



Commodities index products and institutional investors

Freepoint Commodities

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Exchanges / Markets Function

- Price discovery
- Hedging mechanism
- Risk transfer
- Mobility
- Arbitrage opportunities
- ***Investment channels***



Participants of Commodity Trading Market

- Raw material producers
- Raw materials users
- Brokers
- Principal traders
- ***Institutional Investors***



Institutional investors in commodity trading markets

- Large amount of funds
- Long-term investments
- Risk diversification
- Portfolio
- Liquidity, certainty, transparency
- Avoid physical delivery
- Simple and feasible operation



Commodity index products

- Large Capacity
- Long-term investments
- Risk diversification
- Portfolio
- Liquidity, certainty, transparency
- Avoid physical delivery
- Simple and feasible operation
- Easy to construct derivatives and structured products



Characteristics of commodity assets

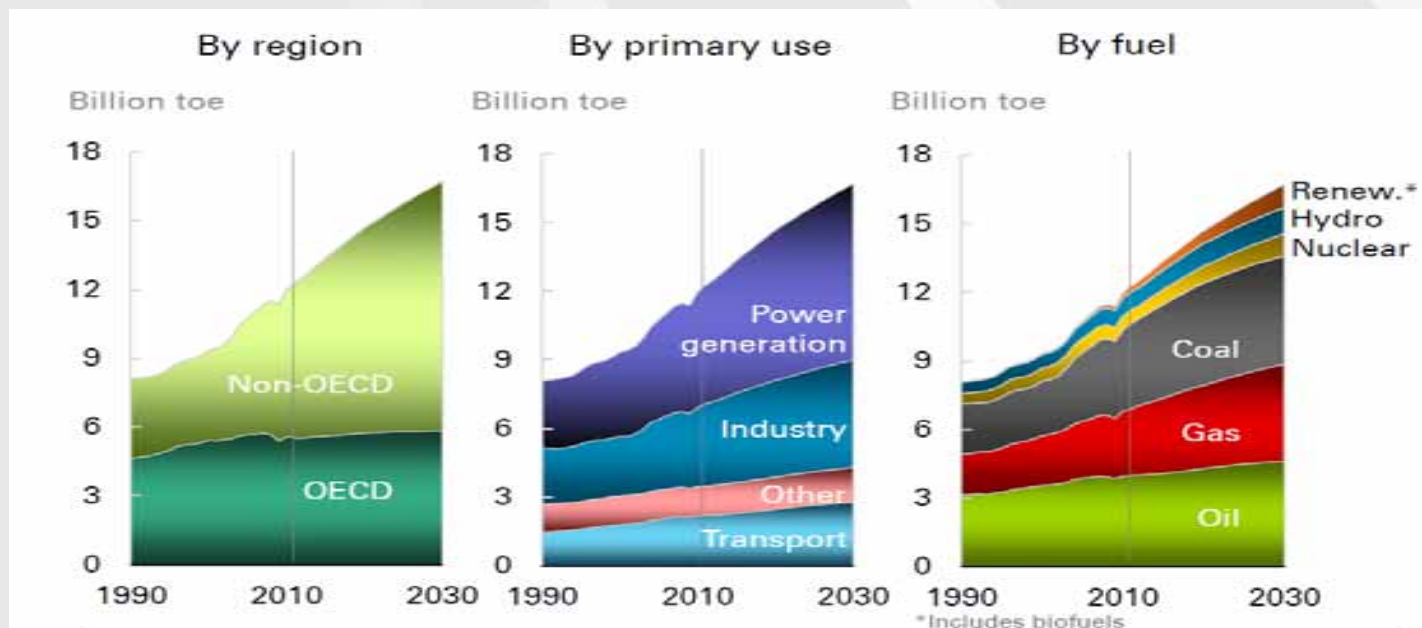
- Hard currency function of commodities
 - Difficult to substitute
 - Unlike issuing the stocks, bonds, and currency
 - The credit risk of the issuer
 - Devaluation risk of the new issue

- The limited supply of resources of commodities
 - Fossil energy (difficult to recycle)
 - Minerals (difficult to recycle)
 - Agricultural products (reduction of arable land, energy demand)

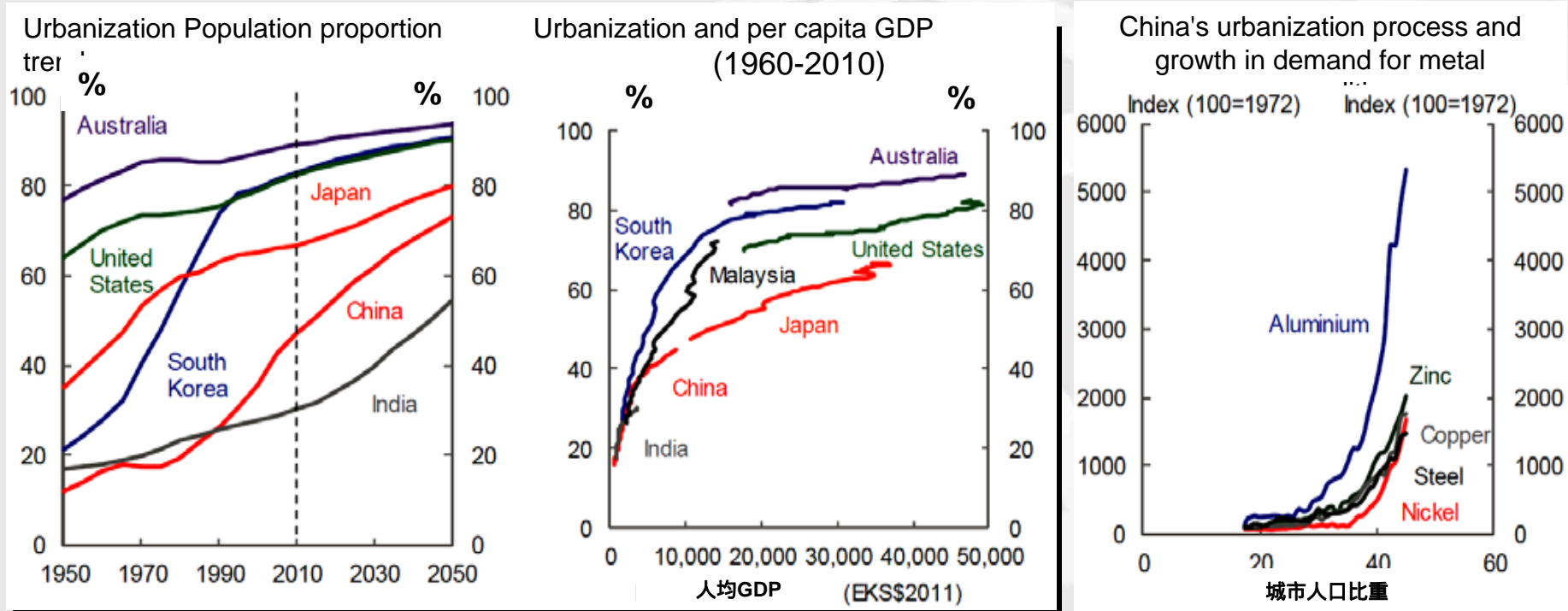


Resource requirements for commodities

- Growing demand for commodity resources
 - The rising living standards of developing countries which accounts for most of the world's population
 - Increasing of Urbanization Index
 - Improvement of housing standards
 - Substantial growth in infrastructure



China's urbanization process is far from end



Sources: United Nations World Urbanization Prospects: The 2009 Revision; World Bank World Development Indicators 2011; The Conference Board Total Economy Database, January 2012; China's Emergence in Global Commodity Markets

Sources: ABARES Australian Commodities; BREE Resources and Energy Statistics 2011; World Steel Association Steel Statistical Yearbooks, various years; World Metal Statistics, various years; China's Emergence in Global Commodity Markets

Long-term trends in global commodity resources

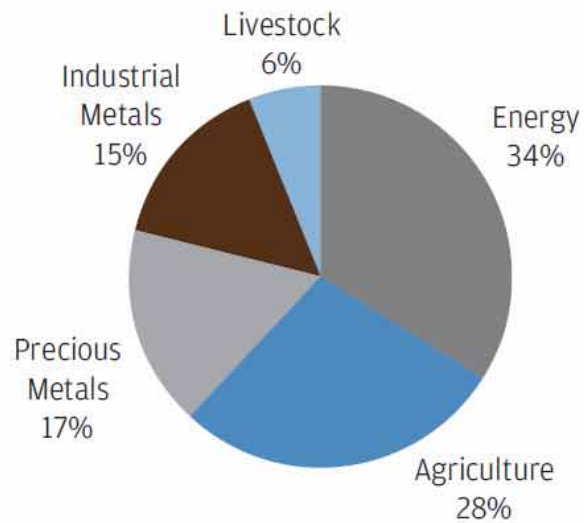
- Growing demand, the process of urbanization in developing countries is far from end
- Limited supply, many commodities resources declining and difficult to recycle
- Difficult to replace
- There should be no major changes in distribution methods
 - Chinese people are obtaining more shares of resources of commodities within the current framework through their own labor
- Paper Asset appreciation

Cases on commodity index products

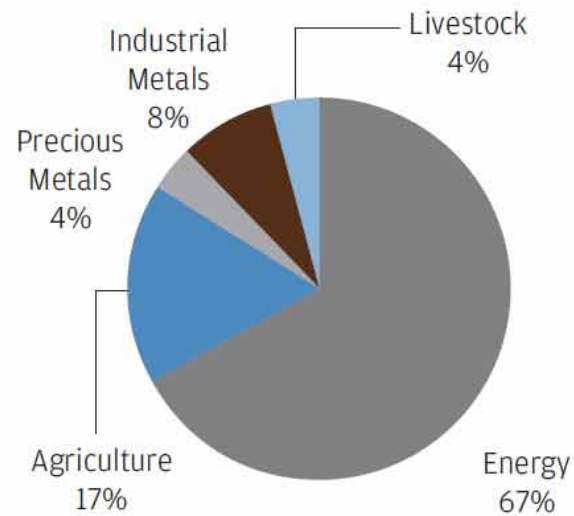
The Dow Jones - UBS Commodity Index::

- Developed and introduced by AIG in 1998 as the Dow Jones-AIG Commodity Index
- In 2009, sold to UBS with \$150million then renamed.
- Based on the 22 commodity futures of the United States and Europe exchanges, including energy, metals and agricultural products
- Merchandise selection and weighting based on economic sense, the dispersion, mobility, and continuity
- Rolling Index
- Dollar-denominated price, other versions of currency denominated price
- Many derivative products, including index futures, SWAP, ETF, ETN, ETC, options, guaranteed contracts, etc.
- The investment amount based on the commodity index nearly up to \$100 billion

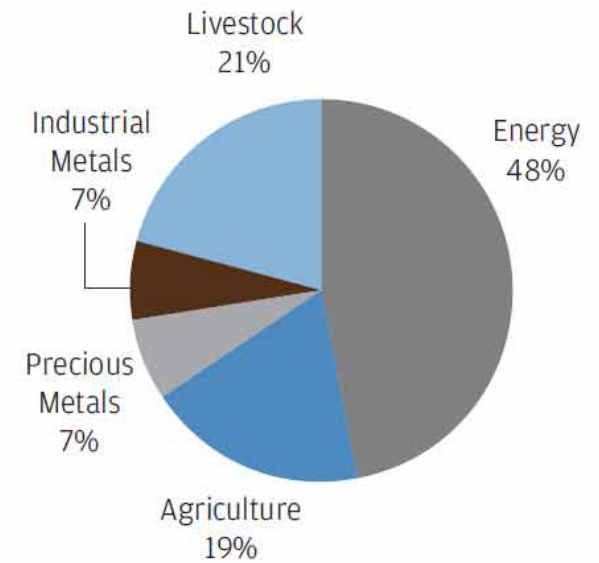
DJ-UBS Commodity Index Weights



GS Commodity Index Weights



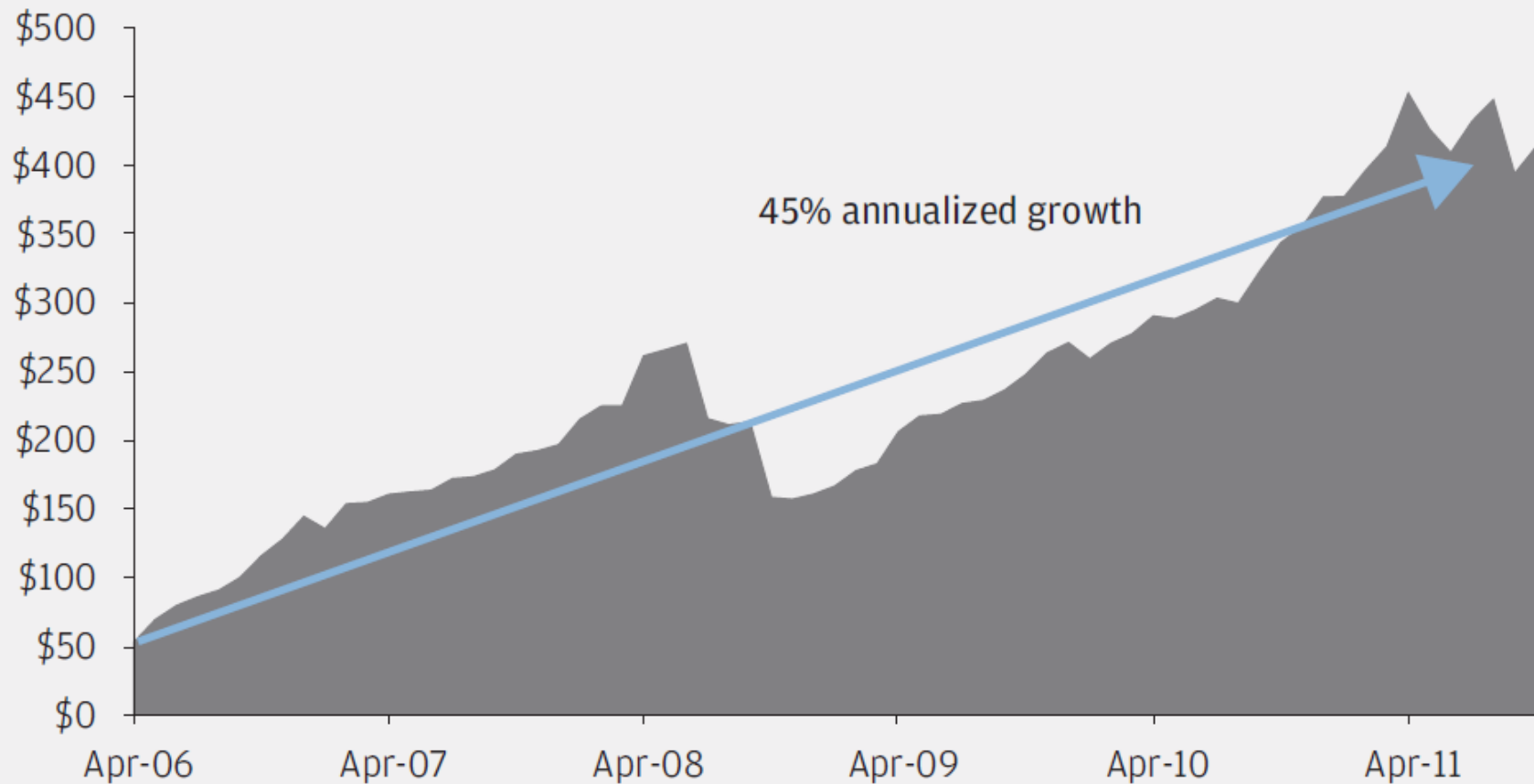
TRJ-CRB Commodity Index Weights



Source: GSCI, DJ-UBS, TRJ-CRB, J.P. Morgan Asset Management. Data are as of 11/30/11.

EXHIBIT 11: Investor interest in commodities has grown dramatically

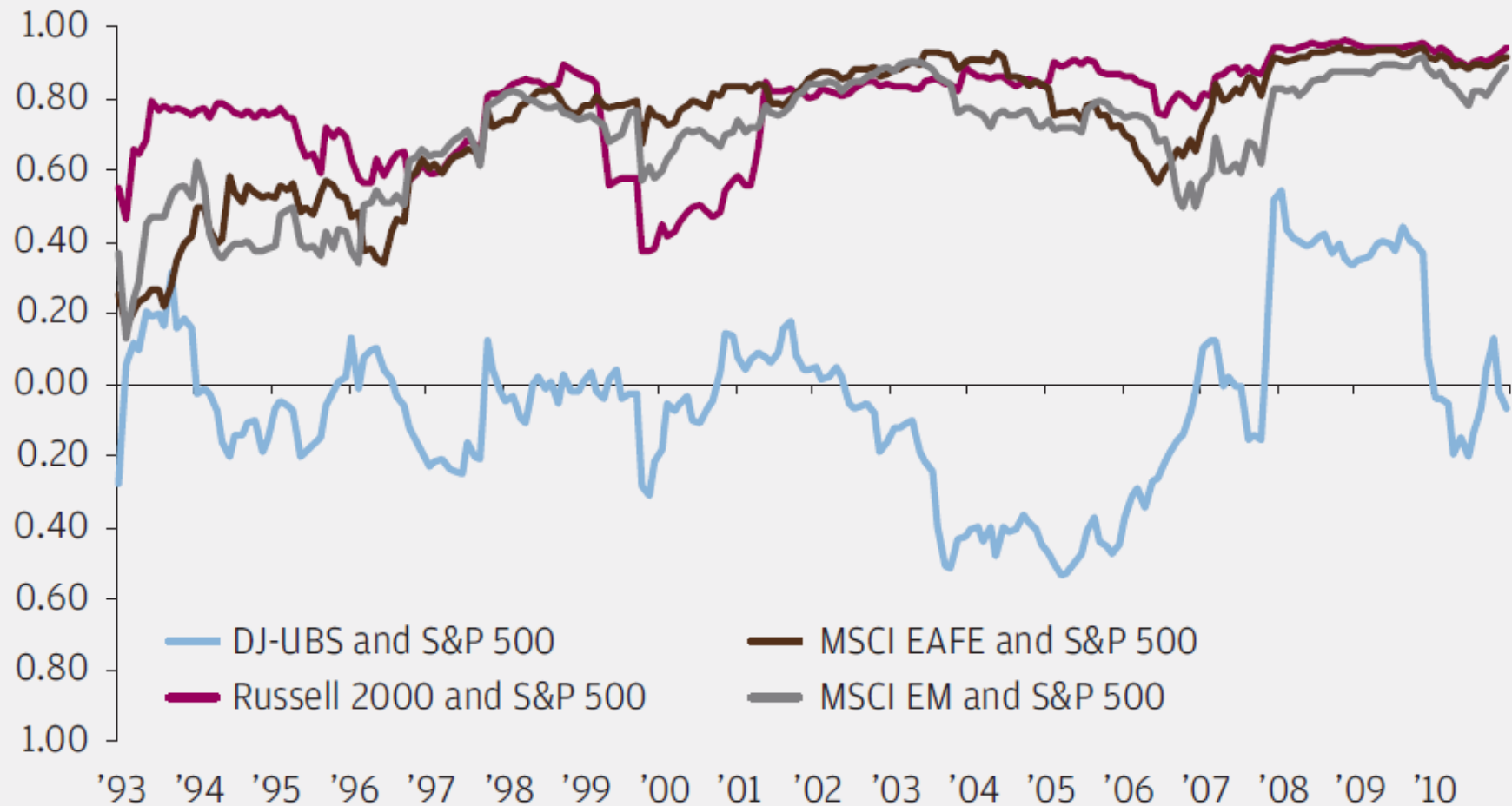
Commodity investment product assets under management (\$ billions)



Source: Barclay's Capital, J.P. Morgan Asset Management. AUM includes commodity linked notes, index swaps and exchange traded products. Data are as of 11/30/11.

EXHIBIT 12: Commodities have a relatively low correlation with U.S. stocks—Nov. '93 to Oct. '11

Coefficient based on 2-yr. rolling monthly correlations, total returns



Source: DJ-UBS, Russell, MSCI, J.P. Morgan Asset Management. Data are as of 11/30/11

China Market and the Chinese institutional investors

- Financial futures market in china developed rapidly with one stock index futures
- Various innovative products continue to emerge around the stock index futures
- The institutional investors such as the insurance funds and QFII in China have strong demands for the index products
- The weak correlation of the commodities and stocks, bonds, currencies and other assets can diversify the risk of the portfolio.
- Long-term positive trend in commodity resources in combination of the advantages of the index products could provide attractive investment products for the Chinese institutional investors.

Freepoint Commodities

- **Company profile** : Freepoint Commodities is principally engaged in physical transactions of energy and metals commodities, marketing and investment in upstream production. Freepoint possesses abundant funds and high-quality management team with successful experience in commodity trading. The headquarter is in Connecticut, USA with branches in Canada, UK, Switzerland, Singapore, and China. Freepoint is committed to be the important force in the world's oil, natural gas, electricity, coal, non-ferrous minerals and metals trading market, and provide quality services to the customers.
- **Business in China** : The principal business of Freepoint commodities in china includes trading and marketing,of metal minerals, metals and energy products as well as the opportunities that provided by the Chinese investors to the international resources sector to co-investment.
- **Partners** : Stone Point Capital is a private equity firm focused on the financial services industry which is the largest shareholder currently. The company currently manages five private equity funds with the total size about \$ 10 billion.
- **Company Website** : www.Freepoint.com