

# JWH MARKET COMMENTARY

JUNE 2007



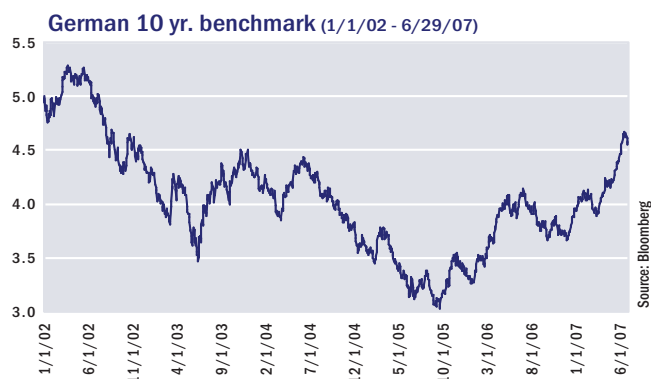
JOHN W  
HENRY &  
COMPANY

INC

# JWH PROGRAMS PERFORM THROUGH MARKET TURMOIL

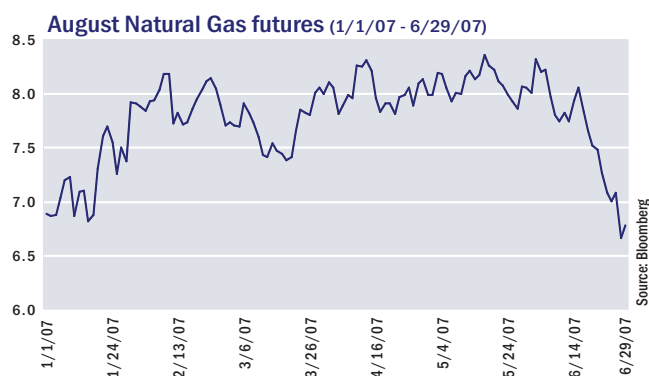
Performance for the month of June was positive for the majority of our trading programs. Despite potentially market-dislocating events, including terrorism incidents in the United Kingdom and the subprime mortgage problems in the United States, our programs were able to profit as their long-term trend-following approach excelled, holding profitable positions through the market turmoil. JWH's systematic approach has profited over the past three months since the equity induced dislocation of financial markets that occurred towards the end of the 1<sup>st</sup> quarter, which we suggested might be a precursor for a major shift in market trends. While discretionary funds and shorter-term trend-followers may have been forced out of profitable positions due to instability in the market, our clients were rewarded due to our programs longer-term focus. The fixed income, energy and currency sectors were all profitable as various components of each sustained previously existing or participated in new profitable trends.

**PERFORMANCE SOARS AS U.S. AND EUROPEAN BOND MARKETS CONTINUE TO FALL** – European government bonds recorded their steepest quarterly decline in almost eight years. The largest gains came in the German Benchmark 10-year bund, which trended lower for the fourth consecutive month in June as shown below.



The yield climbed from 4.42 percent on May 31<sup>st</sup>, and touched 4.70 percent on June 13<sup>th</sup>, its highest since August of 2002. U.S. Treasuries also fell in June, suffering their biggest quarterly decline since the 1<sup>st</sup> quarter of 2006 as the U.S. Benchmark 10-year bond reached a five-year high of 5.327 percent.

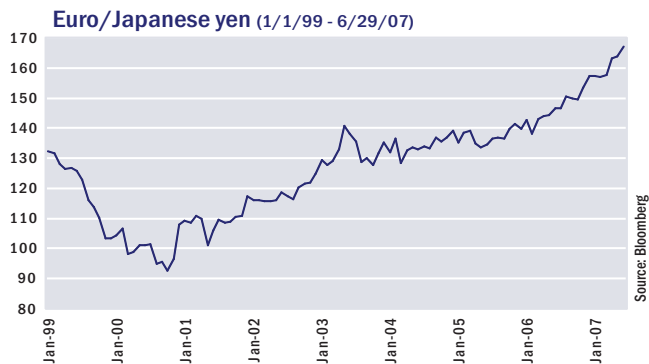
**INCREASE IN INVENTORIES AND GEOPOLITICAL EVENTS DRIVE PERFORMANCE** – Increased terrorism fears combined with lower-than-expected supplies in petroleum-based products and higher-than-expected supplies in natural gas drove performance. Natural gas futures for August delivery on the NYMEX plunged to a five-month low of \$6.655 per million British thermal units on June 28<sup>th</sup> as shown in the chart below.



This move occurred after a weekly government report indicated that inventories rose more than analysts expected and the outlook for colder temperatures this summer was likely to cut demand.

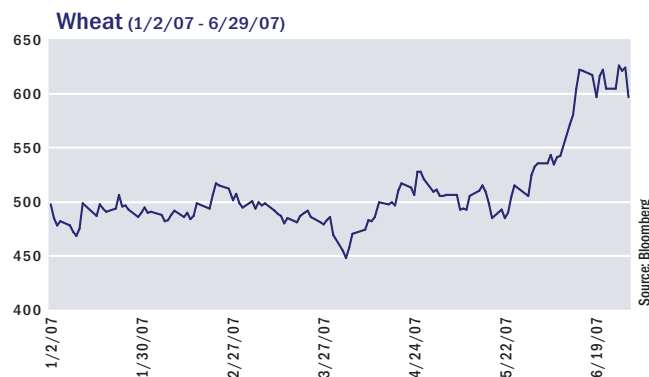
**JAPANESE YEN CONTINUES WEAKENING TREND** – The Japanese yen suffered its biggest quarterly loss against the euro and the dollar since 2001. The yen dropped to a record low of 166.94 per euro in June (a 5.63 percent decline) and a four and a half year low of 124.13 per

dollar (a 4.14 percent decline). The yen continued to trend lower as Japanese interest rates, the lowest among major economies, continued to encourage global investors to buy higher-yielding assets funded by loans in the currency.

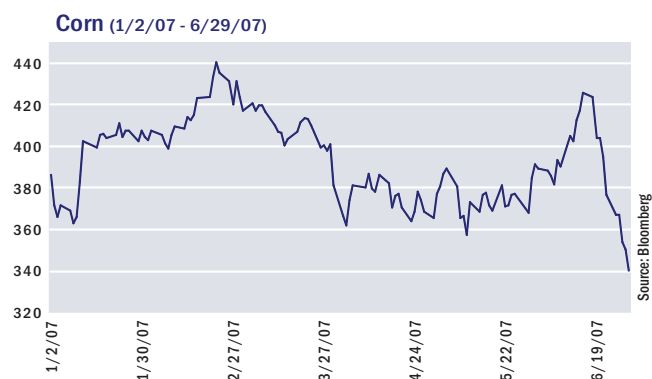


The weakness of the U.S. dollar against both the British pound and the euro limited gains. The dollar, which had been strengthening against both currencies during the first half of the month, suffered a reversal due to weaker-than-expected economic data, easing of inflationary fears, and the growing subprime mortgage problems. These factors fueled speculation that the Federal Reserve Board would keep borrowing costs unchanged for the remainder of the year, while both the Bank of England and the European Central Bank would continue to raise rates.

**METALS, AGRICULTURE AND INDICES SECTORS HAMPERED BY LACKLUSTER TRADING** – Performance was essentially flat in the metals and agriculture sectors, while slightly negative in indices, as range-bound markets and trend reversals dominated these sectors.



The only components that exhibited noteworthy performance were CBOT wheat and corn. CBOT wheat futures for the most active contract trended higher as wet weather stalled harvesting and damaged crops in the southern U.S. Great Plains, setting a record of \$6.50 per bushel. The gains were offset by losses in corn as it suffered a reversal of a strengthening trend during the first half of the month. Corn plunged to a 12-week low in Chicago after the U.S. Department of Agriculture said farmers planted more acres than forecast in March and the most since 1944.



**CONCLUSION** – JWH’s systematic long-term trading approach profited from strong trends that have continued to develop in various components of the fixed income, energy and currency sectors, while avoiding the short-term effects of financial market dislocations that occurred during the month. JWH’s long-term trend following philosophy has allowed its programs to post gains as many trends have extended through the 2<sup>nd</sup> quarter. JWH remains optimistic and will continue to apply our disciplined trading philosophy to potentially take advantage of any new or continuing opportunities as they present themselves.

We thank you for your continued support.

*K S Webster*

Kenneth S. Webster  
President and Chief Operating Officer

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS