GLOBAL COMMODITY INVESTMENT ROUNDTABLE

17 April, 2013

PRESENTED BY

KEYNOTE SPEAKER

Doug Hepworth
Director of Research
Gresham Investment Management

PRESENTED BY

10 Common Misconceptions About Commodities

Gresham Investment Management

CME
Global Commodity
Investment Roundtable
Mexico City

April 17, 2013

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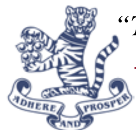

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MISCONCEPTION 1: Commodities Do Not Generate Return

Since 2008, Commodities have underperformed US Equities and Bonds.

	Performance for the Period Jan-08 to Mar-13		
	Commodities	US Equities	US Bonds
Ann. MU	(3.31)	3.55	5.63
STD	21.61	18.76	3.49
Sharpe Ratio	(0.06)	0.26	1.49

Comparison of Equities, Bonds, and Commodities
for the Period January 2008 to March 2013

Value of $100 Invested

$160
$140
$120
$100
$80
$60
$40
$20
$-

Dec-07 Mar-08 Jun-08 Sep-08 Dec-08 Mar-09 Jun-09 Sep-09 Dec-09 Mar-10 Jun-10 Sep-10 Dec-10 Mar-11 Jun-11 Sep-11 Dec-11 Mar-12 Jun-12 Sep-12 Dec-12 Mar-13

US Equities — US Bonds — Commodities

U.S. Equity performance data is based on the S&P 500 Total Return index; U.S. Bond performance data is based on the Barclays Capital U.S. Aggregate Bond Index; and commodity performance data is based of Gresham's TAP Program..
Past performance is not necessarily indicative of future results. It is not possible to invest directly in an index. See Performance Disclaimer(s) in the Appendix for the methodology used in preparing the above performance table. Returns are net of commissions and gross of management fees and performance fees and do not reflect the impact of any direct expenses associated with a commingled fund structure or a managed account. These additional fees would result in lower performance. See table entitled "Important Information about the Effect of Fees on Returns" in the Appendix for an illustration of net returns after reduction for fees applied to an initial investment of $50MM at the standard rates set forth on table entitled "Summary of Fees" in the Appendix. Like most investment products, Gresham's programs involve risk and can result in losses as well as profits. No representation is made that any client would have achieved the returns represented above.

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MISCONCEPTION 1: Commodities Do Not Generate Returns

For the period 1987 to March 2013, Commodities have a Sharpe Ratio similar to Equities

	Performance for the Period Jan-87 to Mar-13		
	Commodities	**US Equities**	**US Bonds**
Ann. MU	8.44	9.86	6.99
STD	14.83	15.55	3.92
Sharpe Ratio	0.38	0.45	0.82

Comparison of Equities, Bonds, and Commodities
for the Period January 1987 to March 2013

Value of $100 Invested

$1,400
$1,200
$1,000
$800
$600
$400
$200
$-

Dec-86 Dec-87 Dec-88 Dec-89 Dec-90 Dec-91 Dec-92 Dec-93 Dec-94 Dec-95 Dec-96 Dec-97 Dec-98 Dec-99 Dec-00 Dec-01 Dec-02 Dec-03 Dec-04 Dec-05 Dec-06 Dec-07 Dec-08 Dec-09 Dec-10 Dec-11 Dec-12

US Equities — US Bonds — Commodities

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MISCONCEPTION 1: Commodities Do Not Generate Returns

Likewise for the period 1960 to March 2013, Commodities have a Sharpe Ratio similar to Equities

	Performance for the Period Jan-60 to Mar-13		
	Commodities	**US Equities**	**US Bonds**
Ann. MU	8.90	9.69	7.24
STD	13.99	14.97	5.15
Sharpe Ratio	0.33	0.37	0.44

Comparison of Equities, Bonds, and Commodities
for the Period January 1960 to March 2013

Value of $100 Invested

$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$-

Dec-59 Dec-62 Dec-65 Dec-68 Dec-71 Dec-74 Dec-77 Dec-80 Dec-83 Dec-86 Dec-89 Dec-92 Dec-95 Dec-98 Dec-01 Dec-04 Dec-07 Dec-10

US Equities — US Bonds — Commodities

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MISCONCEPTION 2: The Super Cycle has been Responsible for Commodity Returns

During a Commodity Super Cycle, Commodities outperform Equities.

	Performance for the Period Jan-87 to Dec-94		
	Commodities	US Equities	US Bonds
Ann. MU	12.06	11.86	7.89
STD	11.46	15.42	4.60
Sharpe Ratio	0.59	0.46	0.52

Comparison of Equities, Bonds, and Commodities for the Period January 1987 to December

U.S. Equity performance data is based on the S&P 500 Total Return index; U.S. Bond performance data is based on the Barclays Capital U.S. Aggregate Bond Index; and commodity performance data is based of Gresham's TAP Program..

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MISCONCEPTION 2: The Super Cycle has been Responsible for Commodity Returns

The emergence of China exposed the relationship between Commodities and Global GDP Growth. It did not cause the relationship; it did not particularly change the relationship.

World GDP Change and Commodity Movement

TAP Annual %ROI

60%
40%
20%
0%
-20%
-40%
-60%

World GDP Annual Change

8%
7%
6%
5%
4%
3%
2%
1%
0%
-1%

1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012

TAP World GDP

Shaded areas represent negative GDP trends.
Source: Gresham Investment Management, IMF
Notes: There is no guarantee that TAP will achieve the same degree of correlation in the future. Past performance is not necessarily indicative of future results.

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MISCONCEPTION 3: Roll Yield has Been Responsible for Commodity Returns

- **The relationship between Roll Yield and Commodity Return is strong.**
- **At first glance it may appear that Commodity Return is largely attributed to Roll Yield.**

Average Monthly Roll Yield vs. Excess Return for Individual Commodities: January 1992 to March 2013

R2 = 0.58

Excess Return: 1.5%, 1.0%, 0.5%, 0.0%, -0.5%, -1.0%

Roll Yield: -1.50%, -1.00%, -0.50%, 0.00%, 0.50%, 1.00%

Lean Hogs	Soybeans	Crude Oil	Gasoline	Other Commodities
RY -1.18%	RY -0.13%	RY -0.02%	RY 0.67%	
TR -0.57%	TR 0.58%	TR 1.06%	TR 1.31%	

Source: Gresham Investment Management

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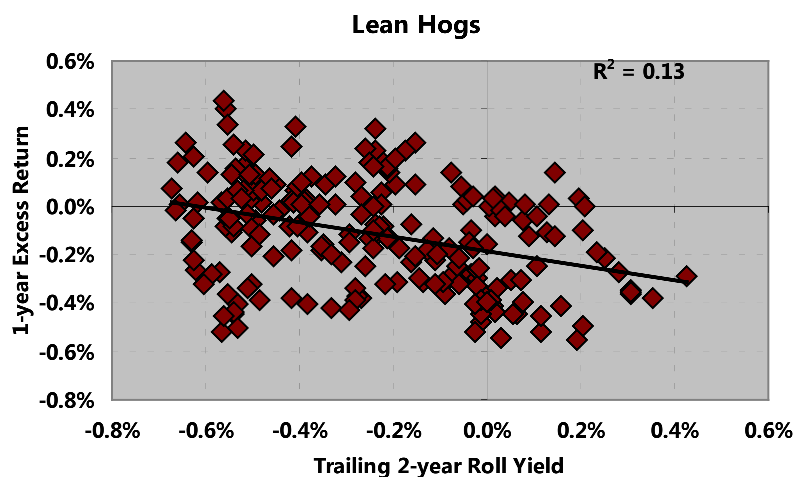
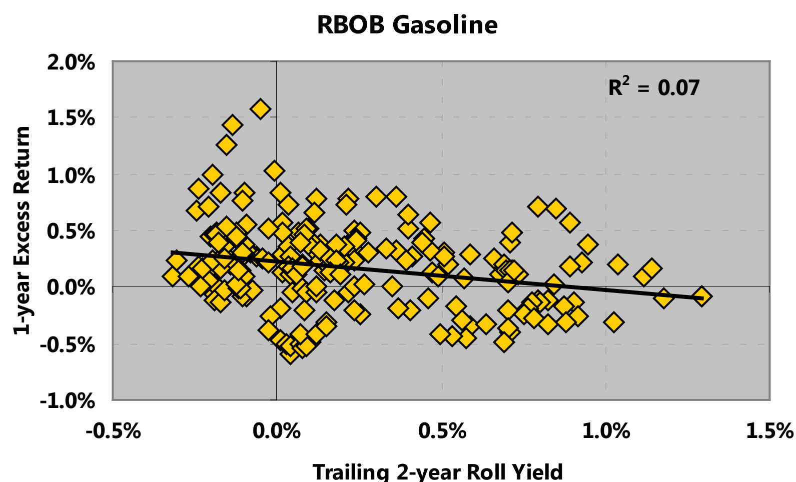
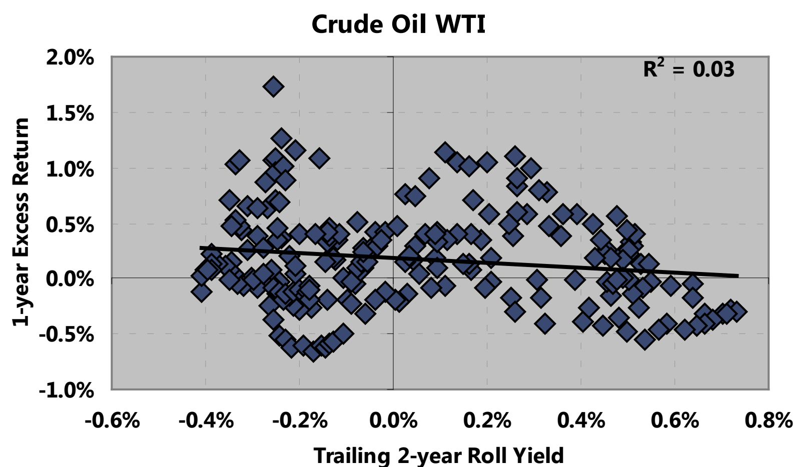
MISCONCEPTION 3: Roll Yield has Been Responsible for Commodity Returns

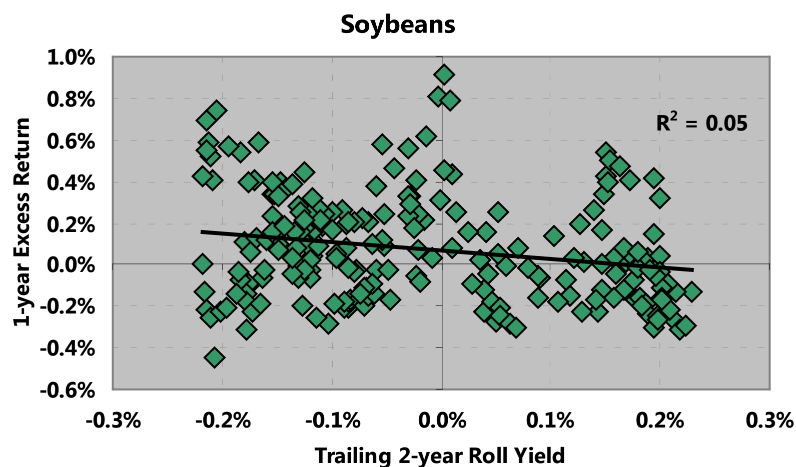
- **The seemingly strong relationship between roll yield and return cannot be captured because the return causes the roll yield, and not vice versa.**
- **On a forward looking basis, trailing roll yield has a negative relationship with subsequent returns.**

2-year Roll Yields and 1-year Returns: January 1994 to March 2012









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MISCONCEPTION 4: Commodities are Very Risky

Comparison of Commodity and Equity Volatility - January 1987 to March 2013

Volatility (%)

60
50
40
30
20
10
-

Average Commodity: 29.1
Average Equity: 27.8
TAP: 15.9
DJIA: 15.5

Feeder Cattle
Live Cattle
Gold
DJIA
TAP
Exxon Mobil Corp
Kraft Foods Inc
Johnson & Johnson
Chevron Corp
Procter & Gamble Co
3M Co
Aluminium
Platinum
Coca-Cola Co/The
McDonald's Corp
Verizon Communications Inc
AT&T Inc
Wal-Mart Stores Inc
Soybean
Pfizer Inc
United Technologies Corp
Zinc
Soybean Oil
EI Du Pont de Nemours & Co
General Electric Co
Merck & Co Inc/NJ
Lean Hog
Copper(LME)
Lead
Wheat (Kansas City)
Walt Disney Co/The
Soybean Meal
Copper (COMEX)
Wheat(CBOT)
Corn
IBM
Cotton
Average Equity
Boeing Co
Silver
Average Commodity
Home Depot Inc
Cocoa
Orange Juice (Del)
Caterpillar Inc
Palladium
American Express Co
Gasoil (ICE)
Crude Oil (NYMEX-WTI)
Sugar
Heating Oil(NYMEX)
Crude Oil(ICE-Brent)
JPMorgan Chase & Co
Alcoa Inc
Microsoft Corp
General Motors Corp
Hewlett-Packard Co
Coffee(ICE)
Robusta Coffee
Bank of America Corp
Intel Corp
Unleaded Gas
Citigroup Inc
Nickel
Natural Gas

- Equities in the Dow Jones Industrial Average
- Dow Jones Industrial Average (DJIA)
- Average Blue Chip Equity Volatility
- Commodities in the Tangible Asset Program (TAP)
- TAP
- Average Commodity Volatility

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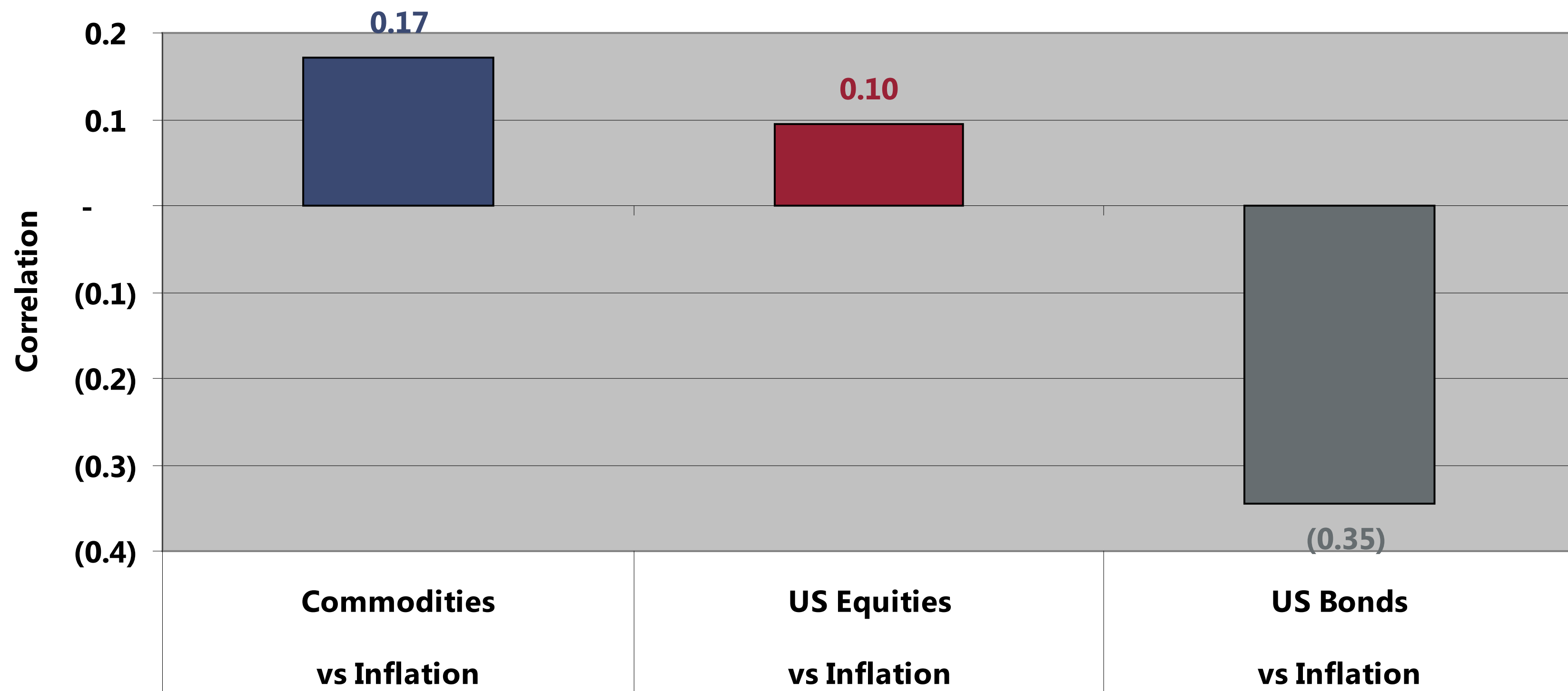
MISCONCEPTION 5: Commodities Do Not Protect Against Inflation

The Correlation between Commodities and Inflation has been relatively low since 2008, though higher than that of either Equities or Bonds



U.S. Equity performance data is based on the S&P 500 Total Return index; U.S. Bond performance data is based on the Barclays Capital U.S. Aggregate Bond Index; and commodity performance data is based of Gresham's TAP Program.

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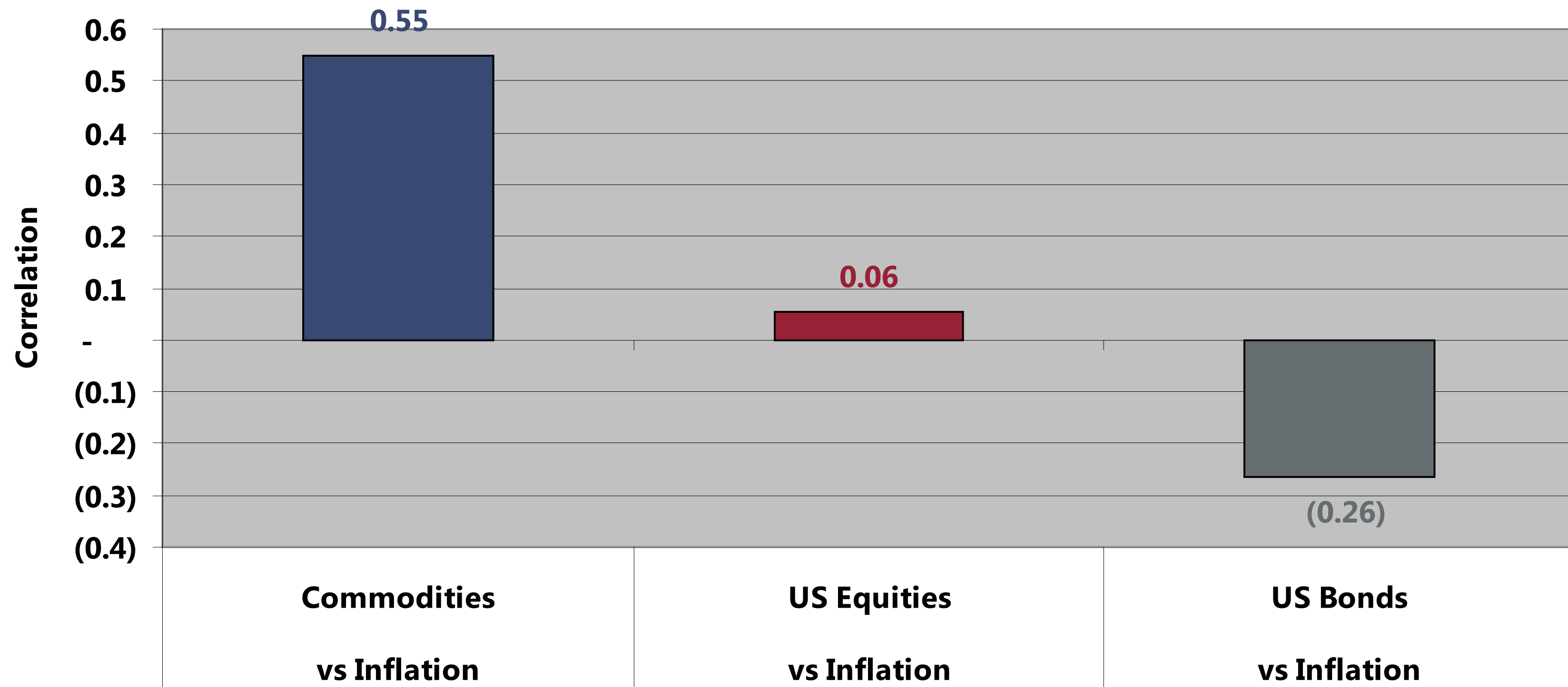
MISCONCEPTION 5: Commodities Do Not Protect Against Inflation

Historically, when the inflation rate is rising, so are commodity prices. By contrast, stocks and bonds have a low or negative correlation to inflation – when the inflation rate is rising, stock and bond returns are likely to be flat or falling.



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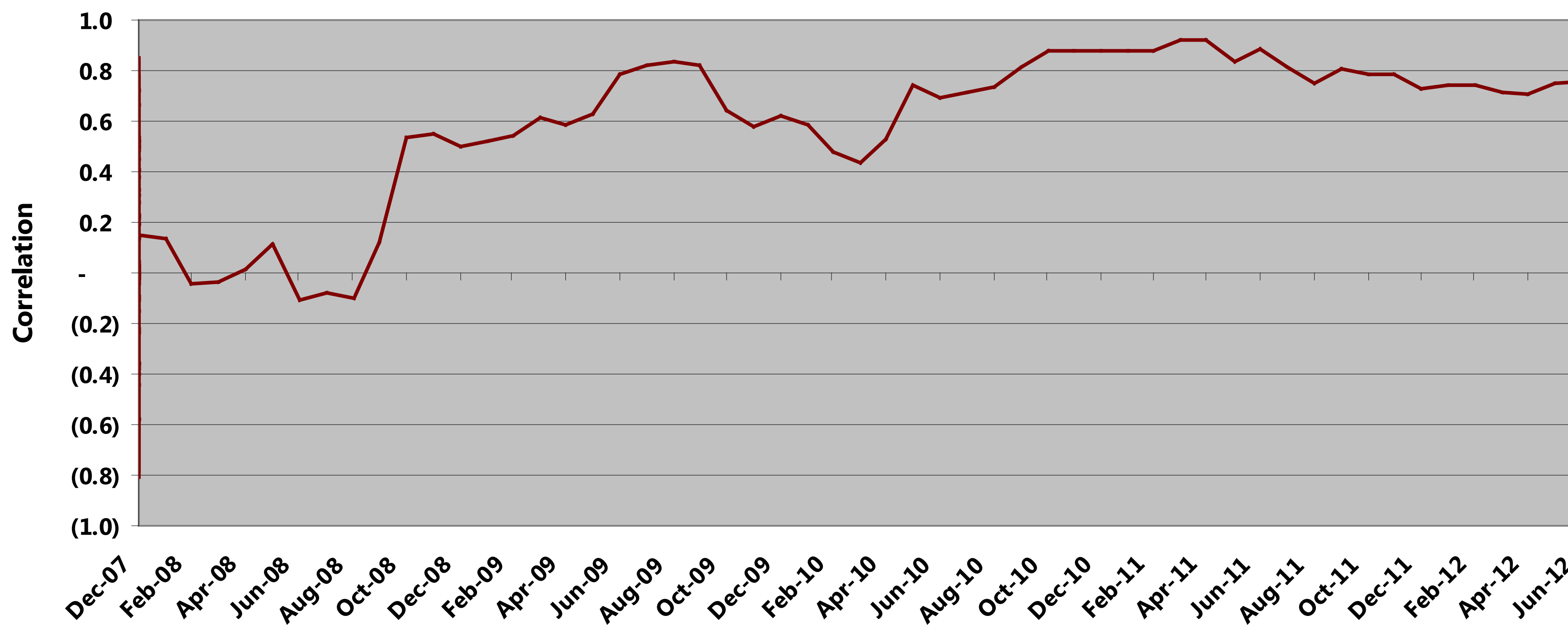
MISCONCEPTION 6: Commodities Have Lost Their Ability to Diversify

- **Considering only the recent past may lead one to believe that Commodities are highly correlated with Equities**



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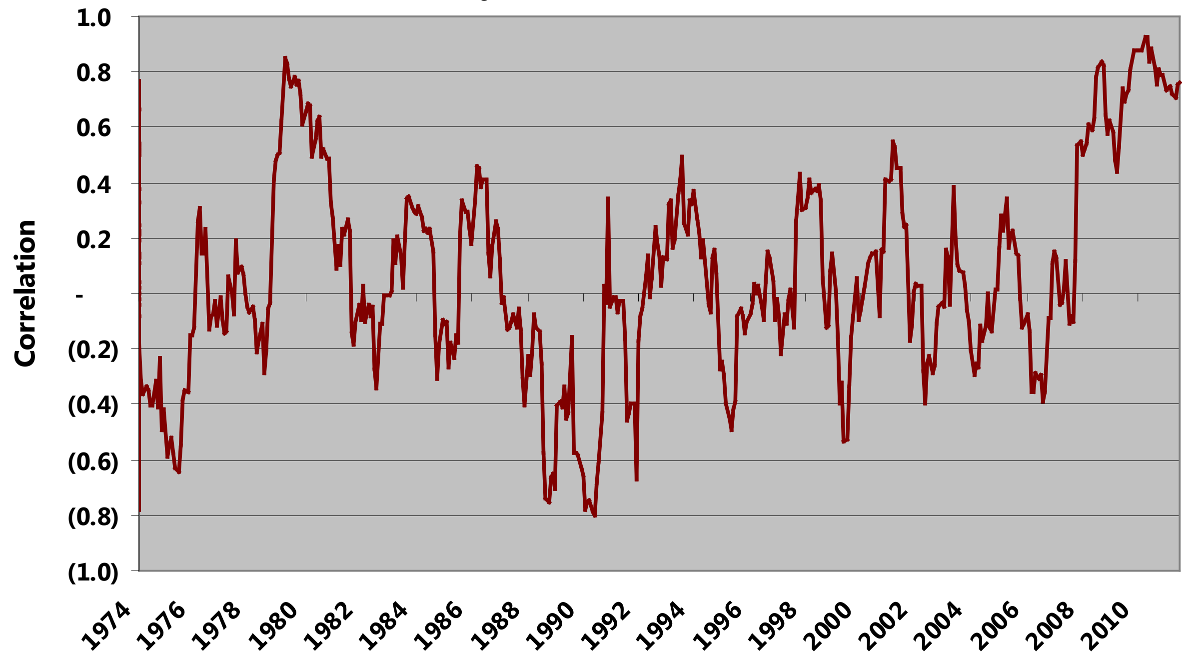
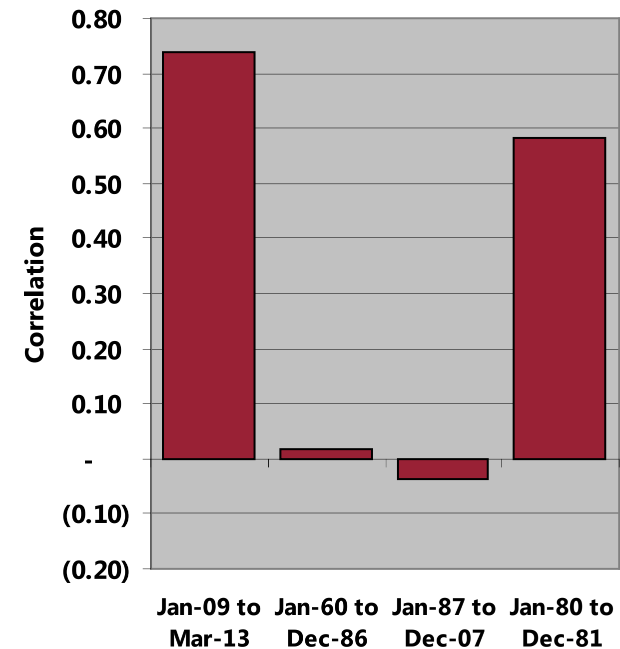
MISCONCEPTION 6: Commodities Have Lost Their Ability to Diversify

- **While it is true that Correlation between Equities and Commodities has been high since 2009, it is neither typical nor unprecedented. The phenomenon seems to occur during steep recessions.**





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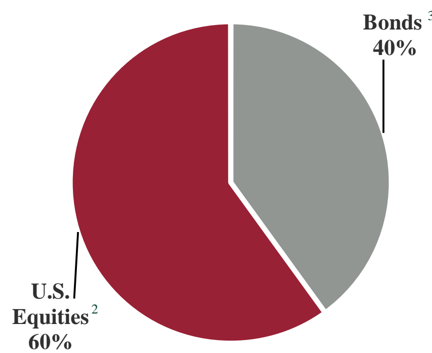
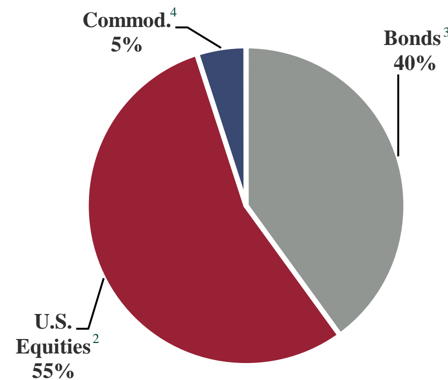
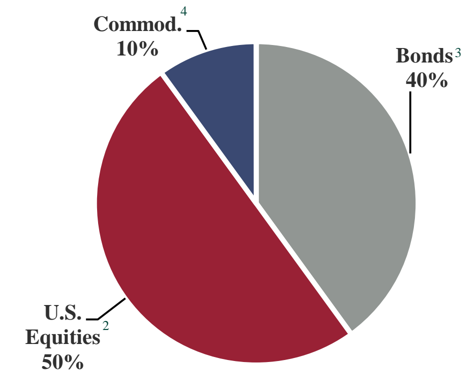
MISCONCEPTION 6: Commodities Have Lost Their Ability to Diversify

An allocation to a diversified basket of long-only commodities has historically helped increase a portfolio's risk-adjusted return.

Simulated Portfolios from January 1987 to March 2013

	Without Commodities	With 5% Commodities	With 10% Commodities
			
Average Annual Return	8.84%	8.84%	8.82%
Standard Deviation	9.63%	9.04%	8.52%
Sharpe Ratio	0.51	0.54	0.57
DOT [1]	67	71	74
Maximum Drawdown	-32.54% November 2007 - February 2009	-32.00% November 2007 - February 2009	-31.47% November 2007 - February 2009

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1.DOT is a Gresham proprietary measure that displays the lowest level to which a $100 investment could drop over 10 years, at 1/1000 probability.
2.The S&P 500 Stock Index's returns were used for "Equities."
3.The Barclay's Capital U.S. Aggregate Bond Index's returns were used for "Bonds."
4.Gresham's TAP returns were used for "Commodities."

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MISCONCEPTION 6: Commodities Have Lost Their Ability to Diversify

- **A portfolio which includes Commodities has a lower volatility than one comprised solely of equities and bonds.**

24-month Trailing Volatility

Volatility of Monthly Returns

5.0%
4.5%
4.0%
3.5%
3.0%
2.5%
2.0%
1.5%
1.0%
0.5%
0.0%

1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008 2010 2012

60% Stocks/ 40% Bonds/ 0% Commodities

50% Stocks/ 40% Bonds/ 10% Commodities

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MISCONCEPTION 7: Indices Provide the Best Way to Gain Commodity Exposure

- **While Equity and Bond Indices tend to have similar Risk/Return ratios, Commodity Indices have varied performance.**

Risk vs Return for Stocks, Bonds and Commodity Indices

for the Period January 2007 to March 2013

Return: 0%, 1%, 2%, 3%, 4%, 5%, 6%, 7%

Risk: 0%, 5%, 10%, 15%, 20%, 25%, 30%

- ▲ Russell 1000
- ▲ S&P 500
- ▲ MSCI US Large Cap
- ■ BarCap US Aggregate Bond
- ■ Merrill Lynch US Broad Index
- ■ Citigroup US Broad Index
- ● S&P GSCI
- ● DJ-UBS
- ● Thompson/Reuter's Jefferies CRB
- ◆ TAP

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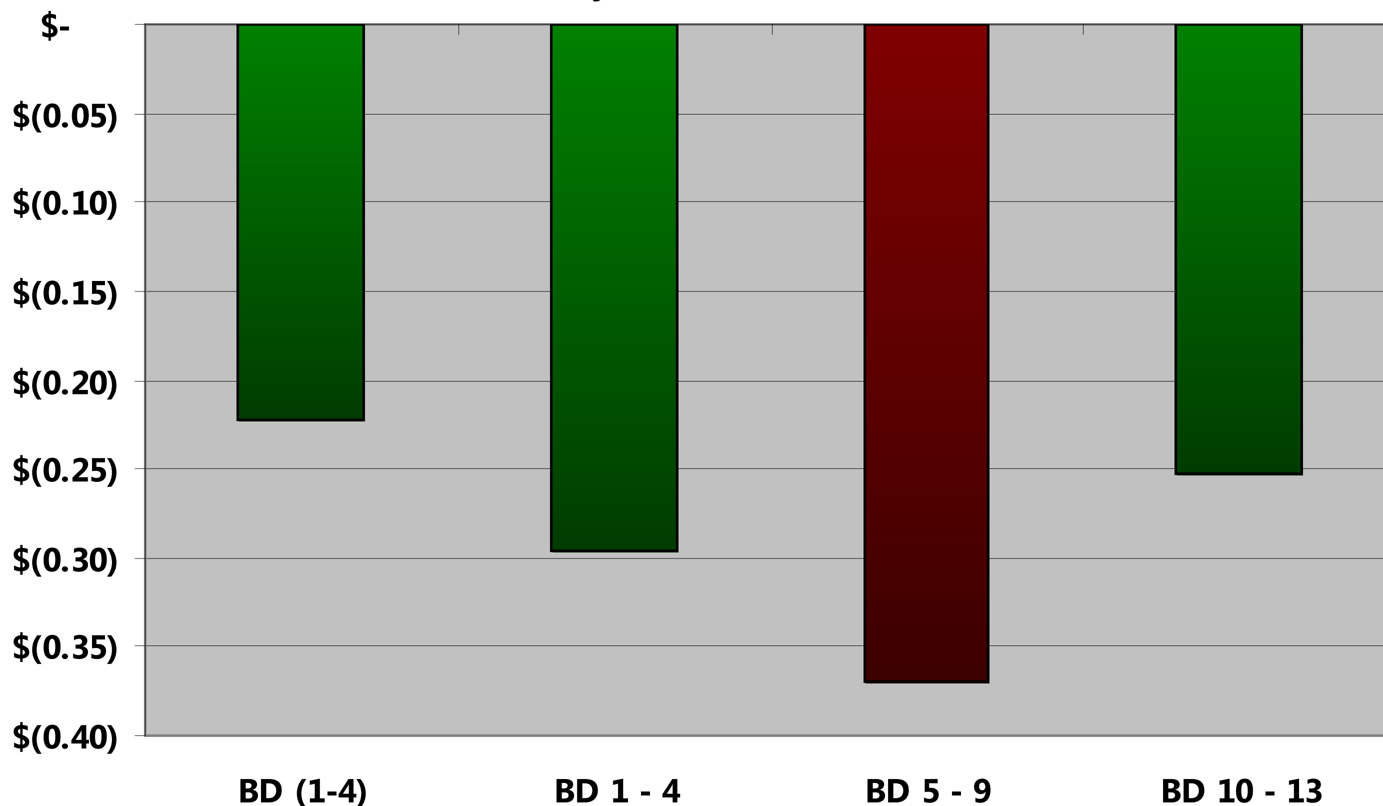
MISCONCEPTION 7: Indices Provide the Best Way to Gain Commodity Exposure

- **When investment products linked to passive commodity indices roll their futures contracts, imbalances of supply and demand create opportunities for outperformance.**
- **Commodity investments are highly "implementation-sensitive" – the investment manager must regularly purchase and subsequently sell, i.e. "roll", individual commodity futures contracts throughout the year.**



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MISCONCEPTION 8: Commodity Equities Provide The Best Way to Gain Commodity Exposure

- **Commodities Futures have had high correlation with Commodity Equities in recent years**

Commodity Futures vs. Commodity Equities
for the Period January 2008 to March 2013

Natural Resources Stock Index

15%
10%
5%
0%
-5%
-10%
-15%
-20%
-25%
-30%

$R^2 = 0.74$

-30% -25% -20% -15% -10% -5% 0% 5% 10% 15% 20% 25%

TAP

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MISCONCEPTION 8: Commodity Equities Provide The Best Way to Gain Commodity Exposure

- **Historically, correlation between Commodity Equities and Commodity futures is much lower.**

Commodity Futures vs. Commodity Equities
for the Period September 1996 to December 2007

TAP

15%
10%
5%
0%
-5%
-10%
-15%

R^2 = 0.30

-20% -15% -10% -5% 0% 5% 10% 15% 20% 25%

Natural Resource Stock Index

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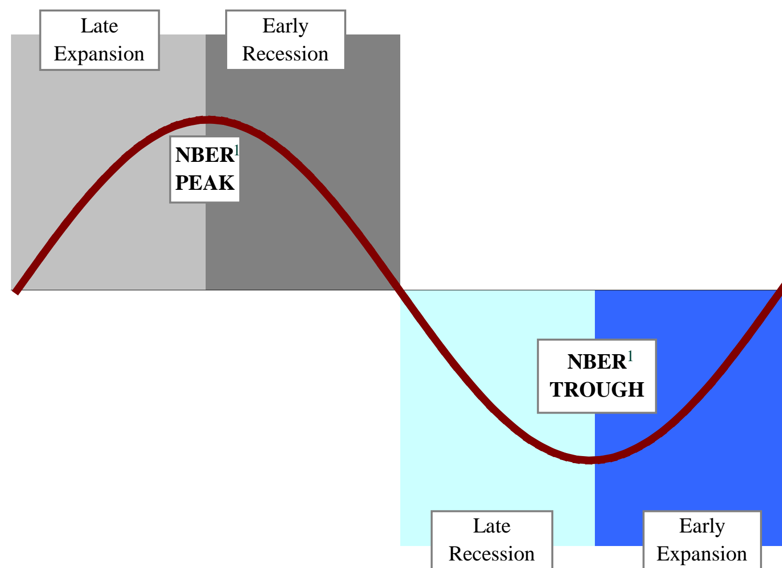
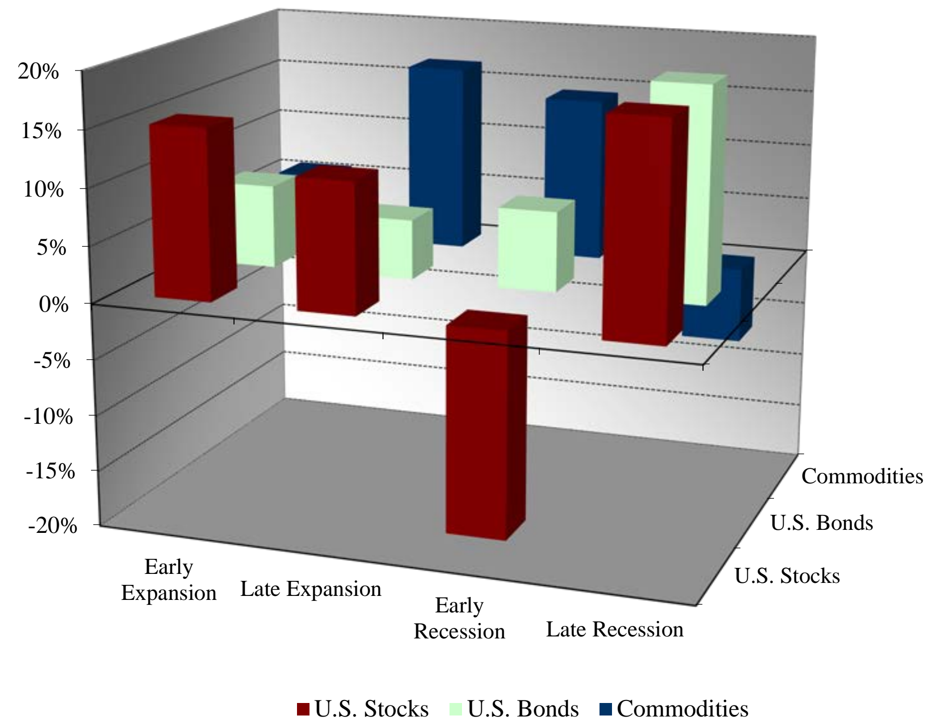
MISCONCEPTION 8: Commodity Equities Provide the Best Way to Gain Commodity Exposure

Generally the returns of equities are highest late in a recession and early in an economic expansion. The returns of commodities are highest late in an economic expansion, and remain positive early in recessions when equity returns are lowest.

Phases of Business Cycle



Annualized Average Monthly Returns - Includes Simulated Performance



January 1960 – June 2009

Source: Gresham Investment Management. Stock and Bond performance data are based on the S&P 500 Total Return index and US Intermediate Term Government Bonds, respectively. Commodity performance data are based on a diversified, near-term commodity futures total return index. For information about the limitations of hypothetical or simulated performance results please see NFA Simulated and Hypothetical Performance Disclosure in the Legal Disclosures.

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[1]NBER stands for the National Bureau of Economic Research

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MISCONCEPTION 9: Commodities are a Small and Illiquid Asset Class

◆ **Commodity Open Interest has been lower than $1 Trillion.**

Commodity Futures Open Interest

$ Trillion

$0.90
$0.80
$0.70
$0.60
$0.50
$0.40
$0.30
$0.20
$0.10
$-

1995 1998 2001 2004 2007 2010

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MISCONCEPTION 9: Commodities are a Small and Illiquid Asset Class

While the turnover of commodities means that $424 billion of assets necessitates $3.3 trillion of trading, that represents a small proportion of the total trading volume of commodity futures.

Growth of Trading in Commodity Futures – 1987 to 2012

Source: Gresham Investment Management, Barclays.

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MISCONCEPTION 10: Investing Drives Up Commodity Prices

- **Correlation between TAP returns and Commodity AUM is -0.05 for the period 1997 to 2012**

AUM ($Billion)

500
450
400
350
300
250
200
150
100
50
-

$300
$250
$200
$150
$100
$50
$-

1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

Commodity AUM Value of $100 In TAP

Source: Gresham Investment Management, Barclays

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MISCONCEPTION 10: Investing Drives Up Commodity Prices

- **Correlation between TAP returns and Commodity AUM is -0.05 for the period 1997 to 2012**
- **Correlation between TAP returns and Hedge Fund Industry AUM is 0.06 for the same period**

AUM ($Billion)

2,500
2,000
1,500
1,000
500
-

$300
$250
$200
$150
$100
$50
$-

1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

Commodity AUM
Hedge Fund Industry AUM
Value of $100 In TAP

Source: Gresham Investment Management, Barclays, Barclay Group

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Trading in Commodity Futures, Forward and Over-The-Counter Commodity Contracts is Speculative and Volatile. Prices for commodity futures, forward and over-the-counter commodity contracts are highly volatile. Price movements of commodity interests are influenced by, among other things, changing supply and demand relationships, governmental agricultural and trade programs and policies, climate and national and international political and economic events. Gresham cannot control any of these factors, and therefore can give no assurances that its strategies will be profitable or will not incur substantial losses. For these reasons and others, one should consider an investment in Gresham's strategies as long-term and speculative.

Trading in Commodity Interests is Highly Leveraged; Gresham Strategies Intend to be Unleveraged. The low margin deposits required in commodity futures and forward trading (typically between 2% and 15% of the value of the contracts traded) allow for a high degree of leverage. For example, if at the time of purchase one deposits 10% of the price of a contract as margin, a 10% decrease in the price of the contract would, if one then closes out the contract, result in a total loss of the margin deposit before any deduction for brokerage commissions. A decrease of more than 10% would result in a loss of more than the total margin deposit. Accordingly, a relatively small price movement in a contract may result in immediate and substantial losses. Similar risks apply to over-the-counter commodity contract trading. Notwithstanding the highly leveraged nature of futures, forward and over-the-counter commodity contract trading, Gresham will trade futures, forward and over-the-counter commodity contracts on an overall unleveraged basis. That is, the underlying notional value of a Gresham portfolio's futures, forward and over-the-counter commodity contract positions usually will not exceed the portfolio’s NAV, although it may slightly exceed NAV from time to time.

Futures Markets May be Illiquid. Certain commodity exchanges limit fluctuations in commodity futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. During a single trading day one may not execute trades at prices beyond the daily limit. Once the price of a futures contract for a particular commodity has increased or decreased by an amount equal to the daily limit, one cannot take or liquidate positions in the commodity unless both a buyer and seller are willing to effect trades at or within the limit. In the past, commodity futures prices have moved the daily limit for several consecutive days with little or no trading. Similar occurrences, or regulatory interventions in the commodity markets, could prevent Gresham from promptly liquidating unfavorable positions and adversely affect trading and profitability.

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Possible Effects of Speculative Position Limits. The CFTC and certain exchanges have established limits referred to as "speculative position limits" on the maximum net long or short futures position which any person may hold or control in particular commodities. All commodity accounts controlled by Gresham and its principals and all proprietary trading accounts will be combined for position limit purposes. There are no limits on the amount of funds which Gresham and its affiliates may manage or proprietary assets it may trade. Also, there are proposals to apply new position limits to commodity interest contracts where limits currently do not exist. It is possible, therefore, that Gresham may have to modify its trading decisions and strategies and that it may have to liquidate commodity interest positions it manages for its clients or it may have to effect a portion of its clients' portfolios through over-the-counter derivative contracts in order to avoid exceeding such limits.

Trading on Non-U.S. Exchanges. Gresham engages in trading on non-U.S. exchanges and other markets located outside of the U.S.. Neither CFTC regulations nor regulations of any other U.S. governmental agency apply to the execution of transactions on or the regulation of such non-U.S. markets.

Failure of the Commodity Broker. CFTC regulations require that commodity brokers maintain a client's assets in a segregated account. If the commodity broker holding a client's portfolio fails to do so, the client may be subject to a risk of loss of funds on deposit with the commodity broker in the event of its bankruptcy. In addition, under certain circumstances, such as the inability of another client of the commodity broker or the commodity broker itself to satisfy substantial deficiencies in such other client's account, a client may be subject to a risk of loss of those funds on deposit with the commodity broker, even if such funds are properly segregated. In the case of any such bankruptcy or client loss, a client might recover, even in respect of property specifically traceable to its portfolio, only a pro rata share of all property available for distribution to all of the commodity broker's clients.

Trading of Swap and Similar Derivative Contracts. Gresham may enter into swap and similar derivative transactions involving or relating to commodities interests. Such swap contracts are not traded on exchanges, and as a consequence investors in such contracts do not benefit from the regulatory protections of such exchanges or the CFTC, or other governmental or regulatory authorities in any jurisdiction; rather, commodity brokers and dealers act as principals in these markets. The performance with respect to a swap or similar derivative contract is the responsibility only of the counterparty with which the trader has entered into a contract (or its guarantor, if any), and not of any exchange or clearinghouse. As a result, to the extent the a client's portfolio participates in swaps or other similar derivatives, it will be subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which Gresham trades. Any failure or refusal of a swap counterparty, whether due to insolvency, bankruptcy, default, or other cause, could subject a client's portfolio to substantial losses. However, in respect of any swap and similar derivative contract entered into with a client's portfolio's commodity broker, the commodity broker will hold the margin required in a segregated customer account and will mark-to-market such contracts on a daily basis with any profits or interest earned for such day credited to the benefit of the client's portfolio's segregated customer account.

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Market Index Descriptions

Consumer Price Index – Consumer Price Index for All Urban Consumers not seasonally adjusted.

Excess Return – The rate of return on an investment excluding collateral.

Dow Jones-UBS Commodity Index (DJ-UBSCI) ® – Diversified benchmark for commodities as an asset class. The DJ-UBSCI is composed of futures contracts on 20 physical commodities. The DJ-UBSCI is composed of commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). To determine its component weightings, the DJ-UBSCI relies primarily on liquidity data, or the relative amount of trading activity of a particular commodity.

Dow Jones Industrial Average – A price-weighted average of 30 actively traded blue-chip stocks, primarily industrials, including stocks that trade on the New York Stock Exchange.

S&P Goldman Sachs Commodity Index (SPGSCI) ® – The SPGSCI is a world production-weighted index, the analogue to market capitalization weighting for equities. Currently, the SPGSCI includes 24 commodity futures contracts in the five major commodity groups.

S&P 500 Index – Consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value-weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance. Please note that indices do not take into account any fees and expenses of investing in the individual securities that they track, and that individuals cannot invest directly in any index. Performance data of this index include reinvestment of all dividends and capital gain distributions.

S&P Commodity Index (SPCI) - Is designed to measure the price changes in a cross section of agricultural and industrial commodities with actively traded U.S. futures contracts. These indices track commodities across five sectors - Energy, Metals, Grains, Livestock, and Fibers & Softs. Only commodities that are consumed for industrial use are included in the index. Weights in the index are determined by the dollar value of Commercial Open Interest (COI) for each component commodity, and rebalanced annually each February.

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Definitions

Standard Deviation is a statistical measure of portfolio risk. Standard Deviation is equal to the square root of the Variance. It reflects the average deviation of the observations from their sample mean. In the case of portfolio performance, the Standard Deviation describes the average deviation of the portfolio returns from the mean portfolio return over a certain period of time. Standard Deviation measures how wide this range of returns typically is. The wider the typical range of returns, the higher the Standard Deviation of returns, and the higher the portfolio risk.

Sharpe Ratio is a measure of the risk-adjusted return of a portfolio. The ratio represents the return gained per unit of risk taken. The Sharpe ratio can be used to compare the performance of managers. Managers with the same excess return for a period but different levels of risk will have Sharpe ratios that reflect the difference in the level of risk. The performance of the manager with the lower Sharpe ratio would be interpreted as exhibiting comparatively more risk for the desired return compared to the other manager. If the two managers had the same level of risk but different levels of excess return, the manager with the higher Sharpe ratio would be preferable because the manager achieved a higher return with the same level of risk as the other manager. The Sharpe ratio is most helpful when comparing managers with both different returns and different levels of risk. In this case, the Sharpe ratio provides a per-unit measure of the two managers that enables a comparison. The ratio is equal to the excess return divided by the Standard Deviation of the portfolio.

Reward/Risk is the amount of return generated per unit of risk in an investment. It is equal to the Average Returns divided by the Standard Deviation.

Correlation is the tendency for the returns of two assets, such as a portfolio and an index, to move together relative to their average. The measurement of this statistic (the correlation coefficient) can range from -1 (perfect negative correlation, one goes up the other down) to 1 (perfect positive correlation, both moving in the same direction). A correlation of 0 means no relationship can be found between the movement in the index and the movement in the portfolio's performance.

Maximum Drawdown refers to the largest number of consecutive months of negative return, and/or total cumulative negative return for a defined period.

DOT is a Gresham proprietary measure that displays the lowest level to which there is a 1 in a 1000 chance that the investment's equity could drop in the next 10 years.

Tracking Error is a measure of how closely a portfolio follows the index to which it is benchmarked. It is the standard deviation of the differences of the portfolio compared to benchmark returns.

Information Ratio is a measure of the risk-adjusted return of a portfolio. It is defined as the difference between the return of the portfolio and the return of a selected benchmark index divided by the tracking error.

Excess Return is the rate of return of the portfolio excluding the rate of return of the collateral.

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