



Trader Vic Indices

Access managed futures in an innovative index format

Make it happen™

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The Royal Bank of Scotland

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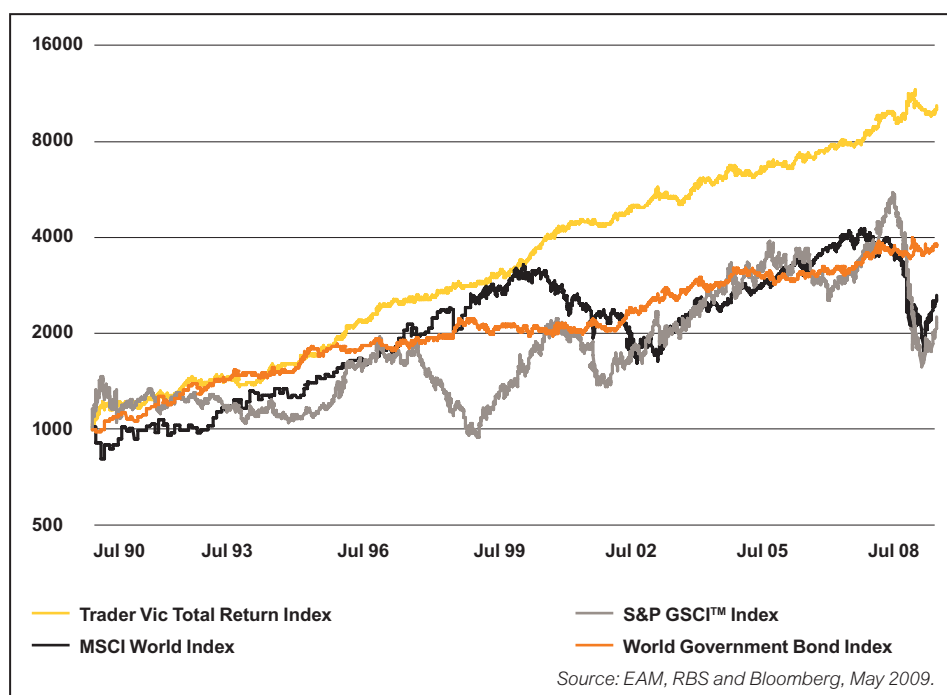
The Trader Vic Index allows investors to easily access both rising and falling price trends in an innovative, multi asset transparent Index. The Index aims to deliver managed futures returns with consistent and enhanced performance with low volatility.

Introduction to the Trader Vic Indices

ABN AMRO, part of the Royal Bank of Scotland, has partnered with Victor Sperandeo, CEO of Enhanced Alpha Management, L.P., to develop an innovative managed futures index designed to provide investors with valuable portfolio diversification. Comprised of 24 highly liquid futures contracts across physical commodities, global currencies and US interest rates, the Trader Vic Index (the Index or TVI) is designed to capture rising and falling price trends by taking both long and short positions. Importantly, the Index utilises a fully transparent investment process that is entirely rules-based, allowing the index to deliver absolute performance while moderating volatility.

Simulated Historical Performance

The Trader Vic Total Return Index would have outperformed the MSCI World Index, S&P GSCI™ Index and World Government Bond Index, notably so in 2008 due to the ability to take short positions.

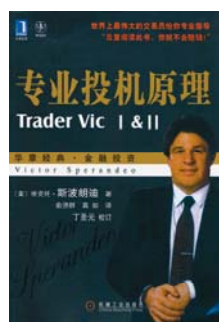
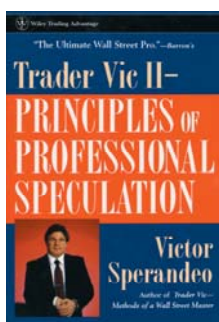
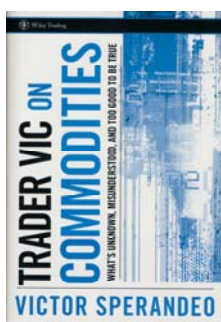
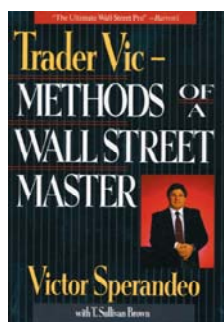


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Introduction to Victor Sperandeo

Victor Sperandeo, better known as “Trader Vic”, is a professional Wall Street trader and money manager. He has over 40 years’ experience on Wall Street trading commodities, stocks, bonds, futures and options having traded both independently and for, among others, George Soros, Leon Cooperman, and BT Alex Brown. Victor has written three best selling books detailing his trading methodologies: *Trader Vic – Methods of a Wall Street Master*, *Trader Vic II – Principles of Professional Speculation*, and *Trader Vic on Commodities, What’s Unknown, Misunderstood And Too Good To Be True*. Victor was featured in the best selling *New Market Wizards* and *Super Traders* books and has been profiled in *Barron’s* twice: “Man of all Markets” on May 2, 1983, and “Trader Vic the Ultimate Wall Street Pro” on September 21, 1987.



Key Features of the Trader Vic Index

- The Index aims to deliver absolute performance while moderating volatility regardless of market direction.
- Positions in the Index can be long or short to take advantage of both rising and falling market trends.
- Products linked to the Index offers daily liquidity and a fully transparent investment process. Subject to normal market conditions.
- The Index is a non-to-negatively correlated investment strategy when compared to traditional assets like stocks and bonds, making it an efficient asset allocation and portfolio diversification tool.
- The Index generally has a shorter recovery time from drawdown periods, due to the ability to establish short positions in an attempt to profit from falling prices.
- Simulated performance of the Index has a win ratio of 99.64% (over rolling 12 months), offering investors a consistent and robust portfolio diversification strategy.

The Trader Vic Index offers investors a liquid, transparent rules-based index without the high fees normally associated with CTAs.

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Managed Futures as an Asset Class

What are Managed Futures?

Managed futures are run by professional money managers commonly known as Commodity Trading Advisor's (CTAs). CTAs who manage client assets by either using a proprietary trading system, or a discretionary method, that can usually take both long and short positions in the global futures markets (commodities, currencies, interest rates, etc.)

Benefits

- Potential to lower portfolio risk through diversification
- Low or negative correlation to traditional asset classes
- Potential to profit in rising and falling markets as most managed futures strategies can take both long and short positions

A Growing Industry

In 2002, Assets under Management (AUM) was estimated at USD 45 billion* and by the end of 2008, AUM had grown to over USD 200 billion. Expected to grow significantly in 2009.

Drawbacks

CTAs generally lack transparency, have limited liquidity (monthly or quarterly), and charge high management (2%) and performance fees (20-30%)**

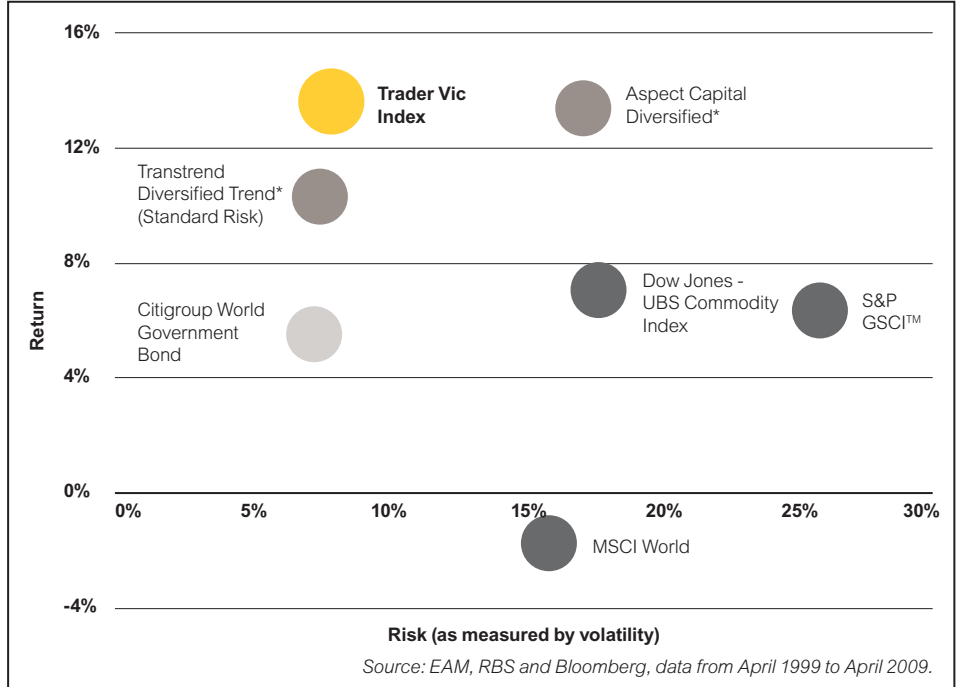
** www.barclayhedge.com.



Benefits of the Trader Vic Index

Simulated Annualised Historical Risk-Returns

The Trader Vic Index would have delivered higher return with lower volatility when compared to equity, bond or traditional commodity indices.

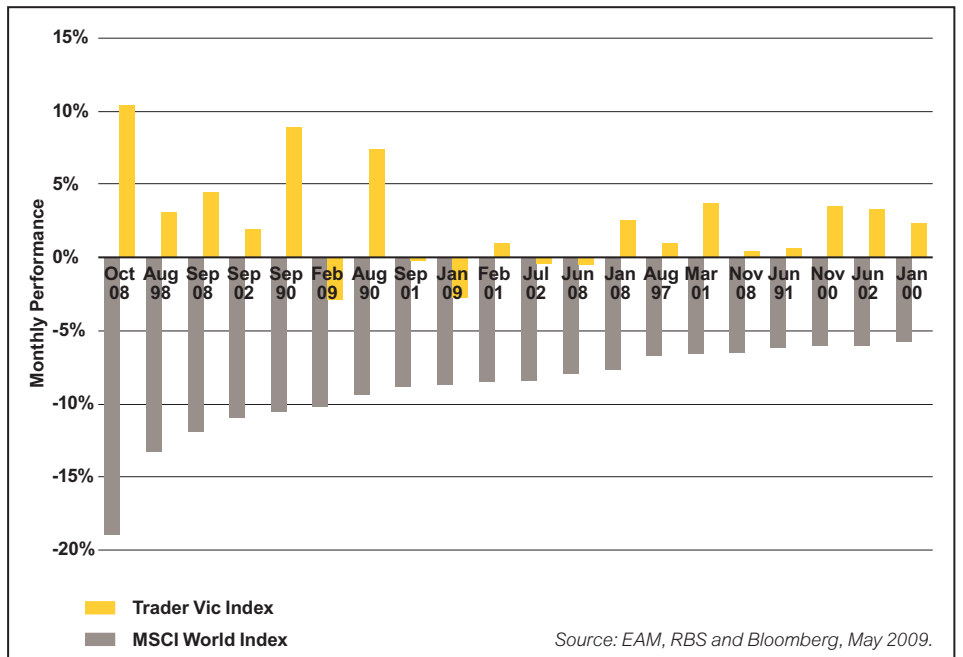


* Commodity Trading Advisor.

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Simulated TVI Performance during the worst MSCI World Index monthly declines since 1990

The Trader Vic Index offers stable, consistent performance, especially during times of equity market declines and crisis events.

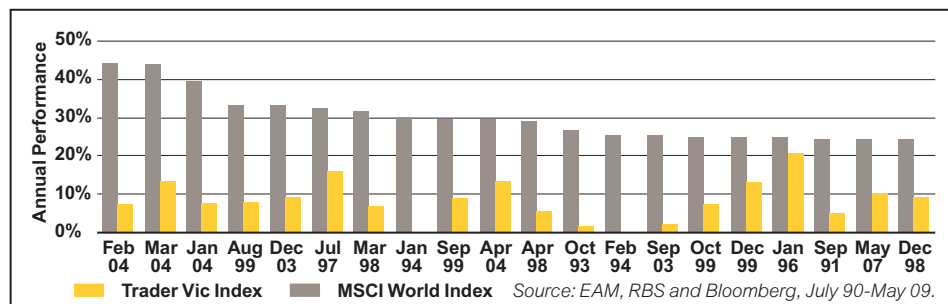


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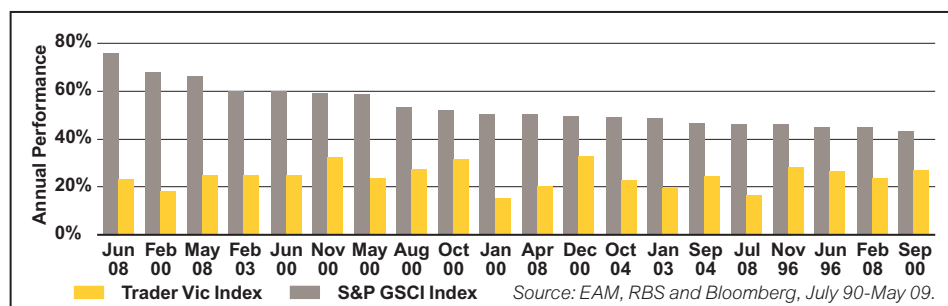
Simulated Trader Vic Index Returns during Bull Market Cycles

The Trader Vic Index exhibits positive correlation to **both** equities and commodities during bull markets in either asset class. Importantly, unlike a traditional hedge product or strategy, the Trader Vic Index is not a drag on returns during equity and commodity bull markets.

Correlation during Equity Bull Markets (20 Best 12-month Rolling Periods)



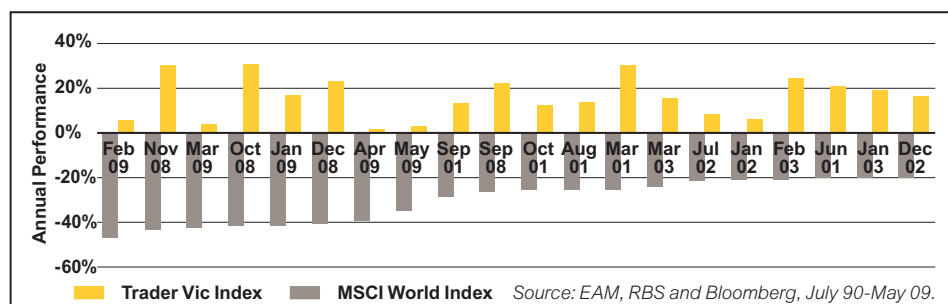
Correlation during Commodity Bull Markets (20 Best 12-month Rolling Periods)



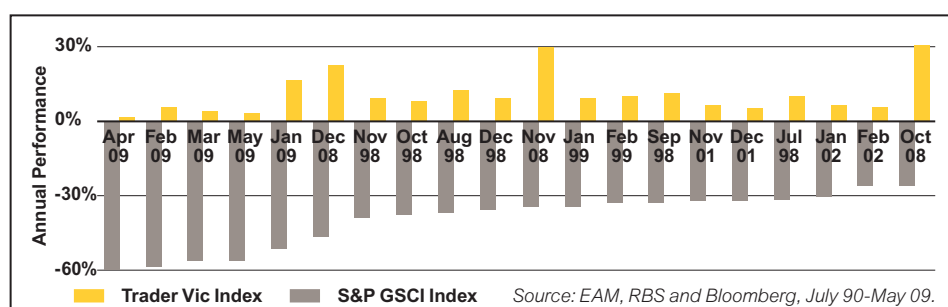
Simulated Trader Vic Index Returns during Bear Market Cycles

The Trader Vic Index exhibits negative correlation to **both** equities and commodities during bear markets for either asset class, providing investors with valuable portfolio diversification.

Correlation during Equity Bear Markets (20 Worst 12-month Rolling Periods)



Correlation during Commodity Bear Markets (20 Worst 12-month Rolling Periods)



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Trader Vic Index Components

The Index components are limited to highly liquid, US exchange listed futures contracts.

| Markets | Components |
|--------------------------|--|
| Energy | Heating Oil Light Crude (WTI) Natural Gas RBOB Gasoline |
| Livestock | Lean Hogs Live Cattle |
| Grains | Corn Soybeans Wheat |
| Industrial Metals | High Grade Copper |
| Precious Metals | Gold Silver |
| Softs | Cocoa Coffee Cotton Sugar |
| Global Currencies | Australian Dollar British Pound Canadian Dollar Euro Japanese Yen Swiss Franc |
| US Interest Rates | US 30-year Bond US 10-year Note |

Trader Vic Index Mechanism

The Trader Vic Index is a composite total return index initially comprising 24 highly liquid futures contracts with a base currency in USD. The Index is divided into 14 sectors that are positioned either long or short on a monthly basis using a transparent, rule-based investment process. The Trader Vic Index is unleveraged; for every US dollar reflected in the index, the index measures futures positions with a total notional of one dollar.

Index Components and Sectors

The Index is comprised of 24 diverse components across physical commodities, global currencies and US interest rates. These components, which were chosen based on fundamental characteristics of liquidity, economic importance, and credit stability, are grouped into 14 sectors. Components that historically exhibit a high degree of correlation are grouped together in an attempt to create a more consistent and robust return profile.

As an example, Gold and Silver have been grouped together to form the Precious Metals Sector. Components that are part of a multi-component Sector, like that of Precious Metals, are held in the same long/short/(neutral) direction.

The Trader Vic Index can take monthly long and short positions, with the exception of the Energy sector which is positioned either long or neutral. Research by Victor Sperandeo suggests that the Energy markets are subject to a unique set of geo-political risks not evident in any of the other Sectors or markets present in the Trader Vic Index. If the Energy Sector is positioned neutral, the exposure (21.25%) is distributed on a pro-rata basis to all other Sectors (and their components).

Sectors have two “base” weighting schemes: one when the Energy Sector is positioned long and another when the Energy Sector is positioned neutral. Sector weights are fixed and rebalanced back to their base weights monthly. Components that are part of a multi-component Sector (Energy, Livestock, Grains, and Precious Metals) are only reset back to their base weight within their Sector at the end of each year.

Index Component Weight Determination

Index weightings are divided equally between physical commodities (50%) and global currencies and US interest rates (50%) in an attempt to increase the internal non-correlation among the components within the Trader Vic Index. This is done in an attempt to produce smoother, less volatile returns and thereby increasing consistency within the Index

Underlying fundamental factors such as production and Gross Domestic Product (GDP) were used to determine component weights within the Index.

Commodity Components

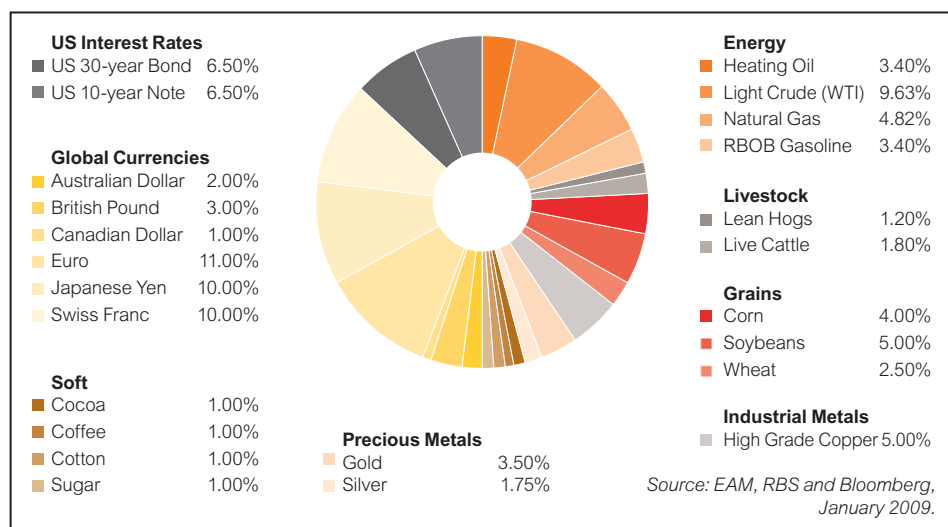
- For commodity components, production is used as an indication of a component’s significance to both the world economy and the futures markets
- Since there is often no single recognised source for a commodity’s production figures, estimates are used in selecting and making allocations to the commodity components
- Weightings are based on, but not directly proportional to, production figures
- Additionally, adjustment factors based on seasonal trading patterns and historical volatility are taken into consideration



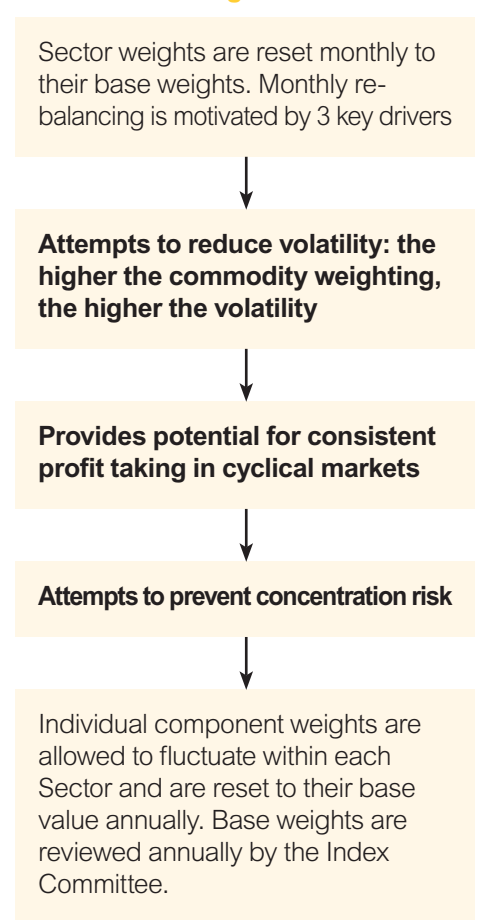
Currency and Interest Rate Components

- For currency and interest rate components, GDP is used as an indication of a components economic significance and is used in selecting and making allocations to the currency and interest rate components
- Weightings are based on, but not directly proportional to, GDP
- Additionally, adjustment factors based on liquidity, credit stability and historical volatility are taken into consideration
- E.g.: the Swiss Franc has been given a greater weighting due to its historical stability, liquidity and general credit stability as a reserve currency

Index Component and Sector Base Weights



Index Rebalancing

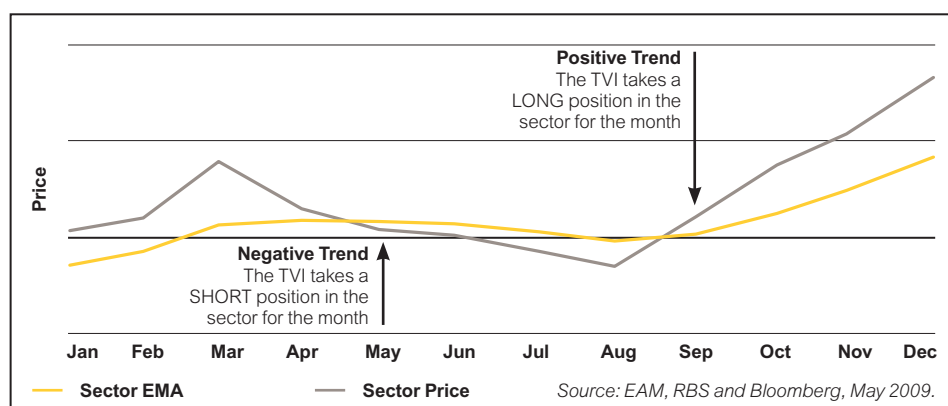


How the Index Determines Long, Short or Neutral positions for Each Sector

The Trader Vic Index is a trend-following strategy that aims to capture profits regardless of the market direction. Trends are identified by observing historical prices in relation to the customised Exponential Moving Averages (EMAs).

Long or short positions are determined for each Sector as a whole by comparing the aggregate current price inputs of a Sector's underlying components to such Sector's customised exponential moving average (EMA).

Position Determination Illustration



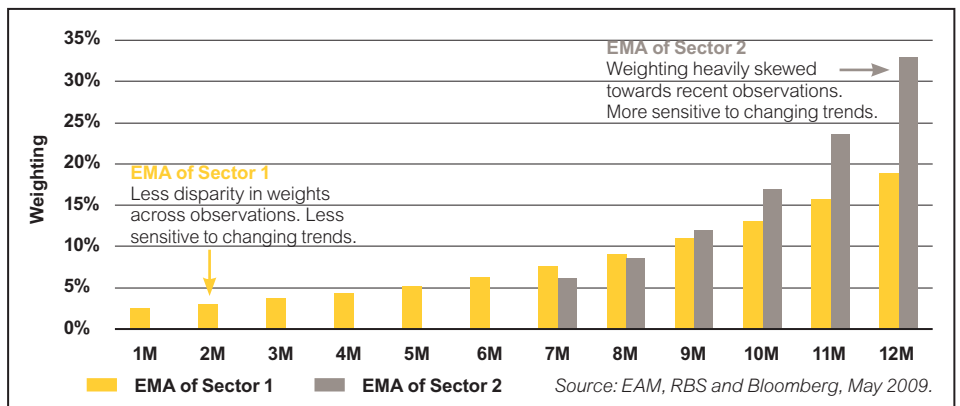
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Establishing Exponential Moving Averages

The EMAs are customised for each Sector within the Trader Vic Index based on a non-optimised process designed to account for the behavioral characteristics of the respective markets. The moving average algorithm is applied to the Sector level return history data. Importantly, this is not a “spot” value comparison of a single contract but rather the running total percentage change from index inception of the Sector. The Sector valuation is a “continuous contract” that incorporates pricing from individual contracts following the roll schedule. Importantly, seasonality and historical volatility are taken into account causing Copper, as an example, to have a different EMA than the US 30-year Bond.

Two inputs are used in order to differentiate one Sector from another: the coefficient that establishes the weight allocated to each data point and the length of the moving average (i.e. the number of monthly observations considered for a given component).

Customised Exponential Moving Averages Weights Illustration



Versions of the Trader Vic Index

The Trader Vic Index is available in both total return and excess return versions.

| Indices | Bloomberg Code |
|--------------------------------|----------------|
| Trader Vic Total Return Index | <TVICTR Index> |
| Trader Vic Excess Return Index | <TVICER Index> |

Component Position Determination

- If the Sector price at the end of the month is greater than its EMA, the Index will be positioned long the Sector for the next month.
- If the Sector price at the end of the month is less than its EMA, the Index will be positioned short that Sector for the next month. An exception exists with the Energy sector, which can be positioned either Long or Neutral but never Short

For those Sectors with only one component (the Currencies, Interest Rates, and Industrial Metal sectors) the price input calculations used to determine positions are done at the component level. This also applies to the components in the Soft Sector (Coffee, Cotton, Cocoa and Sugar) since there is no fundamental tie between each of the components of such Sector.

Actively Managed Certificate

ABN AMRO is also offering an actively managed certificate (AMC) with Victor Sperandeo. The AMC utilises the Trader Vic Index with an active overlay in certificate format. The AMC allows investors to easily access Victor Sperandeo's expertise to take advantage of trading opportunities beyond the scope of the Trader Vic Index. In AMC format, Victor Sperandeo has the ability to make intra-month adjustments to the index in an attempt to enhance performance while maintaining stability and moderating volatility.

Volatility Stabilisation Overlay

The Royal Bank of Scotland volatility stabilisation overlay is an innovative risk-control tool designed to modify the risk profile of Trader Vic Index. The overlay aims to provide stabilised performance by acting as a buffer should the Trader Vic Index become more volatile, it also provides greater certainty around option pricing.

The overlay evaluates the risk of the Trader Vic Index on a daily basis and gives a varying exposure to the Trader Vic Index dependent on the risk. When the markets have exhibited less risk, the overlay gives more exposure, up to 2 times leverage. When the markets have exhibited more risk, the overlay gives less exposure. Historically, the overlay has tended to give higher exposure in less risky markets where the market usually moved up more gradually and lower exposure when the market tended to move down with larger moves. Volatility Stabilisation may be a particularly suitable strategy overlay for investors requiring capital protection, which can be achieved by using call options or a CPPI structure.



Detailed Simulated Performance Facts

Performance Statistics from July 1990 to May 2009 (Monthly Data)

| Return | Trader Vic Index | MSCI World Index | World Government Bond Index | S&P GSCI Index |
|--|------------------|------------------|-----------------------------|----------------|
| Annual Stats (as of May 2009) | | | | |
| Annualised Return | 13.1% | 5.1% | 7.3% | 4.1% |
| Annualised Risk (as measured by volatility) | 7.3% | 15.6% | 6.7% | 22.5% |
| Return/Risk | 1.8 | 0.3 | 1.1 | 0.2 |
| Maximum Drawdown | -10.6% | -54.0% | -9.0% | -67.6% |
| Monthly Statistics | | | | |
| Average 1-month Return | 1.1% | 0.5% | 0.6% | 0.5% |
| Wins | 70.4% | 59.3% | 59.7% | 54.9% |
| Worst 1-month Period | -5.6% | -19.0% | -4.3% | -28.2% |
| Rolling 12-month Statistics | | | | |
| Average 12-month Return | 13.1% | 7.5% | 7.4% | 7.9% |
| Wins | 98.1% | 72.6% | 85.6% | 60.5% |
| Worst 12-month Period | -0.9% | -47.1% | -6.8% | -60.1% |

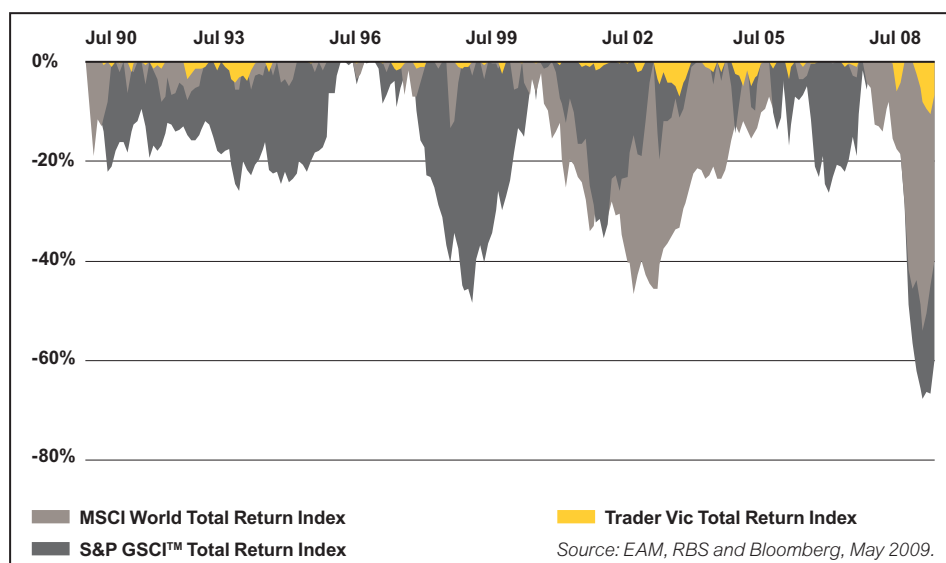
Source: EAM, RBS and Bloomberg, May 2009.

Note: The Trader Vic Index is a total return index in this chart.

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Simulated Underwater Curve

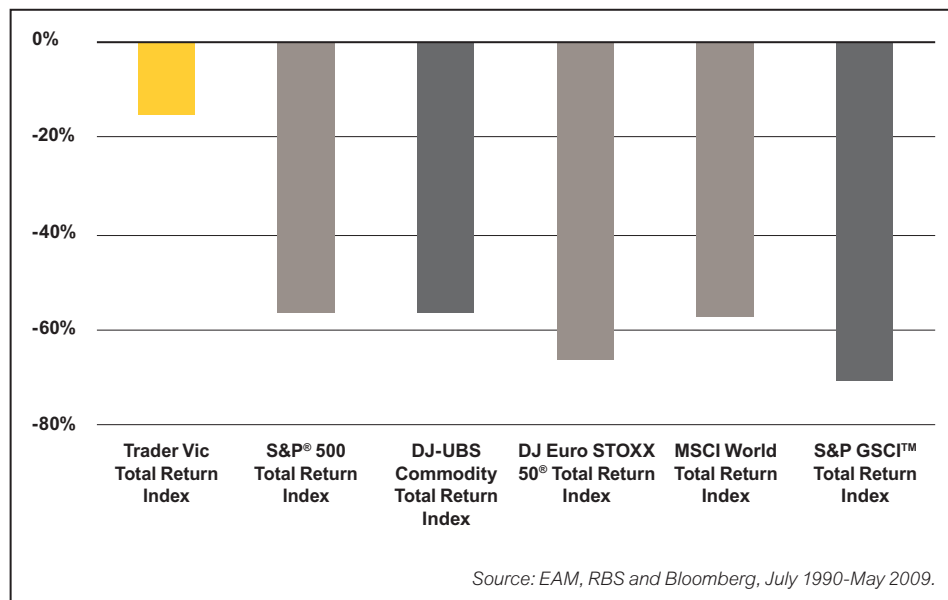
Due to its ability to take both Long and Short positions, the Trader Vic Index has shown a tendency to have shorter recovery times from drawdown periods, especially when compared to traditional indices.



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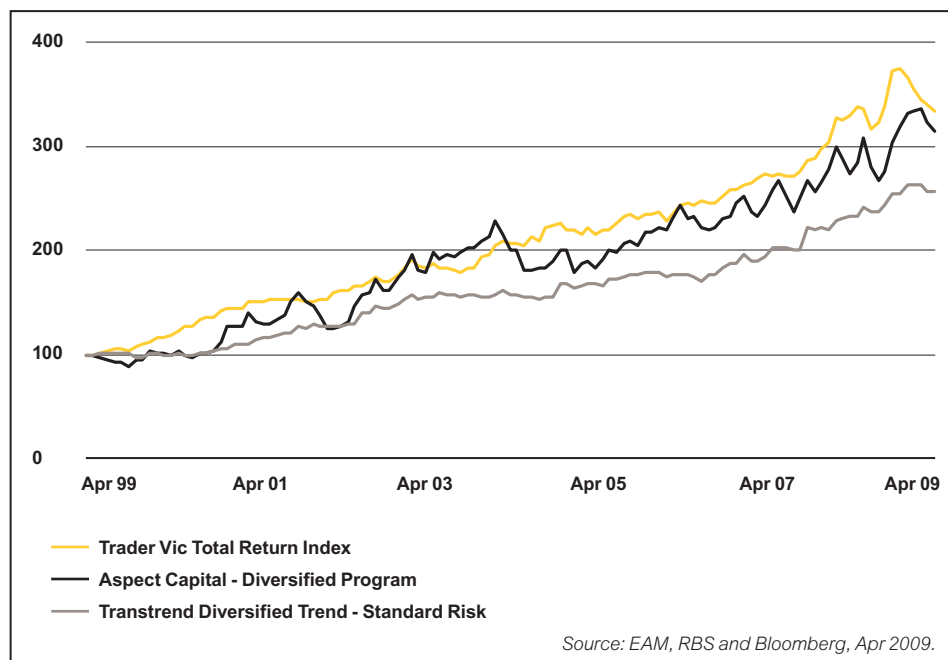
Simulated Trader Vic Worst Drawdown Comparison

The Trader Vic Index has shown a tendency to have smaller drawdowns than traditional indices.



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Simulated Trader Vic Index versus CTA Funds



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