June 2008

# Commodity Perspective
# S&P GSCI™

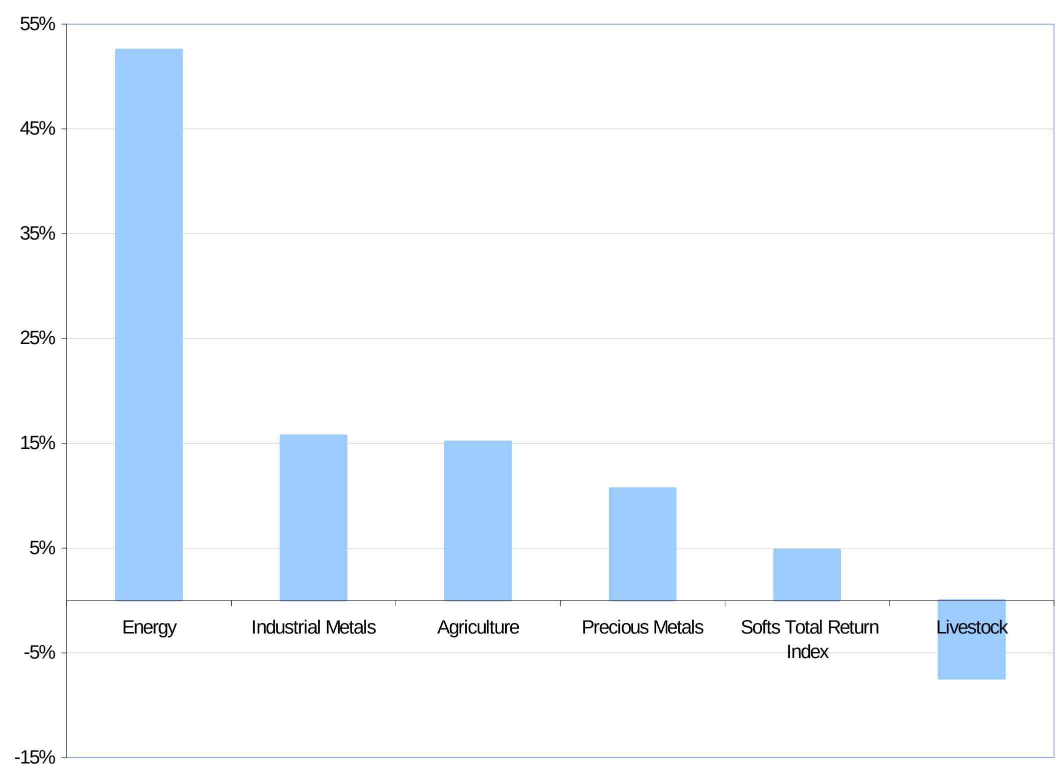
STANDARD & POOR'S

(ALL FIGURES ARE TOTAL RETURN unless otherwise noted)

**S&P GSCI Index**
June Total Return: +9.22% (Vs +9.10% May)
YTD Total Return: +41.42%

Agriculture was the strongest performing sector in June as the S&P GSCI Agriculture Index increased 15.29% on the month, however energy remained the dominant force in the first half of 2008, contributing to the S&P GSCI +41.42% year-to-date (YTD) total return. The S&P GSCI Energy Index ended June with a +52.55% YTD total return. Industrial and precious metals were the middle-of-the-road performers for the month as the S&P GSCI Industrial and Precious Metals Indices returned +4.85% and +4.18%, respectively. Year to date, the S&P GSCI Industrial Metals Index sustained its lead on the precious metals with a 15.72% increase in the 1st half, compared to a +10.69% total return for the S&P GSCI Precious Metals Index. The S&P GSCI Livestock Index declined 3.04% in June to maintain its status as the S&P GSCI 2008 laggard with a total 1st half loss of 7.46%.

**1st Half 2008 S&P GSCI INDEX:** Sector % Total Returns through June 2008




Published monthly, the S&P GSCI™ Commodity Perspective highlights developments in the commodity markets as measured by the S&P GSCI commodity index.

Commodity Perspective – S&P GSCI™ is a product of the Standard & Poor's Index Services Group.

For additional information on the S&P GSCI™ visit: www.indices.standardandpoors.com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## S&P GSCI ENERGY INDEX

### Natural Gas – The 2008 Clean Leader

Despite another solid monthly gain, the total weight of energy in the S&P GSCI actually declined in June (from 78.23% at the end of May to 78.13% at the end of June) due to the stronger relative performance of the agriculture sector. With many of the world's headlines focused on the price of crude oil, the S&P GSCI Natural Gas Index continued to be the dominant energy performer with a June increase of 13.54% and a 1st half total return of +74.50%. "Blame the greens" has been heard to be a rally cry for some "natty" bulls, while the BTU parity argument continues to gain favor as analysts scramble to explain the strength in natural gas. With the exception of coal, natural gas has historically traded at a discount per dollar amount of BTU's produced compared to most other forms of energy. Some analysts point out that the end of June price in August natural gas futures at $13.35/MMBtu has a similar BTU based energy equivalent to crude oil near $90/bbl and expect that disparity to narrow, due to the world's obsession with clean energy. This theory has been most recently supported by the difficulty obtaining permits for coal power plants and natural gas storage growth falling behind demand. The two distillates in the S&P GSCI most closely associated with diesel fuel, gasoil and heating oil, were the 2nd and 3rd best performing components during the first half, posting returns of +62.60% for the S&P GSCI Gasoil Index and +55.43% for the S&P GSCI Heating Oil Index. Global diesel demand continued to out-strip supply as electricity disruptions kept diesel powered generators humming.

**S&P GSCI ENERGY INDEX**
June TR: +9.32% (Vs +13.02% May)
YTD Total Return: 52.55%
% Weight June end: 78.13% (78.23% May)

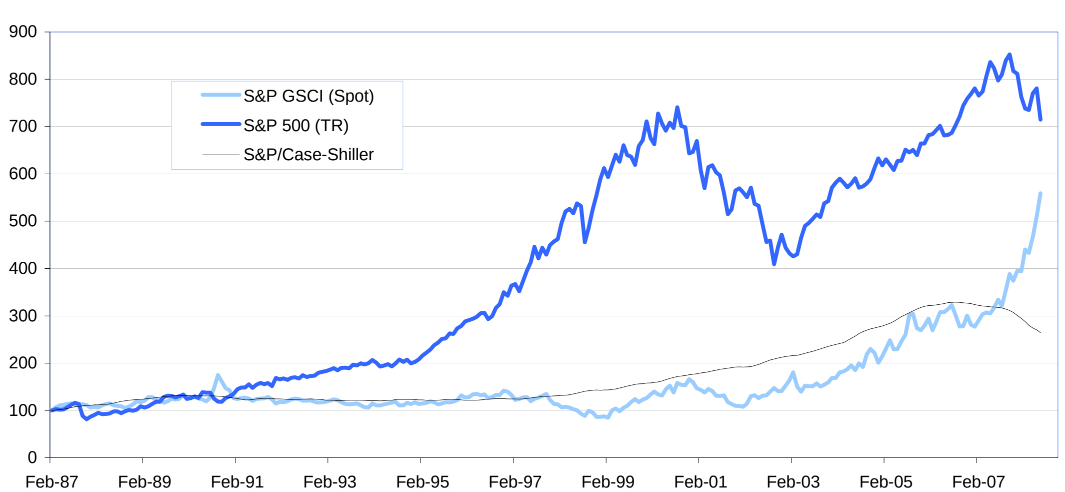
### Demand Destruction

Reflective of the deteriorating condition of the U.S. consumer and a decline in total miles driven by U.S. motorists, unleaded gas was the June and 1st half of 2008 laggard within the S&P GSCI Energy Index. In the U.S., transportation consumes the majority of fossil fuels and gasoline is the primary transportation fuel source. The S&P GSCI Unleaded Gas Index increased 5.10% in June for a 1st half total return of +30.97%. Of little consolation for the average consumer struggling under the burden of increasing energy costs, China became a net gasoline importer for the first time in May. Chinese motorists will be paying more for gasoline as the government announced price increases in June. The initial reaction in the futures market to this news was a sell-off in energy futures, but some analysts point out that the price increases may actually increase demand as refiners have more incentive to produce, thus alleviating gasoline and diesel shortages. Despite last November's 10% increase in retail gasoline prices, China's run rate of oil consumption has continued to increase.

**While the U.S. has seen a rapid decline in miles driven in 2008, for the first time in May, China became a net gasoline importer.**

Many analysts, certainly many market technicians, continue to point out how over-bought crude oil and many energy products are. In true bull market form, the market marched on in June, confounding many experts. Demand destruction certainly is increasing, but one thing that the recent rally has reminded us all, is the commodity upon which the world is truly the most dependent. Energy is the biggest sector of the S&P GSCI as the index is weighted based on total world production. The chart below depicts the relative change from a base of 100 (in Feb. of 1987) of the S&P GSCI spot price, the S&P 500 total return, and the S&P/Case-Shiller Home Price Index.

**S&P GSCI (spot), S&P 500 (TR), S&P/Case-Shiller Home Price Index:** Set with beginning values of 100 on February 27, 1987. Through June 2008.



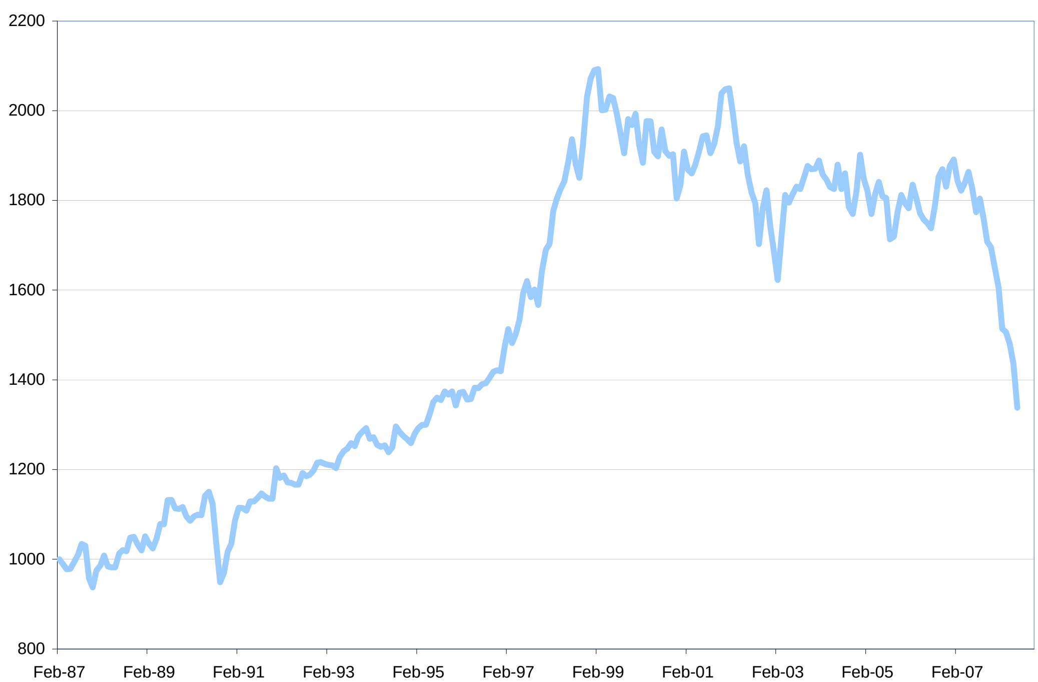
## Natural Gas and the Consumer Condition

For those invested solely in the S&P GSCI Natural Gas Index, the common response to the recent recovery is likely "it's about time." The index has declined 86% since its inception in January of 1994, while the spot natural gas price has increased about 500% over the same time period. Commodity index investing can be as much about the storage costs than simply about the spot price, and natty is difficult and expensive to store. Storage costs are reflected in the term structure of the futures market and rolling long futures positions into a generally contango market (longer dated futures cost more) will hamper returns. Of course, the futures term structure (the futures curve) will change and shift just like the underlying market, as evidenced by the crude oil shift back to contango recently, following about a year in a very lucrative backwardation (longer dated futures cost less). In the real world of consumer consumption, 'Joe-six-pack' has to pay the spot retail price. Natural gas has a myriad of uses but the most significant impact that the recent rally should have on the average consumer will be higher winter heating bills, in addition to higher electricity bills, but with a bit more of a lag.

Below is a chart that measures the 'condition' of the average consumer via three S&P benchmark indices: the S&P GSCI (spot), the S&P 500 (total return), and the S&P/Case-Shiller Home Price Index. All three indices are weighted equally (on a monthly % change basis), except the S&P GSCI has an inverse relationship. If the S&P GSCI spot price increases 3% on the month, the Consumer Condition Index would decrease 1%, reflecting a declining consumer condition due to increased expenses. If the S&P 500 (TR) increases 3% on the month, the Consumer Condition Index would increase 1% and similarly for the S&P/Case-Shiller Home Price Index since an increase in consumer assets would improve the consumer condition. Based on this measure of the cost of what the average consumer has to spend on consumption and the relative value of their assets, most consumers were under severe stress at the end of June 2008.

**The consumer condition, as reflected by the relative cost of consuming, measured by the S&P GSCI spot price and the relative change in asset values measured by the S&P 500 (TR) and the S&P/Case-Shiller Home Price Indices, has declined sharply in 2008.**

**Consumer Condition Index (thru June 08):** Monthly relative % change from a base level of 1000 in Feb of 1987: -1/3 * S&P GSCI Spot + 1/3 * S&P 500 (TR) + 1/3 * S&P/Case-Shiller.



S&P GSCI INDUSTRIAL METALS INDEX

June TR: +4.85% (Vs -7.67% May)
YTD Total Return: +15.72%
% Weight June end:  5.82% (6.09% May)

S&P GSCI PRECIOUS METALS INDEX

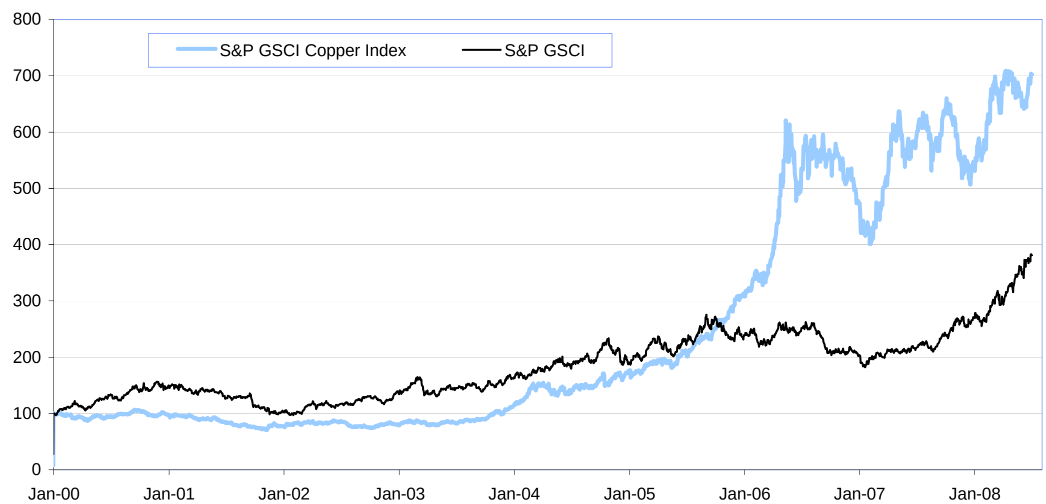
June TR: +4.18% (Vs +2.59% May)
YTD Total Return: +10.69%
% Weight June end:  1.69% (1.78% May)

## S&P GSCI INDUSTRIAL METALS INDEX
## S&P GSCI PRECIOUS METALS INDEX

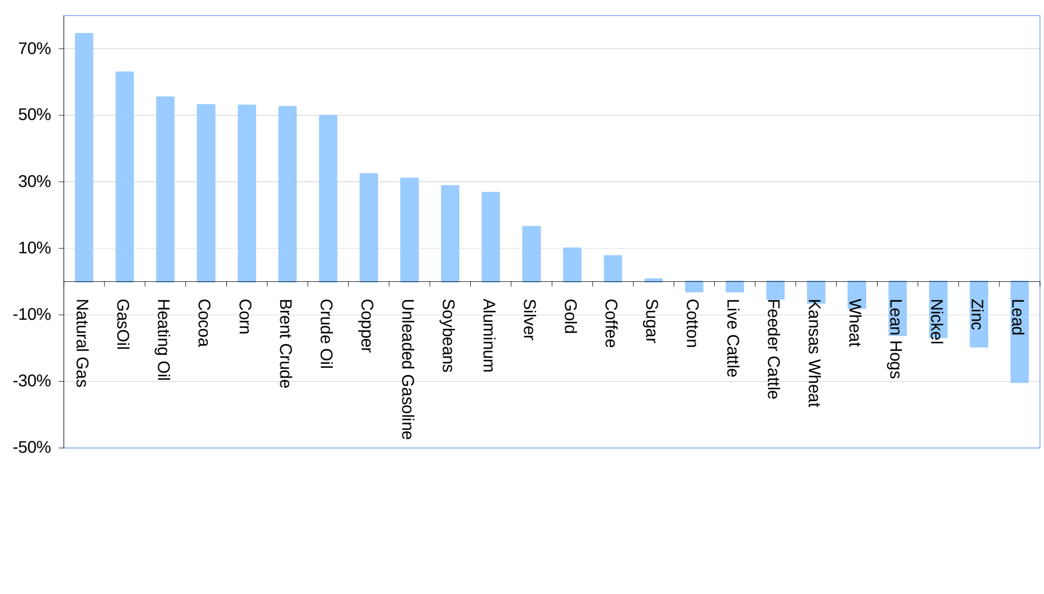
### Copper and Aluminum, the Studs

The S&P GSCI Industrial Metals Index edged out precious metals in June, with an increase of 4.85% compared to the S&P GSCI Precious Metals Index increase of 4.18%.  The industrial metals sector ended the 1st half of 2008 with a total return of +15.72%, compared to the precious metals sector YTD increase of 10.69%.  In the industrial metals, lead, nickel and zinc have been the duds with YTD returns of -30.17%, -16.65%, and -19.52%, respectively.  Ample supplies have weighed on these lesser components of the S&P GSCI, but the larger component industrial metals including copper (2.59% of the S&P GSCI) and aluminum (2.11%) have been the 2008 studs.  The S&P GSCI Copper Index increased 8.21% in June for a YTD total return of +32.28% and the S&P GSCI Aluminum Index increased 5.80% in June for a YTD total return of +26.66%.  Global equity weakness, the declining U.S. dollar, inflation concerns, and geopolitical risks certainly have provided a strong 1st half bid in precious metals, but copper and aluminum have been more about supply disruptions and overall tight capacity conditions.  Numerous supply bottlenecks and electricity disruptions have exacerbated the already low excess capacity copper and aluminum markets, reflecting the overall inter-dependence of many commodity markets. The chart below depicts the total returns of the S&P GSCI Copper Index and the S&P GSCI with a base price of 100 on 12/31/1999.  The bottom bar chart depicts the S&P GSCI 2008 individual component returns.

**S&P GSCI Copper Index and S&P GSCI:** With a base price of 100 on 12/31/1999




**S&P GSCI 2008 Component Total Returns:** Through June 2008



## S&P GSCI AGRICULTURE INDEX

### Disaster in the Heartland

The governor of the state of Indiana called it the worst flooding in 100 years. With stories of extensive sandbagging and levy breaches along the Mississippi, the agriculture sector, already under tight supply conditions, was priced for favorable weather and got the opposite. Corn, the biggest U.S. crop, most weather sensitive, and fertilizer dependent, rallied sharply in June resulting in a S&P GSCI Corn Index total return of +20.92%, for an agriculture sector best YTD total return of +52.93%. News of farmers claiming insurance, having to replant, low emersion levels, fears of fertilizer leeching, and abandoned crops dominated the headlines. Corn for September delivery ended the month in limit down fashion at $7.38/bu after reaching a June high of $7.79/bu, as the USDA reported a greater than expected amount of planted acreage (87.3 million Vs 85.7 expected), indicating that American farmers are responding to market forces and planting anywhere and everywhere they can. In June, corn also reached a level of accelerated demand destruction. Stories of sweetener users switching away from fructose corn syrup, curtailed production at some ethanol plants, and switching to wheat for livestock feed were aplenty. From Bloomberg news 6/25 - "Nebraska Cattlemen joined Texas Governor Perry in asking the Environmental Protection Agency to reduce the ethanol mandate to 4.5 billion gallons." Many market technicians consider $8/bu corn formidable resistance.

Soybeans were the second best performer of the grains, as the S&P GSCI Soybean Index added 16.82% in June for a YTD total return of +28.71%. Lack of progress in Argentina involving the dispute over increased grain export taxes remains an underlying bid factor, but beans have been equally impacted by the adverse weather in the U.S.

### Feed Wheat

The 'higher tide raises all boats' axiom certainly was a factor in the wheat market in June. The S&P GSCI Wheat Index increased 10.71% on the month for a YTD total return of -7.88%, as corn became so expensive, its status as the primary source of livestock feed was jeopardized. Wheat, normally people food, became relatively cheap enough to feed to animals. South Korea, Asia's second biggest grain importer behind Japan, was a noted overseas purchaser of feed wheat in June. Korea stopped buying feed wheat late in 2007 when prices climbed, due to adverse weather and reduced production in Australia, Canada, and Europe.

In the softs, the 2008 story has been cocoa. The S&P GSCI Cocoa Index increased 16.39% in June for a YTD total return of + 53.09%. Poor quality and elevated political tensions in the Ivory Coast (the worlds biggest cocoa producer) have been supportive factors for cocoa in 2008. Ending June at 0.22% of the S&P GSCI, cocoa spares with silver, which ended June with a 0.21% weight, for the lowest percentage weight in the S&P GSCI. Thus the impact of cocoa (and silver) are minimal on the broad index. Sugar remains the biggest softs component with an end of June weight of 0.82%. Although the S&P GSCI Sugar Index increased 16.82% in June, the 1st half of 2008 total return was only +0.66%. News of a decline in sugar production in India (the world's second largest producer) contributed to an increase in the price for the month. Also part of the 'higher tide raises all boats' axiom, new record highs in corn and crude oil have helped to keep a bid in the sugar market.

## S&P GSCI LIVESTOCK INDEX

Despite a solid Q2 pick-up in domestic and international demand, the S&P GSCI Livestock Index declined 3.04% in June for a 2008 YTD total return of -7.46%. The primary culprit remains the rapid rise in the cost of the primary feed source, corn. Compared to cattle that can be put out to pasture, hogs cannot leave the feed pen and the S&P GSCI Lean Hogs Index return reflects such with a June decline of 11.03% and 2008 YTD loss of 16.08%. Somewhat supported by the improvement in the export situation with South Korea, the S&P GSCI Live Cattle Index increased 1.71% in June for a YTD total return of -2.94%.

S&P GSCI Total Return Analysis Table attached on the following page

**S&P GSCI AGRICULTURE INDEX**
June TR: +15.29% (Vs -3.16% May)
YTD Total Return: +15.16%
% Weight June end: 11.58% (10.77% May)

**S&P GSCI SOFTS INDEX**
June TR: +12.71% (Vs -8.33% May)
YTD Total Return: +4.83%
% Weight June end: 2.23% (2.00% May)

**S&P GSCI LIVESTOCK INDEX**
June TR: -3.04% (Vs +4.85% May)
YTD Total Return: -7.46%
% Weight June end: 2.78% (3.13% May)

## S&P Total Returns Analysis Table: S&P GSCI Total Returns for June 30, 2008.

| S&P GSCI Index | Weight (%) | Value 6/30/2008 | MTD Change | QTD Change | YTD Change | YTD High | YTD Low | 3-MO. Change | 12-MO Change |
|---|---|---|---|---|---|---|---|---|---|
| S&P GSCI | 100.00% | 10558.65 | 9.22% | 28.65% | 41.42% | 10608.88 | 7072.57 | 27.14% | 75.98% |
| S&P GSCI Energy Index | 78.13% | 2927.20 | 9.32% | 37.54% | 52.55% | 2929.49 | 1775.28 | 40.59% | 100.48% |
| S&P GSCI Petroleum Index | 70.58% | 6026.47 | 8.88% | 38.44% | 50.57% | 6039.27 | 3668.82 | 40.76% | 107.99% |
| S&P GSCI Non-Energy | 21.87% | 3228.12 | 8.84% | 4.18% | 11.94% | 3494.23 | 2910.06 | -5.83% | 20.78% |
| S&P GSCI Reduced Energy Index (CPW 2) | 60.94% | 7778.61 | 9.15% | 23.50% | 35.08% | 7835.43 | 5529.13 | 19.73% | 62.98% |
| S&P GSCI Light Energy Index (CPW 4) | 41.40% | 5779.08 | 9.07% | 17.78% | 28.12% | 5839.08 | 4395.87 | 11.80% | 49.45% |
| S&P GSCI Industrial Metals Index | 5.82% | 2124.17 | 4.85% | -4.10% | 15.72% | 2391.67 | 1854.92 | -8.30% | -1.34% |
| S&P GSCI Precious Metals Index | 1.69% | 1254.30 | 4.18% | 0.64% | 10.69% | 1373.67 | 1153.28 | -6.18% | 40.36% |
| S&P GSCI Agriculture Index | 11.58% | 960.05 | 15.29% | 8.64% | 15.16% | 1063.18 | 814.82 | -5.47% | 49.70% |
| S&P GSCI Livestock Index | 2.78% | 3039.14 | -3.04% | 8.30% | -7.46% | 3272.96 | 2779.32 | -1.98% | -16.65% |
| S&P GSCI Softs Index | 2.23% | 83.31 | 12.71% | 3.90% | 4.83% | 101.29 | 72.21 | -15.87% | 13.54% |
| | | | | | | | | | |
| S&P GSCI Energy | | | | | | | | | |
| S&P GSCI Crude Oil Index | 40.61% | 4658.55 | 9.73% | 38.79% | 49.85% | 4664.82 | 2835.77 | 40.10% | 114.55% |
| S&P GSCI Brent Crude Index | 14.79% | 2073.95 | 9.76% | 40.73% | 52.48% | 2078.20 | 1258.38 | 41.95% | 103.17% |
| S&P GSCI Unleaded Gasoline Index | 4.52% | 5123.07 | 5.10% | 34.76% | 30.97% | 5167.25 | 3473.44 | 31.85% | 56.27% |
| S&P GSCI Heating Oil Index | 5.29% | 2750.55 | 6.15% | 35.94% | 55.43% | 2810.74 | 1618.94 | 44.21% | 98.14% |
| S&P GSCI GasOil Index | 5.37% | 1834.14 | 6.28% | 35.35% | 62.90% | 1862.31 | 1044.66 | 47.35% | 120.44% |
| S&P GSCI Natural Gas Index | 7.55% | 14.35 | 13.54% | 29.38% | 74.50% | 14.35 | 8.38 | 38.86% | 39.65% |
| | | | | | | | | | |
| S&P GSCI Industrial Metals | | | | | | | | | |
| S&P GSCI Aluminum Index | 2.11% | 149.27 | 5.80% | 2.86% | 26.66% | 157.38 | 118.10 | -1.49% | 8.99% |
| S&P GSCI Copper Index | 2.59% | 5283.78 | 8.21% | 3.44% | 32.28% | 5330.98 | 4039.95 | 3.68% | 19.41% |
| S&P GSCI Lead Index | 0.24% | 352.90 | -9.75% | -36.40% | -30.17% | 680.59 | 351.28 | -46.77% | -30.21% |
| S&P GSCI Nickel Index | 0.51% | 633.91 | -0.52% | -26.21% | -16.65% | 965.72 | 620.83 | -30.44% | -39.61% |
| S&P GSCI Zinc Index | 0.36% | 127.86 | -4.12% | -17.72% | -19.52% | 189.89 | 123.94 | -30.48% | -41.55% |
| | | | | | | | | | |
| S&P GSCI Precious Metals | | | | | | | | | |
| S&P GSCI Gold Index | 1.48% | 526.88 | 4.30% | 0.68% | 9.94% | 572.67 | 483.79 | -5.20% | 40.58% |
| S&P GSCI Silver Index | 0.21% | 664.98 | 3.36% | 0.38% | 16.45% | 794.64 | 585.34 | -12.64% | 38.38% |
| | | | | | | | | | |
| S&P GSCI Agricultural | | | | | | | | | |
| S&P GSCI Wheat Index | 2.96% | 467.64 | 10.71% | -10.32% | -7.88% | 719.39 | 412.39 | -23.19% | 31.46% |
| S&P GSCI Kansas Wheat Index | 0.71% | 127.42 | 10.52% | -8.89% | -6.34% | 192.37 | 113.30 | -24.11% | 40.97% |
| S&P GSCI Corn Index | 3.62% | 258.91 | 20.92% | 25.29% | 52.93% | 269.56 | 171.94 | 27.87% | 90.44% |
| S&P GSCI Soybeans Index | 2.07% | 4167.20 | 16.82% | 31.65% | 28.71% | 4167.20 | 3165.41 | 2.71% | 74.52% |
| S&P GSCI Cotton Index | 0.69% | 282.70 | 7.11% | -2.80% | -2.87% | 374.12 | 257.85 | -17.56% | -0.58% |
| S&P GSCI Sugar Index | 0.82% | 161.76 | 16.82% | -3.92% | 0.66% | 216.09 | 131.59 | -23.08% | 12.62% |
| S&P GSCI Coffee Index | 0.50% | 142.66 | 12.58% | 16.44% | 7.61% | 160.95 | 122.14 | -10.95% | 24.08% |
| S&P GSCI Cocoa Index | 0.22% | 47.68 | 16.39% | 35.27% | 53.09% | 47.68 | 32.10 | 13.20% | 49.26% |
| | | | | | | | | | |
| S&P GSCI Livestock | | | | | | | | | |
| S&P GSCI Feeder Cattle Index | 0.30% | 142.57 | -3.42% | 7.03% | -5.11% | 149.44 | 131.01 | -1.59% | -10.08% |
| S&P GSCI Live Cattle Index | 1.63% | 4924.11 | 1.71% | 11.55% | -2.94% | 5078.08 | 4404.37 | 2.06% | -6.37% |
| S&P GSCI Lean Hogs Index | 0.84% | 354.19 | -11.03% | 2.76% | -16.08% | 435.84 | 336.97 | -9.05% | -36.18% |