

RESOURCEFUL: THE DIAPASON COMMODITIES AGRICULTURE NON-GMO INDEX



Index performance figures (1.1.'01-30.01.'07)
in light blue = excess returns; dark blue=total returns
source: DiapasonCommodities Management

Focus: The Diapason Commodity Agriculture Non-GMO* Index is designed to be a liquid, international benchmark for *Non-Genetically Modified Organisms (NGMO) investments in the OECD. Two principles were used in designing the index: World Trade Significance (WTS) and World Contract Liquidity (WCL). The Index, is currently composed of 5 physical, agricultural commodities and is weighted to reflect the relative size of international exports for NGMO products, as well as to reflect the liquidity of the relevant futures contracts (33.33% WTS to 66.67%WCL). The index constituents are: TGE NGM Soybean (42.10%); Euronext Milling Wheat (16.85%); Euronext Feed Wheat (11.61%); Euronext Corn (8.99%) and Euronext Rapeseed (20.45%). The Index is rebalanced monthly and the liquidity weights are readjusted annually - International contract universe (57.90%in EU; 42.10%in Japan) ie the index constituents are non-US-centric

Strengths: Access to investing in non-genetically modified commodities

Weaknesses: Concentrated exposure

Opportunities there is a growing awareness among and resistance to genetically modified products from consumers - one could expect other futures - NGM corn, canola, soybeans - to emerge in the future

Threat: low barriers to entry

Risk Assessment

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

As applicable to the index underlyings:

Ability to optimise the rolling of the underlying futures: ☐☐☐☐

Ability to mitigate risk posed by roll over effect: ☐☐☐☐

Currency related risk: **major (posed by JPY exposure)** ☐☐☐☐

Weather related risk : **positive high influence** ☐☐☐☐

Relevance of macro economic, financial, legal, political risk: ☐☐☐☐

At the index level:

Diversification achieved by index:

Geographically: **(57.90% in EU;42.10% in Japan)**

Commodity level: **(high conc. in NGM Soybean)**

Avg. correlation between contracts: ☐☐☐☐

Performance Parameters

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

No. of index components: 5

Criteria that would lead to the inclusion of one/more contracts: **would need to respect the 2 principles: World Trade Significance and World Contract Liquidity**

Targeted volatility of index: **max 15%**

Ability of the index to perform in:

Rising: **yes**

Sideway trending: **no**

Falling markets: **no**

Index has been back tested to withstand: **contrarian/ extreme weather**

Outlook

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

Scope for non genetically modified commodities: ↑

The EU still exercises the so-called 'precautionary principle' owing to the uncertainties associated with the human consumption of genetically modified food
Current political and consumer resistance to genetically modified crops can pose a threat and can disrupt the entire agricultural economy

Barriers to entry: **Reduced liquidity**

Conditions that support an out performance: **Political/public reluctance to genetically modified organisms in favour of non genetically modified organisms**

Ability for the Index to deliver targeted returns: **cyclical out-performance in agriculture expected, Non GMO premium not yet priced by the market**

Investment Insights

Target audience: **broad based , thematic investors**

Level of complexity for an investor: **low**

NGMO Index offers exposure to investing in non-genetically modified crops

To optimise returns: **recommended holding period: 2- 5 years**

Base and other currencies: **EUR**

Fee: **1% annual management fee**

Expected annual expense ratio: **1.50%**

Daily liquidity