

SafeMoneyMetrics™

"Your Direct Risk Management Solution for Managed Futures"

Client Risk Management Report - Single or Multi-Advisor Composite Performance

Created Exclusively For
Rose Petal

Any investment in managed futures/options should ONLY and ALWAYS be considered within an entire portfolio strategy. When considered in isolation managed futures are high risk and should probably be avoided at all costs. This analysis is specific to each client account after trading starts. No part of this document should be considered apart from the CFTC Risk Disclosure and SafeMoneyMetrics™ Explanations included herein. Monthly Articles located at <http://www.safemoneymetrics.com/asmarticles.html> are also useful.

How to apply information provided herein is included at the end of this report, before the explanations. Investing is an art, personal to each investor. Understanding the fundamental purpose of SafeMoneyMetrics™ risk analysis is Universally Essential, however the foundation of information provided allows personal freedom in the application. <http://www.safemoneymetrics.com/services.html>

Courtesy of: Pansey Shade
Affiliate Email: tuplip@gardenhouse.com
Tel# 777-777-7777

This risk analysis profile is based on SafeMoneyMetrics™ statistics and is NOT a solicitation for investment. This report has value when considered with traditional risk management and the complete SafeMoneyMetrics™ risk management process which includes CFTC Risk Disclosure, risk analysis on each advisor used in your investment and explanation of all SafeMoneyMetrics™ statistics. Reproduction without permission is forbidden.

Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profit or losses similar to those shown. In fact there are frequently sharp differences between hypothetical performance results and actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefits of hindsight. In addition, hypothetical trading does not involve financial risk and no hypothetical trading record can completely account for the impact of the financial risk of actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS

Composite Account - Client Data 1C-8C Below

StartDate: 3/1/01 Client Name: Rose Petal
 CurrentDate: 6/26/07 E-Mail: petal@lakepond.com
 DataPoints: 83 Telephone#: 2128884323
 TotalMos.: 2.767 Affiliate: Pansey Shade
 Total Years 0.227 Affiliate ID 23198

Multi Advisor Composite Benchmark Data 1A-8A Below-

Number of Advisors: 5
Advisor ID#s
 #1 #2 #3 #4 #5
 9000017 9001294 9002635 9000854 9002379

1C. Billing Account	Funding Level	Margin Account (NR)
BA Start: \$1,000,000	FL Start: \$500,000	Mgn Start: \$97,000
BA Latest: \$1,095,960	FL Latest: \$595,960	Mgn Latest: \$192,960
Mgn BA: 9.7%	Mgn FL: 19.4%	Mgn: 100%
An.CostBA: 0.00%	An.Cost/FL: 0.00%	An.Cost/Mgn: 0.01%
Total Cost: 0.74%	Total Cost: 1.36%	Total Cost: 4.20%
BA-Return: 9.6%	FL-Return: 19.2%	Mgn-Return: 98.9%

1A. Billing Account	Funding Level	Margin Account (NR)
BA Start: \$1,000,000	FL Start: \$500,000	Mgn Start: \$97,000
BA Latest: \$3,206,900	FL Latest: \$2,706,900	Mgn Latest: \$2,303,900
Mgn BA: 9.70%	Mgn FL: 19.4%	Mgn: 100%
An.CostBA: 1.13%	An.Cost/FL: 2.25%	An.Cost/Mgn: 11.62%
Total Cost: 6.01%	Total Cost: 12.02%	Total Cost: 61.97%
BA-Return: 220.7%	FL-Return: 441.4%	Mgn-Return: 2275.2%

Using three funding levels, your composite account value is updated daily. Review the start and latest values, margin to equity, annual and total cost relative to total return for the time frame. Advisor or investment monthly data in table 1A to your right is a useful "guide" for monitoring account costs.

The investments total return relative to total cost at three funding levels provides a foundation for monitoring individual account costs. To calculate costs, the rate you are paying was used. Rather than using total assets, the table uses one account's beginning and latest value, margin to equity, total and annual cost relative to total return for the time frame, content is updated monthly.

2C. Decisions [Link to Application Descriptions here](#)

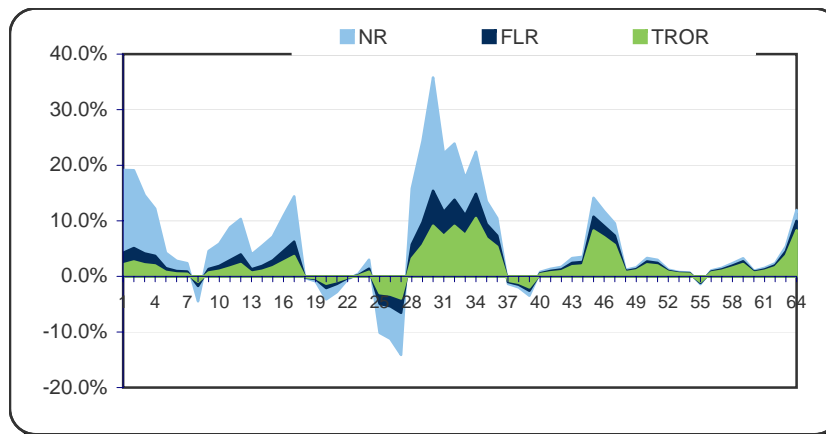
1. Max % loss from starting value to close -0.25
2. Max # of months to close 12.0
3. If Max is reached, change advisors or close account Close
4. What % below benchmark closes account %
5. What time frame below benchmark closes account Time
6. After year one, time of flat performance tolerated Time
7. Profit Distribution % distributed %
8. When are profits distributed
 - a. when the advisor is paid an incentive fee 0
 - b. annual profit distribution 0
 - c. reinvest all profits 0
9. What degree is profitability would prompt a new account %
10. What profitable time frame would prompt a new account Time

Time/Start	Start Value	Vami Now	Max	Min	% Change
75.8	\$1,000	\$1,162	\$1,164	\$1,005	16.21%

Recent Peak **Date**
\$1,162 **8/7/05**

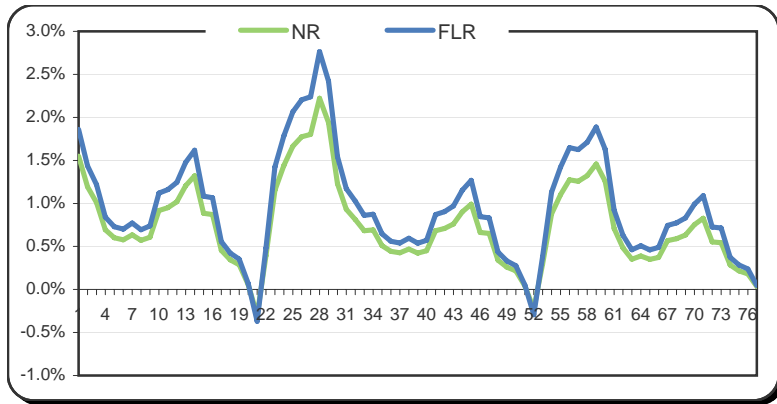
Answers to 1-10 above were submitted when the account was opened. Time/Start is the number of 30 day months of trading. Vami Now is profitability relative to a \$1000 start value. Max & Min is account high & low from the inception of trading. % Change is current value relative to a \$1000 start. Time/Start is green when time & profitability indicate opening a new account; red when time & profitability indicate changing advisors or closing the account. % Change is red when the maximum allowable loss is triggered & green when above 0%. Recent peak is the most current high and corresponding date.

2A. Net & Funding Level Ratio to TROR-3Month Average



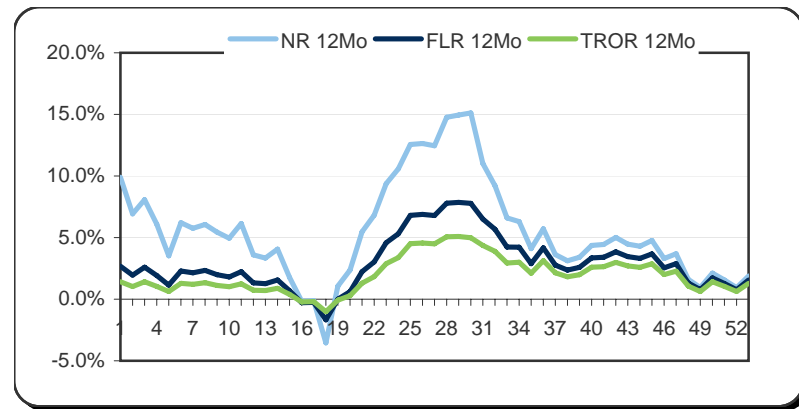
Above are the 3 month average returns for the Billing Account (Traditional ROR), Funding Level and Net Ratio (Margin Account). The Net Ratio should be well above the funding level and further above the billing account return. Wide differences between net and funding level ratios indicate exceptional risk control at the maximum leverage allowed. Narrow differences between the funding level and billing account indicate an efficient strategy and probably "fair" billing of management fees.

3C. Net (Margin Acct) and Funding Level Ratio Return - 7 Data Points



7 day time frames are used to evaluate your account's profitability /risk /leverage relationship under current market conditions (use explanations under graph #2-3A to your right & above). When a net begins to drop into a funding level ratio, risk increases relative to profitability. Opportunity to add, remove capital or do nothing partially depends on the advisor's longer term profitability/risk/leverage relationship (#1A-#8A) & client elected decision rules.

3A. Net and Funding Level Ratio to Traditional ROR- 12Month



12 Month time frames above evaluate longer term profitability relative to leverage used. Integrate the description under chart #1A above & explanations below this analysis. If capital is added, wait until a short term net ratio (#3C-Left) moves lower & into a funding level only if 12 month & longer term profitability trends are stable. Establish automatic profit distribution when the advisor is paid an incentive fee. Consider removing 50 % to 100% of profits until the original investment is paid back.

4C. Net (NR) and Funding Level Ratio (FLR)Time Frame Summary

NR	7Days	28Days	3Mos	6Mos	12Mos
Average	0.7%	0.8%	0.5%	0.6%	0.7%
Maximum	2.2%	1.0%	2.2%	2.2%	1.5%
Minimum	-0.3%	0.5%	-3.3%	-2.1%	-0.9%
Last	0.0%	0.6%	2.2%	2.2%	1.1%
Today	0.3%	6/26/07	Today = Last single Value		
FLR	7Days	28Days	3Mos	6Mos	12Mos
Average	0.2%	0.2%	0.1%	0.2%	0.2%
Maximum	0.8%	0.2%	0.6%	0.6%	0.4%
Minimum	-0.1%	0.2%	-0.6%	-0.4%	-0.2%
Last	0.1%	0.2%	0.6%	0.6%	0.3%
Today	0.1%				

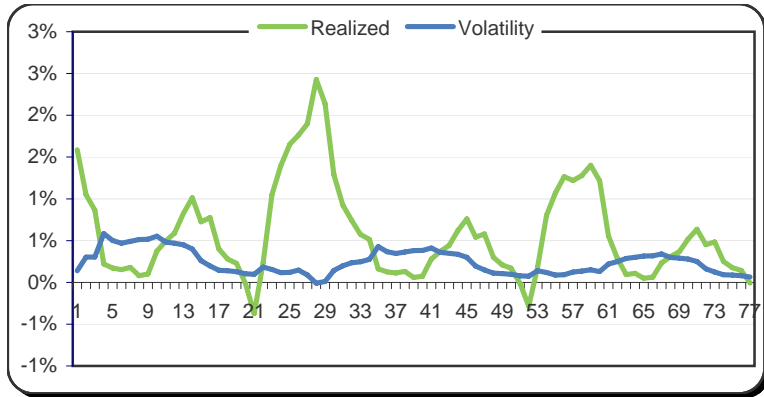
4A. Net (NR) and Funding Level Ratio (FLR)Time Frame Summary

NR	3Mos	6Mos	9Mos	12Mos	18Mos	24Mos	36Mos
Average	5.6%	5.4%	5.4%	5.5%	5.7%	5.8%	6.3%
Maximum	35.8%	26.7%	21.3%	15.1%	12.7%	10.4%	8.6%
Minimum	-14.1%	-5.6%	-5.0%	-3.5%	0.5%	1.1%	5.3%
Last	2.4%	2.8%	2.2%	1.9%	3.4%	3.5%	7.1%
LastMo	12.0%						
FLR	3Mos	6Mos	9Mos	12Mos	18Mos	24Mos	36Mos
Average	2.8%	2.8%	2.8%	2.9%	3.1%	3.1%	3.4%
Maximum	15.4%	13.2%	11.2%	7.9%	7.2%	6.0%	4.3%
Minimum	-6.6%	-2.6%	-2.4%	-1.7%	0.0%	0.2%	2.8%
Last	2.0%	2.3%	1.9%	1.6%	2.7%	2.7%	4.3%
LatestMo	10.0%						

Evaluate your investment relative to advisor performance. If your last, 7 & 28 day Net & Funding Level ratios drop below the advisor's 3 & 6 month ratios, it may indicate early warning of possible larger losses. The opposite is also true. WHY? Short term data is exceptionally sensitive & can be used to avoid inherent draw downs, or capitalize on potential profits. I'm a natural contrarian & use negative conditions in short term time to add capital & positive conditions to distribute profits. Establish rules you can live with.

The two net and funding level data tables to the left and above allow comparison of the most recent time frames and the latest single month to an average, maximum and minimum of all time frames. Below, 3 and 12 month time frames are used to graph the net and funding level ratio differences. Positive numbers indicate increased profitability without excessive risk. When short term numbers dip into or under the long term, risk is higher & profitability dissipates. For a more comprehensive analysis, integrate descriptions under charts 2A, 3A and 3C above. Use the colors. Blue is ONE Relationship within itself also to Green.

5C. Realized to Volatility Ratio - 7 Data Points

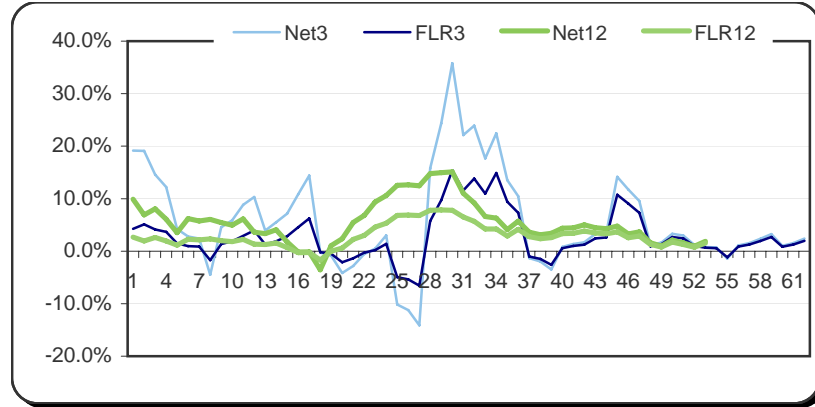


This relationship evaluates an investment's ability to translate open trade equity into realized profits. Optimal profitability and risk management is revealed when the realized ratio (realized profit or loss) is high & the volatility ratio (unrealized profit or loss) is low, or a wide positive difference is between them. When the realized ratio moves lower, & volatility moves up, risk is increasing. Remember short term time needs to be constructively integrated into a longer term risk management structure.

5A. Advisor Profitability Twelve Month Time Frames

Points

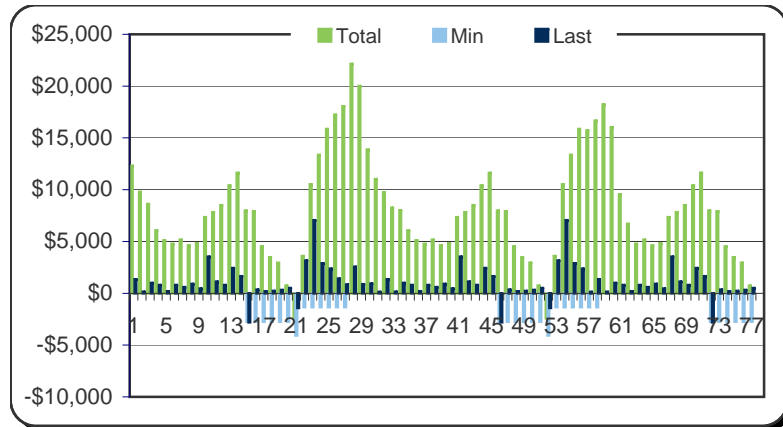
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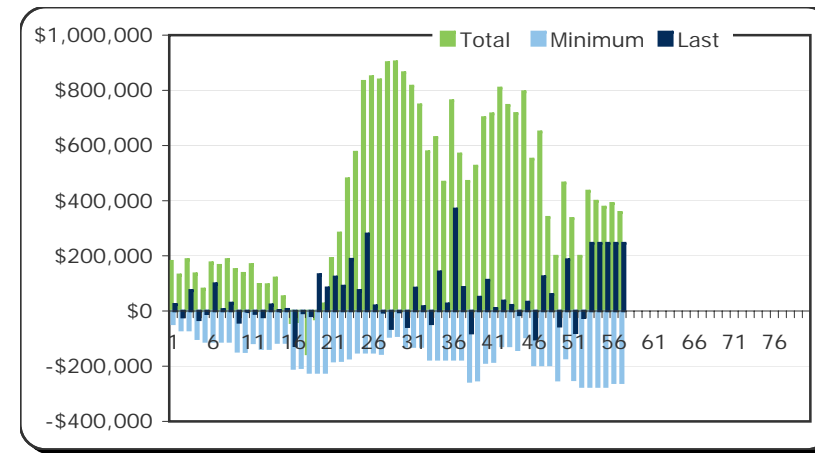
6C. Account Profitability 7 Data Points - All

Data Points

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Each bar in the chart above represents a 7 data point total profit or loss for that time frame. Minimum represents the composite loss within the same time frame. Last is the most recent single data point within the time frame. Absolute right is the most recent data. Also refer to the table below, it always presents the most recent twelve, 7 data point time frames. Evaluating recent profits relative to annual and longer term profitability can prove useful.



In lieu of annual returns, each bar in the chart represents a 12 month total profit or loss for that time frame. Minimum represents the composite loss within the same time frame. Last is the most recent single data point within the time frame. Absolute right on the chart is recent data and should have the most influence. Also refer to the table below, it always presents the recent twelve, 12 month time frames.

Important! Watch trends in the green total profit bar relative to the light blue minimum return (maximum loss) for the same time frame. If the light blue bar trend becomes more negative, even while the green profit trend increases or is stable, the investment has increased risk under current market conditions.

7C. Seven Data Point Profit and Loss - Last 12 Data Points

	Total	Minimum	Last	RVR	CV
1	\$4,830	\$0	\$450	2.33	0.43
2	\$7,350	\$0	\$3,525	0.91	1.10
3	\$7,820	\$0	\$1,120	0.97	1.03
4	\$8,500	\$0	\$790	1.12	0.89
5	\$10,400	\$0	\$2,430	1.24	0.80
6	\$11,620	\$0	\$1,640	1.47	0.68
7	\$7,985	-\$2,735	-\$2,795	0.56	1.77
8	\$7,915	-\$2,735	\$350	0.56	1.79
9	\$4,515	-\$2,735	\$200	0.38	2.67
10	\$3,470	-\$2,735	\$225	0.29	3.43
11	\$2,940	-\$2,735	\$320	0.25	4.03
12	\$740	-\$2,735	\$500	0.08	12.99

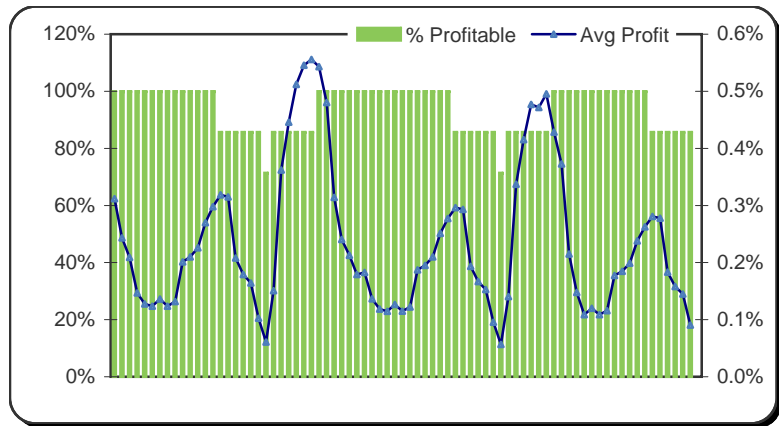
The most recent 12, seven data point averages are summarized above. Last is most recent. Total profitability relative to cumulative maximum loss (minimum) & last is presented. (Last is a single value, total and minimum average all seven data points. The Reward to Variability Ratio (RVR) & Coefficient of Variation (CV) are calculated using seven data points. A rising RVR & declining CV indicate improved risk management.

6A. Twelve Month Profit or Loss - Last 12 Time Frames Advisor Data

	Total	Min	Last	RVR	CV
1	\$551,198	-\$195,417	-\$101,848	0.39	2.58
2	\$649,608	-\$195,417	\$124,947	0.45	2.23
3	\$339,984	-\$195,417	\$60,608	0.41	2.43
4	\$198,851	-\$250,396	-\$54,979	0.24	4.23
5	\$464,973	-\$170,421	\$186,147	0.49	2.02
6	\$335,668	-\$249,334	-\$78,913	0.33	3.05
7	\$199,326	-\$273,335	-\$24,001	0.20	4.94
8	\$435,273	-\$273,335	\$246,080	0.34	2.90
9	\$398,395	-\$273,335	\$246,080	0.33	3.05
10	\$377,113	-\$273,335	\$246,080	0.32	3.08
11	\$390,706	-\$259,741	\$246,080	0.36	2.81
12	\$358,042	-\$259,741	\$246,080	0.34	2.91

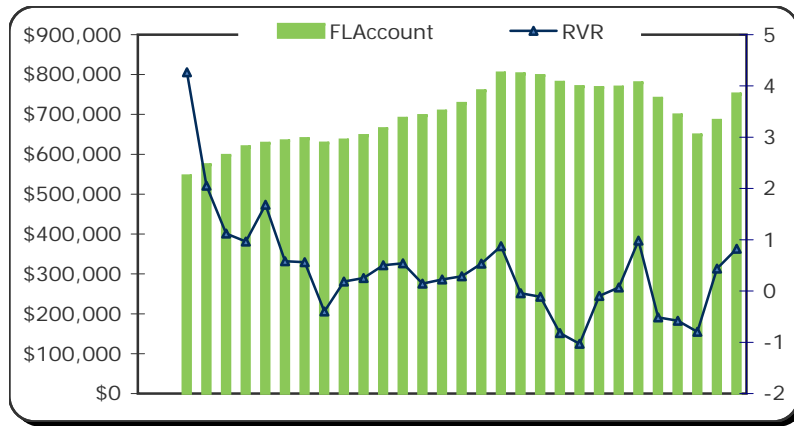
The data table above summarizes profitability for the most recent 12, twelve month time frames. Last is most recent. Presented is total profitability relative to the cumulative maximum loss (min) and last single month within the time frame. The Reward to Variability Ratio (RVR) & Coefficient of Variation (CV) are calculated using all twelve months. A rising RVR & declining CV indicate improved risk management under prevailing market conditions. Respectively, a declining RVR & rising CV indicate increased risk. For comprehensive understanding, read the explanations at the end of this report.

8C. 51% Rule 7 Data Points



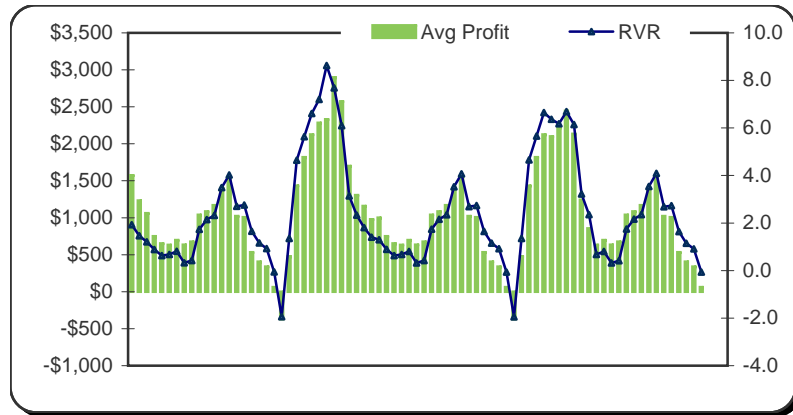
The 51% rule averages seven data points and analyzes the average profit relative to the number of profitable data points for each time frame. When available, trend lines clarify the "profitability trend." Look for a northeast slope. Obviously both the percent of profitable data points and average profitability trends traveling in the same direction is optimal.

7A. Funding Level Account and RVR 3 Month Average



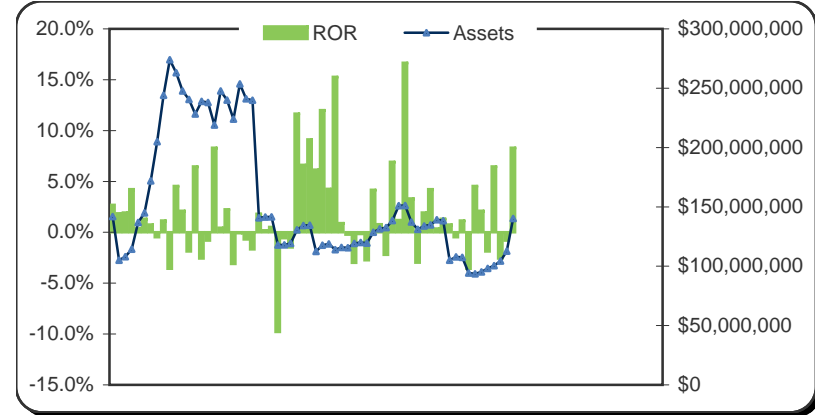
Using 3 monthly data points, a hypothetical funding level account value relative to its Reward to Variability Ratio (RVR) is averaged. Account value and volatility or risk assumed to achieve the return is expressed. Efficient investments are indicated by high consistent RVR's. An upward slope to the RVR trend indicates "better than yesterday". Recent data is to your right. See RVR definitions at the end of this report.

9C. Average Profit/Reward to Variability Ratio - 7 Day Average



Finally, the graph above averages your trading profits every seven days relative to risk and volatility used to achieve the profits. Optimal risk management conditions are indicated by increased profits (left scale) with a stable or gradually higher RVR (right scale). A declining RVR indicates increased risk. Even with growing profits, a declining RVR suggests that prudent risk management would be to distribute profits and effectively review all indicators presented herein.

8A. Total Advisor Assets Relative to Monthly Returns



This chart uses monthly rate of return data and the corresponding months composite assets under management for all advisors used in the analysis. Positive returns (left scale) relative to stable or growing assets (right scale) is optimal. Declining returns relative to asset growth, can be one indicator or "early warning" of reduced future returns. Current market conditions relative to strategy design may also cause declining returns. Recent data is on the right.

Client Composite End

Advisor Data End

How to Use Benchmark Indicators to Support Decisions

[Link Back to Start](#)

Focus and Summary

Benchmark indicators defined directly below are identical for your account and the multi-advisor investment. The only difference is time frame applications. Short, medium and long term time definitions vary with each analyst. My "belief" is that people should evaluate annual account profitability with a maximum downside of 18 months. Your decisions need to reflect your beliefs, not mine.

Experience has taught me to co-develop a maximum loss value in time and capital with each investment. For example:

#1. Maximum Loss - Close the Account:

Year1: Pre define a capital loss percentage and time relative to the start date and initial funding level

Subsequent Years: Apply year 1 definition using only capital in the account as a starting value. Subsequent annual time begins 12 months from the previous start value.

Example: Year 1 starts on July 1, 2006 with \$100,000. A maximum loss decision could be a capital loss of 25%, and/or no profitability for 12 months. Assume year one ends with a profit of \$20% and 10% was distributed. Year two start value is \$110,000 on July 1, 2007. Again, the maximum loss decision is a capital loss of 25% or 12 months with no profitability. Etc Etc as the years pass!

#2 Maximum Loss - Close the Account:

The account's minimum net ratio drops below the minimum funding level across all time frames and stays there for 30 days. The advisor's minimum net ratio drops below the minimum funding level ratio across all time frames and also stays there for 30 days: **Do Nothing** if your account's most recent net ratio starts to move above the funding level ratio, while the realized to volatility ratio is also more positive. Finally the RVR on your account (short term time) begins to rise - - the Advisor may be into a renewed profitability mode.

#1 Distribute Profits:

Distribute 50% to 100% of all profits whenever the advisor is paid an incentive fee; until your initial capital is returned. Then distribute 25% to 50% of all profits for the duration.

#2 Distribute Profits:

Your account's realized to volatility ratio is optimally wide (realized high - volatility low), while the RVR is topped out (stable or slow decline = increasing risk). Your account's net ratio is also higher than the funding level and equal to or better than the advisor's maximum net and funding level ratio position. The advisor's RVR is also topped out.

Profitability Trends Relative to Account Conditions

Increased Profitability with Lower Risk

1. Latest Net Ratio is Above the Funding Level
2. Recent Time Frames, Net Ratio Above the Funding Level
3. Recent Time Frames, Net and Funding Level Ratios are Above Their Respective Minimums
4. Recent Time Frames, Net and Funding Level Ratios are Above the Advisor's Respective Minimums
5. Realized Ratio Moves Higher and Away From the Volatility Ratio
6. 51% Rule Trend Changes
7. Reward to Variability Ratio (RVR) Moves Higher While Profits Increase or Remain the Same
8. Account Profitability is Stable or Moves Higher, While Maximum Loss for the Time Frame Decreases
9. Reward to Variability Ratio (RVR) Moves Higher and the Coefficient of Variation Moves Lower

Increased Risk with Lower Profitability

1. Latest Net Ratio is Below Latest Funding Level Ratio
2. Recent Time Frames, Net Below the Funding Level Ratio
3. Recent Time Frames, Net and Funding Level Ratios are Below their Respective Minimums
4. Recent Time Frames, Net and Funding Level Ratios are Below the Advisor's Respective Minimums
5. Realized Ratio Moves Lower and Into the Volatility Ratio
6. 51% Rule Trend Changes
7. Reward to Variability Ratio (RVR) Moves Lower While Profits Move Higher, Lower or Remain the Same
8. Account Profitability is Stable or Moves Lower, While Maximum Loss for the Time Frame Increases
9. Reward to Variability Ratio (RVR) Moves Lower and the Coefficient of Variation Moves Higher

Explanations and Definitions are Below

[Link Back](#)

The SafeMoneyMetrics™ Risk Analysis Process

Cost, risk and trading talent relative to profitability under current market conditions is the focus of SafeMoneyMetrics™ risk analysis. Performance trends and potential decisions are defined by quantifying relationships between ratios. For example: A high realized ratio relative to a low volatility ratio might signal profit distribution. A high volatility ratio and low realized can also indicate profit taking however since the latter position between both ratios indicates increased risk - there are other considerations. Differences between the Realized and Volatility ratio is defined by the RVR Internal Benchmark described below. (see: www.sanctity.com/articles.html #39).

SafeMoneyMetrics™ Client Risk Management evaluates the relationship between ratios for a composite return: When selected each advisor within a composite is included. Analysis including each market traded by the advisor is customized and available upon request. See www.safemoneymetrics.com/services.html

Imbalances are fundamentally defined as trends in profitability relative to volatility, leverage and correlation under current market conditions, compared to the Internal Benchmark or why capital was originally allocated to a particular investment. Imbalances are efficiently located at the level of cause so catastrophic losses can be reduced and sometimes avoided.

SafeMoneyMetrics™ *always* monitors ratios in relationship to each other. Nothing lives in isolation. For example: Evaluating realized returns relative to account volatility and capital at risk used to produce the returns, has more value than evaluating an isolated return. Analyzing trends in the Net relative to Funding Level Ratio provides insight into the risk of leverage being used under current market conditions. If an investment trades many markets prudent diversification only exists if the "positive returns" produced by each market constructively correlate with each other.

The *most important* aspect of SafeMoneyMetrics™ is that the "Benchmark" is always INTERNAL or part of the investment rather than external to it. To understand why, you can go to <http://www.safemoneymetrics.com> and download a guide called "Standards for Advisor Evaluation." It provides the foundation of thought driving SafeMoneyMetrics™.

Fundamental Weaknesses

If the Capital at Risk value is erroneous SafeMoneyMetrics™ produces invalid results. When analyzing monthly data or any composite time frame, capital used to produce a specific result was NOT at risk all at the same time. When SMM™ is applied to every trade or composite daily data, this weakness does not exist.

Remember that investment analysis can only analyze what already happened. When decisions for the future are based on the past, value of those decisions are limited. Although SafeMoneyMetrics™ reveals deeper levels of truth that can facilitate higher quality decisions, it also uses past data. Considering the latter statements, it's wise to remember that any analysis is merely a tool, not a Universal law.

Annual statistics for client accounts are probably inaccurate. WHY? The number of data points/30 days are used to calculate months. Actual trading days in any month is less than 30. Clients using multiple advisors probably have more than one data input for any specific day.

1. Capital at Risk (CAR): A formula that represents only capital used to produce a return. NOT the account size an advisor asks for, or the minimum funding level. CAR is the foundation for all ratios. The formula is adapted for different situations. Possibilities are numerous and limited only to the analyst's creativity. Two examples are actual margin requirements for each trade, or when evaluating monthly data the advisors maximum margin. CAR is also used to evaluate capital waste built into the investment. For example - assume we evaluate two advisors each having a \$1M required account size. The advisor using the least amount of capital at risk to produce the highest realized return relative to the lowest volatility would probably be a better choice. (Highest RVR)

2. Realized Ratio (RR): Realized profitability relative to real capital used to produce the return. (Net Realized Profits / Capital at Risk Formula.)

3. Volatility Ratio (VR): Evaluates fluctuations of open trade positions relative to capital required to maintain the position. Wide fluctuations in the VR indicate increased account volatility. Increased volatility may or may NOT indicate increased risk. (Open Trade Equity / Capital at Risk Formula.)

4. Net Ratio (NR): Is the composite value of realized and unrealized (open trade) equity on capital at risk. (Realized Ratio + or - Volatility Ratio/ Capital at Risk Formula.)

5. Funding Level Ratios (FLR): The Funding Level Ratio indicates profitability relative to the minimum funding level (or funding level chosen by the client) for the time frame being analyzed. Account stability is indicated when the FLR is consistently below the NR, especially when the difference is wide. Leverage is too high when the NR begins to fall into and below the FLR. Excessive account sizes hide volatility – management fees are paid on the entire account while only 5 or 10% of total assets are used for trading. (Realized Ratio + or - Volatility Ratio/ Capital used to fund the account or leverage chosen by the client).

6. Cost Ratio (CR): Defined by a relationship between account costs relative to the Net or Funding Level Ratio. Traditionally costs are evaluated as a percent of the fully funded account value annualized. There is increased value when costs are evaluated relative to return and capital at risk. For example - one of the industry's greatest traders had a 20% cost factor. People "perpetuate the assumption" that he needed to exceed a 20% profit before clients benefit. This thinking is 100% inaccurate. The trader earned over 100% annually on the fully funded account using 25% margin (Capital at risk). Now we "see" that he earned 400% on capital at risk and his costs were 20% relative to the 400% or Net Ratio.

7. Notional Assets: Account size that the client elects for trading. Cash is committed but not necessarily in the account. Advisors are required to calculate Traditional Rate of Return based on actual and notional assets. Remember that account size has no relevance to trading talent. Because clients pay management fees on the advisors minimum account size, SafeMoneyMetrics™ provides a method of analyzing fees relative to investment quality.

8. Traditional Rate of Return (TR): SafeMoneyMetrics™ uses the TR relative to the Net Ratio and Funding Level Ratio for evaluating account stability at variable degrees of leverage. The TR is also used for traditional presentations. The monthly TR for each advisor or investment is taken directly from the advisors disclosure document or their thirteen-column track record. The Daily or Custom TR used in client account risk analysis uses the realized and unrealized profit or loss net of transaction costs (before advisor fees) divided by Notional Assets.

9. *The Primary Benchmark - Reward to Variability Ratio (RVR):** In this report, estimates the ability to produce realized profits with respect to managing the risk of open trades. Traditionally the RVR is calculated by dividing the Risk Premium (RP is a return above the risk free ROR) by the Standard Deviation (SD) of returns. Since SD measures volatility and RP measures risk premium, the result is a risk/reward ratio. We divide the Realized Ratio by a St.Dev of the Volatility Ratio. (RR/SDVR).

A high RVR indicates a higher return relative to the amount of risk taken. For example Assume the Realized Ratio (RR) = 23%, a Standard Deviation (SD) of the Volatility Ratio (VR) for the same time frame is 30%, then 40% and 55%. $23/30=0.767\%$, $23/40=0.575\%$ and $23/55=0.418\%$. As the SD increases or RR decreases the RVR decreases. This ratio is expressed as one number and is applied to every aspect of analysis, including the comparison of investments. Time frames are variable.

10. RVR to Funding Level Return: Account profitability relative to account volatility. A declining RVR indicates increased risk. If the RVR declines along with returns, it indicates a need for further investigation into cause and possible re-evaluation of the investment.

11. *Secondary Benchmarks - Coefficient of Variation: (CV):** From statistics the CV measures absolute and relative dispersion. If the absolute dispersion is a standard deviation (S) and the average (A) is the mean, then the relative dispersion is called the coefficient. When the average is close to zero, the CV is not useful $CV=Standard\ Deviation/Average$ - The CV is used to monitor trends in ratios, profitability and to compare advisors. Increased efficiency is indicated by lower CV's. When used with the Reward to Variability Ratio, look for widening differences or a high RVR and Low CV.

Cost/BA: Annual cost to the account relative to the Billing Account Size (BAS) accepted by the advisor.

Cost/FLR: Annual costs as a percentage of the annual return earned on cash used to fund the account.

Cost/NR: Annual costs as a percentage of annual returns earned on actual capital at risk.

Billing Acct Size (BA): Also called notional account size. Account size accepted by the advisor (Management fees are sometimes calculated on this account size).

Funding Level%: Cash used to fund an account expressed as a percentage of the Billing Account Size.

Margin Billing Account (MBA)%: Margin used for trading expressed as a percent of the billing account size.

Margin Funding(MFA)%: Margin used for trading expressed as a percent of actual cash funding an account.

Max: The best value of a ratio within the time frame specified.

Min: The worst value of a ratio.

Capital Account Values: Using \$1000 VAMI'S capital account values are applied to client elected decision rules. When the current value rises or falls below a client elected value, decision rules are triggered. For Example: Take profits, add capital, leverage or de-leverage, change the advisor or strategy.

Explanations Part 3

\$1000 FLR Vami: \$1000 = 100% When available, composite account values are tracked relative to each advisor within the composite.

Realized to Volatility Ratio: Available on client account data. the relationship reveals the investments ability to translate open trade equity into realized profits. A high realized ratio relative to a low volatility is optimal.

Net to Funding Level Ratio: Account profitability relative to account risk at specific degrees of leverage under variable market conditions.

Asset Growth to ROR: If the Rate of Return decreases as assets increase it could indicate lower future returns.

FLR/Traditional and Hedge Fund Index: When included, you can evaluate the correlation trend between all three indexes. These indexes can also be replaced with your own traditional and hedge fund index. See <http://analysis.safemoneymetrics.com>.

Decision Applications: Monitor profitability relative to risk and volatility trends in a client account relative to the presentation. Client preferences dictate customized decision rules.

Time Frames: Net, Funding Level Ratios and total profitability are analyzed over specified time frames.

51% Rule: This analysis uses seven data points. Within that time frame the average profit relative the percent of profitable periods is revealed. A comfortable NorthEast slope is desirable! For complete understanding read article #38: "Traditional Risk Management and SafeMoneyMetrics", at <http://www.sanctity.com/articles.html>.

Allocation and Leverage: Used in multi-advisor risk analysis. What percent of the composite account was allocated to each advisor, at what degree of leverage. Also the starting and current \$1000 VAMI.

Graphics: Time frames vary with the purpose of each presentation.

Explanations End Here

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