

**Disclosure Document of ACE Investment Strategists, LLC  
a Commodity Trading Advisor  
Registered with the Commodity Futures Trading Commission  
and a Member Firm of the National Futures Association**

## **ACE INVESTMENT STRATEGISTS, LLC**

No person is authorized by **ACE Investment Strategists, LLC** to give any information or to make any representations not contained herein.

The delivery of this Disclosure Document does not imply that the information it contains is correct subsequent to the date shown below.

**THE COMMODITY FUTURES TRADING COMMISSION HAS NOT PASSED UPON THE MERITS OF PARTICIPATING IN THIS TRADING PROGRAM NOR HAS THE COMMISSION PASSED ON THE ADEQUACY OR ACCURACY OF THIS DISCLOSURE DOCUMENT.**

The date of first intended use of this Disclosure Document is  
**September 30, 2005**

## **RISK DISCLOSURE STATEMENT**

**THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. IN CONSIDERING WHETHER TO TRADE OR TO AUTHORIZE SOMEONE ELSE TO TRADE FOR YOU, YOU SHOULD BE AWARE OF THE FOLLOWING:**

**IF YOU PURCHASE A COMMODITY OPTION, YOU MAY SUSTAIN A TOTAL LOSS OF THE PREMIUM AND OF ALL TRANSACTION COSTS.**

**IF YOU PURCHASE OR SELL A COMMODITY FUTURE, OR SELL A COMMODITY OPTION, YOU MAY SUSTAIN A TOTAL LOSS OF THE INITIAL MARGIN FUNDS AND ANY ADDITIONAL FUNDS THAT YOU DEPOSIT WITH YOUR BROKER TO ESTABLISH OR MAINTAIN YOUR POSITION. IF THE MARKET MOVES AGAINST YOUR POSITION, YOU MAY BE CALLED UPON BY YOUR BROKER TO DEPOSIT A SUBSTANTIAL AMOUNT OF ADDITIONAL MARGIN FUNDS, ON SHORT NOTICE, IN ORDER TO MAINTAIN YOUR POSITION. IF YOU DO NOT PROVIDE THE REQUESTED FUNDS WITHIN THE PRESCRIBED TIME, YOUR POSITION MAY BE LIQUIDATED AT A LOSS, AND YOU WILL BE LIABLE FOR ANY RESULTING DEFICIT IN YOUR ACCOUNT.**

**UNDER CERTAIN MARKET CONDITIONS, YOU MAY FIND IT DIFFICULT OR IMPOSSIBLE TO LIQUIDATE A POSITION. THIS CAN OCCUR, FOR EXAMPLE, WHEN THE MARKET MAKES A "LIMIT MOVE."**

**THE PLACEMENT OF CONTINGENT ORDERS BY YOU OR YOUR TRADING ADVISOR, SUCH AS A "STOP-LOSS" OR "STOP-LIMIT" ORDER, WILL NOT NECESSARILY LIMIT YOUR LOSSES TO THE INTENDED AMOUNTS, SINCE MARKET CONDITIONS MAY MAKE IT IMPOSSIBLE TO EXECUTE SUCH ORDERS.**

**A "SPREAD" POSITION MAY NOT BE LESS RISKY THAN A SIMPLE "LONG" OR "SHORT" POSITION.**

**THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU, AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS. IN SOME CASES, MANAGED COMMODITY ACCOUNTS ARE SUBJECT TO SUBSTANTIAL CHARGES**

**FOR MANAGEMENT AND ADVISORY FEES. IT MAY BE NECESSARY FOR THOSE ACCOUNTS THAT ARE SUBJECT TO THESE CHARGES TO MAKE SUBSTANTIAL TRADING PROFITS TO AVOID DEPLETION OR EXHAUSTION OF THEIR ASSETS. THIS DISCLOSURE DOCUMENT CONTAINS, AT PAGE 11 , A COMPLETE DESCRIPTION OF EACH FEE TO BE CHARGED TO YOUR ACCOUNT BY THE COMMODITY TRADING ADVISOR.**

**THIS BRIEF STATEMENT CANNOT DISCLOSE ALL THE RISKS AND OTHER SIGNIFICANT ASPECTS OF THE COMMODITY MARKETS. YOU SHOULD, THEREFORE, CAREFULLY STUDY THIS DISCLOSURE DOCUMENT AND COMMODITY TRADING BEFORE YOU TRADE, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THESE INVESTMENTS AT PAGE 15 .**

**THIS COMMODITY TRADING ADVISOR IS PROHIBITED BY LAW FROM ACCEPTING FUNDS IN THE TRADING ADVISOR'S NAME FROM A CLIENT FOR TRADING COMMODITY INTERESTS. YOU MUST PLACE ALL FUNDS FOR TRADING IN THIS TRADING PROGRAM DIRECTLY WITH A FUTURES COMMISSION MERCHANT.**

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## **DESCRIPTION OF THE ADVISOR**

ACE Investment Strategists, LLC (the Advisor) is a Virginia LLC formed in April, 2003. The Advisor was registered as a commodity trading advisor (CTA) with the Commodity Futures Trading Commission (the CFTC) and became a member of the National Futures Association (the NFA) on May 17, 2003. The Advisor's address is 8200 Greensboro Drive, Suite 275, McLean, Virginia 22102. Its telephone number is (703) 893-8808.

Yu-Dee Chang is the Advisor's sole principal. Past performance of all accounts directed by Mr. Chang can be found on page 17.

Mr. Chang has been continuously registered in the commodity industry for the past 12 years. From August of 1997 to the present, Mr. Chang has operated Chesapeake Investment Services, Inc (Chesapeake), a Virginia based Introducing Broker. Mr. Chang is the President and Chief Executive Officer and is responsible for the day-to-day supervision of approximately \$150 million dollars of customer equity.

From June of 1996 to August of 1997, Mr. Chang served as a principal and associated person of Castle Commodities, Inc.

From 1993 to June 1996, Mr. Chang worked as a broker, principal and chief market analyst for International Futures Corp., a Washington D.C. based Introducing Broker.

Mr. Chang has been registered as a principal of Vision Brokerage Services, a New York Broker Dealer, since March 12, 2003.

## **THE ADVISOR'S TRADING PROGRAM**

ACE Investment Strategists, LLC (ACE) is a trading advisor that studies financial markets with the goal of developing sound and timely strategic investment approaches to add better than average growth to investment portfolios.

We have competence in several investment media and continue to believe that portfolio allocation can benefit from a strong growth component consistent, of course, with the principal's resources and risk tolerance. We started this program after much damage had been done to investors' wealth after the bubble burst in March, 2000. It had become clear that for financial markets, the way back would not necessarily be identical with the strategies that brought portfolios down and into a prolonged recovery. We continue to believe that investments in stock indexes, but not individual stocks themselves, continue to hold more promise for growth than other investment classes in the near as well as the long term future. Our experience in the past has clearly demonstrated to us that using

modifications of tried and true concepts such as proper portfolio diversification, diligent adaptation to market volatility, dollar-cost-averaging with judicious profit taking throughout the investment term, among others hold the most promise. In our own experience over the past five plus years we have also strengthened our belief that certain specific, non-traditional approaches have been more effective in generating portfolio growth and repairing damaged portfolios over relatively long periods at impressive growth-to-risk ratios.

While we are not necessarily committed to any particular strategy on an *a priori* basis, we are absolutely committed to matching the best strategic approach to whatever investment opportunity we discern in the ebb and flow of market action. In other words, we have no doctrinaire perspective favoring investing or trading, long-term or short-term, large cap or small, value approaches or growth. We are committed to a particular strategy only when it holds convincing promise of continuing to work in our ever changing marketplace.

Our overview of trading consists of three main functions: analysis, strategy and money-management and risk control. The first, analysis, is involved with examining markets for investment opportunities and best trading approach. Some investment professionals prefer "fundamental analysis," the study of supply and demand, interest rate policy, labor productivity, monetary policies etc. Others prefer "technical analysis," which, essentially, is the study of price movement in the context of statistical and probability analysis. We choose to combine both approaches but use each to guide different decisions. The use of fundamental analysis helps us to identify trading opportunities as well as gives us confidence in knowing the underlying factors confirm our beliefs. It also considers the state of our economy as well as the global economic and political situation. Technical analysis including indicators and charting offers the necessary tools to help to achieve more favorable entries and exits as well as trading strategy for our undertakings.

Once we have chosen our trading preferences, we develop what we feel is the optimal strategy, among all others, for the specific opportunity in the market situation. Finally, this potential opportunity must make sense in the context of the client's available financial resources and risk tolerance. This leads us to place a high priority on, what all too often is less than fully recognized, the importance of money management and risk control. Although risks cannot be eliminated and profits cannot be guaranteed through any money management and risk control technique, we believe the critical function here is that the strategist exercises his experience and judgment, continuously assessing client risk tolerance in the context of the ultimate goal.

## THE ADVISOR'S STRATEGIES

At present, we prefer five strategies that best meet our criteria for an effective balance of growth and risk. Four of the strategies use S&P 500 index futures options as the focus, or as a major focus. The fifth strategy uses the Nasdaq 100 index futures. However, elements of any of the five strategies may be used with the other strategies, when appropriate in the judgment of the Advisor. So, Investors choosing one of the five strategies should recognize that under certain circumstances, the strategy chosen by the investor may be augmented with positions in other futures and options markets, again, at the discretion of the Advisor. The following provides more detailed information of the five ongoing strategies.

**Stock Index Premium Collection Strategy (SIPC). Table A & A-1.** Many investors are focused on a single strategy that is successful only when the market is trending higher. In reality, we know that quite often the market is not trending at all, neither up nor down. Most of the time it is in more of a zig-zag mode called a "consolidation." Therefore, when the market is in this condition, ACE uses a strategy to take advantage of the choppiness and non-direction. A basic tenet of this strategy is that, at times, it is best to determine where the market will not go versus where the market will go.

The strategy collects premiums by writing (selling) options on the S&P 500 index future, though occasionally other indexes may be used. The seller (writer) of an option risks losing the difference between the premium received for the option and the price of the underlying futures contract that the writer may be assigned upon exercise of the option.

A determination, educated by research and technical analysis, is made of the likely market trading range in the short term. Research shows that over the last ten years the S&P 500 Index, in any 30 day period, generally trades within a certain range. Based on that, our strategy seeks to implement the selling of options outside that range on a monthly basis. That means that call and put options, most often in pairs, are sold at different strike prices above and below the anticipated market trading range. Within this range the market can go up or down, or trade flat and the options sold can still expire worthless, to the sellers advantage, at the end of the cycle. Most often, options expire at a loss to the buyer and a gain to the seller.

Trades are usually initiated between four and six weeks from expiration. Positions are often held until then, at which point (and as intended) they may expire with their total value lost. That event maximizes the return for the option pair (known as a "strangle") by retaining all the funds received into the account when the option was initially sold. However, there are times when positions may be bought back (covered) before expiration for several possible reasons. They include, to protect profits, to increase the profit potential for the next cycle by sellers, and to avoid or minimize a likely loss. The cycle is repeated continuously, market conditions permitting. The goal is to achieve a profitable outcome for the client regardless of the direction of the price movement of the underlying index, so long as the

index price remains within the range of the strike prices of the options sold. As a consequence, although not guaranteed, we have demonstrated, and continue to believe that profitable situations can be realized both in bear markets, bull markets or, best of all, when markets are mostly moving sequentially up and down within a range.

The amount collected, called "premium", is affected by three factors... price, time, and volatility. "Price" simply refers to the relationship of the strike price to the Index price. The closer they are, the higher the premium. "Time" refers to the time left until expiration. All things being equal, we know to a certainty that any option will be worth less tomorrow than it is today. Thus, we refer to "time" as a wasting asset with predictable decay characteristics. An option with greater time remaining until expiration will command a higher premium. Higher market "volatility" similarly will result in higher option premiums. Prior to establishing a position, without considering direction, high volatility benefits the seller and low volatility benefits the buyer. Conversely, after setting up a position, without considering direction, low volatility benefits the seller and high volatility benefits the buyer. Therefore, continuous monitoring and adjustment to market volatility is another key to the success of this strategy.

An outstanding characteristic of this strategy is its flexibility. There are, many tactical alternatives to choose from depending upon the market movement, volatility and other external factors. To cite a few examples, even in periods of high volatility, (considered risky in other strategies) options can be sold at further-away-from-market strike prices, creating a significantly wider range between the call and the put, and still obtain the goal of reasonable return vs. risk. Similarly, placements can be adjusted to somewhat lower return for the relative safety of further out options. Also, there is the ability to adjust the number of options on either the put side or the call side, to accommodate index price strength in one direction.

A helpful way to look at this strategy for some investors is to view it as similar to an insurance company selling insurance against, say, earthquakes in Washington, D.C. In our case, you, the investor, are insuring other investors against potential losses if the market goes outside of a defined price range. Any insurance company collects a premium for its willingness to assume risk and so do you in our strategy. However, unlike an insurance company, which must operate within the confines of its policy, the strangle trader can get out of his contract by merely going into the market and buying back (offsetting) his original position. He may give this serious consideration especially if the arrow on the Richter scale jumps, thereby limiting his loss.

Still another favorable attribute of the strategy is that as positions expire or are closed out each month, the opportunity is presented to adjust the range, for the next cycle consistent with market price movement, up or down. This not only controls the risk but also enhances the achievement of pre-determined objectives. Investors who hold long-term positions in stocks can only envy the opportunity to start over each month with an adjusted

price arrangement tuned to changes in the market while pocketing profits in most months along the way.

It is useful to know that those on the opposite side of the trade include, primarily, institutional stock portfolio managers and secondarily speculators. Most institutions find it essential to hedge their long portfolios by buying options as protection (insurance). They often choose the S&P 500 futures options as their hedging vehicle since that index represents as much as 70%+ of all U.S. corporation market capitalization. It is also one of the most actively traded futures contracts in the world and, therefore offers impressive liquidity advantages versus other stock index future options.

There are at least three protective approaches that we use when the market acts differently than expected. The first is simply to close the position, to "cover." This may incur a loss on a particular trade but prevent the possibility of a larger loss if the position were retained. Second is to cover and "roll" simultaneously (or nearly simultaneously) by selling another position in the same or subsequent months. Rolling returns premium to the account immediately although it may not offset the full loss of covering. It does, however, give us the opportunity to recover the losses upon market stabilization. A third way out is to buy (if the errant move is to the upside) or sell (if the opposite) the index future itself at or near the strike price. This will alter the position to a covered call (or covered put) that can improve characteristics of the original position. In summary, selling strangles on the S&P 500 index futures can be an important addition to any portfolio seeking a growth component. Compared with individual stock investments or buying options, where decisions on all three variables (time, price and volatility) must be correct to achieve great success, the option seller only needs to have one of three in his favor.

It is our belief this strategy appeals mostly to those who have well diversified portfolios and are looking for an alternative growth strategy which has the potential to gain larger than average returns for larger than average, but, calculated, risk. In the Advisor's opinion, a minimum of 18 months should be allowed to experience a full cycle of the strategy before evaluating performance.

We have two programs in this strategy, Regular and Institutional. Both use the identical format of options on the S&P future index. The Institutional program requirements for minimum starting value is higher than that for the Regular program (see below) and, therefore can be traded with greater flexibility.

Stock Index Premium Collection Strategy – Minimum Starting Value Required\*

Regular Program	\$75,000	Institutional Program	\$180,000
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Lesser amounts may be accepted solely at the discretion of the Advisor.

\*Stated minimums are net of any front-end fees.

**Aggressive Stock Index Premium Collection (ASIPC). Table B.** The objective of this strategy is to achieve returns superior to those of the core SIPC strategy, primarily by exploiting rising volatility levels, when they occur, in a more aggressive way. This strategy uses all the basics of the core SIPC system, selling put and call options on the S&P 500 future to collect premiums (a complete description of that strategy appears in detail beginning on page 3). ASIPC will differ from the “core” mainly in that it will, at opportune times, and with suitable moderation, select option strike prices closer to the market in order to collect higher premiums and improve performance. An added risk in this approach is the degree to which the market is more likely to impend on strike prices. Offsetting that risk is the experienced judgment of the Advisor, his ability to make quick decisions and to execute them in interest of capitalizing on an opportunity by hedging (taking a long or short position in the underlying futures contract) or trading out of the potential trouble. The plan is to trade in a more aggressive way only when volatility and other market conditions are optimum. Adequate market volatility is essential to the success of the strategy. Volatility on the S&P 500 index has been through a long, and steady decline which, in February and July, 2005 reached low levels not seen in more than ten years. Since then market volatility has risen sharply, stabilized and is resolving at higher levels much more conducive to this strategy. The Advisor retains the discretion to mix and match elements of other strategies or new elements, as market conditions require. Appropriate participants for this strategy will be experienced investors who will have the staying power (both psychologically and monetarily) to execute this strategy for the long-term. A minimum of 18 months should be allowed to evaluate performance. Investors should have sufficient risk capital to meet the starting minimums stated below.

**Aggressive Stock Index Premium Collection Strategy – Minimum Starting Value Required\***

Regular Program	\$100,000	Institutional Program	\$180,000
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Lesser amounts may be accepted solely at the discretion of the Advisor.

\*Stated minimums are net of any front-end fees.

**Diversified Premium Collection Strategy (DPC). Table C & C-1.** This strategy combines the profit-generating potential of our core strategy, the Stock Index Premium Collection strategy as described on page 3, with opportunistic trading in any other index, financial or commodity future. The Stock Index Premium Collection strategy has demonstrated that it can be productive in up-trends, downtrends and non-trending consolidations. In this strategy our goal is to gather returns on a consistent, monthly basis.

Financial and commodity futures offer us a different kind of opportunity. As experienced commodity traders, we know that over the course of a year individual commodities might not offer attractive investment (or trading) situations at all times. So, among the 36 commodities we currently track daily, we are always on the alert for compelling opportunities when they do occur in one or more in the group. There are many ways to identify these opportunities, but for the most part they occur for reasons that affect pricing due to circumstances that depart from the norm. Examples might be anomalies in interest rates or cross-currency values, acute product shortages, or overly abundant supply that can affect the marginal producer or the captive customer.

Price distortions result, which, when they are not fatal to the existence of the commodity itself (almost never) can be reasonably expected to self-adjust to the norm, over time. Trading positions are taken accordingly. Sometimes the price distortion corrects quickly, resulting in a short-term trade. Other times, for seasonal and other reasons, the price adjustment may require a longer time frame. These opportunities are often difficult to anticipate exactly, in terms of time-of-entry or duration of the investment period, so advance planning cannot be precise.

It is our practice, in this strategy, to assign subordinate allocation of principle to carefully selected financial and commodity future opportunities in the interest of enhancing portfolio growth and adding beneficially to portfolio diversification.

The trading process depends entirely on the Advisor's assessment of the relevant details of the opportunity, and the most appropriate tactical approach to take. The key considerations are the fundamentals of the particular market, the stage of price development, and the estimate of the amount of time remaining to resolve the anomaly.

Depending upon the situation, the Advisor may use any of a large number of trading tactics, such as, taking long or short positions in the future itself, or in combinations using a variety of spreading techniques, bull or bear spreads, calendar spreads, ratio spreads, etc. Other situations could tactically favor options individually or in straddles or strangles, condors, butterflies or a large number of other combinations. The advisor will decide the best tactical execution of the strategy.

The larger opportunity that we see in this overall strategy is to combine selective commodity trades with the S&P strategy in the interest of increasing the overall return and providing a measure of diversification to the S&P approach.

We have two programs in this strategy, as well, Regular and Institutional. Both implement the identical strategy but the larger principle required (see below) for the Institutional program affords that program greater trading flexibility.

Diversified Premium Collection Strategy – Minimum Starting Value Required \*

Regular Program	\$75,000	Institutional Program	\$250,000
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Lesser amounts may be accepted solely at the discretion of the Advisor.

\*Stated minimums are net of any front-end fees.

**Dynamic Dollar Cost Averaging Using Stock Index Futures (DDCA). Table D.**

This strategy was designed after thorough consideration of several key factors including the intermediate term political and economic outlook, both globally and domestically. Fundamental evaluations were made to conclude that recoveries would likely continue from the worldwide economic spasms of 1998 through 2002. And they are happening, particularly in North America, South America and Asia. Even if pauses in economic growth should occur over the next few years and we see further confirmations that we are continuing in a secular bear market, we believe there will be sufficient upside movement in financial markets to return significant wealth to investors with the appropriate strategy.

In this strategy we use dollar cost averaging of price intervals on the Nasdaq 100 futures index. We believe using the optimum growth vehicle is key because stock markets are not likely to move upward without strong representations of stocks in the technology sectors. We prefer a growth index rather than trying to select, track and manage the ups and downs of individual growth stocks. The Nasdaq 100 was chosen primarily for its heavy concentration of technology and other growth stocks. In addition, more than other stock indices, it performs with the requisite volatility, trending, and retracement qualities so important to this strategy. We use the “mini” version of this index, which, at one-fifth the cost of the “full” index, facilitates money management and protection in extreme volatility situations.

The trading process begins by taking a long position in the mini-Nasdaq 100 future. If the market rises to a designated interval, a profit is taken. Should the market sink to a predetermined interval to the downside, positions are added. If the market continues down to the next interval more positions are added and so on, upwards and down-wards, until one of two following events occur. The held positions are all sold at a profit, in which case, the process can start over after a review of all the critical factors. Or, if the market establishes a compelling trend to the downside, the regimen will be closed or, the process reversed to take profits on short positions.

The familiar practice of dollar-cost-averaging (making regularly timed purchases of the same amount so as to accumulate more assets at low prices and fewer at high prices) was popularized years ago by the mutual fund industry. Our approach in this strategy is rather more dynamic. We buy and sell positions at discrete, pre-planned, and proprietary price intervals to the upside and the downside, substituting price driven decisions for regular, timed investments. Intervals may be adjusted based upon market dynamics. The prescribed intervals are key to the success of the process and, as said, are dynamic and proprietary. Another important distinction of this strategy is that it is designed to take profits as earned, rather than hold them until retirement.

In summary, this strategy focuses on the leading growth sectors (technology, biotechnology, health-care and others), enjoys the benefit of one hundred different stocks traded as one, as opposed to a smaller number of individual stocks, makes good use of leverage and volatility, and takes profits along the way. The goal is to outperform the Nasdaq 100 futures index to the upside and undertake less risk to the downside.

We have two programs in this strategy, as well, Regular and Institutional. Both follow the identical process but the larger principle required for the Institutional program (see below) affords that program greater trading flexibility.

Dynamic Dollar Cost Averaging – Minimum Starting Value Required\*

Regular Program	\$50,000	Institutional Program	\$180,000
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Lesser amounts may be accepted solely at the discretion of the Advisor.

\*Stated minimums are net of any front-end fees.

**Swing Trading the Stock Indices (STSI). Note: No Performance as of September 30, 2005 for STSI Programs.** The objective of this strategy is to exploit the constant swings in the market. These swings occur not only in a non-trending environment, but when the market is making a directional movement, as well. Typically even strong directional movements are interrupted by retracements and consolidations. Depending upon the specific opportunity, the Advisor will trade both long and short, accordingly, to maximize the benefit from market movements. The mini S&P 500 index, the mini Nasdaq 100 index, the mini Dow Jones index and the Dow Jones index futures will be the main vehicles of choice. However, the Advisor maintains the right to use other indices or other futures contracts as well as other trading strategies, should there be a need to do so. The Advisor will trade both trends and ranges. In range trading, the duration of each trade is typically shorter and the trades will be in both directions. In strongly trending markets the trades may be more extended in time, and mainly in the direction of the trend. For the most part, systematic day trading is not a part of this strategy.

It is the Advisor's opinion that stock indices are more suitable for swing trading than individual stocks. The Advisor assesses the risk of every situation in advance of putting on the trade. He generally seeks a minimum of 2:1 reward-to-risk ratios except in special situations or when following certain indicators or chart patterns with high statistical probabilities of success. Investors should have sufficient risk capital to meet the starting minimums stated below. In the Advisor's opinion, a minimum of 6 months should be allowed to experience a full cycle of the strategy before evaluation performance.

Swing Trading the Stock Indices – Minimum Starting Value Required \*

Regular Program	\$50,000	Institutional Program	\$180,000
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Lesser amounts may be accepted solely at the discretion of the Advisor.

\*Stated minimums are net of any front-end fees.

## FEES

Each introducing broker may charge a round turn commission up to \$55.00 inclusive of all trading fees and commissions. Chesapeake as an introducing broker may receive a portion of this commission. Please refer to page 14 for a discussion of the conflicts of interest. Except as provided for below, the Advisor will receive as compensation for its advisory services, a monthly management fee of 1/12 of 2% (0.17%) of the account's Net Asset Value, if positive, and an incentive fee of 25% of new monthly Trading Profits. The incentive fee is paid only if an account has new Trading Profits. Thus, if the account experiences a loss after an incentive fee is paid, the Advisor will retain the payment but will not receive another incentive fee until the account has subsequent Trading Profits. The Advisor may pay persons or firms who introduce accounts to it a portion of the fees it receives from such accounts. Additionally, each account will be assessed a \$20.00 monthly accounting fee.

**Net Asset Value** means the account's total assets less total liabilities, determined according to the following principles, and where no principle is governing, then on the basis of generally accepted accounting principles, consistently applied.

- (a) Net Asset Value shall include any unrealized profit or loss on open positions.
- (b) All open positions shall be valued at their then market value which means, with respect to open positions, the settlement price as determined by the exchange on which the transaction is effected or the most recent appropriate quotation as supplied by the account's commodity broker or banks through which the transaction is effected, except that United States Treasury bills (not futures contracts thereon) shall be carried at cost plus accrued interest. If there are no trades on the date of the calculation due to operation of the daily price fluctuation limits or due to a closing of the exchange on which the transaction is executed, the contract will be valued at the nominal settlement price as determined by the exchange.
- (c) Brokerage commissions and fees shall be treated as a liability of the account upon the initiation of a position. Incentive fees payable to the Advisor on Trading Profits shall be accrued for purposes of calculating Net Asset Value.

**Trading Profits** for purposes of calculating the Advisor's incentive fee only, during a month shall mean the cumulative profits (over and above the aggregate of previous Period profits) after deduction for accrued brokerage commissions and management fees payable to the Advisor. Trading Profits shall include both realized and unrealized profits and interest received by the account on its assets. If Trading Profits for a Period are negative, it shall constitute a "Carryforward Loss" for the beginning of the next Period. No incentive fees shall be payable to the Advisor until future Trading Profits for the ensuing Period exceed Carryforward Loss. To the extent amounts are withdrawn from the account at a time when the account has a loss, any loss attributed to such amounts shall not be carried forward to reduce future Trading Profits.

**Fee Payment.** Management and incentive fees are typically paid to the Advisor by the account's FCM from funds in client's account, in accordance with the terms of the Customer Agreement. If the Advisor has not received payment within fifteen (15) days of invoicing, the client will be notified, with a copy to his FCM. If payment still has not been received within ten (10) days after notice date, the Advisor reserves the right to liquidate all positions in the account and will have no liability for losses. When an account closes, the Client authorizes the FCM to pay any fees due from the account upon receipt by such party of a billing statement from the Advisor.

## **ADDITIONS, PARTIAL WITHDRAWALS, AND TERMINATIONS**

**Additions to or Partial Withdrawals from the Account.** Client may add funds to his account at any time. Partial withdrawals also may be initiated at any time with a request written from Client to Advisor. Advisor requires (5) trading days, starting the day following his receipt of a withdrawal request to adjust positions, which may include exiting existing and/or adding new positions, if necessary, to meet the amount requested and maintain a prudent reserve. At the end of this period, provided there are no keypunch errors, funds will be available for withdrawal. Advisor reserves the right to terminate the account should withdrawals reduce the Account size to a level below ACE's then-current minimum requirements. (Note: Acceptable deliveries of written notice are, regular mail, overnight mail, facsimile transmission, and courier. E-mail communication is not acceptable for this purpose.)

**Terms and Conditions for Terminating this Agreement.** Client may terminate this agreement at any time. There is no deadline or any specific window of time to accomplish this. But there are important steps to be taken that involve both Client and Advisor. Client must send a written notice of termination to Advisor. On receipt of the notice, Advisor, may initiate a conversation with Client for clarification purposes. On the trading day following receipt of the notice and any Advisor/Client conversation, Advisor will begin to offset positions with careful consideration for Client's best financial interest. Advisor requires up to five (5) trading days to diligently complete that process at the end of which the Account will be all in cash (barring the occurrence of a key punch error). It is worth noting that trading is an ongoing activity and it is possible that trades may be initiated in good faith immediately before Advisor has any knowledge of Client's intention to terminate. Advisor also has the right to terminate this agreement at any time upon written notice to Client. Client shall be liable for all costs, expenses and losses incurred to liquidate open positions upon termination. If Client terminates this agreement within the first six months of participation in the program, there will be a 2% back-end fee of the initial investment, or \$1000.00, whichever is greater, assessed to the account to cover administrative costs to open and process accounts. (Note: Acceptable deliveries of written notice are, regular mail, overnight mail, facsimile transmission, and courier. E-mail communication is not acceptable for this purpose.)

## **AFFILIATIONS WITH FUTURES COMMISSION MERCHANTS AND INTRODUCING BROKERS**

Client funds for trading an Advisor's program may not be held by the Advisor. They must be held by a Futures Commission Merchant (FCM), whose role includes the record keeping of funds and fees and providing the client with statements of his account. Clients are free to engage the FCM of their choice provided they are in institutional programs and there is give-up compatibility between the Advisor and that FCM. Clients who have no predisposition about an FCM are encouraged to consider Vision Limited Partnership ("Vision"). Both Vision and the Advisor are well known entities to each other. Their mutual acquaintance of personnel and knowledge of operating procedures are likely to accrue efficiency benefits and smoothness of operation to clients with accounts at Vision. Vision is located at One Whitehall Street, 15<sup>th</sup> floor, New York, NY, 10004.

On August 2, 2000, NFA's Business Conduct Committee issued a complaint to Vision and Robert Boshnack ("Boshnack"). The complaint alleges that Vision and Boshnack used promotional material in violation of NFA Compliance Rules 2-29 (b)1, (b)2, (b)3 and (c)(3) ii. On April 22, 2002, the Committee issued a Settlement Decision to Vision and Boshnack. The Committee ordered Vision to pay a fine of \$200,000 and submit certain promotional material to the NFA for pre-approval. The charges against Boshnack were dismissed by both the Hearing Committee and the Appeals Committee.

There is currently no litigation pending or on appeal which, if successfully pursued by a plaintiff or appellant would have a material effect on the FCM.

The client is free to select the Introducing Broker of his choice. Introducing Brokers may charge Client accounts an upfront fee of up to 8% of the capital contribution to the Client's account. ACE does not participate in such upfront fees. Please note that this charge is not reflected in the performance of the Commodity Trading Advisor (as set forth on pages 18-23 of this document) and could have a significant impact on the customer's ability to achieve similar returns.

## **COMMODITY TRADING BY THE ADVISOR**

The Advisor may trade commodity interests for his own account. The Advisor's account may or may not use the same methods being employed to trade client accounts. Because of their confidential nature, records of such trading will not be made available to clients for inspection.

## CONFLICTS OF INTEREST

The Advisor may pay persons or firms who introduce accounts to it a portion of the fees it receives from such accounts. As a result, persons or firms who introduce your account to the Advisor may have an incentive to do so based on the payments they will receive from the Advisor.

The Advisor may trade commodity interests directly for his own account. Trading activity in his account may differ from the trading activity in the accounts the Advisor manages. Such trading may be more or less aggressive than that engaged in for client accounts. In fact, it is possible that the positions taken by the Advisor may not be held for the same period of time as, and may even be opposite to, those positions taken by the Advisor on behalf of the accounts it manages (e.g. the managed account may be long whereas the Advisor is short that commodity in his account). The commodities traded in the Advisor's account may differ from those traded in client accounts. Thus, no assurance may be given that the trading results in the Advisor's account will be the same as the performance in client accounts.

There are position limits established by regulatory authorities that limit the position size in various commodities that the Advisor and its principals can control on any given day. The Advisor may, on any given day, trade for his account, up to the position limits established by the regulatory authorities and therefore would be unable to trade those commodities (or would be required to take smaller positions) for client accounts in those instances. If this were to occur, the Advisor does not know what effect it will have on the performance results of accounts it manages.

It is likely that an account's FCM will effect transactions for many customers. Since the identity of the purchaser and seller are not disclosed until after the trade, it is possible that the FCM could effect transactions for clients in which the other party to the transactions is the Advisor.

The Advisor enters all orders (including orders for proprietary accounts) using an average pricing system. [See "Affiliations with Introducing Brokers and Futures Commission Merchants".] However, no assurance is given that the performance of all accounts controlled by the Advisor will be identical due to, among other things account size, the time at which the account was opened or closed and leverage.

In the event that a client should choose Chesapeake Investment Services, the CTA would have a conflict of interest resulting from an incentive to trade the client's account more frequently and thus generate increased brokerage commissions for Chesapeake Investment Services.

## RISK FACTORS

***A prospective client interested in opening a managed account with the Advisor should carefully consider the highly speculative nature of trading commodity interests and the possibility that he may lose more than the amount of money initially deposited in his commodity brokerage account.***

The risks of opening an account with the Advisor include, but are not limited to, the fact that:

1. Futures prices are highly volatile. Price movements of commodity futures contracts are influenced by, among other things changing supply and demand relationships, weather, government, agricultural trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events, and changes in interest rates. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly currencies and gold. Such intervention is often intended to influence prices directly.

2. Trading commodity futures contracts and options thereon is highly leveraged and a small move in the price of a futures or options contract may result in immediate and substantial losses. Clients may incur, and will be responsible for, trading losses in excess of the capital contributed to the account. All funds deposited into the account must represent risk capital. Clients acknowledge that no “safe” trading system has ever been devised and that no one can guarantee profits or freedom from loss in trading commodity futures and options thereon.

3. Commodity markets may be illiquid making it impossible or difficult to liquidate a losing position. This could result in substantial losses to an account.

4. The existence of speculative position limits may limit the number of futures positions the Advisor can control for any account limiting or reducing profit opportunities (see, “Conflicts of Interest” Page 14).

5. Accounts will incur substantial fees and expenses regardless of whether profits are realized, including management fees and brokerage commissions (see, “Fees” Page 11).

6. There are conflicts of interest to which the Advisor is subject (see, “Conflicts of Interest” Page 14).

7. The Advisor’s trading and operations are solely dependent on the services of Mr. Chang. The loss of his services would make it impossible for the Advisor to continue trading (see, “Conflicts of Interest” Page 14).

8. The Advisor manages, and intends in the future to manage, other accounts. Not only may the Advisor have financial incentives to favor certain of such accounts, but also the larger the amount of equity under its management, the more difficult it may be for it to trade successfully. There appears to be a tendency for the rates of return achieved by trading advisors to decrease as assets under management increase. The Advisor has not agreed to limit the amount of funds it will manage. There can be no assurance that the Advisor's trading of increased funds will not have an adverse effect on performance.

9. As is noted above, the profitability of an account will be determined solely by the success of the Advisor's trading strategy. Futures trading is a zero sum, risk-transferring activity in which, by definition, for every gain there is an equal and corresponding loss (plus the cost of transaction and advisory fees). Regardless of past performance, there is no guarantee that the strategies used by the Advisor will be successful or will not incur losses.

10. The relatively small minimum size of the accounts the Advisor will trade may result in substantial volatility since a large portion of the account's equity may be committed to margin. This increased volatility may result in frequent margin calls from an account's FCM and the liquidation of the account at an inopportune time if such margin calls are not, or cannot, be met.

11. The Advisor initially may limit its trading to contracts in stock index futures. Accounts trading only stock index futures may not be diversified and they may experience more volatility than they might experience if a more diversified portfolio was traded.

12. If the FCM with which you deposit funds fails, becomes insolvent or bankrupt, you could lose all or a portion of the funds in your account.

## **PAST PERFORMANCE**

The CFTC requires each commodity trading advisor to disclose the past performance history of all client accounts directed by it and certain of its principals for the previous five years and the year-to-date.

The data presented in the following tables reflect the composite performance of those accounts, net of all commissions and fees.

**TABLE A - CAPSULE PERFORMANCE INFORMATION  
(Through September 2005)**

Name of CTA <sup>(3)</sup> .....	ACE Investments Strategists, LLC/Yu-Dee Chang
Name of Trading program .....	Stock Index Premium Collection
Date CTA began trading client accounts.....	October 2001
Date CTA began using trading program.....	October 2001
Total assets managed in all programs .....	\$122,200,200
Total assets managed pursuant to program .....	\$84,284,000
Worst monthly draw-down <sup>(1)</sup> .....	July 2003 (7.78)%
Worst peak-to-valley draw-down <sup>(2)</sup> .....	June-July 2003 (7.78)%
Number of account as of September 30, 2005.....	1,176
Number of client accounts open last 5 years .....	1,286
Number of accounts traded that were open and closed during the last 5 years with a profit (ranging in return from +1.04% to + 420% <sup>(5)</sup> .....	105
Number of accounts traded that were open and closed during the last 5 years with a loss (ranging in return from -5.67% to 0.00%) <sup>(5)</sup> .....	5

<b>CAPSULE PERFORMANCE TABLE</b>					
Monthly % Rate of Return (Net of all fees)					
<b>Month</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
January .....	2.47	.89	7.24	4.36	
February.....	(1.99)	4.82	4.84	5.78	
March .....	.23	3.39	4.58	5.47	
April .....	.73	1.98	10.18	.41	
May .....	2.45	2.93	2.81	3.96	
June <sup>(4)</sup> .....	2.14	3.29	.92	(3.37)	
July.....	.58	2.27	(7.78)	(2.46)	
August.....	1.46	2.70	15.48	8.82	
September .....	2.19	4.07	5.78	6.42	
October .....		(1.57)	8.95	16.50	31.98
November .....		1.32	2.68	5.29	28.16
December .....		2.46	(1.62)	5.16	19.47
<b>Annual/Year-to-Date</b>	<b>10.65</b>	<b>32.40</b>	<b>66.66</b>	<b>71.13</b>	<b>102.08</b>

**Footnotes to Capsule Performance Information and Table**

<sup>1</sup> "Worst monthly percentage draw-down" is the largest monthly loss experienced by all accounts included in the capsule in any calendar month expressed as a percentage of total equity and includes the month and year of such draw-down.

<sup>2</sup> "Worst peak-to-valley draw-down" is the greatest cumulative percentage decline in month-end net asset value of all accounts reflected in the capsule during a period in which the initial month-end net asset value of the account is not equaled or exceeded by a subsequent month-end net asset value of the account and includes the time period in which it occurred.

<sup>3</sup> Mr. Chang began trading customer accounts according to the program in October 2001. ACE Investments, LLC began trading customer accounts according to the same program in May 2003.

<sup>4</sup> Prior to July 1, 2004, the management fee for the program was 1% annually and the incentive fee was 20%.

<sup>5</sup> Please note that 22 of the 110 closed accounts simply moved to another program directed by ACE.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**TABLE A-1 - CAPSULE PERFORMANCE INFORMATION (For Accounts Over \$180,000)  
(Through September 2005)**

Name of CTA <sup>(3)</sup> .....	ACE Investments Strategists, LLC/Yu-Dee Chang
Name of Trading program .....	Stock Index Premium Collection
Date CTA began trading client accounts.....	October 2001
Date CTA began using trading program.....	October 2001
Total assets managed in all programs .....	\$122,200,200
Total assets managed pursuant to program .....	\$29,135,500
Worst monthly draw-down <sup>(1)</sup> .....	October 2004 (2.86)%
Worst peak-to-valley draw-down <sup>(2)</sup> .....	September-October 2004 (2.86)%
Number of account as of September 30, 2005.....	88
Number of client accounts open last 5 years .....	92
Number of accounts traded that were open and closed during the last 5 years with a profit (ranging in return from +1.17 to +31.06% .....	4
Number of accounts traded that were open and closed during the last 5 years with a loss.....	0

<b>CAPSULE PERFORMANCE TABLE</b>		
Monthly % Rate of Return (Net of all fees)		
<b>Month</b>	<b>2005</b>	<b>2004</b>
January .....	3.37	
February .....	(2.50)	
March.....	.13	
April.....	.46	
May.....	2.55	
June <sup>(4)</sup> .....	2.19	2.88
July .....	.65	2.55
August.....	1.44	2.94
September .....	2.39	5.04
October .....		(2.86)
November .....		2.25
December .....		3.59
<b>Annual/Year-to-Date</b>	<b>11.07</b>	<b>17.38</b>

**Footnotes to Capsule Performance Information and Table**

<sup>1</sup> "Worst monthly percentage draw-down" is the largest monthly loss experienced by all accounts included in the capsule in any calendar month expressed as a percentage of total equity and includes the month and year of such draw-down.

<sup>2</sup> "Worst peak-to-valley draw-down" is the greatest cumulative percentage decline in month-end net asset value of all accounts reflected in the capsule during a period in which the initial month-end net asset value of the account is not equaled or exceeded by a subsequent month-end net asset value of the account and includes the time period in which it occurred.

<sup>3</sup> Mr. Chang began trading customer accounts according to the program in October 2001. ACE Investments, LLC began trading customer accounts according to the same program in May 2003.

<sup>4</sup> Prior to July 1, 2004, the management fee for the program was 1% annually and the incentive fee was 20%.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**TABLE B - CAPSULE PERFORMANCE INFORMATION  
(Through September 2005)**

Name of CTA.....	ACE Investments Strategists, LLC/Yu-Dee Chang
Name of Trading program .....	Aggressive Stock Index Premium Collection Strategy
Date CTA began trading client accounts .....	October 2001
Date CTA began using trading program .....	July 2005
Total assets managed in all programs .....	\$122,200,200
Total assets managed pursuant to program .....	\$849,000
Worst monthly draw-down <sup>(1)</sup> .....	July 2005 (3.36)%
Worst peak-to-valley draw-down <sup>(2)</sup> .....	July 2005 (3.36)%
Number of accounts as of September 30, 2005 .....	6
Number of client accounts open last 5 years.....	6
Number of accounts traded that were open and closed during the last 5 years.....	0

<b>CAPSULE PERFORMANCE TABLE</b>		
Monthly % Rate of Return (Net of all fees)		
<b>Month</b>	<b>2005</b>	
January .....		
February .....		
March.....		
April.....		
May.....		
June.....		
July .....	(3.36)	
August.....	1.54	
September .....	3.37	
October .....		
November .....		
December .....		
<b>Annual/Year-to-Date</b>	<b>1.44</b>	

**Footnotes to Capsule Performance Information and Table**

<sup>1</sup> "Worst monthly percentage draw-down" is the largest monthly loss experienced by all accounts included in the capsule in any calendar month expressed as a percentage of total equity and includes the month and year of such draw-down.

<sup>2</sup> "Worst peak-to-valley draw-down" is the greatest cumulative percentage decline in month-end net asset value of all accounts reflected in the capsule during a period in which the initial month-end net asset value of the account is not equaled or exceeded by a subsequent month-end net asset value of the account and includes the time period in which it occurred.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

<b>TABLE C - CAPSULE PERFORMANCE INFORMATION (Through September 2005)</b>	
Name of CTA .....	ACE Investments Strategists, LLC/Yu-Dee Chang
Name of Trading program .....	Diversified Premium Collection Strategy
Date CTA began trading client accounts.....	October 2001
Date CTA began using trading program .....	August 2004
Total assets managed in all programs .....	\$122,200,200
Total assets managed pursuant to program .....	\$5,984,900
Worst monthly draw-down <sup>(1)</sup> .....	February 2005 (3.70)%
Worst peak-to-valley draw-down <sup>(2)</sup> .....	January-March 2005 (4.64)%
Number of accounts as of September 30, 2005.....	50
Number of client accounts open last 5 years .....	53
Number of accounts traded that were open and closed during the last 5 years with a profit (ranging from +1.43% to +4.58%) <sup>(3)</sup> .....	3
Number of accounts traded that were open and closed during the last 5 years with a loss.....	0

<b>CAPSULE PERFORMANCE TABLE</b>		
Monthly % Rate of Return (Net of all fees)		
Month	2005	2004
January .....	6.75	
February .....	(3.70)	
March.....	(.98)	
April.....	.24	
May .....	3.53	
June .....	.74	
July .....	.96	
August.....	(.39)	1.95
September .....	3.78	.01
October .....		(1.98)
November .....		4.99
December .....		(2.32)
<b>Annual/Year-to-Date</b>	<b>11.07</b>	<b>2.49</b>

**Footnotes to Capsule Performance Information and Table**

<sup>1</sup> "Worst monthly percentage draw-down" is the largest monthly loss experienced by all accounts included in the capsule in any calendar month expressed as a percentage of total equity and includes the month and year of such draw-down.

<sup>2</sup> "Worst peak-to-valley draw-down" is the greatest cumulative percentage decline in month-end net asset value of all accounts reflected in the capsule during a period in which the initial month-end net asset value of the account is not equaled or exceeded by a subsequent month-end net asset value of the account and includes the time period in which it occurred.

<sup>3</sup> Please note that 1 of the 3 closed accounts simply moved to another program directed by ACE.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**TABLE C-1 - CAPSULE PERFORMANCE INFORMATION (For Accounts Over \$180,000)  
(Through September 2005)**

Name of CTA.....	ACE Investments Strategists, LLC/Yu-Dee Chang
Name of Trading program .....	Diversified Premium Collection Strategy
Date CTA began trading client accounts .....	October 2001
Date CTA began using trading program .....	September 2004
Total assets managed in all programs .....	\$122,200,200
Total assets managed pursuant to program .....	\$1,568,700
Worst monthly draw-down <sup>(1)</sup> .....	February 2005 (4.92)%
Worst peak-to-valley draw-down <sup>(2)</sup> .....	January-April 2005 (5.96)%
Number of accounts as of September 30, 2005 .....	7
Number of client accounts open last 5 years.....	7
Number of accounts traded that were open and closed during the last 5 years.....	0

<b>CAPSULE PERFORMANCE TABLE</b>		
Monthly % Rate of Return (Net of all fees)		
<b>Month</b>	<b>2005</b>	<b>2004</b>
January .....	6.37	
February .....	(4.92)	
March.....	(.85)	
April.....	(.25)	
May .....	3.37	
June .....	.80	
July .....	1.50	
August.....	(.51)	
September .....	3.87	(2.40)
October .....		(3.33)
November .....		6.74
December .....		.38
<b>Annual/Year-to-Date</b>	<b>9.32</b>	<b>1.11</b>

**Footnotes to Capsule Performance Information and Table**

<sup>1</sup> "Worst monthly percentage draw-down" is the largest monthly loss experienced by all accounts included in the capsule in any calendar month expressed as a percentage of total equity and includes the month and year of such draw-down.

<sup>2</sup> "Worst peak-to-valley draw-down" is the greatest cumulative percentage decline in month-end net asset value of all accounts reflected in the capsule during a period in which the initial month-end net asset value of the account is not equaled or exceeded by a subsequent month-end net asset value of the account and includes the time period in which it occurred.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

**TABLE D - CAPSULE PERFORMANCE INFORMATION  
(Through September 2005)**

Name of CTA.....	ACE Investments Strategists, LLC/Yu-Dee Chang
Name of Trading program .....	Dynamic Dollar Cost Averaging
Date CTA began trading client accounts .....	October 2001
Date CTA began using trading program .....	February 2004
Total assets managed in all programs .....	\$122,200,200
Total assets managed pursuant to program .....	\$378,100
Worst monthly draw-down <sup>(1)</sup> .....	April 2005 (11.91) %
Worst peak-to-valley draw-down <sup>(2)</sup> .....	December 2004-April 2005 (18.42)%
Number of accounts as of September 30, 2005 .....	6
Number of client accounts open last 5 years.....	8
Number of accounts traded that were open and closed during the last 5 years with a profit.....	0
Number of accounts traded that were open and closed during the last 5 years with a loss (ranging in return from -3.65% to -5.58%) .....	2

**CAPSULE PERFORMANCE TABLE**

Monthly % Rate of Return (Net of all fees)

<b>Month</b>	<b>2005</b>	<b>2004</b>
January .....	(4.92)	
February .....	(.35)	(.57)
March.....	(2.25)	(1.94)
April.....	(11.91)	(2.14)
May .....	22.12	2.49
June <sup>(3)</sup> .....	(5.58)	1.62
July .....	9.85	(4.83)
August.....	(.76)	(.40)
September .....	2.29	1.55
October .....		4.45
November .....		2.53
December .....		1.14
<b>Annual/Year-to-Date</b>	<b>4.90</b>	<b>3.61</b>

**Footnotes to Capsule Performance Information and Table**

<sup>1</sup> "Worst monthly percentage draw-down" is the largest monthly loss experienced by all accounts included in the capsule in any calendar month expressed as a percentage of total equity and includes the month and year of such draw-down.

<sup>2</sup> "Worst peak-to-valley draw-down" is the greatest cumulative percentage decline in month-end net asset value of all accounts reflected in the capsule during a period in which the initial month-end net asset value of the account is not equaled or exceeded by a subsequent month-end net asset value of the account and includes the time period in which it occurred.

<sup>3</sup> Prior to July 1, 2004, the management fee for the program was 1% annually and the incentive fee was 20%.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**

## TAX ASPECTS

The laws relating to the taxation of trading commodity interests are complex. There are various federal and state tax consequences associated with trading commodity interests.

Under the Internal Revenue Code, expenses of producing income, including investment advisory fees, are aggregated with unreimbursed employee business expenses and other expenses of producing income (collectively, "Aggregate Investment Expenses"). The aggregate amount of those expenses is deductible only if such amount exceeds 2% of a non-corporate taxpayer's adjusted gross income. The fees payable to the Advisor may be characterized as investment advisory fees. In addition, Aggregate Investment Expenses in excess of the 2% threshold, when combined with certain itemized deductions, are subject to a reduction equal to, generally 3% of the taxpayer's adjusted gross income in excess of certain threshold amounts. Moreover, such Aggregate Investment Expenses are miscellaneous itemized deductions that are not deductible by a non-corporate taxpayer calculating his alternative minimum tax liability. Accordingly, the fees paid to the Advisor by a participating client who is a U.S. citizen or resident will be deductible only to the extent that such participating client's Aggregate Investment Expenses exceed 2% of such client's adjusted gross income. EACH CLIENT, THEREFORE, MAY PAY TAX ON MORE THAN THE NET PROFITS GENERATED BY THE ADVISOR'S MANAGED ACCOUNT PROGRAM.

**PROSPECTIVE CLIENTS SHOULD CONSULT WITH THEIR OWN TAX ADVISERS BEFORE DECIDING WHETHER TO OPEN AN ACCOUNT WITH THE ADVISOR.**

## ADDITIONAL INFORMATION

Additional information about the Advisor and its trading program can be obtained by contacting the Advisor at the address or telephone number appearing on page 1 of this Disclosure Document.

**ACKNOWLEDGMENT OF RECEIPT OF DISCLOSURE DOCUMENT**

The following Client(s) or entity, hereby acknowledges receipt of the Disclosure Document of ACE Investment Strategists, LLC dated September 30, 2005.

1. NAME OF CLIENT \_\_\_\_\_ (please print)

SIGNATURE \_\_\_\_\_

DATE OF SIGNATURE \_\_\_\_\_

2. NAME OF CLIENT \_\_\_\_\_ (please print)

SIGNATURE \_\_\_\_\_

DATE OF SIGNATURE \_\_\_\_\_

3. NAME OF CLIENT \_\_\_\_\_ (please print)

SIGNATURE \_\_\_\_\_

DATE OF SIGNATURE \_\_\_\_\_

**ACE Investment Strategists, LLC**

8200 Greensboro Drive, Suite 275  
McLean, VA 22102

A Commodity Trading Advisor Registered with the Commodity Futures Trading Commission and a  
Member firm of the National Futures Association

**CUSTOMER AGREEMENT AND RELATED SECTIONS**

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THIS AGREEMENT is made between ACE Investment Strategists, LLC, C.T.A., hereinafter referred to as "Advisor") and \_\_\_\_\_ (hereinafter referred to as "Client")

**1. Maintenance of Client's Account.** Client will open a commodity futures trading account ("Account") with \_\_\_\_\_ ("Introducing Broker") with an initial deposit of \$\_\_\_\_\_.

The initial deposit, all subsequent additions to and withdrawals from the Account, and all transactions effected in the Account shall be subject to this Agreement.

**2. Client Representations.** Client represents and warrants that he or she is of legal age to be bound by this Agreement and is legally competent, and that no other person has, or will have as a result of any action of Client, any interest in or right to the Account, except as disclosed in writing to the Advisor. Client further represents and warrants that he or she is financially able to accept the risks of futures trading.

**3. Authorization for the Advisor's Discretionary Authority.** Client authorizes Advisor to enter orders to the Broker for commodity futures and future options contracts, to hedge and seek opportunity trades pursuant to the designated programs using instruments traded on contract markets designated by the Commodity Futures Trading Commission and on foreign commodity exchanges, and cash markets. Advisor shall have full discretionary authority to make all trading decisions for the account, without prior consultation with the client and without prior notice to, or approval from, the Client with respect to such trading decisions. Conversely, Client will not enter any orders in the Account and will not authorize or permit any other person to do so. That is, clients may not initiate or offset any position placed by Advisor. The only way for Client to close out existing positions is to obtain Advisor's written concurrence to do so or to close the Account.

**4. Receipt of and Sole Reliance on Disclosure Document.** Client acknowledges that he or she has received and read the current Disclosure Document furnished by the Advisor. Client understands that no person has been authorized by Advisor to make any statements in addition to or inconsistent with, those contained in such Disclosure Document. Client represents that he or she is entering this Agreement in reliance solely on the basis of information contained in such Disclosure Document.

**5. Acknowledgment of Risk Associated with Commodity Trading and lack of Guarantee by Advisor.** Client is aware of the speculative nature and high risks associated with commodity futures and commodity options on futures trading, that include the risk that the Client may incur trading losses in an amount greater than the capital contributed to the Account. That is, the Client is liable for any and all trading losses -- including brokerage and advisor fees-- incurred by this Account. Client acknowledges that no "safe" trading system or strategy has ever been devised, and that no one can guarantee profits or freedom from loss in commodity trading. Advisor, therefore, cannot and does not imply or guarantee that Client will make a profit and it is agreed that Advisor will not be held responsible for trading losses in the Account.

**6. Additions to or Partial Withdrawals from the Account.** Client may add funds to their Account at any time. Partial withdrawals also may be initiated at any time with a written request from Client to Advisor. Advisor requires (5) trading days, starting the day following his receipt of a withdrawal request to adjust positions, which may include exiting existing and/or adding new positions to meet the amount requested and maintain a prudent reserve. At the end of this period, provided there are no keypunch errors, funds will be available for withdrawal. Advisor reserves the right to terminate the Account should withdrawals reduce the Account size to a level below ACE's then-current minimum requirements. Any special mailing, wiring, bounced check, or other transaction fees associated with an addition or withdrawal will be considered as an expense of the Client and will be treated as a withdrawal if debited directly to the Account. (Note: Acceptable deliveries of written notice are, regular mail, overnight mail, facsimile transmission, and courier. E-mail communication is not acceptable for this purpose.)

**7. Fees.** Each Introducing Broker (IB) may charge a round-turn trade transaction cost up to \$55.00 inclusive of all trading fees and commissions. In addition, there will be a \$20.00 monthly accounting fee charged at the end of each month. Chesapeake Investment Services, Inc. (Chesapeake) as an introducing broker may receive a portion of this

commission. Please refer to page 10 of the Disclosure Document for a discussion of conflicts of interest. Except as provided for below, the Advisor will receive as compensation for its advisory services, a monthly management fee equal to 1/12 of 2% (0.17%) of the account's Net Asset Value, if positive, and an incentive fee of 25 % of new monthly Trading Profits. The incentive fee is paid only if an Account has new Trading Profits. Thus, if the Account experiences a loss after an incentive fee is paid, the Advisor will retain the payment but will not receive another incentive fee until the Account has subsequent Trading Profits. The Advisor may pay persons or firms who introduce accounts to it a portion of the fees it receives from such accounts.

**Net Asset Value** means the account's total assets less total liabilities, determined according to the following principles, and where no principle is governing, then on the basis of accepted accounting principles, consistently applied.

a. Net Asset Value shall include any unrealized profit or loss on open positions

b. All open positions shall be valued at their then market value, which means with respect to open positions, the settlement price as determined by the exchange on which the transaction is effected or the most recent appropriate quotation as supplied by the Account's commodity broker or banks through which the transaction is effected, except that United States Treasury bills (not futures contracts thereon) shall be carried at cost plus accrued interest. If there are no trades on the date of the calculation due to operation of the daily price fluctuation limits or due to a closing of the exchange on which the transaction is executed, the contract will be valued at the nominal settlement price as determined by the exchange.

c. Brokerage commissions and fees shall be treated as a liability of the Account upon the initiation of a position. Incentive fees payable to the Advisor on Trading Profits shall be accrued for purposes of calculating Net Asset Value.

**Trading Profits** for purposes of calculating the Advisor's incentive fee only, during a month shall mean the cumulative profits (over and above the aggregate of previous Period profits after deduction for accrued brokerage commissions and management fees payable to the Advisor. Trading Profits shall include both realized and unrealized profits and interest received by the Account on its assets. If Trading Profits for Period are negative, it shall constitute a "Carry Forward Loss" for the beginning of the next Period. No incentive fees shall be payable to the Advisor until future Trading Profits for the ensuing Period exceed Carry Forward Loss. To the extent amounts are withdrawn from the Account at a time when the Account has a loss, any loss attributed to such amounts shall not be carried forward to reduce future Trading Profits.

**Fee Payment.** Management and incentive fees are typically paid to the Advisor by the FCM directly from funds in Client's Account. If the Advisor has not received payment within fifteen (15) days of invoicing, the Client will be notified, with a copy to his FCM. If payment still has not been received within ten (10) days after the notice date, the Advisor reserves the right to liquidate all positions in the Account and will have no liability for losses. When an Account closes, the Client authorizes the FCM to pay any fees due from the Account upon receipt by such party of a billing statement from the advisor.

**8. Responsibilities of the Commodity Broker.** Client recognizes that Advisor will transmit orders on behalf of the Account to the Broker but will not directly execute such orders. Advisor shall not be responsible for any acts, omissions, or errors of Broker in executing such orders. The Broker will furnish Client with confirmations of all transactions effected in the Account, monthly statements showing information concerning trading activities in the Account, and other Account statements customarily furnished by the Broker to its customers. The furnishing of such reports shall be solely the responsibility of the Broker, and Client recognizes that Advisor is not required to furnish such reports to Client. Client hereby authorizes the Broker to forward to Advisor copies of any confirmations, statements or reports sent by the Broker to the Client. Client understands that the Broker, rather than the Advisor, will have full custody of Client's funds and commodity market positions and that the Client will be required to pay brokerage commissions to the broker with respect to all transactions effected in the Account. Advisor may receive a portion of the brokerage commissions charged to the Account when Account is maintained by Chesapeake.

**9. Client Authorization for Release of Client Information.** To avoid duplication of Client effort, Client will authorize Broker to make available to Advisor, demographic and other Client information normally submitted on Broker application forms.

**10. Terms and Conditions for Terminating this Agreement.** Client may terminate this agreement at any time. There is no deadline or any specific window of time to accomplish this. But there are important steps to be taken that involve both Client and Advisor. Client must send a written notice of termination to Advisor. On receipt of the notice, Advisor, may initiate a conversation with Client for clarification purposes. On the trading day following receipt of the notice and any Advisor/Client conversation, Advisor will begin to offset positions with careful consideration for Client's best financial interest. Advisor requires up to five (5) trading days to diligently complete that process at the end of which the Account will be all in cash (barring the occurrence of a key punch error). It is worth noting that trading is an

ongoing activity and it is possible that trades may be initiated in good faith immediately before Advisor has any knowledge of Client's intention to terminate. Advisor also has the right to terminate this agreement at any time upon written notice to Client. Client shall be liable for all costs, expenses and losses incurred to liquidate open positions upon termination. If Client terminates this agreement within the first six months of participation in the program, there will be a 2% back-end fee of the initial investment, or \$1000.00, whichever is greater, assessed to the Account to cover administrative costs to open and process accounts. This Fee will be assessed after all commissions and fees, including incentive fees, have been deducted from the Account. (Note: Acceptable deliveries of written notice are, regular mail, overnight mail facsimile, transmission and courier. E-mail communication is not acceptable for this purpose.)

**11. Trading by Advisor; Management of Other Accounts by Advisor.** The Advisor may trade commodity interests for his own Account. Clients are not permitted to inspect the personal Account of the Advisor. Client acknowledges that the Advisor currently advises and manages other commodity accounts and intends to do so in the future. Client acknowledges that the Advisor's trading methods are proprietary and Client will not disclose Advisors trading recommendations to any third party without the Advisor's written consent.

**12. Minimum Account Sizes.** Typically, whether their investment resources are relatively abundant or scarce, clients are interested to know the least amount of investment capital required to maintain a viable, performing Account within a particular strategy. To accommodate these requests, the Advisor has divided all investors into two groups. The Advisor identifies clients with more abundant resources "institutional" because they tend to have long established and systematic financial management procedures. All other clients are referred to as "regular." The major issues in establishing "minimums," are: to satisfy exchange margin requirements, trading efficiency, and, portfolio allocation needs, under most market conditions. The Advisor believes that the minimums listed below are adequate to meet the requirements of these and other issues. At the same time, the Advisor has come to know through experience that, from the perspective of ROI, and, all things being equal, the investor is more likely to be better served by considering the concept of "optimum" rather than "minimum." Since all things are not always equal, Advisor judgments on this matter should not be construed to mean that larger accounts will outperform smaller accounts at all times.

The following lists the minimum funding required for the three strategies. The next section asks the Client to designate the strategies and programs in which he would like to participate.

<u>Strategy</u>	<u>Minimum</u>
Stock Index Premium Collection (SIPC)	
Regular Program	\$ 75,000
Institutional Program	\$ 180,000
Aggressive Stock Index Premium Collection (ASIPC)	
Regular Program	\$ 100,000
Institutional Program	\$ 250,000
Diversified Premium Collection (DPC)	
Regular Program	\$ 75,000
Institutional Program	\$ 250,000
Dynamic Dollar Cost Averaging (DDCA)	
Regular Program	\$ 50,000
Institutional Program	\$ 180,000
Swing Trading the Stock Indices (STSI)	
Regular Program	\$ 50,000
Institutional Program	\$ 180,000

**13. Client Designation of Selected Strategy and Program. (PLEASE INITIAL)**

<u>Strategy</u>	<u>Regular</u>	<u>Program</u>	<u>Institutional</u>
Stock Index Premium Collection	_____		_____
Aggressive Stock Index Premium Collection	_____		_____
Diversified Premium Collection	_____		_____
Dynamic Dollar Cost Averaging	_____		_____
Swing Trading Stock Index	_____		_____

**14. Changes in Trading Strategy/Program.** Client may change their strategy and/or program of choice provided the Account meets the then-current requirements of the newly desired strategy and/or program. Client must send written request to the Advisor to make the change. Advisor requires a minimum of (3) trading days following receipt of notice in order to diligently complete the process. Accounts will switch over the first trading day of the following month.

**15. Advisor Trading Flexibility.** Client authorizes Advisor trading discretion to hedge positions or participate in opportunity trades in efforts to protect against loss or add value to accounts.

**16. Governing Law.** This agreement and all transactions subject to this Agreement shall be subject to the Commodity Exchange Act, as amended: the rules, regulations, and orders promulgated under such Act by the Commodity Futures Trading Commission; and, where applicable, the laws of the Dominion of Virginia. If any provision is found unenforceable, then this Agreement shall be enforced and construed as if the invalid portion did not appear.

**17. Section Heading.** The section headings in this Agreement are for convenience or reference only and shall not be deemed to interpret or modify the provisions hereof.

**18. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same instrument.

**19. Entire Agreement.** This Agreement contains the final and complete Agreement between the parties hereto and may not be altered or modified without the signed written consent of both parties hereto.

**20. Notices.** Any notices required to be given hereunder shall be in writing. Letters should be sent to Advisor at ACE Investment Strategists, LLC, 8200 Greensboro Drive, Suite 275, McLean, VA 22102, (703) 893-8808, and to the client at the address set forth below. Should either party change an address they must give written notice to the other party stating the new address. Notices via facsimile and electronic mail are acceptable and may be addressed to (703) 893-8380, or ace\_invest@yahoo.com. Commencing on the tenth day after the giving of such notice, the newly designated address shall be come official for the purpose of all notices or communications required or permitted to be given pursuant to this Agreement. Notices to Client from the Advisor shall be deemed given as of the close of business on the first day after mailing.

**21. Client Identification and Contact Information.**

_____		_____	
Client Name		If JOINT, Spouse Name	
_____		_____	
Street Address	City	State	Zip
_____		_____	
Business Tel	Home Tel	Mobile Tel	
_____		_____	
E-mail Address (Increasingly used for important announcements)	Social Security No.		

The parties have read and understood this Agreement dated September 30, 2005 and IN WITNESS WHEREOF, THE PARTIES HAVE CAUSED THE AGREEMENT to be duly executed as of the date set forth below.

_____		_____	
Client Signature and Date		If JOINT, Spouse Signature & Date	

ACCEPTED ON BEHALF OF ACE INVESTMENT STRATEGISTS, LLC

_____		
Name	Title	Date

**SECTION II. CLIENT PAYMENT AUTHORIZATION FOR CTA FEES**

\_\_\_\_\_  
Name of FCM

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City State Zip

Gentlemen:

I, the undersigned, hereby authorize you to pay from my Account, number \_\_\_\_\_, held by you, monthly incentive and management fees as billed by ACE Investment Strategists, LLC. You shall be entitled to rely conclusively on any invoices you receive from ACE Investment Strategists, LLC with respect to the amount and payment of such fees. Notice of debits made to my Account for the above purpose shall be furnished promptly to me.

Yours very truly,

\_\_\_\_\_  
Client Signature & Date

\_\_\_\_\_  
If JOINT, Spouse Signature & Date



**SECTION IV. ARBITRATION AGREEMENT**

Except for any action initiated by ACE Investment Strategists, LLC. ("ACE") to collect a debit balance in Customer's Account(s), (which may be brought in a court of law), any dispute or controversy among ACE, Customer's introducing broker, and the Customer arising out of, or relating to, Customer's Account(s) shall be, except as provided below, resolved by arbitration in accordance with Part 180 of the regulations promulgated under the Commodity Exchange Act. The introducing broker which introduced this Account to ACE and any exchange clearing member firm used by ACE to clear Customer's Accounts is expressly made a third party beneficiary of this Arbitration Agreement. The parties agree not to seek before any arbitration forum exemplary or punitive damages. Regardless of the rules of the forum, arbitrators shall not have authority to award such damages. Customer agrees that no arbitration demand arising out of or relating to the customer agreement or any part or provision of this Account application or any transactions arising there under may be brought by customer more than one year after the cause of action arose. This time limitation may be substantially shorter than that granted by federal or state law or the arbitration rules of the National Futures Association. At such time as Customer notifies ACE that Customer intends to submit a claim to arbitration, or at such time as ACE notifies Customer of ACE's intent to submit a claim to arbitration, Customer will have the opportunity to elect a qualified forum for conducting the proceeding. Within ten business days after receipt of such notice from Customer or at the time ACE so notifies Customer, ACE must provide Customer with a list of three or more organizations whose procedures qualify them to conduct arbitrations in accordance with the requirements of Regulation 180.2, together with a copy of the rules of each forum listed. The Customer shall, within 45 days after receipt of this list and notice, notify ACE of the organization selected. The Customer's failure to provide such notice shall give ACE the right to select an organization from the list.

Three forums exist for the resolution of commodity disputes: civil court litigation, reparations at the commodity futures trading commission (CFTC) and arbitration conducted by a self-regulatory or other private organization.

The CFTC recognizes that the opportunity to settle disputes by arbitration may in some cases provide many benefits to customers, including the ability to obtain an expeditious and final resolution of disputes without incurring substantial costs. The CFTC requires, however, that each customer individually examine the relative merits of arbitration and that your consent to this arbitration agreement be voluntary.

SIGNING THIS AGREEMENT YOU: (1) MAY BE WAIVING YOUR RIGHT TO SUE IN A COURT OF LAW, AND (2) ARE AGREEING TO BE BOUND BY ARBITRATION OF ANY CLAIMS OR COUNTERCLAIMS WHICH YOU OR ACE INVESTMENTS STRATEGISTS LLC. MAY SUBMIT TO ARBITRATION UNDER THIS AGREEMENT. YOU ARE NOT, HOWEVER, WAIVING YOUR RIGHT TO ELECT INSTEAD TO PETITION THE CFTC TO INSTITUTE REPARATIONS PROCEEDINGS UNDER SECTION 14 OF THE COMMODITY EXCHANGE ACT WITH RESPECT TO ANY DISPUTE WHICH MAY BE ARBITRATED PURSUANT TO THIS AGREEMENT. IN THE EVENT A DISPUTE ARISES, YOU WILL BE NOTIFIED IF VISION LP INTENDS TO SUBMIT THE DISPUTE TO ARBITRATION. IF YOU BELIEVE A VIOLATION OF THE COMMODITY EXCHANGE ACT IS INVOLVED AND IF YOU PREFER TO REQUEST A SECTION 14 "REPARATIONS" PROCEEDING BEFORE THE CFTC, YOU WILL HAVE 45 DAYS FROM THE DATE OF SUCH NOTICE IN WHICH TO MAKE THAT ELECTION. SEE 17 CFR 180.1-180.5.

\_\_\_\_\_  
Client Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
If JOINT, Spouse Signature

\_\_\_\_\_  
Date

## **This notice is to the clients of ACE Investment Strategists**

Maintaining the privacy of your personal information is of utmost importance to us. In order to provide services to you, we must maintain certain information about you that we collect from account applications or other forms that you complete, transactions that you conduct, and communications with us and our affiliates. It is our policy not to disclose your personal information to third parties except as permitted by law or requested by you. We also restrict access to non-public personal information to those employees who need to know that information to provide services to you. We maintain physical, electronic and procedural safeguards that meet or exceed federal standards to safeguard your non-public personal information. You are welcome to contact us at (703) 893-8808 if you have any questions regarding our Privacy Policy. We reserve the right to revise our Privacy Policy and will provide you notice of any revisions.

**END**