

Financial Commodity Investments, Inc. Newsletter

July 2009
The Option Writer's Report

Volume 2

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About FCI

Financial Commodity Investments, (FCI), is now a wholly owned subsidiary of the Financial Investments, Inc. family.

FCI is a commodity trading advisor (CTA), a member of National Futures Association (NFA), and registered with the Commodity Futures Trading Commission (CFTC).

FCI executes investment strategies on behalf of an investor directly in the investor's own account. FCI trades options in a diversified range of commodities including energies, grains, softs, metals, and financial commodities.

FCI is open to non accredited investors with a minimum of \$50,000. Participants in FCI have

Disclosure:

There are substantial risks involved in trading options on futures and equities. The high degree of leverage that is often obtainable in options trading can work against you as well as for you. The volatile nature of the futures and high degree of leverage used in options may result in clients losing more than their original investment. Please consider carefully whether options are appropriate to your financial situation. Only risk capital should be used when trading options on futures and equities. Past results are not necessarily indicative or a guarantee of future results. Futures/options products are not suitable for all individuals.

FCI Reports Returns for June 2009.

Returns with each program for the month of June, 2009 and YTD returns are as follows:

	June 2009	YTD
FCI-Option Selling Strategy (OSS)	+6.10%	+17.97%
FCI-Credit Premium Program (CPP)	+ 8.19%	+23.33%
S&P 500 Index	+0.01%	+1.88%

Returns are net of all fees. Past performance is no indication of future results.

To give a different perspective on how the Credit Premium Program (CPP) and Options Selling Strategy (OSS) compare with competitive similar styles, see the graphs below. Each graph is comparing one strategy to the entire group of programs that are considered to be within the same management style. The graphs show a 36 month, month to month, returns performance. This chart helps to indentify group trends and standalone performance.

The weighted group benchmark is calculated by summing the total assets under management and allocated a percentage based on asset contribution and using this factor as a multiplier to the reported returns, followed by the summation of these amounts.

unlimited risk.

You can learn more about FCI at www.financialcii.com or call (703) 435-2777

FCI uses a pro-active management style of monitoring and managing investments in relation to risk, return, capital requirements, and market directions. Policies are in place to adjust positions as needed. FCI uses conservative money management exposure guidelines.

FCI provides personalized attention to our institutional investors with customized reporting. FCI is totally dedicated to the needs of both Institutional and Individual clients.

Harry Markowitz, published Modern Portfolio Theory, won the Nobel Memorial Prize in Economic Sciences in 1990, advocates that a portfolio should have exposure to commodities as a form of non-correlated asset diversification.

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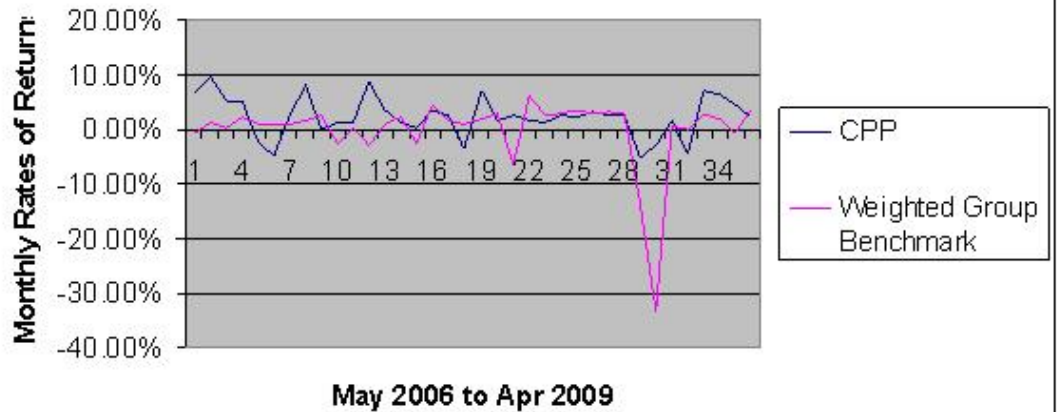
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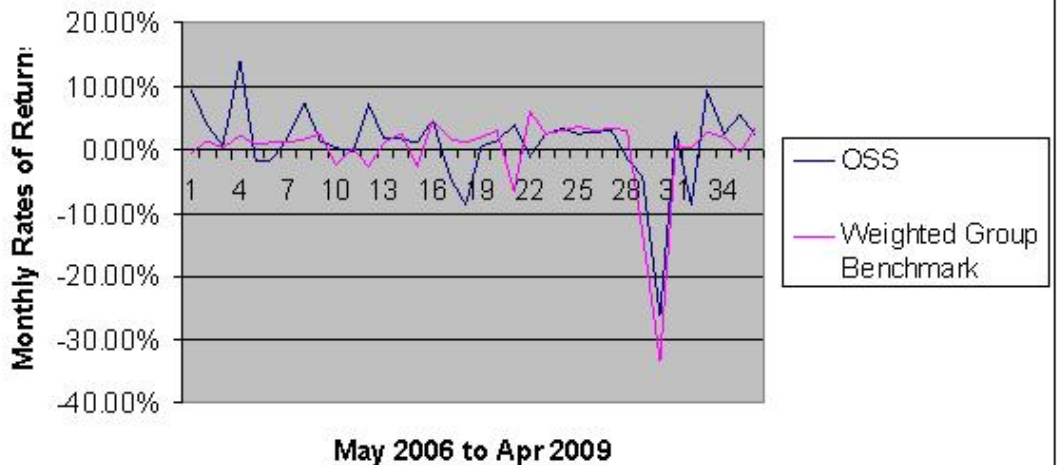
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Comparison of CPP to Weighted Group Benchmark



Comparison of OSS to Weighted Group Benchmark



Group benchmark is comprised of option traders identified by Autumn Gold as having similar trading styles. This list was reduced to programs that have been in brought into existence at the same time or prior to the inception of CPP, May 2006.

These programs are:

Ansbacher Investment Management; Market Neutral Put Skew Program
Crescent Bay Capital Management; Premium Stock Index Program
Diamond Capital Management; Option Trading
LJM Partners' Aggressive Premium Writing Program
Livestock CTA; MAP
Raithel Investments; Target Volatility
Reynoso Asset Management; Options Arbitrage Program
Zenith Resources; Index Option
Financial Investments/Financial Commodity Investments; Option Selling Strategy-Credit Premium Program.

Biases in this chart are based on the reliance upon data reported to and provide by Autumn Gold, covering the various programs. Some CTA's reported round dollar

The FCI Option Selling Strategy (OSS)

FCI Option Selling Strategy (OSS) is an option selling strategy based on selling options that are far out of the money and keeping the premium at expiration. This is a pure shorting volatility program that is managed by keeping a watchful eye on the positions and limited losses to a level described in the disclosure document.

The FCI Credit Premium Program (CPP)

FCI Credit Premium Program (CPP) is an option selling strategy. It is designed to capture net premiums from options sold and will use hedges to protect against significant adverse market movements. The options sold will be closer to the money of the underlying asset in comparison to the OSS program. Day to day management watches these positions and losses will be limited to a level described in the disclosure document.

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amounts and others reported negligible amount for extended periods of times.

OSS and CPP are included in the benchmark and the returns of these programs are compared. This month over month report shows proximity to group returns, differences in group returns and volatility of program returns in comparison to group.

The Best/Worst Trade

Silver:

We entered this trade on April 13th, 2009.

Silver had a great run up from the last week of October where it bottomed close to \$8.50 until the last week of February where it touched a high of \$14.50. This was almost a 70% move from its lows in October.

Technically, the major long term trend was still down. We knew that once the market runs its course, it would continue with its major trend which was "down". After peaking in the last week of February, silver started making lower highs and lower lows. Thus, the immediate trend had turned lower. If you could draw a down trending line starting from the highs in February, it would come down to 1300 as on April 13th. On April 13th, the market rallied almost 55 cents to 1290 leading to an increase in the volatility. We knew that an increase in volatility would allow us to sell options further out and also we were so close to the down trending line. Also commercials had sold into every rally in Silver. That's generally bearish and limits the upside.

The initial requirement for this trade was close to \$2500 and 43 days to expiration and the annualized yield was close to 100%. Even though this was not the best trade in terms on annualized yield as most of our trades yield more then 150%, we knew this would be a safe trade as we were selling against the trend. We also observed that seasonally, silver tends to go down during the period of the option. Also, our strike price was about 35% away from the current price. This resulted in the calls expiring worthless. The gain on the trade was about \$225 per contract (after commissions, before management fees) which equates to about 0.45% per \$50,000 account.

Sugar:

We put this trade on April 17th. Sugar too peaked in the last week of February and was making lower highs and lower lows. On April 17th, sugar was close to a down trending line. Also, there were fears that the Brazil harvest could be big and would weigh on the market. Datagro of Brazil indicated that the Brazil center south cane crop this year would reach a record high of 535 million tones this year from 501 million last year. On the other hand, we knew if India emerged as a buyer, it would support the prices. The previous high in sugar made in the last week of February was 14.42. We knew if the market could close above 14.42 for 2 sessions, then sugar could have some real legs and thus, we set 14.42 as our stop loss parameter. The margin requirement for this trade was close to \$800 and we collected \$212 in premium. It had 59 days to expiration when we put this trade on. Annualized yield on this trade was close to 165%

The market kept rallying as India emerged as a buyer. When the market closed above 14.42 for 2 days, we knew it was time to exit the trade. We lost \$495 per contract, plus an average commission of \$20 per contract, before management fees, which equates to >1% loss for a \$50,000 account.

For more information: www.financialcii.com or call (703) 435-2777.

The Matter on Taxation

Per IRS Section 1256, capital gains on futures and options on futures are reported on a year end marked to market basis. The taxation is calculated at 60% long term capital gains, and 40% short term capital gains. Depending on the individual tax bracket, this method reduces the tax on gains to a smaller amount than if it was treated as short term capital gains, which is the same rate as earned income.

Another advantage is the ability to carry back losses on these transactions to three years. An investor that has been actively involved with the trading of futures and options and has made positive capital gains over the past few years and experienced a significant loss in one year due market conditions, like 2008, will be able to carry back those losses and amend prior years tax returns and file for a refund of past taxes paid. This refunding will help offset the loss and if the loss has not been fully carried back over the past three years, it remains available to offset future year gains, until recovered.

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