For more information please contact:

Gordon Andrew
AssetSight, Inc.
5 Vaughn Drive
Princeton NJ 08540
[T] 609 987 0200
[F] 609 987 8616
[E] gandrew@assetsight.com

C O M M E R C I A L M A R K E T S I N D E X

v 1.0U

Index Profile

The **Commercial Markets Index** (CMI) is an investment benchmark of the returns available to a momentum strategy applied to a portfolio of commercial markets. The Index portfolio is broadly diversified, maintaining equal-weighted, unleveraged investments in 25 of the most liquid commercial markets for which there exist futures contracts traded on U.S. exchanges. These markets include currencies, financials and a broad range of traditional commodities.

The CMI is valuable as an investment benchmark because its performance closely mirrors the returns achieved by managed investments in commercial markets. Returns in these markets derive from the essential function of commercial hedger activity, the transfer of price risk, which occurs on both the long and the short side. Thus, in order to credibly reflect the full range of hedger activity driving returns in commercial markets, the CMI takes long and short positions, using predefined non-forecasting rules to govern a passive, systematic trading process.

As an investment vehicle, the CMI provides investors with a transparent, liquid, and low-cost alternative investment that serves as an excellent hedge to traditional portfolios. Adding the CMI to an otherwise traditional portfolio should reduce its volatility, significantly improve risk-adjusted returns, and provide an excellent hedge against capital asset under-performance and inflation.

The CMI was developed with the cooperation of an Index Advisory Committee that includes senior representatives from major pension plans, banks, institutional investment managers, and pension consultants. The Advisory Committee meets each year to review index policies and recommend modifications, if necessary.

The CMI is maintained by AssetSight, Inc. Historical Index and sector component data is available on it's website (www.assetsight.com) as well as on Bloomberg.

Investment Rationale

Inherent Returns in Commercial Markets

The Commercial Markets Index is predicated on research—both our own and that of academic economists—indicating that inherent returns exist in the volatility of commercial markets. These returns flow out of the primary function that commercial markets perform in the wider economy: the unloading of excessive price risk by commercial hedgers. Hedgers experience excessive price risk—or volatility—as sustained price moves against their commercial interests.

If volatility in the underlying assets of commercial markets were relatively constant, hedgers could incorporate this constant into their pricing with a sufficient margin. Indeed, over the *long* term, price volatility does tend to show stability.

However, prices in these underlying assets change in the *short* term so much that hedgers cannot afford to pass these changes on to their customers through their own pricing mechanisms and remain competitive. Thus, price volatility in commercial markets gives commercial enterprises strong incentives to hedge, or transfer this price risk to someone else.

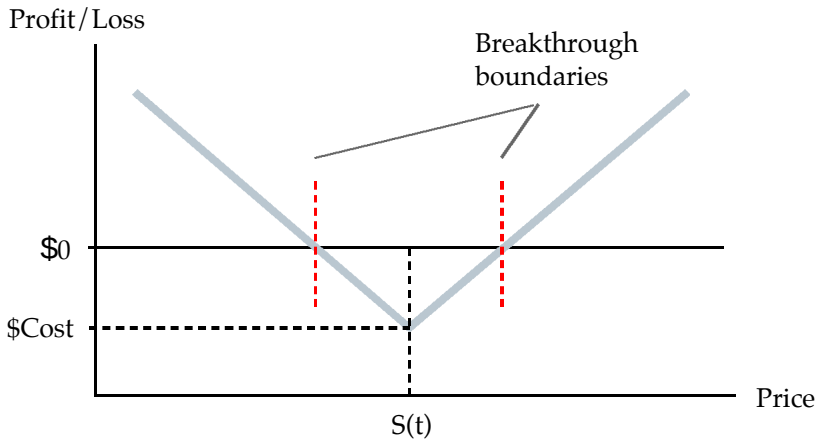
As an index, the CMI attempts to capture returns from such sustained price moves. It does this by comparing a market's current price to its historical mean price, and then taking a long or short position, depending on the signal. Through this process, the CMI provides investors with a means for `owning' the price volatility that hedgers seek to offload.

But how does the CMI capture such price momentum and yield returns to the investor? How does one `own volatility'?

Capturing Returns in Commercial Markets

The Index gains exposure to market volatility through a process that is similar to an options straddle. An options straddle entails the simultaneous purchase of a call option and a put option, with the same strike price and expiration date. At any given future time, market value will likely be either lower or higher than the strike price. If there is a significant move in price, exercising the appropriate option captures the directional price momentum.

The diagram below depicts how a straddle generates returns.



Assume S(t) is the strike price. The investor profits from a price move in either direction beyond the `breakthrough boundaries' of the V. This process can be described as `owning volatility'.

Because it is impossible to effectively implement an actual options straddle in the commercial markets, the CMI applies the *concept* of an options straddle in its process.

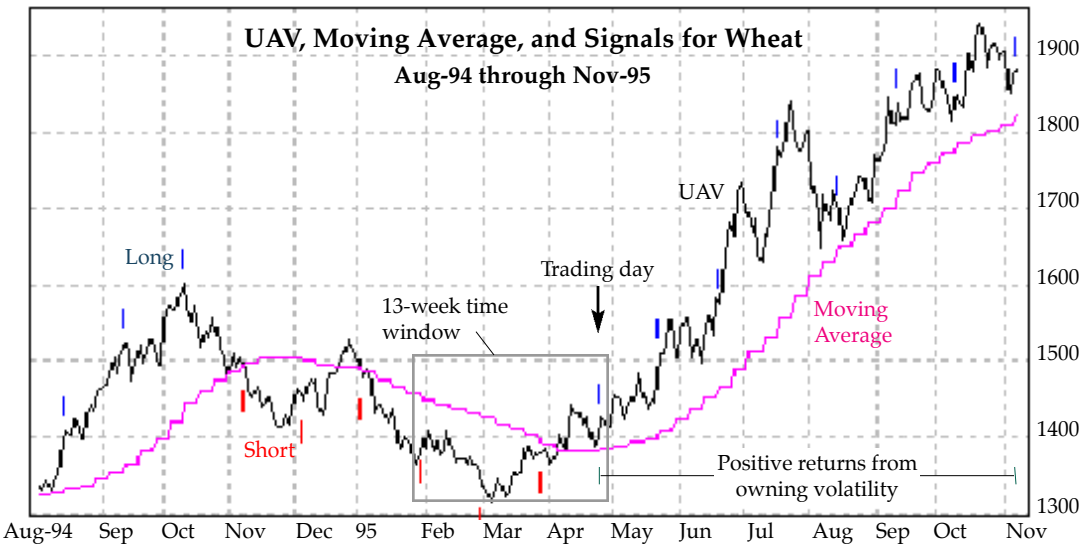
Simulating An Options Straddle

The CMI is based upon an alternative method for owning volatility, using a trend-following system that generates signals so as to *simulate* an options straddle. Every four weeks, the system compares the current unit asset value (UAV) for each market in the Index to its moving average value for the prior 13 weeks. If the current UAV closes higher than the moving average, the system generates a `long' signal; if the UAV closes lower than the average, the system generates a `short' signal. The long position replicates the call option portion of the straddle; the short position replicates the put option portion. The moving average represents the strike price.

Simulating An Options Straddle (continued)

In this way, the Index captures market momentum that 'breaks through' the profit boundaries of the simulated straddle. The investor in the Index thus 'owns' the volatility in the underlying market, and receives the returns which flow from the sustained price move away from the moving average. The chart below graphically depicts how the process works.

The black UAV curve represents price fluctuation in wheat. The magenta curve represents wheat's UAV as a 13-week moving average. The colored slash marks represent signals generated every four weeks: red slashes below the moving average curve for short signals; blue slashes above the curve for long signals. The boxed enclosure represents the 13 weeks of UAV data used to generate the moving average—the simulated strike price—that determines the signal for the four-week period that began in late April 1995.



Because the closing UAV on the designated trading day was higher than the moving average, the signal was long. This position was the first of a series of long positions that captured the momentum of a sustained upward price move in wheat, in this case, a move that ultimately lasted 14 months and generated positive returns.

Index Methodology

The Index As A Passive Vehicle

Two factors demand that the Index engage in some level of trading, even though the strategy is `passive'. First, in order to reflect investment performance from either upward or downward price movement, the Index must go long or short periodically in the different markets. Second, in order to deal effectively with the relatively short duration of futures contracts, the Index must implement a periodic roll strategy.

The Index remains passive in that investments are made without reliance on any specialized information or skill on the part of the person making the investment. Trades are determined systematically and periodically on the basis of simple, transparent, non-forecasting decision rules defined at inception.

Roll Strategy

The limited life of futures contracts necessitates a roll strategy to maintain continuous exposure in all markets. The CMI's roll strategy is based on the precept of following market hedger activity. The strategy is governed in practice by the relative movement of open interest across the actively traded contracts of a given market. The primary trigger for initiating a roll occurs when the amount of open interest in a nearby contract surpasses that of the currently held contract. Additionally, a number of secondary conditions determine when exactly the roll takes place.

Markets

The Index holds positions in 25 of the most liquid commercial markets for which there exist futures contracts traded on U.S. exchanges. The Index weights all markets equally and uses no leverage. The CMI includes the following markets as of January, 2001:

Currencies

- Australian Dollar
- British Pound
- Canadian Dollar
- Euro
- Japanese Yen
- Swiss Franc

Energy

- Crude Oil
- Heating Oil
- Natural Gas
- Unleaded Gas

Financials

- US 30-yr Bond
- US 10-yr Bond
- US 5-yr Bond

Grains

- Corn
- Wheat
- Soybeans
- Soybean Oil
- Soybean Meal

Metals

- Copper
- Gold
- Silver

Softs

- Coffee
- Cotton
- Sugar

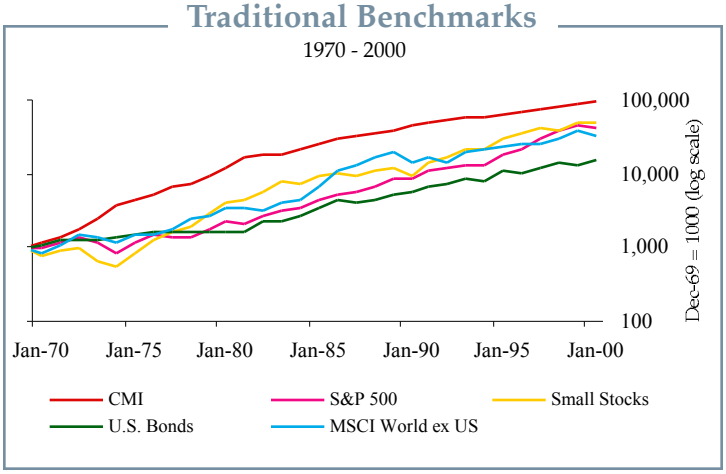
Meats

- Live Cattle

Performance Characteristics

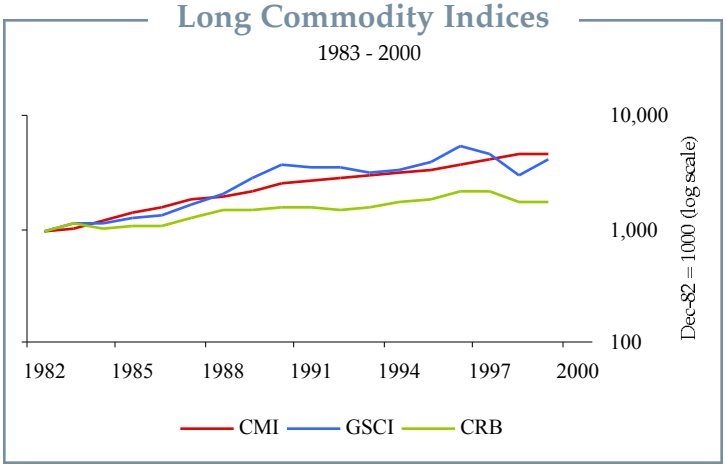
Absolute Returns

Traditional Benchmarks



The charts above and below represent the value of $1000 invested as of January 1970 through December 2000 and January 1983 through December 2000, respectively.

Long Commodity Indices



Traditional Benchmarks

The CMI has demonstrated exceptional absolute returns relative to traditional investments over the long term. In particular, the CMI continued to show positive returns during the mid-1970s, when stock performance was poor, and during the late 1970s and early '80s, when bond returns were poor.

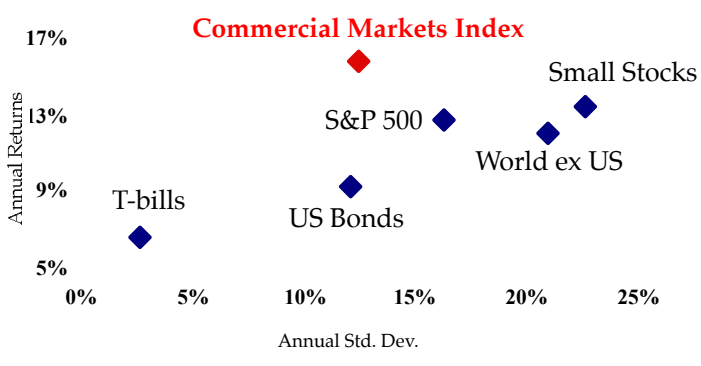
Long Commodity Indices

The CMI has yielded higher and more consistent absolute returns than long commodity indices. The CMI performed well when commodity prices rose with inflation, similar to commodity indices. However, because it applies a momentum strategy to commercial markets, the CMI also yielded attractive returns during periods of low inflation and deflation.

Risk-Adjusted Returns

Asset Class Comparisons

Based on annual returns 1970 - 2000



The Commercial Markets Index has demonstrated excellent risk-adjusted returns relative to traditional asset classes, as the chart opposite shows.

The combination of a superior rate of absolute return and a reduced rate of risk can make the Index a valuable addition to investment portfolios.

Performance Characteristics

A Portfolio Hedge

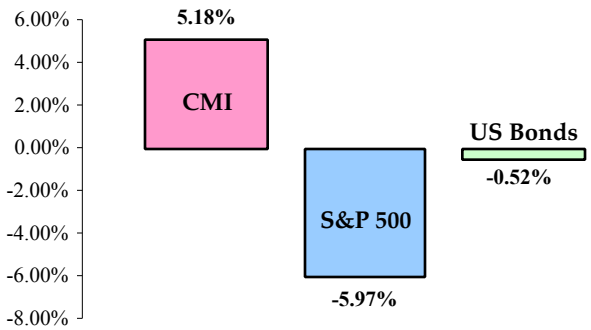
Asset Class Correlations

Monthly Returns 1970 - 2000

	CMI	S&P 500	Small Stocks	US Bonds	MSCI EAFE	Cash
CMI	1	-0.076	-0.056	-0.090	0.037	0.126
S&P 500		1	0.730	0.341	0.507	-0.075
Sm. Stocks			1	0.179	0.403	-0.067
US Bonds				1	0.194	0.069
MSCI EAFE					1	-0.090
Cash						1

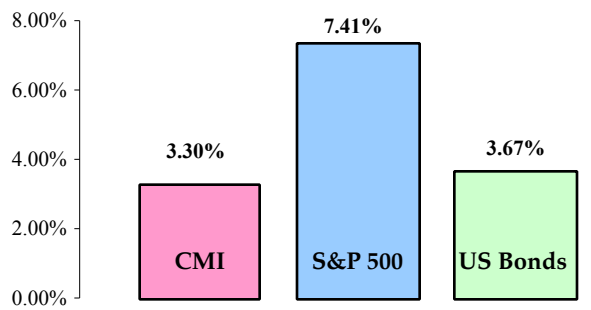
S&P Negative Quarters

Average Quarterly Returns Mar-70 through Dec-00



S&P Positive Quarters

Average Quarterly Returns Mar-70 through Dec-00



The Commercial Markets Index can provide an excellent hedge to traditional portfolios. As the table opposite shows, monthly returns to the CMI have exhibited near zero correlation to the returns from traditional investments. The Index can also be a valuable hedge against inflation. The Index's correlation to inflation was greater than 60% (annual returns).

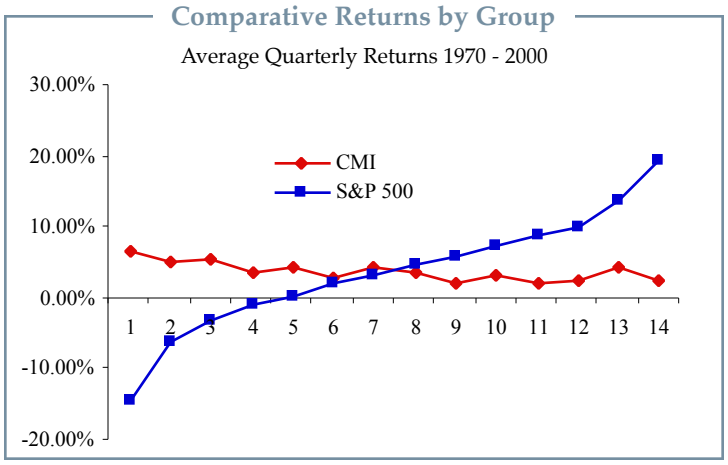
The ideal portfolio hedge would be negatively correlated to traditional investments when they under-perform and positively correlated when they are doing well. This is precisely how the Commercial Markets Index has performed, as the charts opposite show.

For the quarters in which average returns to the S&P 500 were negative, returns to the CMI were correspondingly positive. The Index also outperformed bonds as a hedge, since average bond returns were negative in these quarters.

Yet when S&P returns were positive, so also were returns to the CMI. In fact, Index returns were roughly comparable to those from bonds.

Performance Characteristics

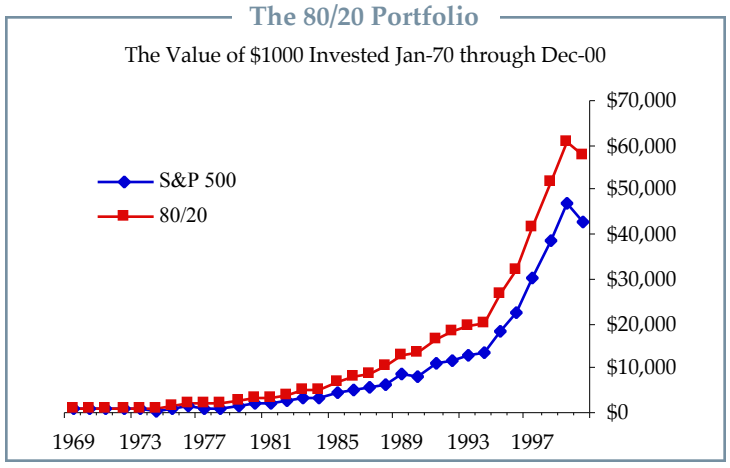
A Portfolio Hedge



The CMI has outperformed the S&P 500 in 97% of the 37 calendar quarters in which S&P returns were negative from 1970 through 2000. Furthermore, the Index yielded positive returns in 86% of these quarters. The chart opposite shows average quarterly returns for the S&P 500 in descending order from the most negative quarters (group 1) to the most positive (group 14) in groups of nine quarters* each. The chart then gives the CMI's average quarterly returns for the same nine-quarter groups.

*group 14 contains seven quarters

Improving Risk-Adjusted Returns



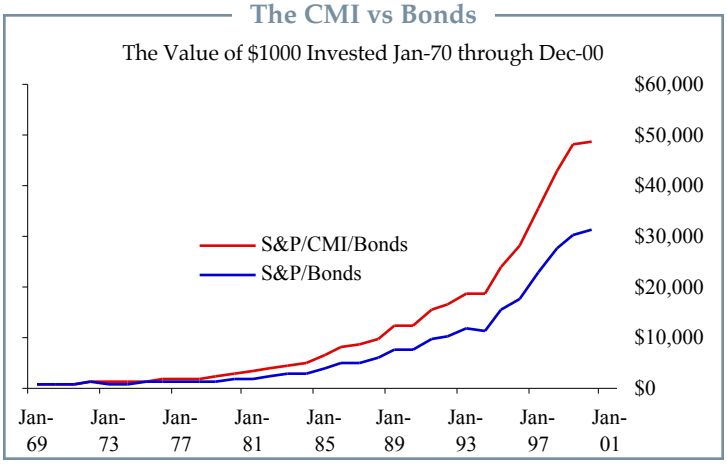
Performance Measure	CMI	S&P	80/20
Avg Annual Compounded Return	15.99%	12.90%	13.99%
Avg Annual Standard Deviation	12.49%	16.28%	12.01%
Sharpe Ratio	0.749	0.385	0.612

Investors who seek returns comparable to US equities but want to reduce risk can add the CMI to an S&P 500 portfolio, with compelling results.

The chart opposite compares an investment of $1000 in the S&P 500 at the start of 1970 with an investment of $800 in the S&P 500 and $200 in CMI. Compared to the all-S&P portfolio, the combined portfolio's compound average rate of return is slightly higher, at 13.99%, its Sharpe ratio is superior, and its volatility is significantly lower, at 12.01%.

Performance Characteristics

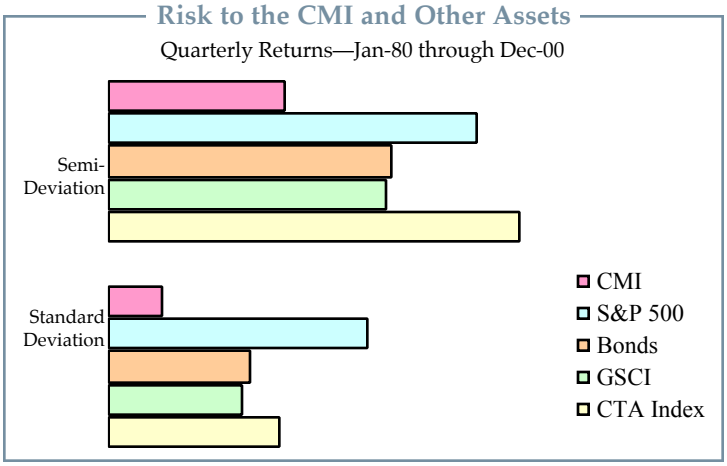
Improving Risk-Adjusted Returns *(continued)*

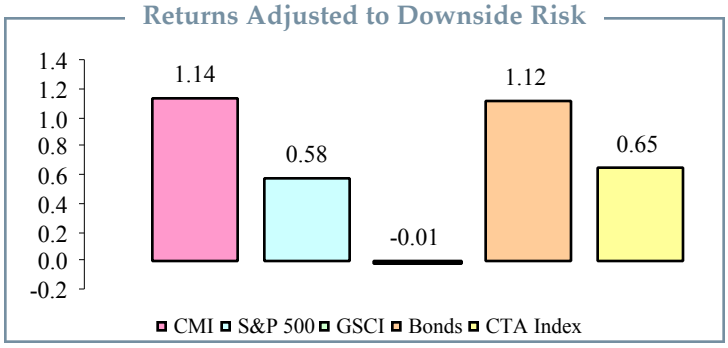


Performance Measure	S&P/CMI/Bonds (60/20/20)	S&P/Bonds (60/40)
Annual Compound Return	13.36%	11.78%
Standard Deviation	9.87%	12.35%
Sharpe Ratio	0.681	0.417
Terminal Wealth	$48,758	$31,532

How does a combined S&P/CMI portfolio compare with a more traditional balanced portfolio? The chart and table opposite compare a traditional 60/40 equities/bonds portfolio with a 60/20/20 portfolio that mixes equal weights of bonds and the CMI. The portfolio that incorporates the CMI performed better in terms of both absolute returns and risk-adjusted returns than the stock-and-bonds-only portfolio.

Risk of Loss to the CMI





Note: Semi-deviation is a measure of variability of returns less than zero.

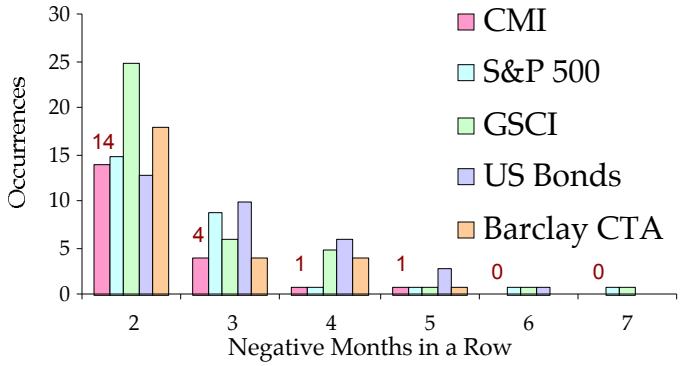
The CMI also compares favorably to other investments when measured against the kind of risk investors really care about—losses to their portfolio. Semi-deviation for the CMI has been significantly lower than that for the S&P 500 and other assets, and returns per unit of downside risk has been significantly greater. Consider the charts opposite, which compare standard deviation and semi-deviation of quarterly returns, and downside risk-adjusted returns, for the CMI and three other assets from the beginning of 1980 through the end of 2000.

Performance Characteristics

Risk of Loss to the CMI *(continued)*

Duration of Negative Periods

Negative Monthly Returns—Jan-70 through Dec-00*



* Note: Barclay CTA data begins Jan-1980, when the Barclay CTA Index was introduced.

Losses to the CMI and Other Assets

Calendar Quarters—Mar-80 through Dec-00

Total quarters = 84

	CMI	Barclay CTA	GSCI	S&P 500
Negative quarters	16	27	36	22
% of total quarters	19.05%	32.14%	42.86%	26.19%
Average losses	–1.98%	–3.47%	–2.93%	–5.19%
Downside	0.99	2.78	2.62	3.80

Note: Analysis begins with the first quarter of 1980 in order to incorporate the Barclay CTA Index.

There will, of course, be times when CMI returns are negative. Because the CMI is diversified in its investments across 25 markets in 7 sectors, gains in some markets tend to at least partially offset losses in others. However, the Index profits most from sustained directional price momentum; when market conditions prevent strong trending, the Index suffers. Yet the duration of these periods of negative returns have been competitive with those of other assets, as the chart above left shows.

Moreover, the long-term history of the CMI's performance indicates that both the frequency of losses to the Index and the predictable range of losses have been lower for the CMI than for other indices, as the table opposite shows. Average losses during periods of negative performance have also tended to be less than those for other assets.

Key Features

The Commercial Markets Index:

- is a passive alternative investment benchmark.
- uses a trend-following process with a moving-average trigger to capture price momentum.
- invests in 25 of the most liquid exchange-traded commercial markets on an equal weighted, unleveraged basis.
- closely represents the returns available to investors from both sides of hedger and investor activity in commercial markets, by taking both long and short positions.
- exhibits favorable risk and return characteristics that are uncorrelated to those of traditional asset classes.

Investment in the Commercial Markets Index

Various investment firms currently offer individual accounts and structured products based upon the CMI. Beginning in the Fall, 2001, exchange traded futures and options will be available at the New York Board of Trade. You should ask your broker or financial planner for more information regarding investment opportunities in the CMI.

Sources for Index Data

Historical returns for the CMI and its sector level components are available on Bloomberg (CMIX<go>) or AssetSight, Inc.'s website (www.assetsight.com).

Data Sources for this document: The CMI is maintained by AssetSight,Inc. All other data was provided by Ibbotson Associates and Barclay Trading Group, Ltd.