

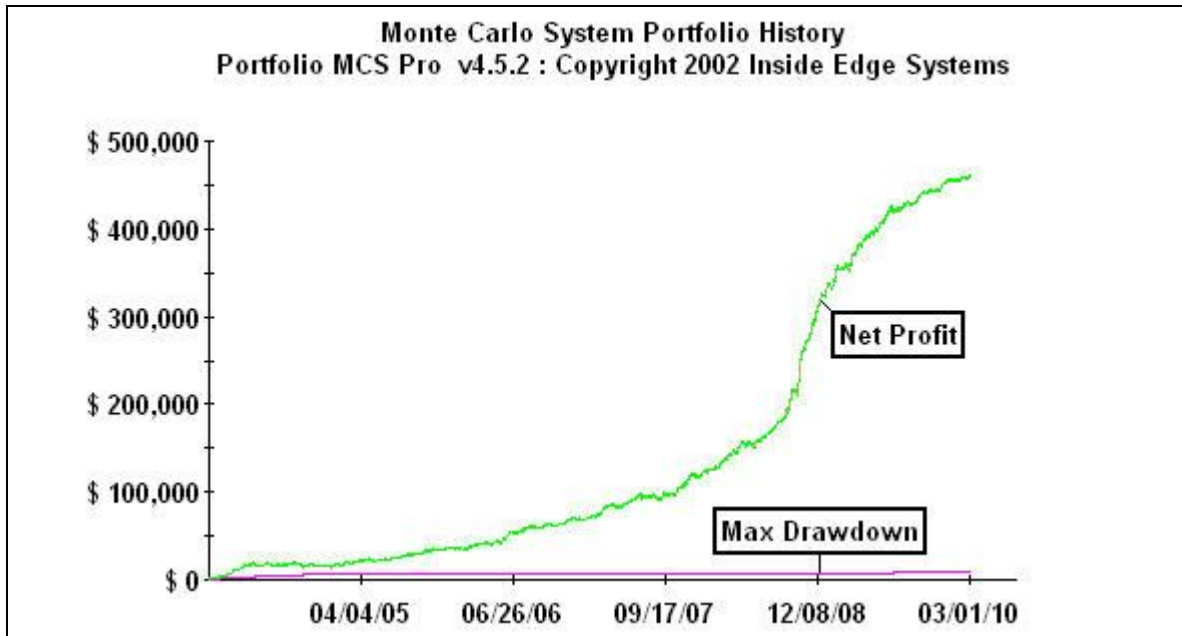
MESA PORTFOLIO Study

By John Ehlers and Ric Way

We analyzed a portfolio consisting of seven MESA and Veracity Trading Systems, assuming \$100K initial capitalization. All performance results are simulated based on trading the system entry and exit rules over approximately 5 years of historical data. There are no allowances for slippage, commission or signal lease fees in this analysis. We use one contract for each of the following systems.

- MESA ES
- MESQ NQ
- MESA YM
- MESA Bonds V9
- MESA Notes V9
- MESA DX
- Veracity Gold

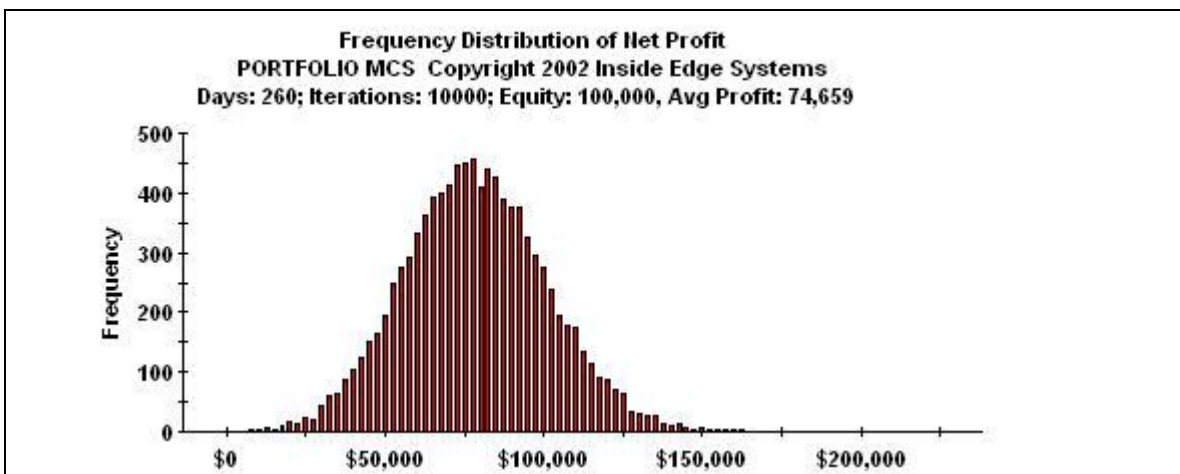
The MESA portfolio equity growth from 1/1/2005 to 3/3/2010 is shown below.



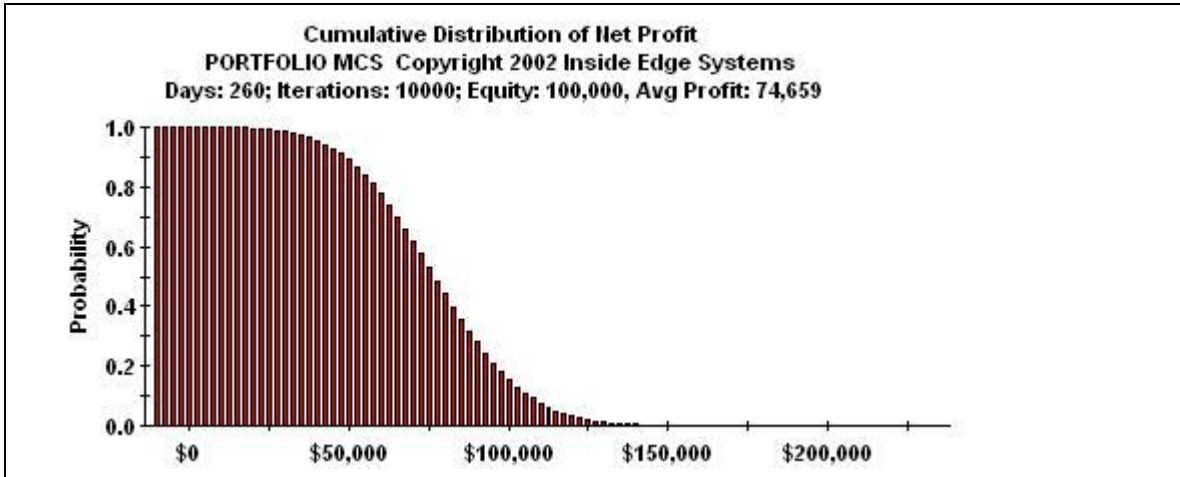
The summary performance of the MESA Portfolio is given below. Note that in over 1700 trades the percentage profitable trades was 53.4% and the Profit Factor was 2.21. The Percent Wins and Profit Factor can be input to our Monte Carlo Analysis spreadsheet for a hypothetical estimate of future performance.

Total Net Profit	458,549.00		
Gross Profit	838,825.00	Gross Loss	-380,276.00
Total # of Trades	1,718.00	Percent Profitable	53.43%
Number Winning Trades	918.00	Number Losing Trades	800.00
Largest Winning Trade	15,563.00	Largest Losing Trade	-3,338.00
Average Winning Trade	913.75	Average Losing Trade	-475.35
Ratio AvgWin/AvgLoss	1.92	Average Trade	266.91
Avg Days Winning Trade	8.10	Avg Days Losing Trade	2.30
Avg Days (win + loss)	5.40		
Max Drawdown	8,163.00	Drawdown to Equity	1.91%
Profit Factor	2.21		
Max Entry Value Long	471,980.00	Entry Value Short	0.00
Return / Risk	0.43%	Std Dev of Drawdown	2,474.27
Return / St Dev of DD	11.58%	Number of Drawdowns	20.00

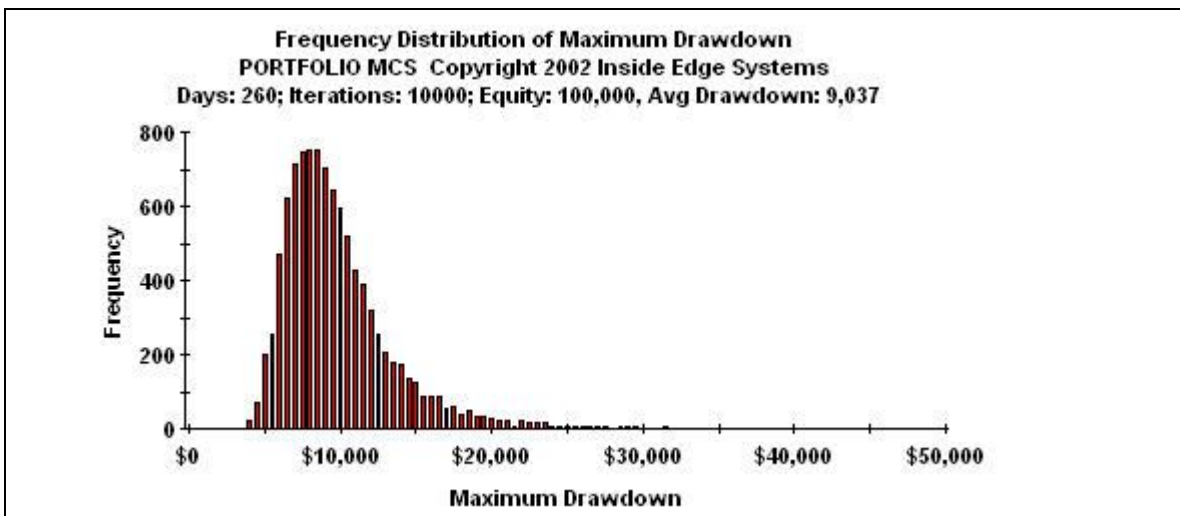
We also performed a Monte Carlo Analysis on the MESA Portfolio. The annualized probability of profit and drawdown are shown below. Note the occurrences of profits in 10,000 iterations follow a Gaussian Probability Density Function. The Monte Carlo analysis shows an estimated 95% probability of at least \$40,000 annual profit.



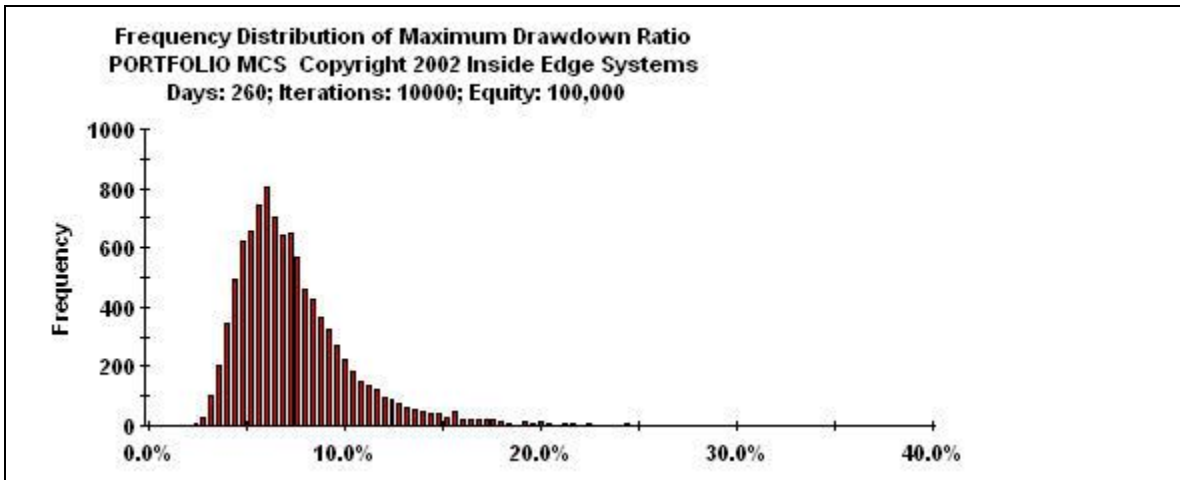
The cumulative profit per year can be seen more clearly in the following chart. For example, the analysis shows a 50% probability of \$75,000 profit per year and a 12.9% chance of \$100,000 profit per year.



With respect to risk, the Monte Carlo analysis of annualized drawdown is shown in the following chart. As expected, the occurrences of drawdown follow a Rayleigh Probability Density Function. From the chart, it can be seen that the most likely annual drawdown estimate is \$8,250 with a 2% chance that the drawdown will exceed \$19,000.



The following chart displays the occurrences of drawdown as a percentage of profit on an annualized basis.



DISCLAIMER: Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance trading results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.