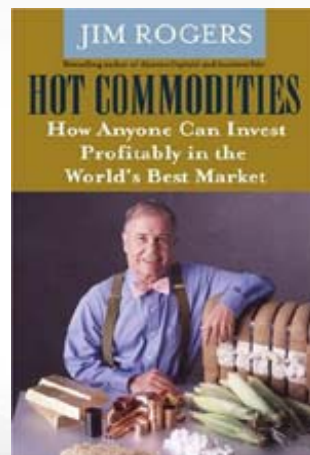


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# Who is Jim Rogers<sup>®</sup>?

- Jim co-founded the Quantum Fund. After 10 years and a return in excess of 4000% <sup>(1)</sup> he retired
- Author of *Hot Commodities*, *Adventure Capitalist*, *Investment Biker*, and *A Bull In China*
- Frequent contributor and guest on numerous media programs including *CNBC*, *Fox News*, *Bloomberg*, *Barron's*, and *Worth Magazine*

1. Stock Futures & Options Magazine, 12-03



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# Why Raw Materials?

By Jim Rogers

- Natural resources influence a significant portion of the world economy. They are the largest “non-financial” market in the world. Many studies indicate raw materials price movements are not correlated to the price movements of financial instruments. This means a natural resource investment can provide important portfolio diversification.

- A recent study by Yale University’s School of Management and the Wharton School at the University of Pennsylvania demonstrated that commodities have outperformed stocks and bonds over a recent 45 year period with less risk, and were a better hedge against inflation.\* The study also showed that direct, passive, commodity futures investing would have outperformed three times better than investing in commodity stocks during the same period. Throughout history, there have been bull markets in raw materials every 30-40 years. Supply and demand regularly get out of balance, leading to recurring periods of rising (and declining) prices. During the 1980’s and 1990’s, natural resources had been in a bear market for about 25 years (e.g. sugar peaked in 1973, oil in 1981, etc.). Declining markets attract little in the way of increased productive capacity, and this bear market was no different. Virtually no one built an offshore drilling rig, or opened a lead mine, or developed a sugar plantation during this period. Quite the opposite – productive equipment deteriorated, was cannibalized or scrapped while other capacity closed and/or depleted.

- Demand continued to increase during this period of static and declining sources of supply. Prices declined because of inventory liquidation. The stockpiles built up because of the carry-over, hoarding mentality, and the Cold War have been liquidated leading to all-time low inventories on a stocks/consumption basis. For example, the percentage ratio of foodstuffs inventories to annual consumption reached records of about 35% in the 1980’s. The ratio is in the low teens now.

- The desperate raw materials dumping by the Russians, at a time when Asia just stopped buying in the late 1990’s, caused lows in many commodities. These lows may last for years. We may see long term double and triple bottoms even if the world economy slows. Remember, the 1970’s saw tremendous rises in raw material prices, despite economic stagnation, as supply and demand corrected imbalances.

- An occasional argument against natural resource prices ever rising again is “technology.” However, the world has had repeated dramatic breakthroughs throughout history, yet these breakthroughs have not prevented periodic, multi-year commodity bull markets. We have seen faster transportation, communication, and productive advancements before in railroads, steam ships, radio, telephone, electricity, planes, etc. None kept prices down forever.

- The hydrocarbon industry of the 1960’s and 1970’s is a recent example. In the mid-1960’s, drilling below 5,000 feet or offshore was almost impossible. An explosion of technological advancements led to 25,000-foot wells and offshore development world wide. The Hughes diamond drill bit led to unthinkable drilling efficiency. Yet oil prices rose 1,500% in that fifteen year period.

- The Rogers International Commodities Index (RICI) was designed to meet the need for consistent investing in a broadbased international vehicle. Thirty-five commodities are represented in the RICI. This gives it breadth just as the S & P 500 is broader than the Dow Jones Industrials. International commodities are represented, whereas most other indices are regional or U.S.-oriented. For example, other indices exclude rice, the staple food of a large percentage of the world. All commodities in the RICI are publicly traded on recognized exchanges to insure ease of tracking and verification. The RICI does not include non-traded items such as hides or tallow, which are included in other popular indices.

- The RICI attempts to balance consumption patterns worldwide. One popular index has 19% in precious metals with only 6% in hydrocarbons - the same weighting it gives orange juice. Another recently had as much as 69% in hydrocarbons, with only 31% for everything else the world consumes. The RICI is designed to offer stability - partly because it is broadly based and consistent in composition. Other popular indices change dramatically every year, which does little for continuity or stability.

- In short, raw materials should always be represented in any diversified portfolio. Stocks, bonds, cash, and real estate do not provide sufficient representation of the world’s economy, nor sufficient non-correlation to each other.

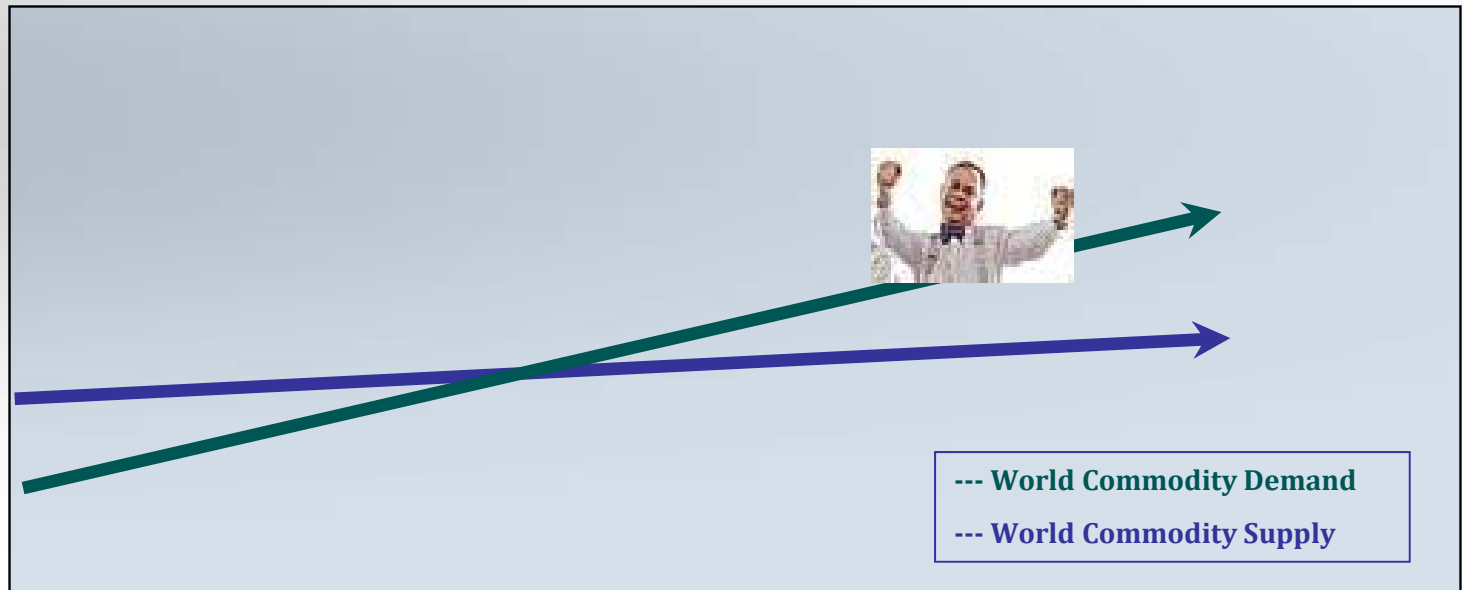
- One of history’s recurring raw materials bear markets may have ended, as supply and demand became unbalanced due to economic shifts. Previous commodity bull markets averaged about 17 to 18 years in length and experienced very large percentage increases. The RICI was organized to meet a need in the financial spectrum currently not effectively covered.☐

- \* “Facts and Fantasies About Commodity Futures,” by Gary Gorton and K. Geert Rouwenhorst, Yale ICF Working Paper #04-20, June 14, 2004.

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# Jim Rogers<sup>®</sup> Thesis

**There is a long term, world-wide imbalance between Supply & Demand in Commodities.**



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# Rogers' Thesis & RICI®

## Developed in 1998

- Jim believed in the industrialization of China and eventually other emerging nations that would create unprecedented demand for commodities
- Commodity prices were at multi decade lows.
- Lack of major investment in commodity production in last 20 years
- Direct participation in the commodity futures avoids the human factor inherent with investing in commodity related companies
- Dissatisfied with existing commodity indices as investments
- Created a new more internationally oriented, diversified, balanced index:  
*Rogers International Commodity Index®*



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# China & India Facts

## India Growth

- 1971- 8 cities of over 1M; 2008 - 45 cities (*Kotak Institutional*)
- 70M people, bigger than the UK's population, moving to cities in next 10 years ([www.censusindia.gov.in](http://www.censusindia.gov.in))
- Nokia's 2<sup>nd</sup> largest market after US (*BBC*)
- 2<sup>nd</sup> largest road network after US; yet only 20% paved (*HSBC*)



## China Growth

- 50,000 miles of expressways in the next 30 years (*CLSA*)
- 300+ million people will move to cities in the next 20 years (*Macquarie Research*)
- In 2004, was the #1 importer of copper, zinc, steel, pork & cotton (*Goldman Sachs*)
- 17% of people will buy 1 car in the next 3 years; today, 9 cars per 1,000 people (*NPR*)
- China will increase housing, infrastructure, railways, power grids & social welfare spending by \$568B to stimulate growth & is now the largest user of steel, copper, zinc, lead, nickel & aluminum (*Bloomberg.com - 11/11/08, Glenys Sim and Paul Gordon*)

# Credit Crisis: Improves Commodity Fundamentals

- **Supply Constraints**
  - Producers' inability to get financing due to credit crisis may delay building of new capacity.
  - New projects may be canceled or postponed as they no longer meet minimum return requirements due to lower commodity prices.
- **Inflationary Pressures**
  - Worldwide government easing has potential to be inflationary and create a positive environment for commodities. (Commodities Roundtable)
- **Global Economic Stimulus**
  - Global economic stimulus packages total roughly \$1.95 trillion or 3.16% of 2008 global GDP.

- United States - \$787 billion
- China - \$586 billion
- Spain - \$113.37 billion
- Japan - \$110 billion
- Germany - \$103.3 billion
- India - \$4 billion



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# RICI® Construction: Methodology & Comparison

	RICI®	GSCI	Dow-UBS
Construction Methodology	World Demand & Consumption	World Production Data (supply)	Past Trading Activity & Production Data
Components	37 Commodities	24 Commodities	19 Commodities
Rebalancing	Monthly	Yearly	Yearly
Adjustments	Jim Rogers International Index® Committee	Rules Based	Rules Based
Stability	Stable – Few Changes	Many Changes	Many Changes*

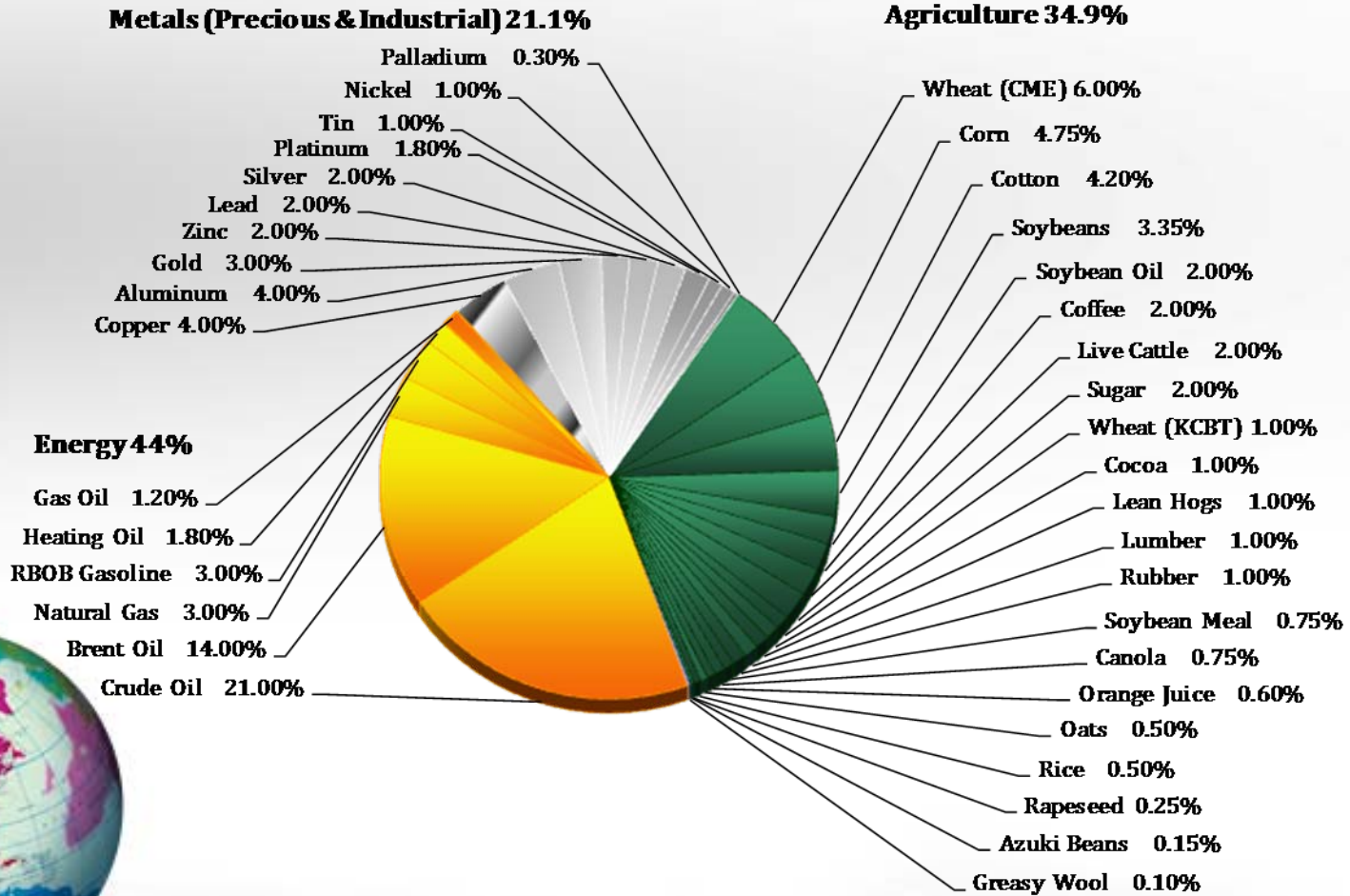
\* For example the Dow-AIG changed all 19 component weightings at the start of 2007.

Source: Goldman Sachs & Dow Jones



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# RICI® Weightings



\*As of May 2010

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# RICI® Performance & Comparison

August 1998 – June 2010

Commodity Index	Compound Annual Return	Total Return	Annualized Standard Deviation	Sharpe Ratio
RICI®	9.50%	194.95%	19.72%	0.34
GSCI	4.79%	74.67%	25.06%	0.08
DJ-UBS	5.83%	96.49%	17.36%	0.17
RJ-CRB	7.19%	128.82%	14.02%	0.31



Rogers International Commodity Index® (RICI®). The RICI® Linked Pam Advisors Fund, LLC accesses the RICI®. The RICI® does not include fund expenses and tracking friction. The RICI®, S&P GSCITM & DJ-UBS are long only, passively managed commodity indices. It is not possible to invest in them and their returns do not reflect the fees and expenses inherent in investing a vehicle designed to replicate a particular commodity index. Detailed information on all of the indices is available upon request.

Source: Barclay's Trading Group Ltd.

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# RICI® Performance Consistency

August 1998 – June 2010

Time Period	Returns Ranking			Sharpe Ratio Ranking		
	RICI®	S&P GSCI™	DJ-UBS	RICI®	S&P GSCI™	DJ-UBS
2010 YTD	2	3	1	2	1	3
2009 (1 yr)	1	3	2	1	3	2
2008-2009 (2 yr)	2	3	1	1	3	2
2007-2009 (3 yr)	1	3	2	1	3	2
2006-2009 (4 yr)	1	3	2	1	3	2
2005-2009 (5 yr)	1	3	2	1	3	2
2004-2009 (6 yr)	1	3	2	1	3	2
2003-2009 (7 yr)	1	3	2	1	3	2
2002-2009 (8 yr)	1	3	2	1	3	2
2001-2009 (9 yr)	1	3	2	1	3	2
Since Inception (8/98—5/10)	1	3	2	1	3	2

\* Inception of the RICI® is August 1, 1998. Rogers International Commodity Index (RICI®). The RICI® Linked Pam Advisors Fund, LLC accesses the RICI®. The RICI® does not include fund expenses and tracking friction. The RICI®, S&P GSCI™ & DJ-UBS are long only, passively managed commodity indices. It is not possible to invest in them and their returns do not reflect the fees and expenses inherent in investing a vehicle designed to replicate a particular commodity index. Please see detailed definitions on page 21. Detailed information on all of the indices is available upon request.

*Past performance is not necessarily indicative of future results.*

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# RICI® Correlation Matrix

August 1998 – June 2010

	RICI®	Barclay CTA Index	Dow Jones Industrial Average	Barclays L.T. Treasury Index	NASDAQ Composite Index	S&P 500 Total Return Index	MSCI EAFE Index
RICI®	1.00	0.23	0.26	-0.06	0.27	0.31	0.43
Barclay CTA Index	0.23	1.00	-0.22	0.22	-0.19	-0.21	-0.08
Dow Jones Industrial Average	0.26	-0.22	1.00	-0.22	0.70	0.94	0.81
Barclays L.T. Treasury Index	-0.06	0.22	-0.22	1.00	-0.21	-0.20	-0.17
NASDAQ Composite Index	0.27	-0.19	0.70	-0.21	1.00	0.83	0.71
S&P 500 Total Return Index	0.31	-0.21	0.94	-0.20	0.83	1.00	0.86
MSCI EAFE Index	0.43	-0.08	0.81	-0.17	0.71	0.86	1.00

Please see detailed definitions on page 21. The indices above are not investable products and their returns do not reflect the fees and charges inherent in investing. Detailed information on all of the indices is available upon request.

Source: Barclay Trading Group Ltd.

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# RICI® Performance

August 1998 – June 2010

## Performance Analysis (as of June 30, 2010)

Cumulative Return	<b>162.9%</b>
Annualized ROR	<b>8.5%</b>
Largest Monthly Gain	<b>16.7%</b>
Largest Monthly Loss	<b>-24.9%</b>
Annualized Std. Dev.	<b>19.8%</b>
Maximum Drawdown	<b>59.3%</b>
Sharpe Ratio	<b>0.28</b>

## Monthly Rates of Return

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Jan	--	0.8%	6.7%	2.0%	-1.3%	7.2%	2.6%	3.1%	7.0%	-3.0%	3.0%	-5.2%	-8.1%
Feb	--	-4.1%	4.5%	-1.4%	4.3%	5.7%	8.3%	7.3%	-5.6%	4.1%	12.5%	-4.0%	5.3%
Mar	--	16.7%	-1.0%	-4.5%	10.9%	-7.0%	2.1%	3.3%	3.1%	1.7%	-5.5%	4.9%	0.6%
Apr	--	5.4%	-2.2%	4.3%	-0.2%	-4.1%	0.2%	-6.6%	6.1%	0.5%	4.7%	1.7%	2.7%
May	--	-5.4%	7.5%	-2.1%	-0.2%	8.2%	2.8%	0.0%	-0.4%	0.5%	3.9%	16.6%	-10.4%
June	--	7.2%	4.8%	-5.4%	3.9%	1.1%	-5.1%	2.3%	-0.4%	3.0%	8.7%	-1.4%	-0.1%
July	--	1.9%	-5.6%	1.4%	0.4%	2.6%	4.9%	3.6%	1.3%	4.5%	-9.4%	2.3%	--
Aug	-5.7%	5.4%	10.4%	0.6%	5.1%	4.4%	0.6%	5.3%	-4.0%	-2.8%	-6.9%	-1.5%	--
Sept	9.5%	5.2%	-1.5%	-8.8%	2.8%	-1.8%	7.2%	0.9%	-6.5%	9.1%	-13.7%	0.2%	--
Oct	-3.8%	-4.4%	0.6%	-4.7%	-2.1%	4.0%	1.6%	-5.2%	1.2%	6.1%	-24.9%	5.7%	--
Nov	-10.1%	4.6%	5.1%	-1.2%	0.4%	2.5%	-1.1%	-1.0%	5.4%	-2.5%	-11.4%	4.2%	--
Dec	-0.8%	3.2%	-5.3%	-0.8%	5.6%	5.6%	-4.9%	5.2%	-3.8%	4.9%	-7.7%	0.6%	--
YTD	-11.5%	40.6%	25.1%	-19.5%	32.9%	30.9%	19.8%	18.5%	2.2%	28.3%	-42.1%	24.8%	-10.5%

\* Index data taken from Barclay's Trading Group database. Although we believe sources to be reliable, Uhlmann Price does not take responsibility for the accuracy of the representative data provided. Performance is for the Index only and does not include fees, commissions, or other costs.

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# Rogers International Commodity Index®

- Best represents commodity asset class
- Broadest basket of commodities
- Over 10 years of actual history (backdated to 1984)
- RICI® has out-performed all commodity indices since August 1, 1998
  - Similar or less volatility
- RICI® Index Committee: Jim Rogers, Chairman



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# Commodity Indexes: Components & Weightings

<u>Agriculture</u>	<u>RICI® % Total</u>	<u>Dow Jones % Total</u>	<u>S&amp;P GSCI % Total</u>	<u>Metals</u>	<u>RICI® % Total</u>	<u>Dow Jones % Total</u>	<u>S&amp;P GSCI % Total</u>
Red Wheat	-		1.06%	Gold	3.00%	6.47%	3.18%
Wheat	7.00%	3.36%	4.95%	Silver	2.00%	2.54%	0.32%
Corn	4.75%	6.16%	4.48%	Platinum	1.80%	-	
Soybeans	3.35%	7.04%	3.28%	Palladium	0.30%	-	
Soybean Oil	2.17%	2.87%		Aluminum	4.00%	7.12%	2.58%
Rice	0.50%	-		Copper	4.00%	6.84%	2.53%
Azuki Beans	0.15%	-		Zinc	2.00%	2.06%	0.62%
Canola	0.77%	-		Lead	2.00%	-	0.39%
Oats	0.50%	-		Nickel	1.00%	1.85%	0.66%
Soybean Meal	0.75%	-		Tin	1.00%	-	
Cotton	4.20%	2.00%	1.02%	Subtotal	21.10%	26.88%	10.28%
Coffee	2.00%	2.59%	0.90%	<u>Energy</u>			
Sugar	2.00%	2.38%	1.80%	Crude Oil	21.00%	14.95%	31.77%
Cocoa	1.00%	-	0.43%	Heating Oil	1.80%	4.58%	4.88%
Wool	0.10%	-		Unleaded Gas	3.00%	4.35%	4.00%
Orange Juice	0.66%	-		Natural Gas	3.00%	15.37%	7.11%
Live Cattle	2.00%	4.45%	3.59%	Brent Crude	14.00%	-	12.64%
Feeder Cattle	-	-	0.66%	Gas Oil	1.20%	-	5.15%
Live Hogs	1.00%	3.02%	2.00%	Subtotal	44.00%	39.25%	65.55%
Rubber	1.00%	-		<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
Lumber	1.00%	-					
Subtotal	34.90%	33.87%	24.17%				

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# Definitions

- **The Barclay CTA Index** is an unweighted index which attempts to measure the performance of the CTA industry. The Index measures the combined performance of all CTAs who have more than 4 years past performance. For purposes of calculating the Index, the first 4 years of a CTA's performance history is ignored.
- **Dow Jones Industrial Average (DIJA)**: Reflects the performance of the Dow Jones Industrial Average, a price weighted average of 30 blue-chip U.S. stocks that are generally the leaders in their industry and are listed on the NYSE.
- **Dow Jones UBS Commodity Index (DJ-UBS)**: The Index is comprised of 24 commodities representing the energy, metals, and agricultural sectors.
- **Lehman Brothers LT Treasury Index**: Includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. Securities in the index roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices. The U.S. Treasury Index was launched on January 1, 1973.
- **MSCI EAFE Index**: Reflects performance of the Morgan Stanley EAFE (Europe, Australasia, Far East) index in US dollars.
- **NASDAQ Composite Index (NASDAQ)**: The NASDAQ Composite Index is a broad-based capitalization-weighted index of all NASDAQ stocks. The index was developed with a base level of 100 as of February 5, 1971..
- **RICI® (Rogers International Commodity Index®)**: Comprised of 36 commodities representing the energy, metals, and agriculture sectors. The components of the RICI® have been specifically chosen to give a balanced representation of consumption patterns throughout the world. It was developed by world renowned investor Jim Rogers to be a passive, international, diversified, investable raw materials index. The RICI® is a calculated Index and thus does not include any fund expenses that would exist with an investment vehicle designed to track the Index. The RICI® was officially released on August 1, 1998.
- **S&P GSCI**: The Index is comprised of 24 commodities representing the energy, metals, and agricultural sectors.
- **S&P 500 Total Return Index**: The S&P 500 is an index consisting of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large-cap universe.
- All data provided direct from Barclay Trading Group LTD Data Base or from the Index provider website (CISDM and RICI®). Although we believe the sources to be reliable, Uhlmann Price cannot take responsibility for the accuracy of the data.



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