

JWH MARKET COMMENTARY

FEBRUARY 2008



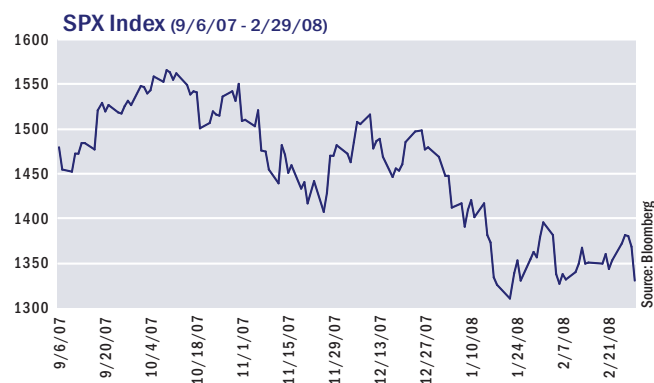
JOHN W
HENRY &
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DOLLAR SLIDES AS COMMODITY RALLY CONTINUES

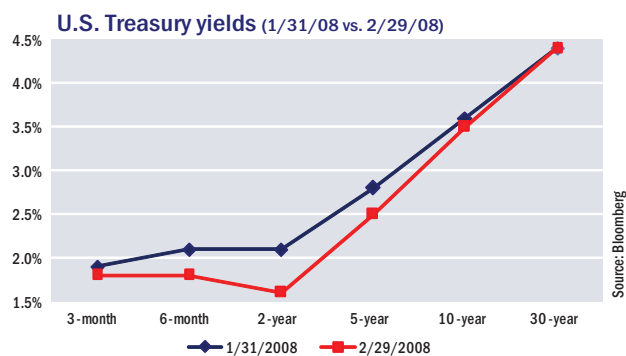
JWH trading performance in February was exceptional with all seven of the firms programs providing positive returns. The data released during the month continues to point to a weakening in the U.S. economy. As the severity of the credit crisis and its ramifications become more apparent, numerous remedies have been enacted or proposed. Pessimism about the deteriorating state of the economy was often met with optimism about the prospects of official forms of economic stimulus, creating an interesting trading dynamic during the month. Some sectors were confined to broad ranges, while others experienced explosive moves. JWH programs benefited from historic movement in the price of many commodities as energies, grains, metals and soft commodities all contributed positively to their performance.

GLOBAL STOCK INDICES – Generally, major global equity indices traded in a broad range during the month as market anxiety vacillated between fears of recession and concerns about inflation. The S&P 500 finished with a modest loss for the month as market volatility declined from the peak readings registered in January. In this environment, JWH trading was slightly positive as positions in European and U.S. markets offset small losses in the Japanese Nikkei.



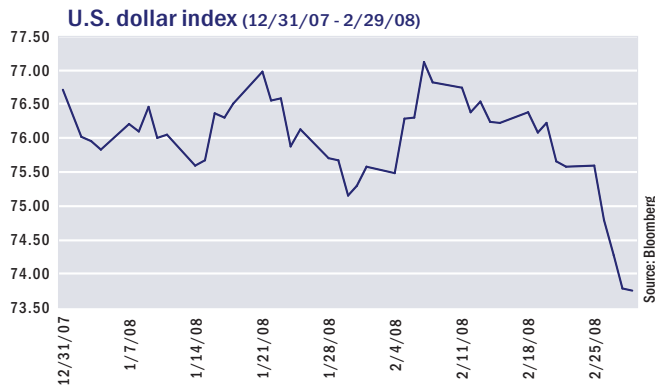
INTEREST RATES – Trading in interest rates was unprof-

itable as the psychology of the market shifted during the month. In January, fear and prospects for a slower global economy drove global bond prices to extremes. While the economic data released in February continued to be decidedly negative, the long end of the bond market began to focus on the prospect of inflation as various forms of stimulus make their way into the economy. In his testimony to the U.S. Senate Banking Committee, the Federal Reserve Board (the Fed) chairman, Ben Bernanke, underscored the Fed's dovish stance on interest rates. He warned that downside risks to the economy remain due to weakness in the housing, labor and credit market. The U.S. yield curve steepened as long-term interest rates moved higher. The benchmark U.S. 10-year note yield approached 4 percent during the month, up from a low of 3.30 percent in January, only to end the month at 3.5 percent. Positions in Eurodollars and other short-term interest rate products were profitable, but did not offset the losses incurred by positions in bond futures.

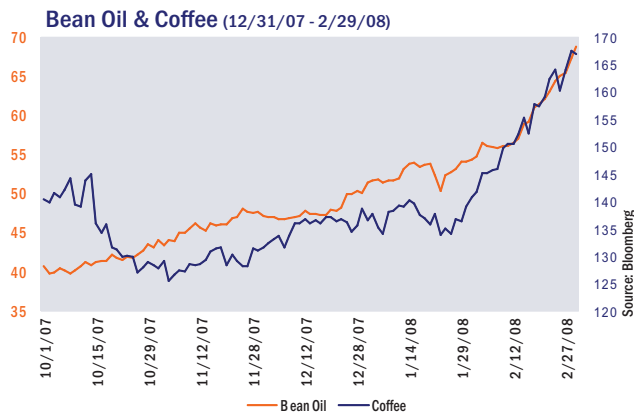


CURRENCIES – After rallying early in February, the dollar reversed course and closed the month weaker against most major currencies as narrowing interest rate differentials and the prospect for higher inflation in the U.S. combined to weigh on the currency. The low-yielding Swiss franc and Japanese yen were among the strongest

currencies against the dollar as risk appetite in the market remains low. The USD/JPY exchange rate closed the month at a multi-year low of 103.75. The rhetoric from officials throughout the month regarding the weakness of the dollar was mild and did little to alter the decline. Trading in the euro was choppy and less profitable; nevertheless, the currency did manage to close at an all-time high of 1.5180.



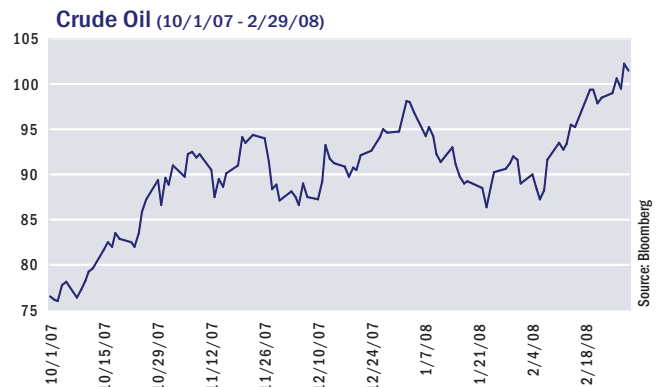
AGRICULTURAL COMMODITIES – As global demand pushed commodity prices to historic levels, the commodity markets generated the majority of the firms February returns. While all commodity sectors were profitable, the greatest profits came from the agriculture markets, particularly from grains and soft commodities. In some cases, the moves, were explosive. For example, bean oil was up 27 percent during the month, coffee was up 19 percent, wheat was up 15 percent, and sugar was up 14 percent.



It is uncommon for the disparate markets that make up this sector to move higher so strongly in the same month. There is a force at play in these markets that

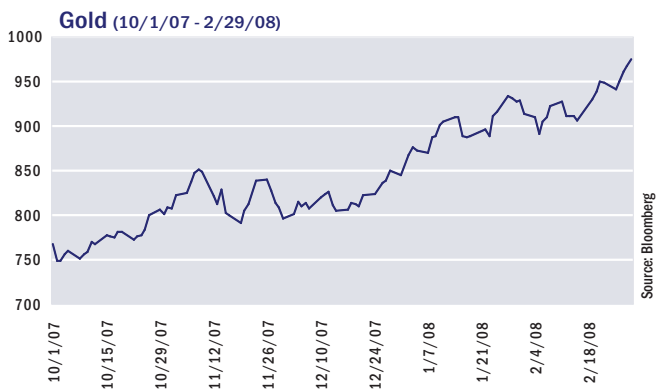
goes beyond the supply and demand fundamentals of each specific market. The demand for food related commodities from a flatter, more prosperous global economy is an important theme driving agricultural commodities. The weakness of the dollar is another important factor; however, it is likely that investor speculation also played a role in February.

ENERGIES – The energy sector was also profitable as crude oil surged above \$100 per barrel; this indicates the drop in prices at the start of the year was simply a stall on the way to continued new highs. The initial stage of the approximate 10 percent rally in the price of crude during the month may be attributable to the unwinding of large short positions that were established in January. In addition to the old themes of strong demand and dollar weakness, the perception in the market that OPEC would defend levels below \$90 per barrel helped to support prices. Natural gas was a significant contributor to the sector's profits during the month as it rallied in response to colder weather across much of the country.



METALS – Performance from the metals sector was positive as both precious and base metals were higher. Gold continued its march toward the \$1000 per ounce level as it closed February on a high of \$975 per ounce. The weak dollar, further Fed rate cuts and macroeconomic concerns including the prospects for further inflation, are fundamentals that can have a positive influence on the price of gold. Specific supply issues better explain the movements higher in base metals during the month as production outages were reported in both China and

South Africa. This puts further pressure on inventories which, in some cases, are at multi-year lows.



CONCLUSION – February’s returns continue the strong performance JWH programs have experienced over the past six months. The firm’s diversified programs achieved double-digit results benefiting, in a large part, from a continuation of the historic moves in the commodity markets. They have also exhibited strong performance in many other parts of the portfolio, including currencies, as the U.S. dollar continues to decline.

We cannot forecast how long these moves will last; but the firm’s ability to take both long and short positions in all markets means that there could be new opportunities for our clients if and when the markets turn.

We thank you for your continued support.

Kenneth S. Webster
President and Chief Operating Officer

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS