

## RESOURCEFUL: BIOFUEL COMMODITY BASKET



Actual performance graph –March'06-Feb.'07  
(blue curve: Biofuel Basket; pink curve: Rogers International Commodity Index)  
Source: ABN AMRO Bank

**Focus:** The Biofuel Commodity Basket was structured and weighted by analysing\* the largest bio fuel producing countries and their corresponding commodity consumption for the purpose. Bio ethanol production was capped at 70% in order to attain a meaningful representation of bio diesel; which represents the remaining 30%. Although bio diesel is not widely produced currently, the underlying commodities help achieve diversification. The basket's actual underlyings are 8 certificates on futures contracts - sugar (33%), corn (28%), soybean oil (15%), wheat (6%), palm oil (6%), canola (5%), rapeseed (4%) and soybean meal (3%).

\*The data was drawn from the Renewable Fuels Association Industry Outlook 2005.

**Strengths:** an opportunity to invest in commodities used in the production of bio fuels. With the basket as an underlying - possibility to invest in a 1:1 tracker certificate; currency risk can be hedged (additional fee applies)

**Weaknesses:** currently allocations are skewed toward bio ethanol production; passive management as the basket is reweighted twice yearly

**Opportunities:** In an attempt to reduce carbon emissions that adhere with the Kyoto Protocol; to cope with the depleting petroleum reserves and to provide a viable substitute on the price front - bio fuels have the potential to displace the global dependency on petroleum as a transport fuel. The USA and Brazil are currently the largest producers and users of bio ethanol. In Brazil, ethanol accounts for roughly 30% of the demand while in the US it accounts for less than 2% of transport fuel.

**Threats:** low barriers to entry

### Risk Assessment

☐ = low ☐ = low/moderate ☐ = moderate ☐ = moderate to high ☐ = high

#### Risk as applicable to the underlying certificates

- Ability to optimise the rolling of the underlying futures:

☐ ☐ ☐ ☐ ☐

Rolling is at the discretion of the managers, but takes place at least 10 business days prior to the first notice date of the future. The next relevant future is determined by reference to liquidity in the underlying market

- Currency related risk: ☐ ☐ ☐ ☐ ☐
- Weather related risks: ☐ ☐ ☐ ☐ ☒
- Relevance of macro economic, financial, political risks: ☐ ☐ ☐ ☐ ☐

#### At the basket level

- Diversification at:

Geographic level: ☐ ☐ ☐ ☐ ☐

Commodity level: ☐ ☐ ☐ ☐ ☐

- Avg. correlation between contracts: ☐ ☐ ☐ ☐ ☐
- Avg. correlation to Rogers Commodity Index: ☐ ☐ ☐ ☐ ☐
- Ability to mitigate risk posed by roll over effect: ☐ ☐ ☐ ☐ ☐

### Performance Parameters

☒ =insufficient ☐ =adequate ☐ =satisfactory ☐ =good ☐ =outstanding

- Ability to deliver returns in a rising, sideways trending and falling market: ☒ ☒ ☐ ☐ ☐
- Inclusion in a:
  - Conservative portfolio: ☒ ☒ ☐ ☐ ☐
  - Balanced portfolio: ☒ ☒ ☐ ☐ ☐
  - Aggressive portfolio: ☒ ☒ ☒ ☐ ☐
- Competition: few players

### Outlook

↑ upside potential ↗ upside to range bound ↔ range bound ↘ range bound to down ↓ downside potential

- Scope for a bio fuels: ↑
- Barriers to entry: few
- Conditions that drive an out performance: environmental legislation; rapid and sharp rise in petroleum prices, catastrophic weather conditions

### Investment Insights

- Target audience: broad based
- Level of complexity: low
- Bio fuel commodity basket offers: the ability to express a sector view
- To optimise returns recommended holding period: 5 years
- Available to investors: globally, listed on: the SWX Swiss Exchange
- Base currency of the basket: USD
- Other currencies it is available in: EUR, CHF
- ABN Amro (market making spread): indicative 1.5%
- Risk/reward compensation: adequate