

# JWH MARKET COMMENTARY

MARCH 2010



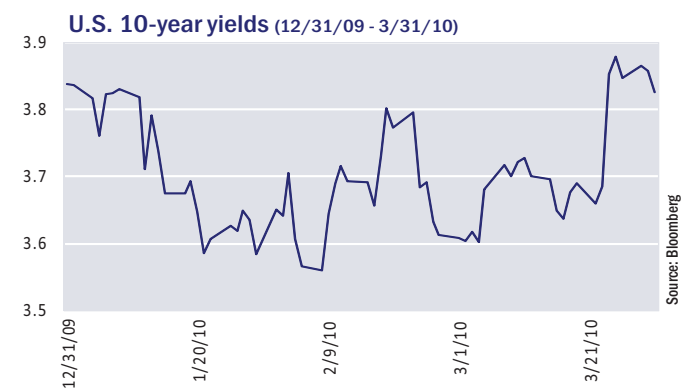
JOHN W  
HENRY &  
COMPANY  
INC

# DIVERSIFICATION RETURNS IN MARCH

March was a strong month for JWH's broadly diversified and commodity-focused programs producing positive performance results between 1.1 and 8.2 percent. The positive performance was attributable to modest gains from long-held positions in several financial markets, while unrelated large moves in a number of commodities also added to program gains. Global equity markets continued to move higher. In fact, on March 9th, stocks marked the one-year anniversary of the bear market low. It was fitting that equities closed up on the day, bringing the 12-month return to 71.9 percent. In familiar style, the gains for the month came amidst a macro-economic backdrop where the data is increasingly pointing to a sustainable economic recovery, but one where the significant risks to this outcome are clear and present. The marked decline in swap spreads during the month may reflect the markets' concerns about sovereign credit risk, including the ability of Greece and Portugal to meet their current debt obligations as well as the massive amount of debt issuance by the U.S. Treasury to fund the Administration's spending programs. These counter-balancing factors help to explain why price actions in many of the world's biggest markets are subdued or lacking clear direction. Diversification utility, which has been hard to spot over the past year, was clear in March as many of the smaller markets traded in the portfolios moved independently and had a meaningful positive impact on program returns.

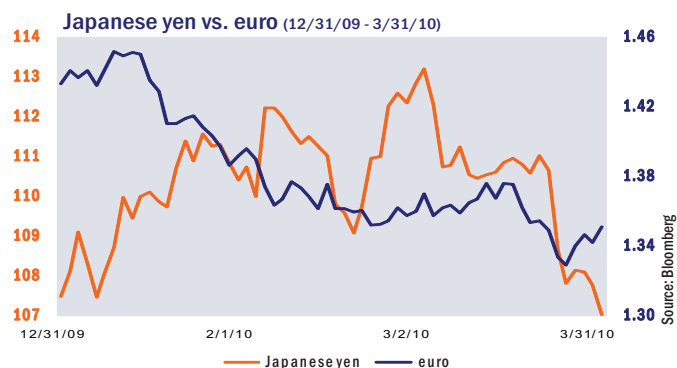
**INTEREST RATES** – The interest rate sector was negative in March as bonds continue to move erratically as global sentiment shifts between default and recovery. In February, concerns about the prospect for a government default in Europe had bonds trading near recent range

highs. While this possibility remains a risk, the preponderance of positive economic data pointing to a sustainable recovery as well as the increase in debt issuance in the U.S. put pressure on bond prices with rates ending higher at month-end. A near record amount of U.S. Treasury securities were auctioned during the month and the tepid demand for these securities underscored the shift in sentiment that occurred during March. The yield on the benchmark 10-year security rose 21 basis points to close the month at 3.82 percent. Profits from European interest rates were not enough to offset losses



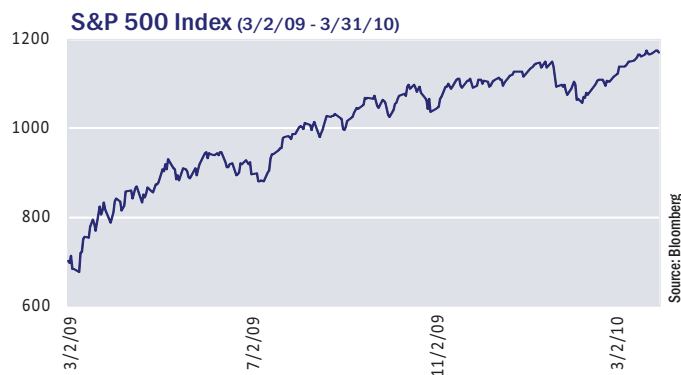
from U.S. and Japanese positions.

**CURRENCIES** – Currency trading was mixed across JWH programs with all programs benefiting from the dollar's strength against the euro and other European currencies (including the British pound), while some programs suffered from the sharp reversal in the Swiss



franc and the Japanese yen as the dollar rally broadened. The dollar gained more than 5 percent against the yen for the month as improving economic data is spurring demand for riskier assets and reducing the allure of low-yielding Japanese yen deposits. While the Federal Reserve Board did not increase rates in March, market prices indicate that expectations are increasing for a higher Federal Funds rate before the end of the year.

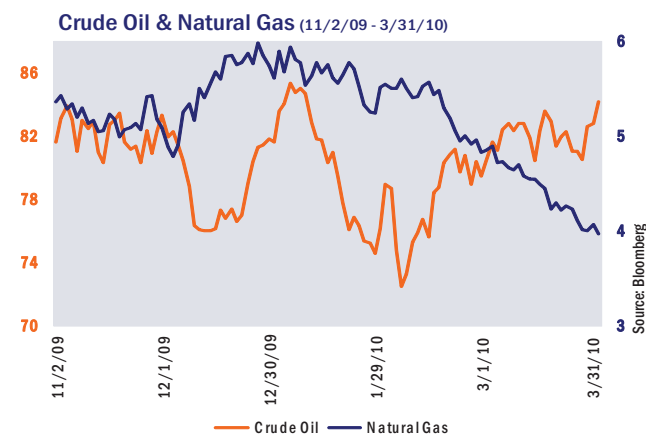
**GLOBAL STOCK INDICES** – Positions in equity index futures were profitable in March. While global equities continue to be buoyed by improving macro-economic data and an accommodative Federal Reserve Board, signs are emerging that the rally can be sustained by factors not related to fiscal and monetary stimulus. Retail demand for consumer products increased in March, the IPO market is showing signs of life, and the market survived the passage of a comprehensive healthcare reform package. All positions



in the sector contributed modest gains.

**ENERGIES** – The energy sector was also profitable, benefiting from intra-sector diversification and the divergent paths of natural gas and petroleum-based fuel prices. Crude oil prices rose more than 4 percent during the month as improving economic activity increased demand for fuel, most notably from China. At the same time, the domestic natural gas market continues to decline. The price of natural gas fell close to 20 percent during March making it the best-performing market in the portfolios as milder than normal weather across the country further exacerbat-

ed the bearish supply/demand dynamic. The National Weather Service also reported that temperatures were three degrees warmer than normal during the month. In addition, supply statistics released during the month showed that working natural gas stocks

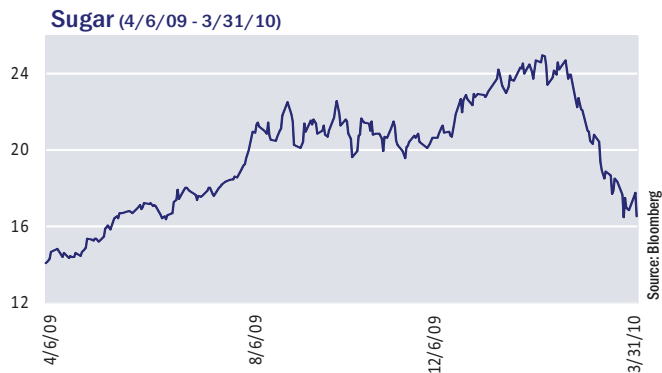


exceeded historic high levels in the U.S.

**METALS** – Performance in the metals sector varied between JWH programs with those that have exposure to industrial metals generating gains, which offset losses from precious metals. The industrial metals complex rallied during the month, with both aluminum and copper registering gains of more than 8 percent. The boost from positive pro-cyclical forces at play in the U.S. and other developed nations outweighed concerns about tighter monetary policy in China and its impact on demand from Chinese consumers. Precious metals fell as the dollar rally continued and the metals allure as a safe haven store of value diminished.

**AGRICULTURAL COMMODITIES** – Performance from the agricultural sector was positive with a number of markets having a significant positive impact on the month. Corn fell more than 10 percent during March. The USDA report set the bearish tone for the month, with downward revisions to U.S. corn exports and upward revisions to production. Globally, the grain markets are experiencing record production which is pressuring prices throughout the sector. The sugar market suffered an abrupt reversal, falling more than

20 percent during the month as better weather from Brazil and an announcement by the European Union



(EU) to increase quotas caught the market by surprise.

**CONCLUSION** – We are pleased with the performance of JWH’s programs in March. While the broad themes driving the markets, including the slow, uneven improvement in the global economy, did not change in March, there were subtle shifts in market behavior which included the broadening of the dollar rally and significant moves in the energy and agricultural sectors which were led by independent market fundamentals. These developments provided a broader level of diversification that benefited the programs. The decrease in correlations in markets less sensitive to macro-economic factors coupled with an increase in market volatility may provide additional profit opportunities for JWH’s programs going forward.

We thank you for your patience and continued support.

Kenneth S. Webster  
President and Chief Operating Officer

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PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS