

Presentation by John W. Henry, Chairman

Geneva Switzerland
September 15, 1998

Further details of past performance and definitions of terms used to state past performance are presented in JWH's current disclosure document. An investment with JWH is speculative, involves a high degree of risk, and is designed only for sophisticated investors who are able to bear the loss of more than their entire investment. Read and examine the disclosure document before seeking JWH's services.
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

John W. Henry & Company, Inc.

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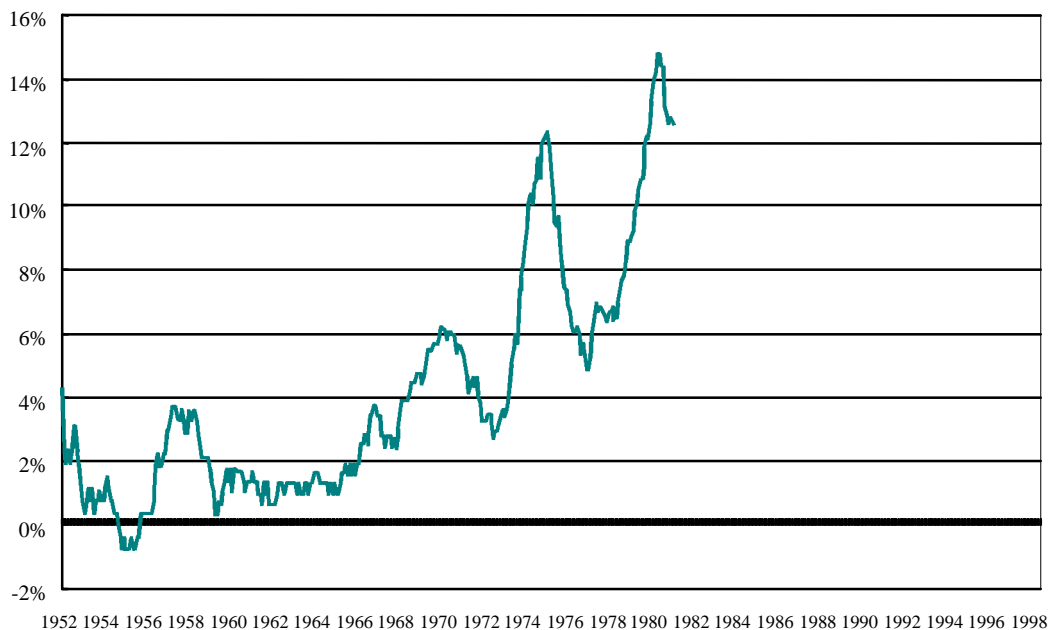
First of all, I want to thank all of you for taking the time out of what I'm sure is a very busy schedule to come here today and meet with us. When we first started planning this luncheon, we thought we'd hold it during a period after a very quiet summer -- it has been anything but a quiet summer. There have been enough developments at JWH and in the markets over the last year or so that I think it might be very interesting for you to hear some of the things that we're going to talk about today.

I'll get to some of the newer developments at JWH later on, but I think it might be interesting for you to look at where I was when I started JWH back in 1980/81 and developed the systems that we trade today. We began trading our first program, the JWH Original Program, in 1981 and this was after quite a bit of research into the practical aspects of a basic philosophy of what drives markets.

The world was frighteningly different in those days than it is today, when I was designing what turned out to be a trend following system. That approach -- a mechanical and mathematical system -- has not really changed at all. Yet the system continues to be successful today, even though there has been virtually no change to it over the last 18 years.

Given the events of the time, certain major influences weighed upon my investment philosophy. The following charts depict the world as it was at the time I developed the system, and outlines the market conditions I had to factor into my research in the late 1970s and through 1980. Bear in mind that as a nonglobal trader at the time, the lens I looked through in those days was primarily fashioned by American events.

Chart 1
U.S. Consumer Price Index: Year-On-Year Change
January 1952 through December 1980

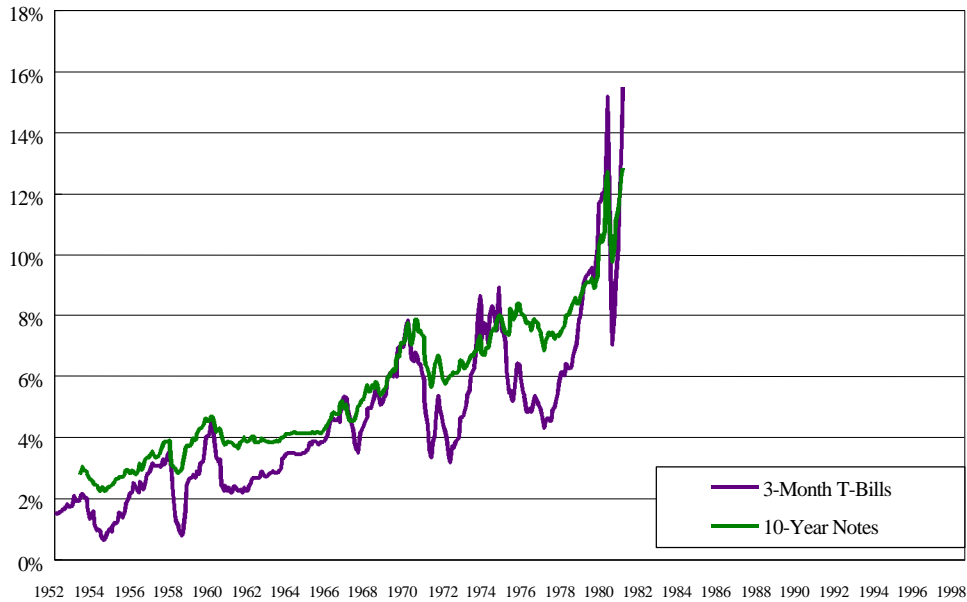


Source: Federal Reserve of St. Louis

The first chart [Chart 1] is the Consumer Price Index beginning in 1952 -- the year-over-year change. At that time, I was developing the JWH Original Program. Inflation rates in the United States were above 12%.

The next chart [Chart 2] shows that interest rates at the time were just as amazing as inflation was -- at least in the United States. I think at the peak, short-term rates had risen about 15%, ten-year rates were above 10%, and while economists insisted that the yield curve could not invert, it did so for about two years.

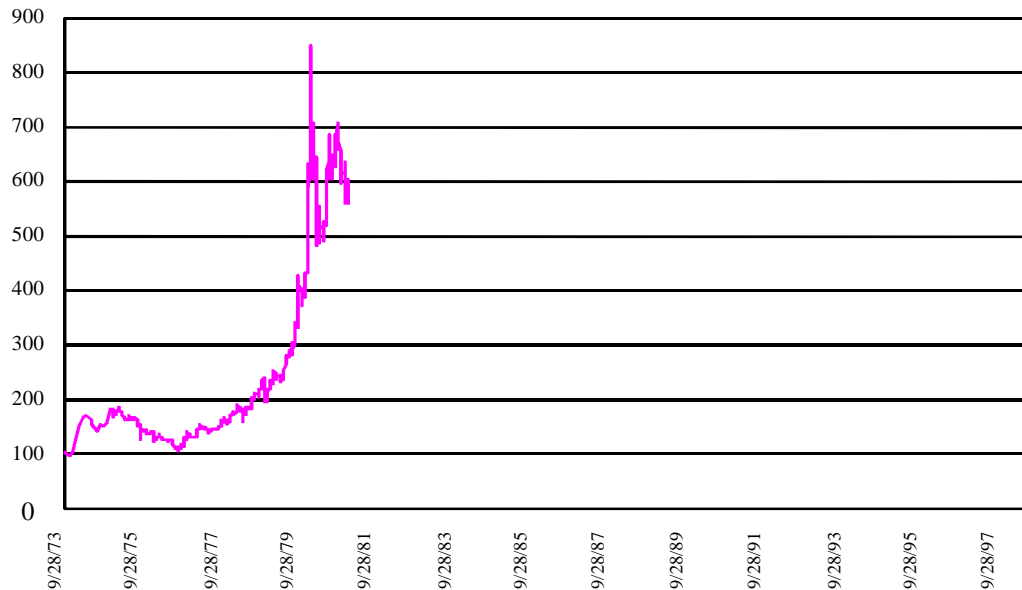
Chart 2
Interest Rates on U.S. Government Debt: Monthly Average
January 1952 through December 1980



Source: Federal Reserve of St. Louis

The next chart [chart 3] is of the gold market, and the gold market was quite something. Before I started a trading system, and I was learning about the futures market, I actually shorted gold. After gold came down to \$100/ounce again, then rose to about \$150/ounce, I started shorting gold in my own account, thinking I could predict the future. At around \$300/ounce, I decided I'd had enough. Luckily I was trading other things, and I actually had a small profit that had come from other things like hogs and cattle. But I learned a valuable lesson, and it shaped my investment philosophy because, as you see, \$300/ounce was not anywhere near the top. After you've gone through a market like this, it's very easy to see why one would become a trend follower. You don't fight the trend when your first experience with markets is like this, and this wasn't the only market that was behaving like this.

Chart 3
Gold: Daily Spot Prices
September 1973 through December 1980



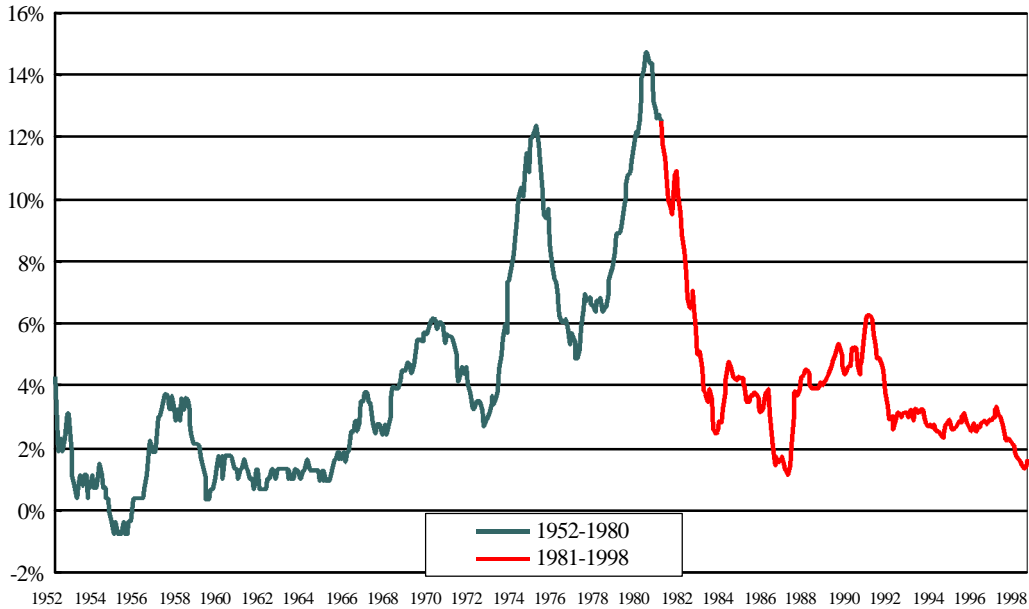
Source: Bloomberg L.P.

In those days, there were no personal computers beyond the Apple. There were few, if any, flexible software packages available. These machines, far from being the ubiquitous tool seen everywhere in the world of finance and the world at large today, were the province of computer nerds. The most active futures markets in 1979 in order of volume were soy beans, corn, live cattle, gold and silver. The contract for Eurodollars hadn't come into existence yet, neither had crude oil futures or ten-year notes. Thirty-year bonds were trading, but they weren't a major market. The S&P 500 Index didn't exist yet in the futures market.

So, with this background, I set out to design a system for trading commodities. But things changed quickly and radically as soon as I started trading. My trading program, however, did not change at all. As I said, it hasn't changed even to this day. I believe that it's a very common phenomenon that when someone has an investment plan they base it on the past and expect it to work in the future. And it explains why a lot of people become successful in trading, but then a few years later they suddenly begin to fail. This is because they analyze a certain set of data, a certain timeframe, and then things change.

Now if you have a valid basic philosophy, the fact that things change turns out to be a benefit. At least you can survive. At the very least, you will survive over the long term. But if you don't have a valid basic philosophy, you won't be successful because change will eventually kill you. People are always asking me, "Have the markets changed?" Every time we go through a bad period in our firm, whether it's for two months or for eight months, people ask me have the markets changed. And I always say the same thing. I say "Yes, the markets are always changing; but people's reactions to change, more or less, remain the same." Markets are simply people's expectations, their subjective expectations, reflected objectively. I believe that's a truism, and it forms the bedrock of our long-term success at JWH. Markets are not subjective. What is subjective are people's feelings about markets. I've always preferred to rely upon the former rather than the latter. A dramatic illustration of that is seen if one compares the charts we just observed [Charts 1-3] to the next charts [Charts 4-6], which will show what happened after I began trading.

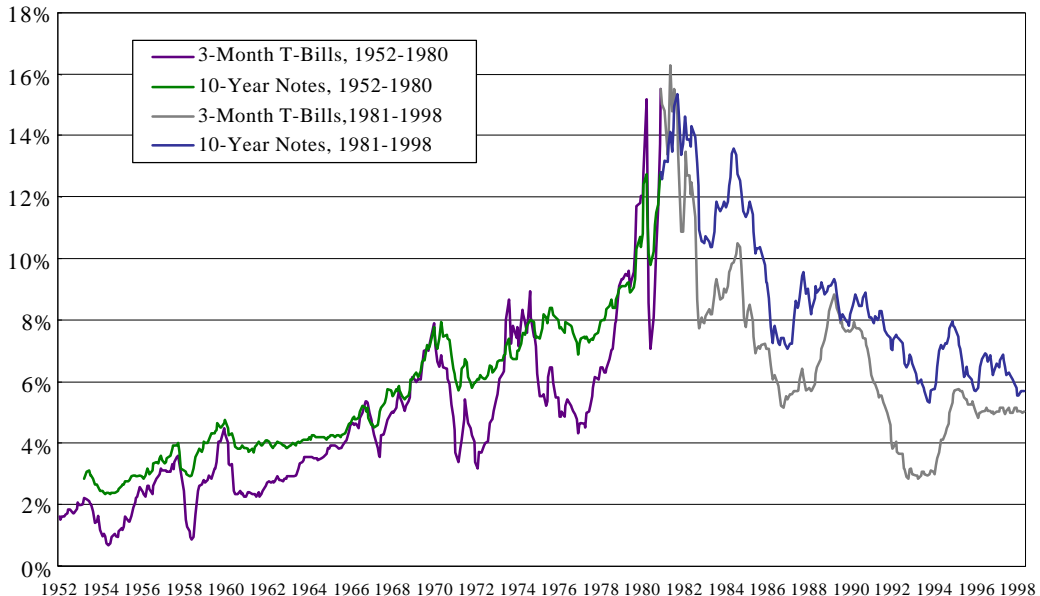
Chart 4
U.S. Consumer Price Index: Year-On-Year Change
January 1952 through May 1998



Source: Federal Reserve of St. Louis

[In Chart 4] you can see the Consumer Price Index (CPI) plummeted from the beginning of 1981. I started trading in June of 1981 with the JWH Original Program. Except for a brief period in the late 1990s, the CPI has been below 6% since 1982. I don't know how many people expected that. I didn't expect it.

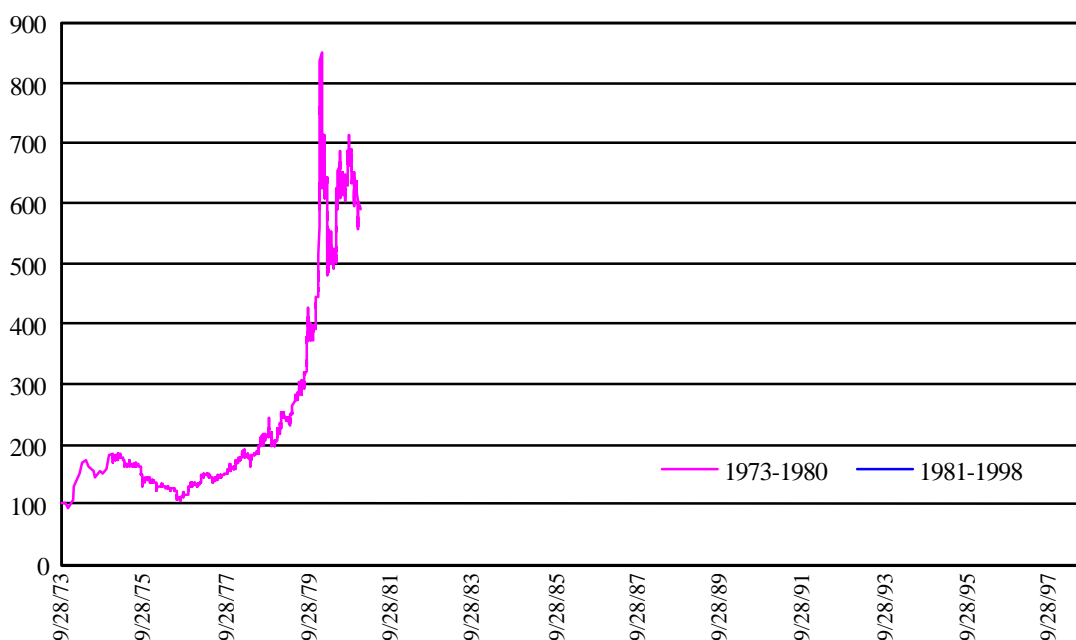
Chart 5
Interest Rates on U.S. Government Debt: Monthly Average
January 1952 through May 1998



Source: Federal Reserve of St. Louis

Interest rates [Chart 5], which peaked in 1981 at 17% for U.S. T-bills and 15% for ten-year rates, have experienced a steady 17-year decline. Long rates are now as low as they've been since the late 1960s. Who expected that? Maybe half of you in here may have, if you were thinking about interest rates in 1980, but certainly I didn't expect it.

Chart 6
Spot Gold: Daily Prices
September 1973 through August 1998



Source: Bloomberg L.P.

And then gold [Chart 6], rather than [being] the store of value which was touted by the gold bugs at the time in 1980 when I developed the approach, has had tarnished returns ever since then – it has dropped well over 50%.

Generally all markets have changed despite fundamental changes -- economically, politically, socially, technologically. Despite the fact that the world today -- especially in regard to markets, financial and otherwise -- does not begin to resemble the world that existed when I began trading almost two decades ago, I stand in front of you talking about the same mechanical philosophy, embodied in a set of formulas that I talked about then. And although the world did not turn out the way I thought it would, I did have enough sense to know already that it probably wouldn't turn out the way I thought it would. I knew I could not predict anything, and that is why we decided to follow trends, and that is why we've been so successful. We simply follow trends. No matter how ridiculous those trends appear to be at the beginning, and no matter how extended or how irrational they seem at the end, we follow trends.

Stocks and bonds (in constant dollars) had been the worst investments in the 1960s and 1970s, but when those trends and their peripheral effects changed, we did as well, thankfully. So the question is, "Why?" I think it's because we have sound investment principles and I'll just go through those briefly. There are five principles we ascribe to.

Principle number one: *I don't believe that I am the only person who cannot predict future prices.* No one consistently can predict anything, especially investors. Prices, not investors, predict the future. Despite this, investors hope or believe that they can predict the future, or someone else can. A lot of them look to you to predict what the next macroeconomic cycle will be. I don't envy that. They look to you to predict which investment manager is going to have the least risk, or perhaps the best return over the next cycle. And that's a tough job, much tougher than mine because I just follow trends while you work for a living.

At JWH, we realize that not only is it impossible to foretell the future, it's not necessary. We rely on the fact that other investors are convinced that they can predict the future, and I believe that's where our profits come from. I believe it's that simple.

Principle number two: *Trends always go further than rational people expect, or even imagine.* Most investors don't have the stomach for extended rallies or declines. The philosophy of not having a predetermined profit objective allows us to continue with a trend for its full duration and then some. We try very hard to avoid the pitfalls of liquidating a trade too early, even at the cost of giving back large profits. We may drive you crazy in the process -- and we do, those of you who have invested with us -- but in order to make the kind of money we make, we have to take risk in some context. The context we chose is in giving back profits. We may take a small risk in placing a trade initially, but after we have a large profit we risk it, and that's a risk very much worth taking and one we gladly accept.

We drive you crazy because that's what drives our drawdowns – this philosophy. I think you saw that in the first part of this year, when after a great fourth quarter last year and a great start in the first half of January, we gave it all back and more. But we've been doing that successfully for 17 years. I apologize to all of you who have had to endure that, and who will endure it in the future. But it's a necessary part of doing business when you use a very long-term strategy. And this strategy works.

So getting back to the second principle, it's simply this: that trends exist and they endure for a specified time, longer than most imagine. In a very uncertain world, perhaps nothing makes more sense than simply following trends.

Principle number three: *Risk must be carefully controlled.* We give back profits, but every day we know what our risks are. We don't trade markets which are difficult to price; we deal in futures and forwards, which have third-party pricing. We don't cause you to wake up one morning with a surprise. I always want to know every day what our portfolios are worth, that we can get out of them, if we should, and be able to calculate what our risks are on any given day. It's fairly simple because we have mechanical stop losses. We don't leave these stop losses in the market, but our traders have them at our desks 24 hours a day.

Now controlling risk is not the same thing as avoiding risk. We've never minded risk; it's what provides our profits. We're comfortable with risk, because we understand our risks every day, and when you work with risk as an integral part of your philosophy every day, you're not surprised by it when it grows or it lessens. You merely adjust to it. It's not a simple thing, but it is the central issue in trading, as it is in life. Some choose to smoke cigarettes, which increases one's risk of death, at least death sooner than one might hope.

We're sort of like nonsmokers, in that we take every single risk out there very seriously, as if we were staring death in the face every day. Therefore we behave sanely and with great discipline and respect so that when a month like August of 1998 occurs, we can actually take advantage of the risks which emerge.

One more very important thing, risk is very different from volatility. A lot of people believe there is no difference, but there's a huge difference and I can spend an hour on that topic. Suffice it to say that we embrace both volatility and risk and, for us, risk is that we're going to lose if we risk two-tenths of one percent on a particular trade. That is, to us, real risk. Giving back a profit to you probably seems like risk, to us it seems like volatility.

Principle number four: *Diversification.* Even when the U.S. markets were the only futures markets available, we made an effort to diversify the portfolios as much as possible. And we continue to do that today. Today we trade portfolios with over 65 markets, from Japanese rubber, to Australian bonds, to the South African rand, to U.S. agricultural products. This diversification allows us to continue to profit from markets in which we've been strong, have been our core markets, and yet still find gems in the rough which can contribute significantly to the portfolio's profitability -- with only a small allocation to a portfolio's overall risk.

Principle number five: *There is no Holy Grail. There is no perfect way to capture that move from \$100/ounce to \$800/ounce in gold.* We don't change what we do just because times change and markets change. We know our limitations. We cannot be profitable every month; we don't try; we're not that smart. We don't feel smart, but we feel that we can rely upon a philosophy that has worked very well over the last 17 years, and only pay attention to what the markets are saying currently, and don't ask why the dollar is going up or why interest rates are going down. Our philosophy is that if something is going down, we want to be short. Period.

These five investment principles have held us in good stead and that's why we're able to meet here today. What may not be clear to you is why these business principles work and why, in different environments faced by investors over time, they continue to work. We have faced uncertainty for the last 17 years of our existence, and the fact is the world will always be uncertain, and it will always face change.

Why has our philosophy actually worked, despite all this change? How are we able to make money by following trends year in and year out? I think it's because markets react to news, but ultimately major change takes place over time. Trends develop because there's an accumulating consensus on future prices, consequently there's an evolution to the "believed true price value" over time. Since investors are human and they make mistakes, they're never 100% sure of their vision and whether or not their view is correct. So price adjustments take time as they fluctuate and a new consensus is formed in the face of changing market conditions and new facts.

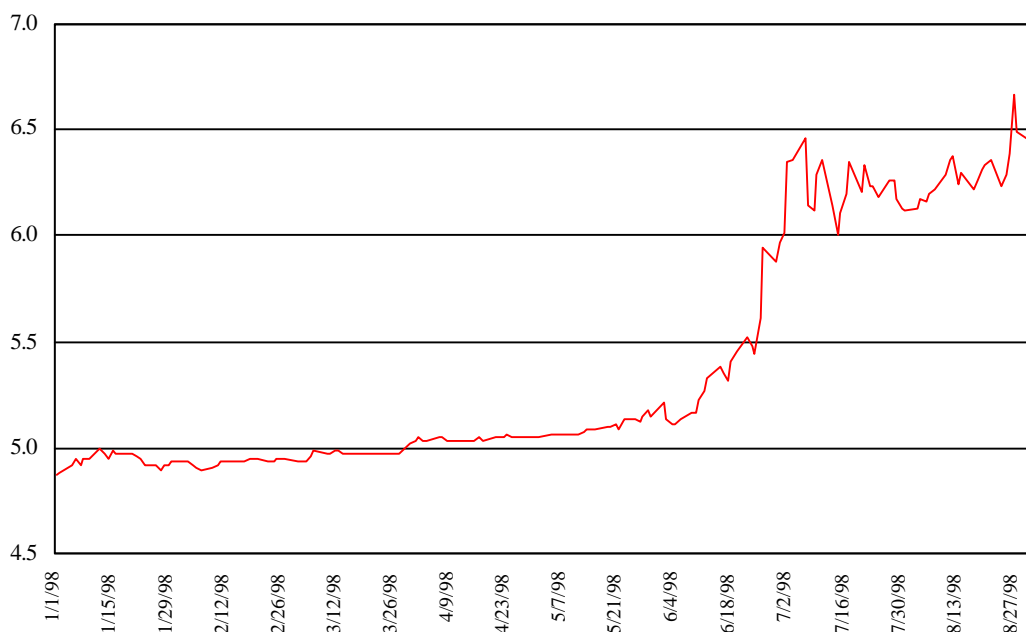
For some changes this consensus is easy to reach, but there are other events that take time to formulate a market view. It's those events that take time that form the basis of our profits. For example, look at the significant fall in inflation in the U.S. during the last 17 years. The restrictive money supply policy of the Volcker period, change in direction of rates and inflation, and the steady and consistent policies of Greenspan have furthered this decline. It took investors a long time to realize that the Fed was not going to raise the money supply if there was a slowdown in economic growth.

The inflation story, of course, is not the most dramatic example. More recently Asia is another example of how one-time big events can lead to trends that offer us opportunity, and really shape our world. Whether you believe the causal story of banking excesses in Asia or not, there was a clear adjustment in the Asian economies that has been, and will continue to be, drawn out. Under these situations, it's natural that trends will develop, and recognizing these trends allows us to capitalize on the errors or mistakes of other market participants. Because, after all, we're involved in a zero-sum game.

If the initial assumptions are in fact wrong, the trend will be short-lived and we won't have much of a profit opportunity. However, if they're correct, all the governmental denials in the world, or the blaming of large hedge funds, will not prevent the inevitable change of investor perception and the resulting large move in a market. In the uncertainties surrounding these situations, investors always fall back on rules of thumb -- for instance, flight to quality -- and the trend picks up its own momentum.

The U.S dollar/South African rand exchange rate is an example where trend opportunities arise out of changing fundamentals. Contrary to some economists who believe that all investors are rational and know how economics work, deteriorating exchange rate situations develop over time as a response to various fundamental perceptions. Markets do not adjust immediately to this changing situation, even though the immediacy of capital markets may be much faster than most government officials would like. Trend followers, by definition, do not cause currencies to rise or fall. On the contrary, they just follow an established trend, take a position and hold it.

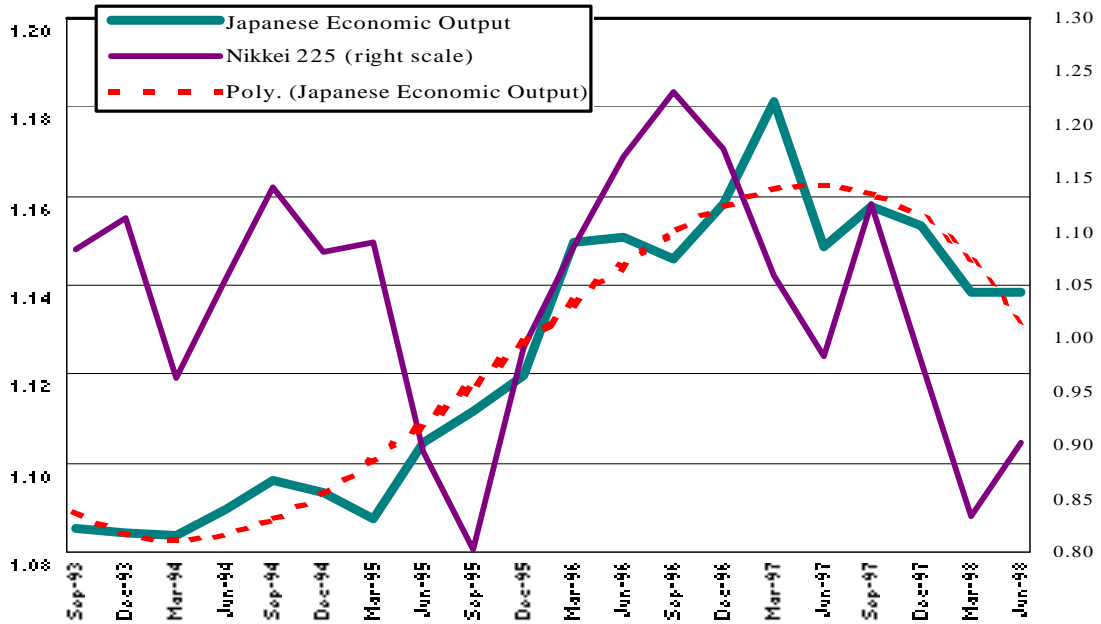
Chart 7
South African Rand: Daily Spot Prices (per U.S. Dollar)
January 1998 through August 1998



Source: Bloomberg L.P.

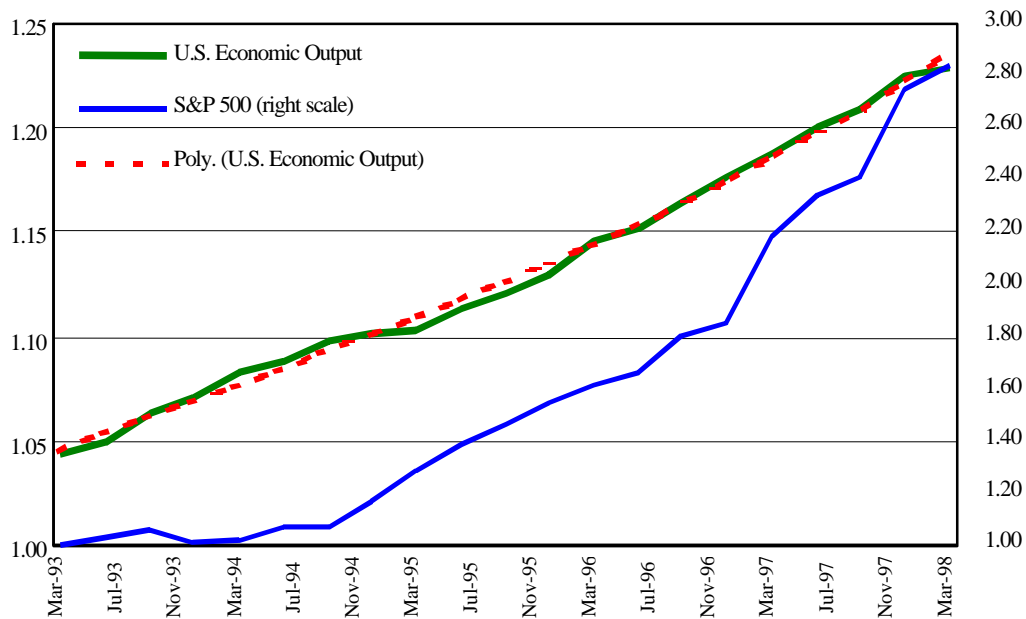
We took a position around March or April 1998 in the South African rand, short (which would be long in this particular chart [Chart 7], this is the dollar going up against the rand). We took one position and held it. If a currency is falling day after day, I can guarantee you it's not the trend followers, because they're really spectators. It's more these bankers who are out there selling them every day, taking new positions every day -- against the rand or against the Thai baht. You can see it takes time for these things to occur, and if you're patient, you can have huge profits, especially if you don't set a profit objective of, say, 5.25 or 5.5 or 6.

Chart 8a
Growth Rates of Japan, Overlaid with Nikkei 225: Quarter-to-Quarter Changes
September 1993 through June 1998



Source: Office of Economic Cooperation and Development (OECD)

Chart 8b
Growth Rates of U.S., Overlaid with S&P 500: Quarter-to-Quarter Changes
March 1993 through June 1998



Source: OECD

"Economic Output" is the quarterly Gross Domestic Product for Japan and the U.S. The line marked "poly" shows a moving average of this quarterly Economic Output.

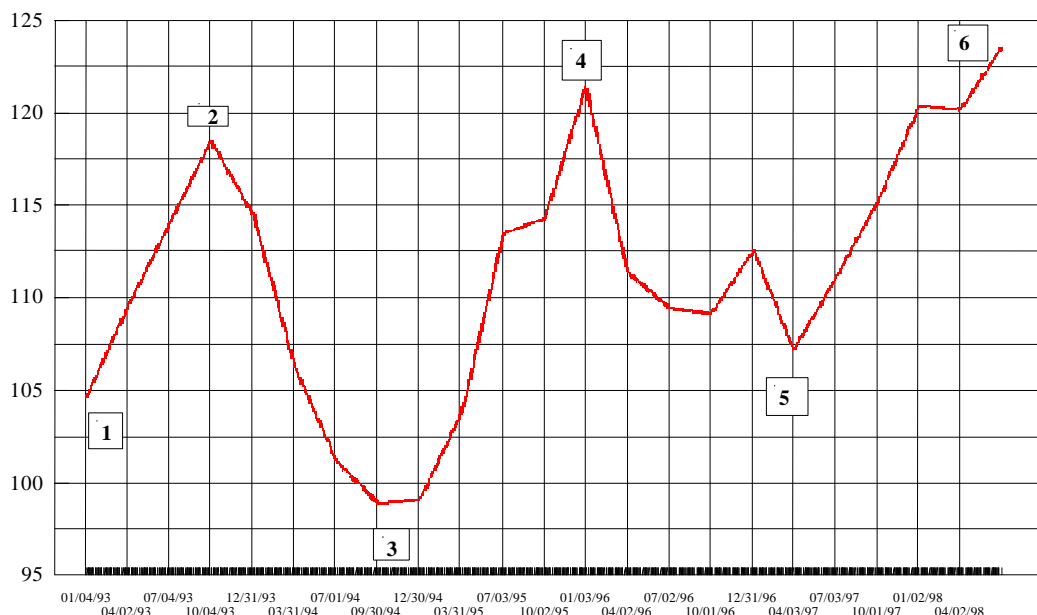
Other influences on prices take longer for investors to recognize. The business cycle is an example. Despite sustained U.S. economic growth and investor desire that they go away, business cycles still exist. This leads to an ebb and flow of prices over time. While we're not in the business of forecasting business cycles, the importance of this graph is that growth rates, above or below the trend -- the dotted line -- can persist for long periods of time. It can be seen that these are systemic trends, and these economies are too large to change overnight; it takes time. But change they will. As investors realize these changes are meaningful, a new long-term trend develops. Investors, having not really believed in a new order, are generally shaken by any sea change, and this causes them to act according to their hopes, and sometimes according to their fears.

What do all these events have in common? It takes time for even the smartest people to recognize and adjust to the changes around them. And this is why we've been successful. Despite the cries from certain central bankers, investment managers like us don't cause the disruptions in the markets; rather it's actually the accelerating change of perceptions about future prospects which causes dislocations.

These days, JWH investors are getting help from academics in understanding our position and why we're successful. They have a new discipline called "behavioral finance." Behavioral finance states that market prices are made by the decisions of human beings. Humans are naturally flawed individuals who have difficulty predicting probabilistic -- or making significantly accurate probabilistic predictions of -- events. When there's an overload of new information, or information that is contrary to the way we think, we often revert to old behavior that may not be consistent with what's going on today. And it may not be rational. As long as there are human beings involved in the process, there will be excessive reactions and, in the process, profit opportunities.

With that as a background, let's take a look at some specifics. There are a number of markets which epitomize the tenets of behavioral finance and how our style of trading capitalizes on predictable, human reactions to changing market dynamics. We've already shown how interest rates declined since 1981; this is not news to anyone in this audience. Everyone knows that this decline has been punctuated by several changes in the intermediate-term sentiment as to the future direction of rates.

Chart 9
U.S. Bond Futures Prices: Quarter-to-Quarter Changes
January 1993 through July 1998

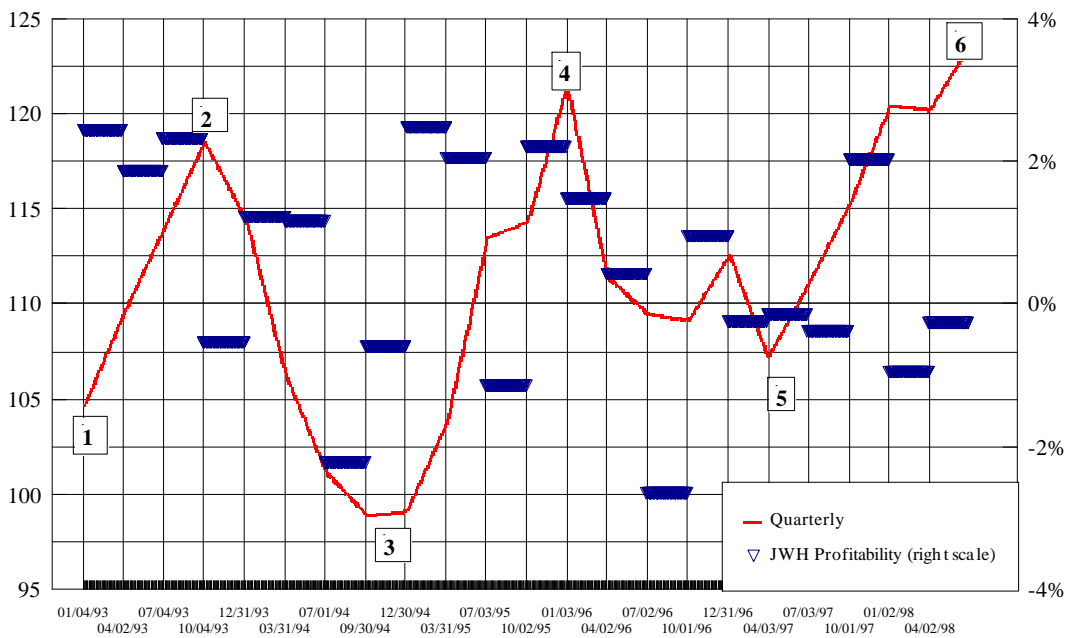


Source: Bloomberg L.P.

This is a look at U.S. bonds from January 1993 through June 1998 [Chart 9]. This chart shows just a quarterly change in bond prices as represented by the U.S. Treasury Bond contract. Showing just the quarterly changes, we can see the effect of behavioral finance in motion. The first three quarters saw a steady rise in bond prices; that's from point #1 to point #2. And as the sentiment changed in the fourth quarter of 1993, rates began to rise, so bonds dropped. However, the change in the sentiment was not recognized, and never generally is recognized, or acted upon, all at once. The move from 5.9% which was about 117 or 116, to over 8% down at point #3, took a full five quarters. It took another four quarters to readjust back down.

The next chart [Chart 10] shows moves in the same U.S. bond market, and it also shows our profitability [and losses] during that period. These blue bars show profits, which are shown on the right side of the screen. So if you look at those first three quarters, you can see we made, on average, about 2% each of those quarters, just in Treasury bonds. And you can see why.

Chart 10
Quarterly U.S. Bond Futures Prices with JWH Profitability in Corresponding Quarters
January 1993 through July 1998



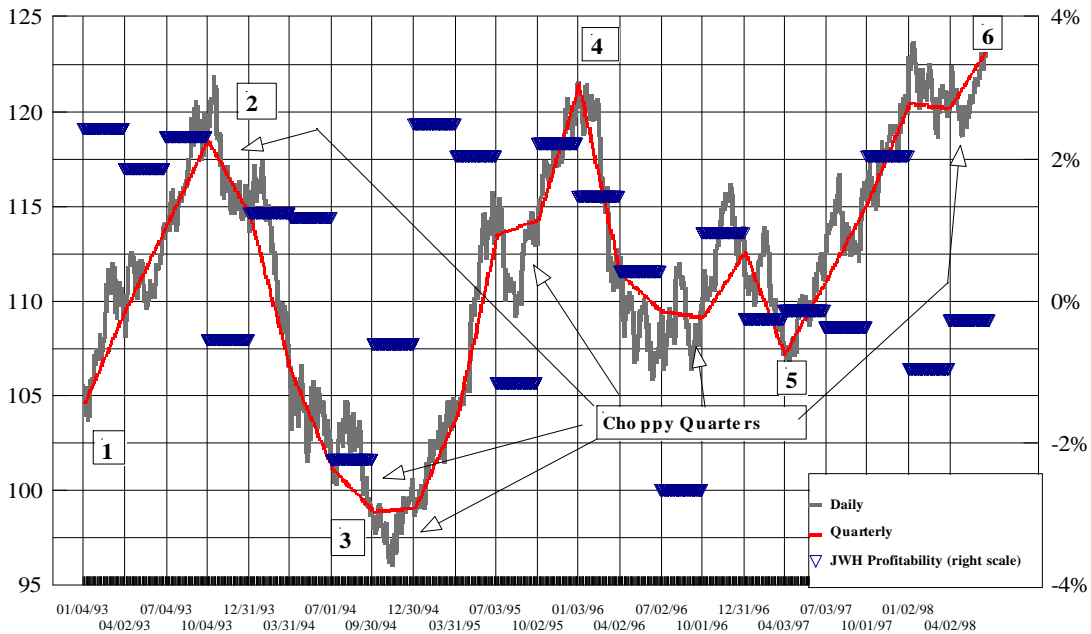
Sources: Bloomberg L.P. and JWH

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

The chart above [chart 10] shows profits and losses generated in U.S. bond futures positions for one representative account trading the Financial and Metals Portfolio.

If you go to the next chart [Chart 11], it's an even better example of why. It's pretty much a straight upward move and then you can see that in the next quarter we lost about one-half of one percent. Why? Because we had a reversal, so we gave back some profit. We had some choppy markets in between, and then in the very next quarter we had another big drop, so we were profitable again for the next two quarters. But anyway, if you look at this chart, it gives you a pretty good indication of how a trend follower makes money and how he loses money.

Chart 11
Quarterly/Daily U.S. Bond Futures Prices; JWH Profitability in Corresponding Quarters
January 1993 through July 1998

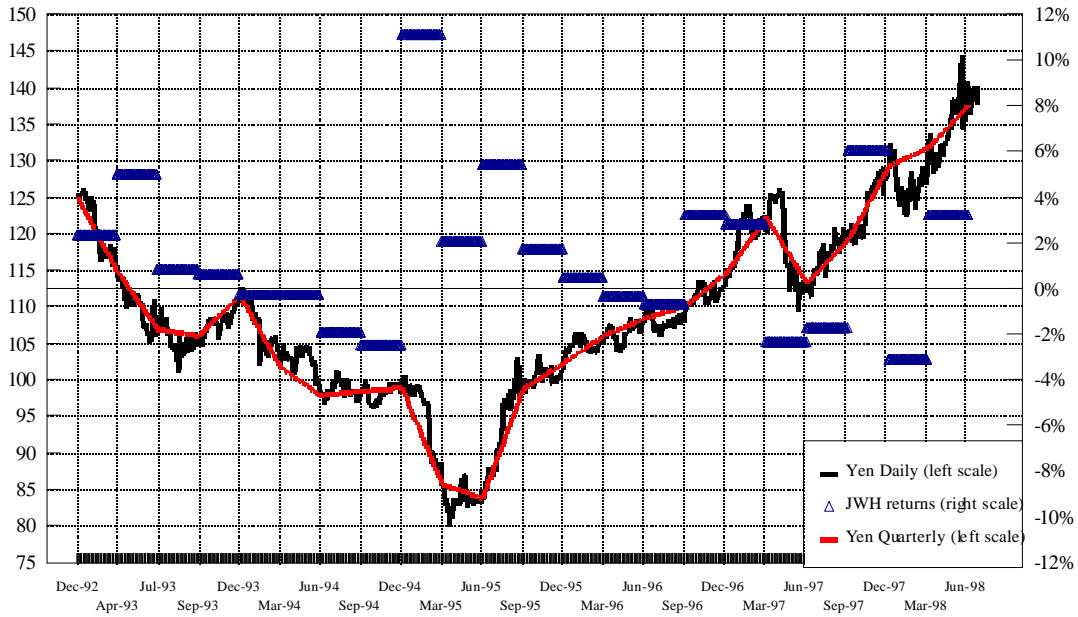


Sources: Bloomberg L.P. and JWH

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

The chart above [Chart 11] shows profits and losses generated in U.S. bond futures positions for one representative account trading the Financial and Metals Portfolio.

Chart 12
Quarterly/Daily Japanese Yen Prices; JWH Profitability in Corresponding Quarters
January 1993 through July 1998



Sources: Bloomberg L.P. and JWH

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

The chart above [Chart 12] shows profits and losses generated in Japanese yen futures positions for one representative account trading the Financial and Metals Portfolio.

You can see that in this enormous move [Chart 12], when the dollar/yen went from 100 to 80 in that particular month we were up 11% just in the Japanese yen that quarter. But as you can see, there are many months where there's not much happening, where we just lose money.

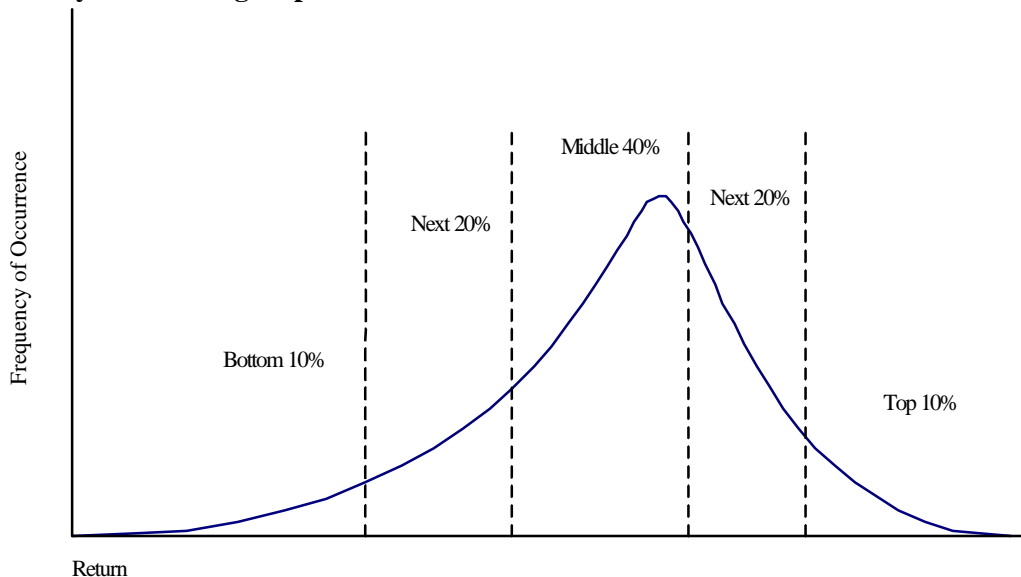
I won't bore you with why, but I think that tells a very good story as to how long it can take sometimes for these trends to develop. You can see that even though it takes a long time for a trend to develop, usually where some of our greatest profits happen are when there's a spurt, either up or down. Sometimes it's not at the beginning; sometimes it's at the end.

The fact that we are not anticipatory, nor do we over weight certain markets or sectors as a result of our analysis, leaves us with a very different profile from most of your other investments, such as global macro hedge funds. Many of these hedge funds have become household names and a staple of sophisticated investor portfolios. The reasons investors should hold us as a core holding in their portfolios are different from hedge funds, I believe and, in fact, better than the reasons investors hold global macro funds. I think I'll prove that to you here.

Many view their investments with hedge funds as an alternative diversification -- as a diversification and alternative to their core holdings. However, upon closer analysis, many of these managers are heavily reliant on the stock markets for returns in one way or another. This is not to say they're not great investments. Quite the contrary, many of these global macro managers have generated substantial returns over time and continue to do so. However, for all the talk of the varied investments that these funds hold, their core is either still long stocks, or they participate in strategies which rely upon bull markets. As a result, many serve as an ineffective diversification from global stock markets as a whole.

While there are many ways to look at an investment's usefulness as diversification, one particularly compelling way is to compare the investment to broader markets. Since everyone's comparison of choice seems to be the S&P 500, today we thought we would use that comparison. The comparison which is useful is to compare the S&P 500 not on a time linear basis, but to look at various states of the S&P 500.

Chart 13
Distribution of Monthly Returns for the S&P 500
January 1985 through April 1998



Source: Data source & © Copyright Standard & Poor's Micropal, Inc. 1998 (Micropal)

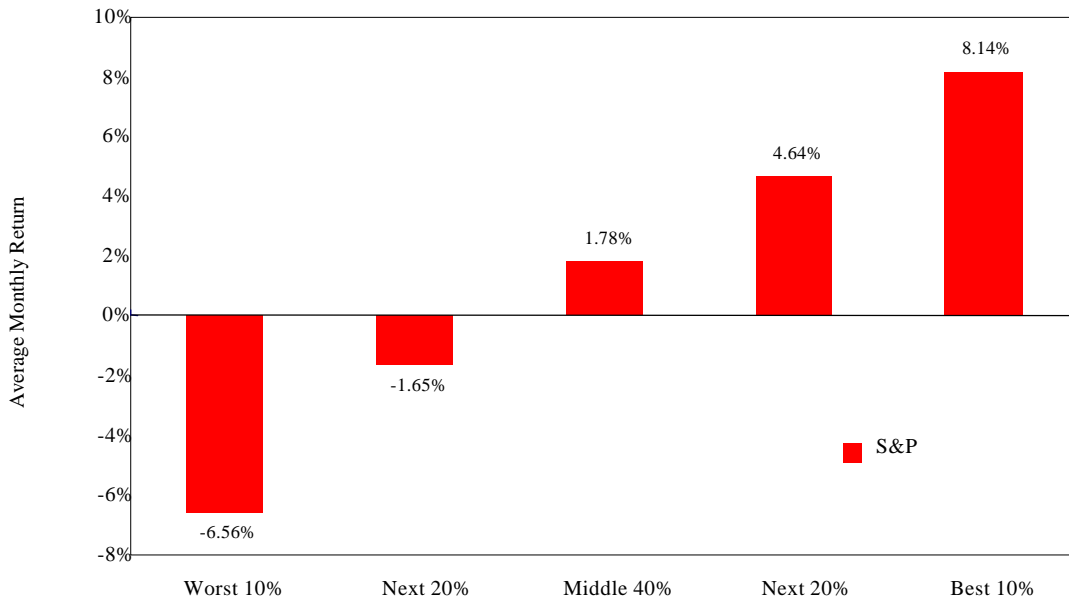
In this chart [Chart 13], the months with the highest returns are grouped in the top 10% category; months with the lowest returns are in the bottom 10% category. Months falling in the middle of the spectrum in terms of performance are in the 40% category.

The monthly returns of the S&P 500, when plotted on a return and frequency basis, look like a pretty normal bell curve [Chart 13]. These returns can be grouped as follows: the top 10% of occurrences are going to have a high average monthly return, the next 20% of occurrences are going to have a slightly lower return, and so on.

This data, and all the charts we're going to look at going forward, cover the period from January of 1985 through April of 1998. The data we are showing is for a period of 148 months. And during this time, the worst performing month was 21% during October 1987. And the best performing month was also in 1987, in January, up 13%.

Now on average, the S&P 500 over this 148-month period gained one and one-half percent per month with a full 70% of those months being profitable. [Chart 14] shows that during the S&P 500's worst 15 months -- in other words, that would be 10% of the occurrences -- the return on average was down 6.5%, with returns of a little over 8% during the best 15 months.

Chart 14
Average Monthly Return for S&P 500 Groupings
January 1986 through April 1998



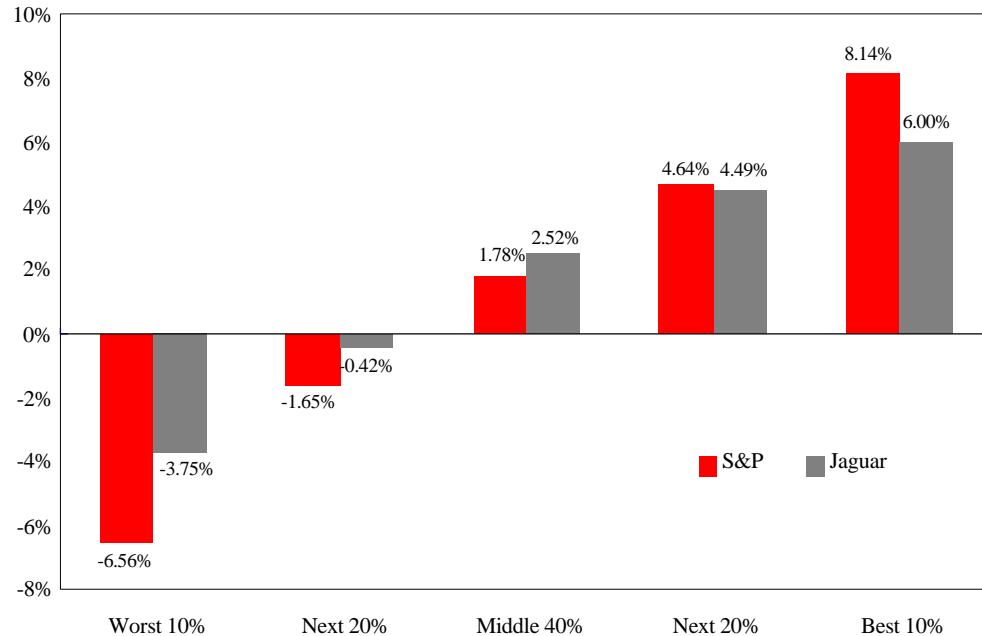
Source: Micropal

The monthly rates of return for the S&P 500 from January 1986 through April 1998 (a total of 148 months) were grouped into five categories in terms of performance: 15 months fell into the lowest 10%, 29 months fell into the next 20%, 60 months in the middle 40%, 29 months in the next best 20%, and 15 months in the best 10%. Data for the bars was derived by calculating a simple average of all the monthly rates of return for each category; based upon the number of months available, some rounding has occurred.

By itself this result is unsurprising. What's interesting, you see, is that when you take this chart and you compare it to global macro hedge fund managers -- many of whom I'm sure you have money with -- it's interesting.

Here's the same comparison sorted by worst/best months to the Jaguar Fund, managed by Tiger, Julian Robertson [Chart 15]. I think you can see that in roaring bull markets it's actually not the best investment in the world. But boy, having an investment with Julian during bad markets is a great thing. And so I guess maybe "hedge fund" isn't such a misnomer after all, because you can see that he's really dampening the effects, over time, of bad markets. And I think we saw that again in August of 1998.

Chart 15
Jaguar vs. S&P 500
January 1986 through April 1998

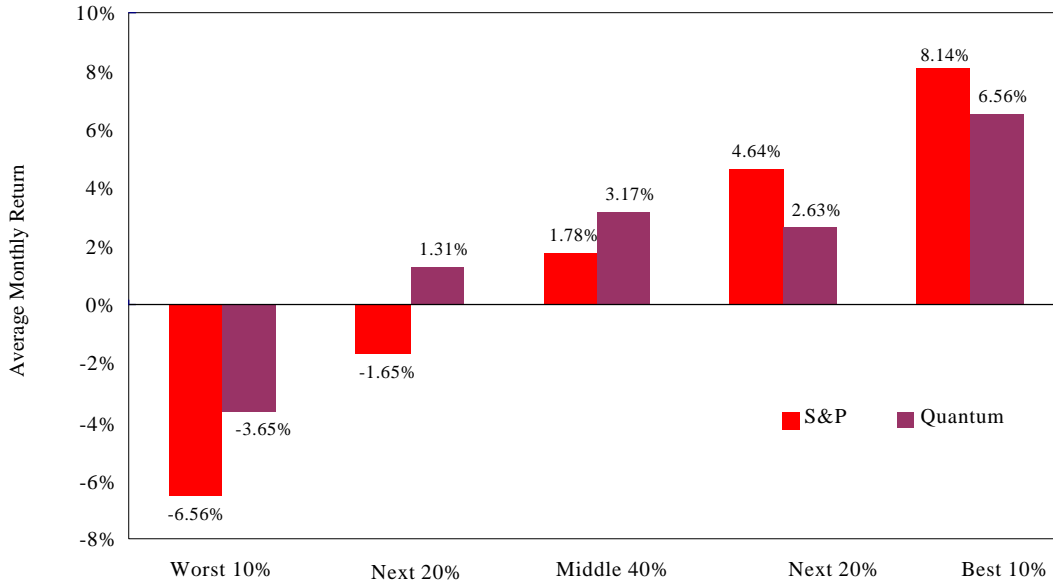


Source: Micropal

The monthly rates of return for the S&P 500 from January 1986 through April 1998 (a total of 148 months) were grouped into five categories in terms of performance: 15 months fell into the lowest 10%, 29 months fell into the next 20%, 60 months in the middle 40%, 29 months in the next best 20%, and 15 months in the best 10%. Data for the bars was derived by calculating a simple average of all the monthly rates of return for each category; based upon the number of months available, some rounding has occurred. The chart compares the results for the S&P 500 against Jaguar over the same time period.

Now if we look at the next chart [Chart 16], which is George Soros's flagship fund, the Quantum Fund, it's much the same. He's really helping you out during the poor periods, and that's because he's obviously much more diversified than just long stocks. But you can see, as with Jaguar, that the hedge funds correlate very heavily with stocks. When stocks are up, they're up. When stocks are down, they're down. Except George Soros's Quantum Fund seems to be a little bit up in some of these occurrences. But they're not down as much, put it that way.

Chart 16
Quantum vs. S&P 500
January 1986 through April 1998

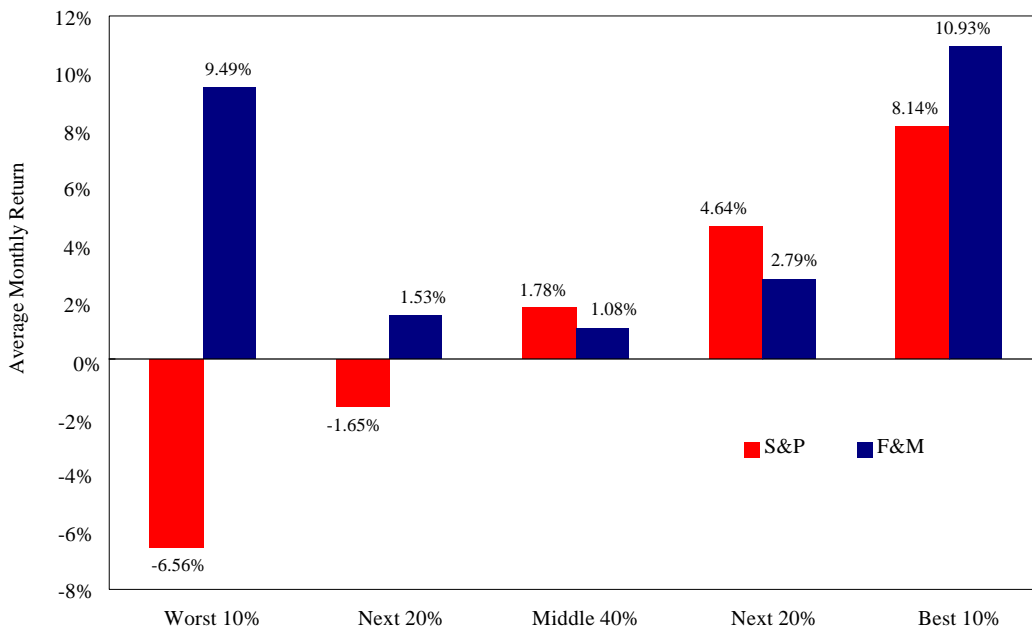


Source: Micropal

The monthly rates of return for the S&P 500 from January 1986 through April 1998 (a total of 148 months) were grouped into five categories in terms of performance: 15 months fell into the lowest 10%, 29 months fell into the next 20%, 60 months in the middle 40%, 29 months in the next best 20%, and 15 months in the best 10%. Data for the bars was derived by calculating a simple average of all the monthly rates of return for each category; based upon the number of months available, some rounding has occurred. The chart [Chart 16] compares the results for the S&P 500 against Quantum over the same time period.

Now we do things completely differently. If you look at the next chart [Chart 17], this is JWH Financial and Metals Portfolio. The story here isn't that we're profitable all the time, because we're not. But when you look at these returns averaged together in different time periods, you can see that when things are really unstable and uncertain, we're a great hedge. When things are not going well, we make as much money as when things are going really well. Where we're a little bit lacking is when things aren't happening. You can see that we do well when things are making major moves and when things are just sort of choppy we don't do nearly as well. You can see we underperform in the middle 40% and in the next 20%. During a long-term bull market, as we've seen over the last 15 to 16 years, we just don't do as well. Why? Because I think, as I illustrated earlier, when I started in this business in 1980 I developed a program that was what I thought was a blockbuster program -- when stocks are doing terribly, when bonds are doing terribly. And so I think that explains what's going on here.

Chart 17
JWH Financial and Metals Portfolio vs. S&P 500
January 1986 through April 1998



Sources: Micropal and JWH

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

The monthly rates of return for the S&P 500 from January 1986 through April 1998 (a total of 148 months) were grouped into five categories in terms of performance: 15 months fell into the lowest 10%, 29 months fell into the next 20%, 60 months in the middle 40%, 29 months in the next best 20%, and 15 months in the best 10%. Data for the bars was derived by calculating a simple average of all the monthly rates of return for each category; based upon the number of months available, some rounding has occurred. The chart compares the results for the S&P 500 against Financial and Metals Portfolio ("F&M") over the same time period.

One very important point to think about when you look at this chart [Chart 17]: We don't trade in S&P 500 contracts, and we don't trade in stocks, actual physical stocks. We'll trade in Nikkei indexes; we'll trade in Australian or English indexes. The reason we make a lot of money when the stock market goes down, has nothing whatsoever to do with being short stocks or stock index futures.

You can see we take a completely different approach and have a completely different investment vehicle than the global macro funds. And our reaction to and resultant performance during the most recent market turmoil last month was quite different from the hedge fund community as a whole.

Chart 18

JWH Financial and Metals Portfolio vs. Other Benchmarks: Monthly Rates of Return August 1998

Financial and Metals Portfolio	est +17.7%
S&P 500	-14.4%
MSCI EAFE	-12.4%
MSCI Europe	-12.6%
Lehman Brothers Long Government Index	+4.4%

Sources: Micropal and JWH

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

JWH Monthly Rates of Return are calculated by dividing net performance by the sum of the beginning equity, plus additions minus withdrawals. For such purposes all additions and withdrawals are effectively treated as if they had been made on the first day of the month, even if, in fact, they occurred later. Refer to "Notes" in the back of this document for a description of the benchmarks shown.

Last month [August 1998], during one of the most stressful points in market performance, our largest portfolio, Financial and Metals, was up [an estimated] 17.7%. Of the \$2.4 billion that we manage, I think just slightly over half of it is in the Financial and Metals Portfolio. This was not a direct result of the decline in the U.S. market -- as I said we don't trade in the S&P 500 -- but rather an example of the typical predictable investor behavior in the face of trouble. In reverting to rules of thumb, in this case the flight to quality, global bonds rose, global stock markets plunged, and a shift in foreign exchange rates occurred.

However, the magnitude of the moves was the only real surprise for us. The trends which were demonstrated during late August had been in place for weeks or months beforehand.

In summary, the most amazing thing that has happened since this company began in 1981, is that we've had markets I didn't expect, and we made money. I envisioned inflation, huge volatility, declining stock markets, rising interest rates. I thought I was as smart as anyone else in those days; perhaps I even thought about the destruction of paper money and \$100/barrel crude oil prices, because I was reading the newspapers, and that's what people were talking about. But we saw just the opposite of everything that I could envisage, and we grew to be the largest and perhaps most successful CTA in the world.

Our strategies were not built for stability, but that's what we had. They were not built for booms, they were built for gloom. Yet we prospered, simply because we knew we could not actually predict a world that inevitably transforms itself, dynamically and radically. So I always love to answer that question "Have the markets changed?" And we perhaps stand at another sea change, much as we did when I started JWH. Stocks and bonds have rallied for 16 years. They've gone further than anyone could imagine. I don't think there's anyone in here that imagined that the Dow would pass 9,000 about ten years ago, even three years ago.

Will we have another 16 years of boom times in the world of global prosperity? Does the 50% drop in money-center bank stock values mean anything? Does the 50% drop in U.S. brokerage stocks mean these bull markets have finally run their course? I don't know, and neither do you. These are the two central facts which have to have the greatest bearing on our actions. I'll tell you what I believe, and I can only put it in terms that are applicable to JWH; I'm not smart enough to tell you what it means for everyone else. But I think I know what it means for us.

I believe the markets we've seen over the last 16 years were not the best markets for JWH to profit from. I believe the stability we've seen in the 90s limited our profitability, and I also believe that JWH was prudent, even so, in cutting its leverage in 1992 to make you sleep better. Since then we've had the appropriate level of commitment to markets.

I believe we've never been better positioned in our history to provide a meaningful investment to you. We rode through good times in the global economy with strategies which were designed to profit from instability. The fact that we changed nothing has left us with the ability to be perfectly positioned now that boom times may be over. Well no one knows if they are over, and I can tell you, as a wealthy man, I hope these good times last forever. Either way, I can tell you that JWH will simply follow trends, whether they reflect rising markets or falling markets. And we won't favor either side. We never have, and we never will.

Notes

Notes to JWH Financial and Metals Portfolio

This analysis should be read in conjunction with JWH's current disclosure document. The information throughout this analysis presents performance for one of the eleven JWH investment programs. Information for the other ten programs may or may not reflect similar results. Except for the profitability analyses, the information for the Financial and Metals Portfolio is not representative of the performance of any one account. Rather, it makes use of the data provided in the program's performance record, which is the composite of the actual performance of all accounts trading the program. The profitability analyses are calculated using information from one representative account trading Financial and Metals Portfolio.

Proprietary Funds

During certain periods covered in the capsule performance record, proprietary funds are included. The absence of management and incentive fees and reduced commissions during this period may have had a material effect on the rate of return. However, this potential material effect has decreased as client funds have composed the entire performance record from July 1987 through April 1991. In May 1991 one proprietary account, and in March 1992 a second proprietary account, began trading this program. Both accounts are included in the performance information from their inception until August 1995. The maximum percentage of proprietary funds during this time frame was less than 0.5% and had no material impact on the rate of return.

Position Size

Adjustments in position size in relation to account equity have been and continue to be an integral part of JWH's investment strategy. At its discretion, JWH may adjust the size of a position in relation to equity in the account that is taken in certain markets or entire programs. Such adjustments may be made at certain times for some programs but not for others. Factors which may affect the decision to adjust the size of a position in relation to account equity include ongoing research, program volatility, current market volatility, risk exposure, subjective judgement, and evaluation of these and other general market conditions. Such decisions to change the size of a position may positively or negatively affect performance and will alter risk exposure for an account.

Adjustments in position size relative to account equity may lead to greater profits or losses, more frequent and larger margin calls, and greater brokerage expense. No assurance is given that such adjustments will be to the financial advantage of JWH clients. JWH reserves the right to alter, at its sole discretion and without notification to clients, its policy regarding adjustments in position size relative to account equity.

During the periods covered in the performance records, and particularly since 1989, JWH has increased and decreased position size in relation to account equity in certain markets and entire programs, and also altered the composition of the markets and contracts it trades. In general, since 1992, JWH began implementing certain position size adjustments that were of a more permanent nature. While historical returns represent actual performance achieved, investors should be aware that the position size relative to account equity currently utilized may be significantly different from that used during previous time periods. Investors should be aware of the following position size adjustments in relation to account equity:

In May 1992, position sizes were reduced by 50% for 35% of the assets in the Financial and Metals Portfolio at the request of a client. This reduction in position size materially affected the rates of return in some JWH performance records; the 1992 annual rate of return for the relevant accounts was negative 24.3%. The 1992 annual rate of return for the Financial and Metals Portfolio Composite Capsule Performance Record was -10.9%. If these accounts had been excluded from the Financial and Metals Portfolio Composite Record, the 1992 annual rate of return would have been -3.9%. The effect of this reduction in position size was eliminated in September 1992 when all accounts in this program underwent a reduction in position size. Since August 1992, the

Financial and Metals Portfolio has been traded with a level of position size to account equity that is approximately 50% less than the level previously in effect.

Program Modifications

Proprietary research is conducted on an ongoing basis to refine the JWH investment strategies and attempt to reduce volatility while maintaining the potential for excellent performance. While the basic philosophy underlying the firm's investment methodology has remained intact throughout its history, the potential benefits of employing more than one investment methodology, or in varying combinations, is a subject of continual testing, review and evaluation. Extensive research may suggest substitution of alternative investment methodologies with respect to particular contracts; this may occur, for example, when the testing of a different methodology has indicated that its use might have resulted in different historical performance. In addition, risk management research and analysis may suggest modifications regarding the relative weighting among various contracts, the addition or deletion of particular contracts for a program, or a change in position size in relation to account equity. However, most investment programs maintain a consistent portfolio composition to allow opportunities in as many major market trends as possible.

Notes to Benchmark Indices and Hedge Funds

The following indices -- excluding Jaguar and Quantum -- are shown in U.S. dollars as the total return, with dividends reinvested. These economic indicators are unmanaged and do not represent the attempt of any advisor to generate returns on an investment. Data source & © Copyright Standard & Poor's Micropal, Inc. (1998).

The **Nikkei 225 Index**, owned and published by the Japan Economic Journal, is a price-weighted index that tracks the performance of 225 first-section stocks traded on the Tokyo Stock Exchange. **S&P 500®** is a trademark of The McGraw-Hill Company, Inc. The Standard & Poor's 500 Composite Stock Price Index is a capitalization-weighted index which tracks the stock performance of 500 U.S. companies in 90 industry groups. The **Morgan Stanley Capital International (MSCI) EAFE® Index** is a market capitalization-weighted equity index composed of 1,112 companies in 20 countries. The **Jaguar Fund N.V.** (for the **Class A Shares** as reported by Micropal) invests both long and short positions, primarily in U.S. and international equities (but may also invest in other instruments), with the objective of capital appreciation. The **Quantum Fund** (as reported by Micropal) invests both long and short positions in publicly traded global equity and debt securities, commodity and currency futures and forward contracts, and options, both for hedging and speculative purposes. The **Morgan Stanley Capital International (MSCI) Europe® Index** is a market capitalization-weighted equity index composed of 600 companies in 13 European countries. **Lehman Brothers Long Government Bond IndexSM** consists of Treasury Bonds with at least ten years to maturity.

Notes to Other Economic Indicators

These economic indicators are unmanaged and do not represent the attempt of any advisor to generate returns on an investment. Data obtained is from the sources noted.

The **Consumer Price Index** (as reported by the Federal Reserve of St. Louis) is the year-on-year change for the Consumer Price Index, All Urban Consumers, not seasonally adjusted. **Interest Rates on U.S. Government Debt** (as reported by the Federal Reserve of St. Louis) are the monthly average ten-year Treasury Constant Maturity Rates. **3-month T-Bills** (as reported by the Federal Reserve of St. Louis) are the auction averages of 3-month Treasury Bill Rates. **U.S. Bond Prices** (as reported by Bloomberg L.P.) are quarterly U.S. spot bond futures prices. Figures for **Gold**, the **South African Rand**, and the **Japanese Yen** (as reported by Bloomberg L.P.) are daily spot prices. **Growth Rates for Japan and the U.S.** (as reported by the Office of Economic Cooperation and Development) are the Gross National Products for each country.

All data used in this presentation is obtained from reliable sources; however, JWH cannot be responsible for errors or omissions from such sources.

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Although offering potential benefits, an investment with JWH is speculative, involves a high degree of risk, and is designed only for sophisticated investors who are able to bear the loss of more than their entire investment. Some, but not all, of the risk factors that should be considered prior to making an investment decision include: forward contract trading, which is not afforded the regulatory protection of exchanges or the Commodity Exchange Act and may subject an investor to greater risks than trading on U.S. exchanges; trading on non-U.S. futures exchanges, which are not regulated by any U.S. government agency and may involve certain risks not applicable to trading on U.S. exchanges; currency risks associated with foreign-denominated margin deposits; possible failure of brokerage firms or futures exchanges; and illiquid markets, which may make it more difficult for JWH to establish or liquidate a position at a given price. For more details on these and other risk factors, please refer to JWH's current disclosure document.

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