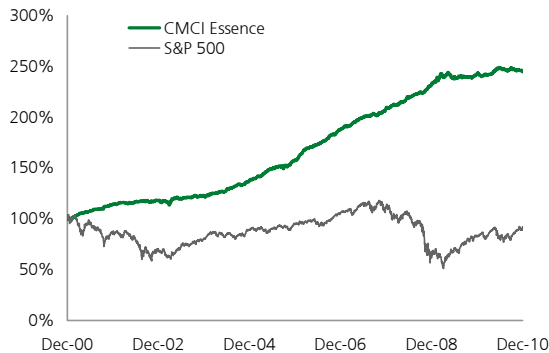




# UBS Bloomberg CMCI Essence (January 2011)

## Market Neutral Commodity Investment

### Track Record / Brief Description



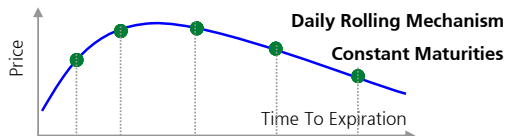
Source: UBS AG, Bloomberg. Total Return indices. Daily closing prices 12/02/00 – 12/02/10. Data contains back-tested values from Jan 1998 to Jan 2009 and live thereafter.

- Long / Short strategy that aims to **capture the innovative methodology** of UBS Bloomberg CMCI over traditional commodity indices
- **Simple:** CMCI Essence goes short the traditional commodity index (S&P GSCI Light Energy Index) and long the CMCI version of the same index (UBS Bloomberg SPGSCI Constant Maturity Light Energy Index)
- The matched weighting of the long and the short positions for each commodity, along with the quarterly rebalancing, allows this index to show **stable returns** and **low volatility**

### Long: UBS Bloomberg CMCI

#### Diversified across entire liquid curve

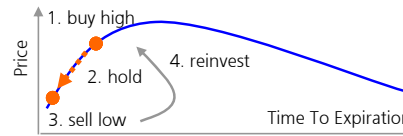
- On average longer dated futures led to better roll yields than short dated ones as further dated contracts tend to be in less contango / more backwardation that front month ones



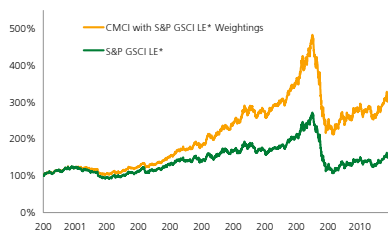
### Short: S&P GSCI

#### Limited to short-dated futures contracts

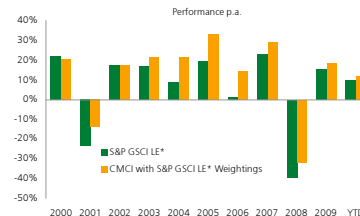
- Historically often pronounced Contango
- On average short dated futures led to worse roll yields than longer dated futures



### Performance Charts: Structural Outperformance of CMCI



Source: UBS AG, Bloomberg. Total Return indices. Daily closing prices 31 December 1999 – 02 December 2010. LE stands for Light Energy. CMCI data contains back-tested values from Jan 1998 to Jan 2007 and live thereafter.



Source: UBS AG, Bloomberg. Total Return indices. Yearly closing prices 31 December 1999 – 2 December 2010. LE stands for Light Energy. CMCI data contains back-tested values from Jan 1998 to Jan 2007 and live thereafter.

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# UBS Bloomberg CMCI Essence

## Background

### Commodity Futures Curves

Shape of commodity futures curves are determined by an interaction of market participants. (Consumer and producer hedging activities, supply/demand balance, financial investor activity and arbitrage). Aggregate market forecasts also play a role.

### Convexity & Asymmetry of Futures Curves\*

- Contangoed curves are often in more pronounced Contango in front month futures
- Backwarddated curves are often more linear, leading to similar roll returns on front month and longer dated futures.
- Curves with contangoed front month futures and backwarddated longer dated futures are common. Opposite is rare.

\*Source: "What makes a superior benchmark?", Daniel Brebner, 25 June 2007

## Main Risk Factor

### Main Risk Factor: Curve Shifts

Scarcity usually leads to Backwardation. Scarcity across several commodities could lead to a negative performance of CMCI Essence.

## Performance Contribution by Commodity

Sector	Commodity	Weight	Outperformance	Average Outperformance per month
Energy	WTI Crude Oil	17.73%	0.80%	
	Brent Crude Oil	7.29%	0.29%	
	RBOB Gasoline	2.21%	0.32%	
	Heating Oil	2.33%	0.53%	
	Gasoil	2.88%	0.20%	
	Natural Gas	1.69%	2.13%	
Industrial Metals	Aluminum	4.87%	0.26%	
	Copper	7.73%	0.07%	
	Lead	0.94%	0.23%	
	Nickel	1.65%	0.21%	
	Zinc	1.26%	0.24%	
Precious Metals	Gold	6.08%	-0.01%	
	Silver	0.99%	0.22%	
Agriculture	Chicago Wheat	7.54%	0.63%	
	Kansas Wheat*	1.58%	-0.26%	
	Corn	8.12%	0.36%	
	Soybeans	5.19%	0.09%	
	Cotton	3.34%	0.29%	
	Sugar	5.20%	0.39%	
	Coffee	1.85%	0.17%	
Cocoa**	0.60%	-0.78%		
Livestock	Live Cattle	5.30%	0.33%	
	Feeder Cattle***	0.86%	-0.06%	
	Lean Hogs	2.78%	1.03%	

\*CMCI Kansas Wheat data only available since 29 May 2009.

\*\*CMCI Cocoa data only available since 12 September 2008

\*\*\*CMCI Feeder Cattle data only available since 30 September 2008.

S&P GSCI LE\* Weights used are as of 02 December 2010. The weights of SPGSCI LE\* Constant Maturity might not be exactly the same as those of S&P GSCI LE Index.

LE stands for Light Energy

Source: Bloomberg, UBS IB. All indices used are Excess Return. Data period 2 December 2000 – 2 December 2010. Data contains back-tested values from Jan 1998 to Jan 2007 and live thereafter.

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