

Market Research

Direct Exposure to Natural Gas via UNG

Whether you're actively seeking natural gas exposure to a) hedge a business risk or b) satisfy portfolio allocation parameters, UNG may be your tool of choice. Listed on the American Stock Exchange, UNG is an ETF (exchange traded fund) designed to track the movements of natural gas prices at Henry Hub in Louisiana, the primary benchmark for natural gas prices in the United States. UNG trades like an equity, allowing direct commodity exposure without the need for a commodity futures account. One may take a long or short position in UNG.

Research confirms a 93% correlation of daily returns between UNG and NYMEX Natural Gas futures contracts from 18Apr07, fund inception, through 14Aug08. For purpose of this research, the NYMEX Natural Gas futures contract was rolled from the prompt month to the second month two calendar weeks prior to expiration of the prompt month contract. Returns exclude transaction costs. The 93% correlation excludes three data points (yellow dots on the graph below), each of which are outliers and occur on a futures contract roll date.

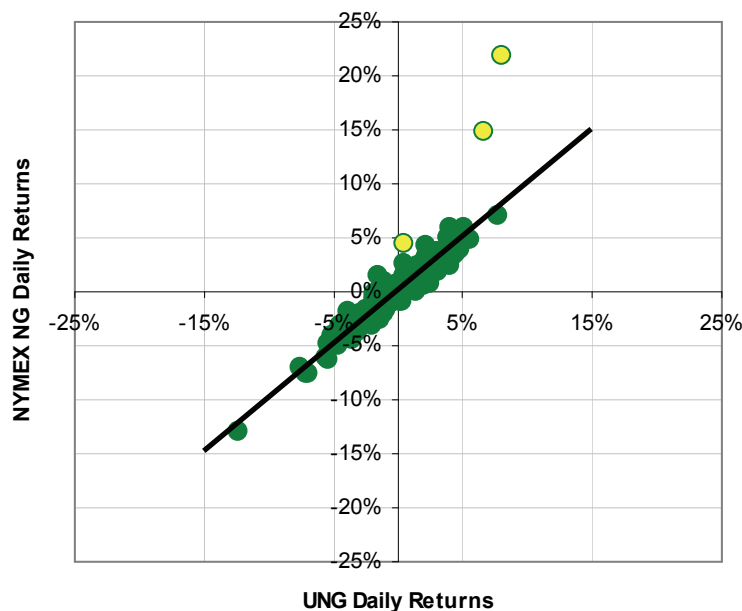
Descriptive statistics for price, change in price, and returns are summarized below for both sets of data. An X-Y plot demonstrates the strong correlation which exists between the daily returns of UNG and NYMEX Natural Gas futures. The black line, shown for comparison purposes, represents the grouping of a perfectly correlated set of data.

UNG provides a strong correlation to the daily percentage change of natural gas prices for the hedger or investor wanting direct exposure to natural gas prices. It is also important to point out that direct exposure to natural gas prices also means direct exposure to natural gas price risk! Natural Gas is well known in commodity circles for its extreme volatility. Returns can be very large AND very negative. Make sure you understand your exposure. Make sure you understand the investment vehicle prior to transacting. Learn more about UNG at <http://www.unitedstatesnaturalgasfund.com/index.asp>.

Descriptive Statistics

	UNG	NYMEX NG
Observations	335	335
Price		
Lowest	\$33.95	\$ 5.468
Highest	\$63.48	\$13.577
Change in Price		
Lowest	\$(5.460)	\$(0.918)
Highest	\$ 2.970	\$ 1.295
One Std Dev	\$ 1.192	\$ 0.237
Returns *		
Lowest	-12.4%	-12.9%
Highest	7.8%	7.1%
One Std Dev	2.6%	2.6%

* excludes 'contract roll outliers'



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