

JWH MARKET COMMENTARY

MAY 2007



JOHN W
HENRY &
COMPANY

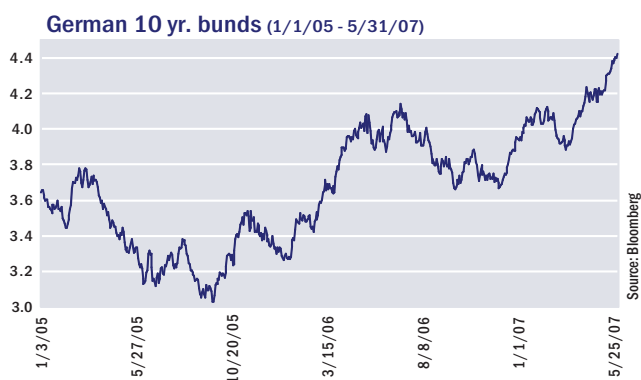
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STRONG DIRECTIONAL MOVES CONTINUE

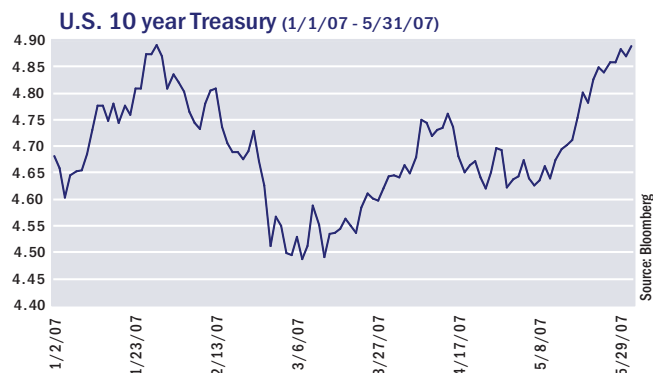
Sustained trends in the interest rate sector drove performance as the firm's disciplined systematic trend-following approach enabled its investment programs to profit from falling bond markets in the U.S. and Europe. The indices sector also added to positive performance as better-than-expected earnings and stronger-than-expected economic growth sent equity indexes across the globe to new highs.

FIXED INCOME SELL-OFF DRIVES PERFORMANCE

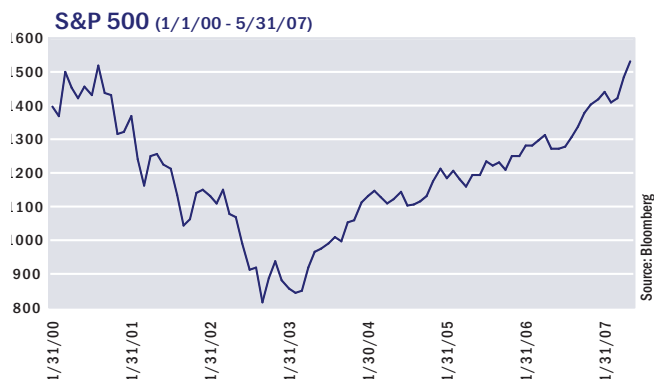
Positive performance was achieved as global interest rates sustained their steady rise due to economic growth in Europe and as the U.S. housing market began to stabilize. An example of this was in the German Benchmark 10-year bund as consumer confidence in the euro region economy climbed to a six-year high as shown below.



European manufacturing expanded for a 23rd month in May, supporting the argument for higher interest rates. U.S. Treasuries also bolstered performance as the benchmark 10-year bond yield increased 26 basis points since April 30th, its biggest monthly increase since March 2006. Treasury yields trended higher throughout the month as both consumer confidence and business spending grew (see chart).



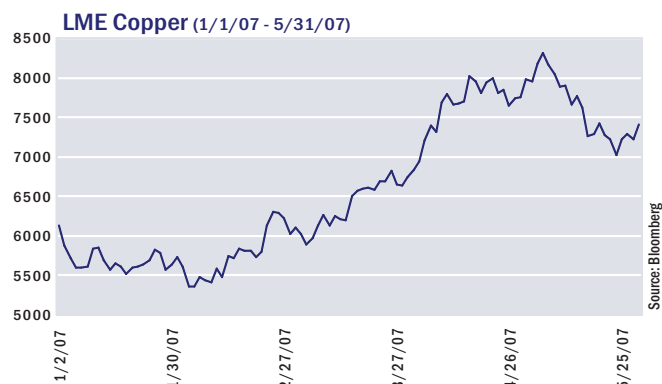
THE EQUITY BULL CONTINUES – Equity markets reached new highs due to continued economic growth in Europe and indications from the U.S. Federal Reserve Board (Fed) that growth in the world's largest economy would accelerate. \$1.1 trillion of announced Merger and Acquisition deals so far this year pushed the S&P 500 3.3 percent, passing its peak in the year 2000 as shown below. Also driving performance was the NASDAQ which ended the month at 2604.52, its highest level since February 2001.



RANGE-BOUND ENERGY MARKETS HINDER PERFORMANCE

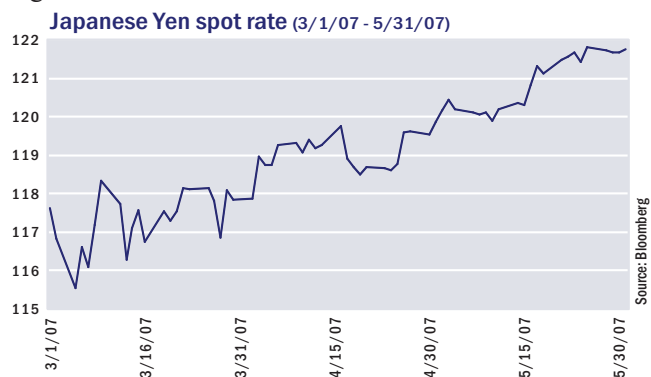
– U.S. oil futures traded between \$60 and \$67 the past two months as ample domestic stockpiles tempered the impact of supply shutdowns in Alaska and Nigeria. The lack of direction during the month left the energy markets susceptible to overreaction by speculators looking to capitalize on weekly supply and demand reports.

METALS STRENGTHENING TREND FALTERS – Reversals in both precious and base metals hurt performance. The LME Copper strengthening trend, which had been supported by a mining strike in Peru, positive U.S. economic data and falling global stockpiles, faltered during the month on speculation that China, the world’s largest consumer of the metal, may be oversupplied.

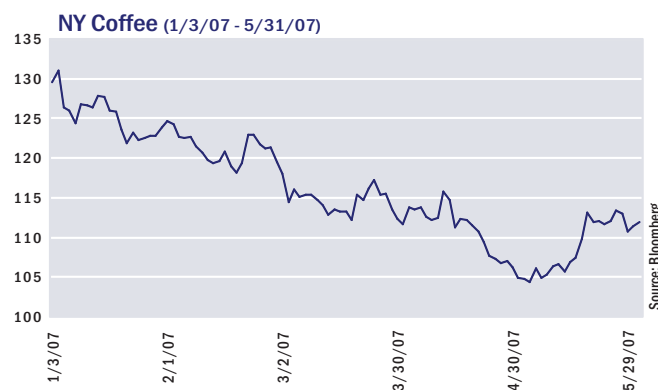


Further limiting performance was gold, which fell to a two-month low in May and was down 2.5 percent for the month, as a gain in the value of the dollar reduced demand for the precious metal as an alternative investment. Silver (which has wider industrial applications than gold) dropped 0.7 percent in May. Despite the drop, gold has gained 4.5 percent for the year, while silver has risen 4.1 percent.

THE EMERGENCE OF A STRONG U.S. DOLLAR – The U.S. dollar rebounded in May from an all-time low against the euro and rose 1 percent against the British pound. The dollar reversed as signs of economic strength reduced the likelihood of a cut in interest rates by the Fed. A majority of the losses in this sector were offset by the dollar’s strengthening trend against the Japanese yen. The U.S. currency gained 1.9 percent against the yen in May and reached a three-month high.



REVERSALS OFFSET GAINS IN SOYBEANS – Supply once again drove price action in agriculture commodities. Soybean futures on the CBOT rallied to a 35-month high as U.S. farmers said they would cut soybean acreage 11 percent to 67.1 million, the smallest since 1996. While performance benefited from gains in soybeans and soybean oil, trend reversals in London sugar, CBOT Wheat and NY coffee were too large to overcome. Coffee futures in NY climbed to their highest level in five weeks on concern that Brazil’s crop, the world’s largest, will decline due to frost damage, tightening supplies.



CONCLUSION – Performance was positive for the month as the firm’s systematic trading approach benefited from continued strong directional movements in European debt and global equity markets. While we cannot predict how long these trends will last, we are encouraged to see multiple markets continuing to achieve new highs and lows, providing profit opportunities for our investors. JWH will continue to apply its trading approach to potentially take advantage of continuing or new 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