

Who's Making Money Now? SM

Insights from Top Traders and Money Managers

Featured Interview

Jim Green



Rosetta Capital Management (RCM) is a registered Commodity Trading Advisor (CTA) specializing in agricultural commodities. RCM recently mated its successful agricultural program with other markets to

smooth out volatility. Jim Green and Mike Swinford are the sole principals of *Rosetta Capital Management*. Both Jim and Mike were raised on farms and worked in agriculture for most of their lives. They also share 67 years of trading experience.

RCM offers two trading programs: the *Rosetta Program* and the *Macro Program*. Both were jointly developed by Jim Green and Mike Swinford using their extensive futures and related backgrounds. According to their most recent Disclosure Document, the *Rosetta Program* was up 6.47% year-to-date through August 2010. Their macro program was up 20.27% during the same timeframe.

If you would like to know more about the performance of either of these programs, call David Dornseif at 1-800-562-5643 (1-312-373-4980 direct) or e-mail davidd@rmbgroup.com to request their latest Disclosure Document.

Past results do not guarantee future results. Complete track record disclosure sources are included in the Disclosure Document.

Growing Global Demand Is Fertile Ground for Rosetta Capital Management

Agricultural markets have received a lot of press lately, as the growing food demands generated by the burgeoning incomes of the developing world push the prices of many essential commodities higher and higher. Corn, soybeans, wheat, hogs and cattle have all soared in price, despite relatively solid US crop yields. One wonders what would happen to prices if the US experienced a yield-busting weather event such as another soggy planting season, or worse, a prolonged drought.

The principals of Rosetta Capital Management (RCM) — Mike Swinford and Jim Green — both grew up on farms. They took the lessons they learned from producing corn, soybeans and livestock to the trading pits of Chicago. Mike and Jim met in 1979 and, after years of working at the same brokerage firm, started managing customer money through their *Rosetta Program*, which focuses primarily on meats and grains, in 2000. The *Rosetta Program* has posted an incredible track record since then, with only one losing year in the past 10. In an effort to boost returns while reducing volatility, RCM added non-agricultural markets to the mix, creating their *Macro Program*, which began trading customer funds in 2009. The complete track records for both

programs are available in their Disclosure Document. *Who's Making Money Now* recently sat down with Jim Green to talk about his experience and his take on the markets.

Q. We understand you are still a farmer. How many acres? Where? What do you produce?

A. My brother and two nephews have a farm in Western Illinois. We're farming roughly 2,700 to 2,800 acres. We produce soybeans and corn. We also have livestock: hogs, cattle...the whole nine yards.

Q. How has your experience growing up on a family farm influenced your trading? You obviously have "boots on the ground" experience. Do you feel that translates into a trading edge?

A. Most of the time, yes. They say "don't trade what grows outside your own back door," but most of the time we have a groundswell feeling of what's going on because of our rural background.

Q. Does your experience as a producer give you any special knowledge? For example, I assume you probably have a pretty good read on crop conditions in advance of a USDA report.

A. Yes, I think it does. You can't always

judge everything on what happens in Western Illinois because it does not necessarily equate to what's happening in

Iowa or Indiana. But sometimes we get an edge. For example, we had a pretty good inkling that last year the USDA was way too optimistic in their corn yield estimates and we were able to position ourselves accordingly and, in this case at least, wound up being right.

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Q. According to your D-doc, your trading partner Mike Swinford also grew up on his family's farm. How did you and Mike meet?

A. We met at Heinold Commodities in 1979 when I came to work there. Mike had started to work there in 1971.

Q. We started in the business at Heinold Commodities in the mid-1980s and Mike was the hog guy. We'd hear him on the "squawk box" every morning, giving us the lowdown on the market. Do you and Mike have your own areas of specialty or do you collaborate on trading decisions?

A. We collaborate on most decisions, but Mike probably has more contacts in the meats and I have more in the grains. But we do talk together before we implement most trades.

Q. Your D-doc says that both you and Mike make decisions based on fundamental analysis. It makes sense because of your backgrounds as producers. But that makes you a bit of an anomaly in the managed futures world where the vast majority of CTAs – even discretionary traders – are technicians (chart-based traders) first. What kind of advantages does your fundamental approach bring? What disadvantages?

A. I think our fundamental knowledge enables us to estimate where a trend may change before it actually does change. We may be early to try to pick a top. We may be early to try to pick a bottom and there are times when we can be spot on. But we try to build positions based on supply demand fundamentals. We may get more aggressive when the technicals go our way.

However, we can't ignore them because they provide a snapshot of the market. We try to formulate our ideas based on fundamentals but we will take into consideration technical support. Technicals may be a reason we add to a trade or even exit a trade, but our trading ideas themselves come from our fundamental analysis.

Q. Do you use technical analysis at all – for example in risk management? What makes you cry “uncle” when a trade doesn't go as

you planned? Do you have any hard and fast trading rules that you follow?

A. We like to keep losses within 1 to 2 percent of the account size. In terms of “hard and fast”, that's the one we focus on. We've been in the business a long time so sometimes we exit simply based on our experience. For

example, we may choose to exit a position – even if it is a winner – if a market is called to open sharply higher or lower and then does the opposite of what the early calls were. This can mean there is something going on that most of the market, including both us, doesn't know about.

We don't like to trade what we don't understand. Our market analysis and experience tell us that there is nothing wrong with sitting on the sidelines. We can always get back into the market once it starts to make sense to us again.

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Q. Your Rosetta Program has a pretty impressive track record – just one losing year in the past ten – so you obviously know what you are doing. However, volatility seems to have increased across the board now that the bulk of trading has moved off the floor and onto the screen. Have you had to adjust your methodology to adapt?

A. We'll go to where the liquidity and volume are, but we still execute a lot of our

meat orders on the floor. We do our grains on the screen most of the time.

It took a lot of getting used to at first. A lot of the people we knew as traders on the floor who were very

successful in the pit were unable to make the transition to the screen.

We seem to have adapted fairly well. The ability to adapt is perhaps the most important skill a trader can have. The markets are Darwinian. If you don't adapt, you won't last very long.

But it's not only screen versus pit; it's price. Corn is trading for twice as much as it was just a couple of years ago. For example, a 10% move in \$3.50 corn is 35 cents or \$1,750 for one contract. A 10% in \$7.50 corn is 75 cents or \$3,750. It's the same volatility, but a far different result dollar-wise. You need to be able to manage that as well.

Q. You've always been known as an "Ag" guy but in the past two years you've added a financial component to create your "Macro Program." Your latest D-doc shows a 40 percent gain for the Macro for 2009 and a 20% gain mid-way through 2010. What does the program trade in addition to agricultural commodities?

A. We'll trade most anything.

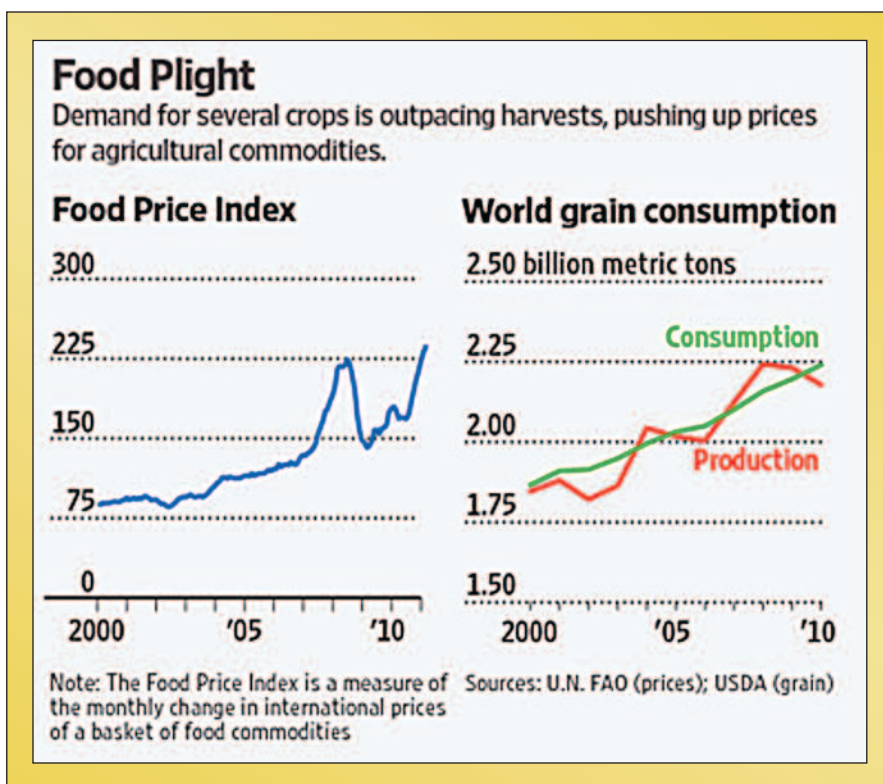
We'll trade mini-contracts of S&Ps, metals – gold or silver. It has evolved because I have a macro view which I developed as part of trading agricultural commodities. Agriculture is global now – especially with the explosive

growth of China and Asia – so a macro-economic view is essential to successfully trading agricultural commodities. The same outlook can be used to trade other commodities.

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Q. I know that there are certain seasonal periods during the year when the AGs tend to slow down. Has going "Macro" helped smooth the performance of your trading during these slower periods?

A. I guess I would have to leave that to



someone smarter than me because I really never looked at it that way. I am more inclined to let our performance speak for itself. I think given what we are seeing in the agricultural markets, we are in a situation now that's not going to be resolved in a 24-month timeframe and maybe longer.

It doesn't really seem like we are going to be able to produce what we need to meet consumption – especially when it comes to grains. Big demand and low supply should continue to have a big impact on the grains and meat for the next two years at least. Higher commodity prices are going to translate to big trends in other markets – you're already seeing that in the metals and energies — so we are excited about the long term growth of our macro program.

Q. Your decision to go macro appears to have paid off – at least for the past 2 years. Rosetta has been around for a long time and has survived some pretty tough markets. What caused you to expand?

A. We knew that we would probably max out the amount of money we could put in the Rosetta program without hindering performance. We are not there yet – especially if open interest continues to grow. However, we like to plan ahead. The macro program has allowed us to diversify using much of the same methodology

we've traditionally used in the grains and meats.

Q. Are your decisions in the non-AG sectors of the macro program fundamentally based or do you take a different approach?

A. A mixture of both... Some fundamental beliefs as to where I think the markets are going to go, but we definitely pay attention to the technicals more so in the non-ag markets.

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Q. Tell us about some of your best and worst trading moments.

A. (Laughs) Sometimes they have been in the same day!

One of the better times is when we had a position going into an acreage report

4 years ago. Some of my contacts in the seed business had given me a pretty good indication that there was going to be a divergence that the trade didn't see and we went in long one and short the other and the markets after the report went limit our way and we got out of the trade at the end of the quarter. I don't know how you can get any better than that.

I suppose our worst trade was when we had the “mad cow” scare right before Christmas and the market went limit down for days and took us from a really profitable situation to a small loss. It changed the way we approach the cattle market. We tend to trade spreads in

the cattle now rather than going “all in” in one direction or another. This has brought down our volatility a little bit and maybe our returns as well, but we can sleep better. That was one of the toughest times we ever had.

Q. Have you won any awards from the rating agencies like Barclays and Autumn Gold?

A. We had one of the top five to ten year returns at Barclays. We’ve had certain quarterly awards as well as monthly and yearly awards. You can go on the Barclays website and check us out. We’ve been pretty fortunate.

Q. Thank you Jim.

Want to put your portfolio to work in an exclusive managed account program with a primary focus on commodities?

For complete details on Rosetta Capital Management (RCM) including their new Macro program, contact...

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