

CENTURY PACIFIC INVESTMENTS, LLC



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Putting Your Money to Work Around the World 24 Hours a Day With Advanced Automated Trading Technology and Proprietary Trading Data

Fund Investing in the 21st Century

INSIDE CENTURY PACIFIC

The highly volatile markets of the past few years have spurred many investors to look beyond mutual funds for increased returns and new ways to manage risk. Hedge funds have the potential to deliver positive absolute returns in both rising and falling markets and strive to achieve low volatility. Many also show low correlations with the stock and bond markets, potentially enhancing diversification and stability of an investor's overall portfolio.

The information provided here is intended to be gen-

eral in nature and should not be construed as investment advice. This information is subject to change at any time based on market and other conditions and should not be construed as a recommendation to buy or sell any specific security. All information provided is general in nature. Hedge fund investments may not be suitable for all investors. An investment in hedge funds involves substantial risks and special considerations. Hedge funds should be considered a

speculative investment and investors should only invest in the fund if they can sustain a complete loss of their investment. Century Pacific Investments, LLC is the investment advisor registered in the state of California.

This material must be preceded or accompanied by a Century Pacific prospectus. The prospectus contains more complete information, including management fees and expenses. Please read the prospectus carefully before you invest or send money.

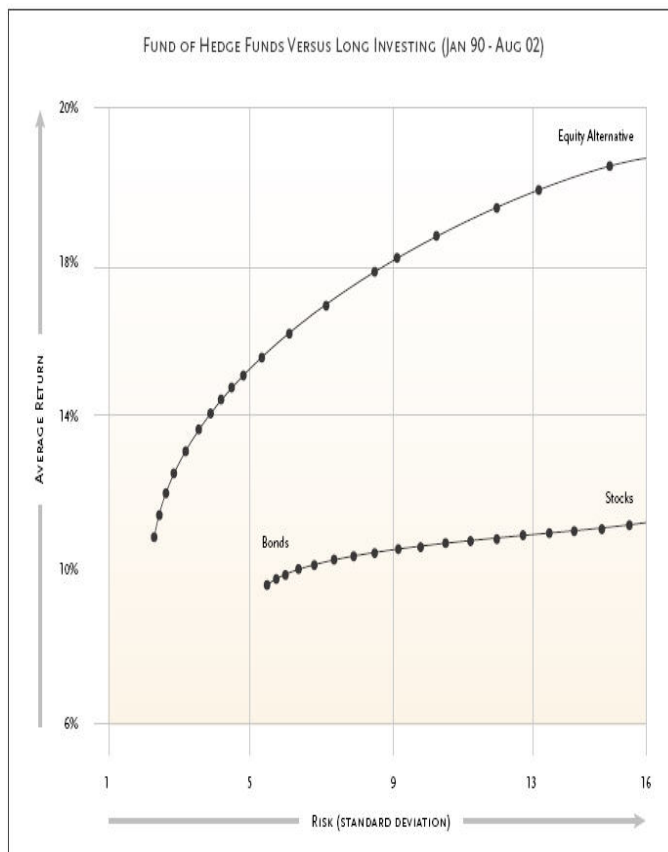
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Century Pacific Investments has licensed rights to 2 unique technologies that we believe to be exciting proprietary trading advantages that we can offer to our clients. The first, Global Automated Trading Systems ("GATS"), provides our clients with state-of-the-art algorithmic trading tools that Wall Street institutions and high network individuals can utilize to automate trading 24 hours a day in more than 10 markets around the world. The second is Buyins.net's exclusive database of every short trade in every stock in the US markets and gives Century Pacific's clients access to key trade timing technology that precisely pinpoints stock prices and volume amounts where short sellers go out-of-the-money and may begin covering their short positions. The database also tracks forced covers due to Regulation SHO.

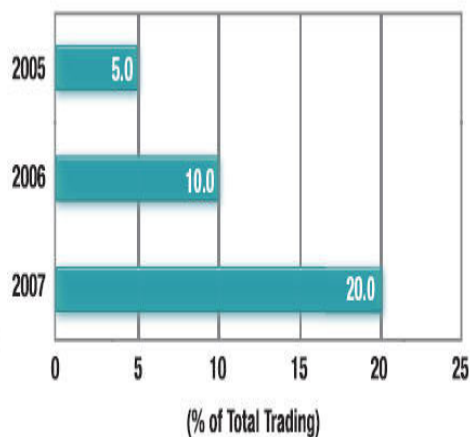
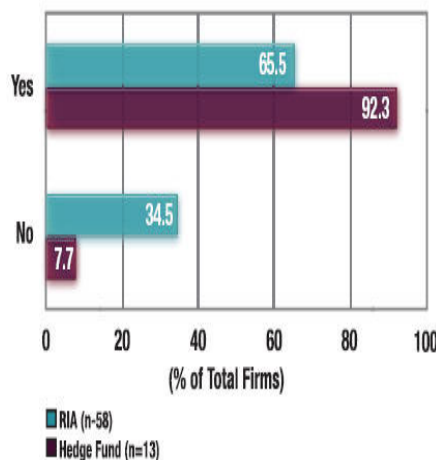
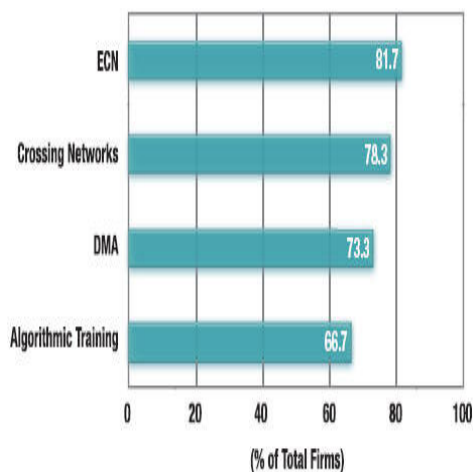
According to a new survey conducted by Financial Insights, an IDC company, and sponsored by Banc of America Securities, algorithmic trading has quickly achieved significant market penetration in virtually every corner of the securities industry, however the full potential of these sophisticated trading tools has yet to be tapped. The survey found that the majority of respondents (93%) use algorithms, but for less than 10% of trades on average. Interestingly, among respondents who have used algorithms, 73 percent said they were either satisfied or very satisfied with the results of their algorithmic trades, pointing to the potential for future growth in users.

Though the buy-side still remains in the early stages of adoption, algorithmic trading has become integral to the sell-side. With virtually every major trading desk on Wall Street embracing this technology, there is a strong probability that, even if they don't use algorithms directly, small and mid-sized buy-side firms are having orders executed algorithmically. Based on discussions with the sell-side, currently 30-35% of trading volume at bulge bracket firms is executed via algorithms. As the sell-side continues to aggressively push algorithmic trading to contain its costs, buy-side adoption will accelerate and while survey results indicate that five percent of all orders are now executed algorithmically, which is a relatively small number, that is expected to grow to as much as 20 percent by 2007.



Source: Bloomberg Wealth Manager, Dec. 2002/Jan. 2003

This chart is for informational purposes only



Electronic trading is an integral part of trading tools at a majority of firms.

92% of Hedge Funds and 66% of RIAs use Algorithmic Trading

Up to 20% of the 1.5 billion trades per year will be traded Algorithmically.

What would you do if you had information about a stock that almost no one else has and you could legally trade on that information? We know the answer to that question, you would aggressively trade those stocks.

Century Pacific Investments has licensed a database containing over 100 million trades showing the price and volume of every short sale in every security in the United States. Every month the database grows by approximately 25 million trades and exposes the exact price and number of shares that short sellers have shorted each stock. The database also shows whether or not the stock is on the SEC mandated Threshold Lists and how many days before brokers may be forcing their naked short clients to cover their short positions.

Why is this data so valuable?

We know the exact price points where shorts start losing money on each of their short positions. Short sellers are at times more likely to cover their short positions when the trade is going against them. Secondly, if the stock is naked short and has been on a Threshold List for 13 straight trading days, brokers are mandated by the SEC to force their naked short clients to cover their positions. This can cause upside volatility in a stock and Century Pacific is there to take advantage of the trade.

Each day Century Pacific runs proprietary trading screens that show stocks with the largest total short interest, highest % of float short, current price closest to or above the price point where a considerable number of shares have been shorted, and how many days the stock has been on a naked short Threshold List.

The resulting trades are fed into the Global Automated Trading System and the trade is timed using a combination of over 800 technical indicators. The trades are processed automatically and proprietary buy/sell indicators determine the entry and exit of each trade.

Clients can opt to have their accounts segregated or combined into a fund to reduce transactional costs.

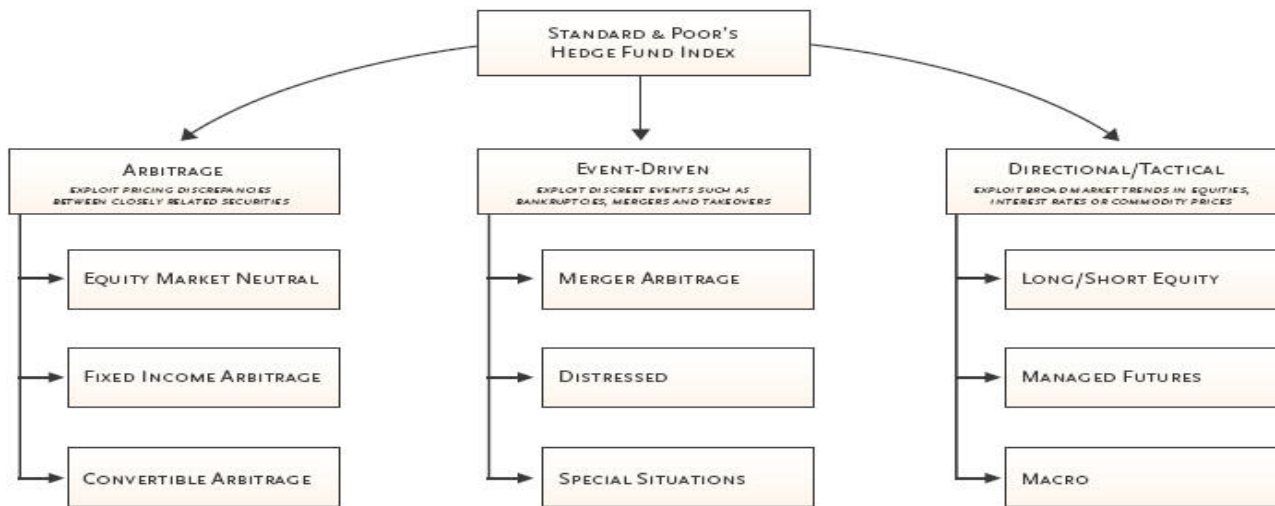
Trading with an edge is what successful investing is all about. The celebrated market pundit, James Cramer, has identified the short interest strategy as one of his key methodologies for locating super profitable trades. Century Pacific has taken it one step further by accessing data that shows exactly when and where shorts are most likely to get caught in a losing trade and cover



SUN TZU SAID....

WAR IS OF VITAL IMPORTANCE, A MATTER OF SURVIVAL.

(UNDERSTAND GLOBAL MARKETS AND HOW THEY EFFECT EACH OTHER IN ORDER TO CONSISTENTLY PROFIT)



Century Pacific employs strategies from each of the three main hedge fund classes above. The firm uses **Equity Market Neutral** strategies to profit from intraday inefficiencies in equity trading around the world. Momentum stocks may run \$2—\$10 points in one direction before becoming overbought or oversold and the firm places intraday trades to participate in those momentum plays.

The firm screens for **Special Situations** using powerful computer aided fundamental and technical systems. Equities become highly over or undervalued in times of intense fear and greed. Century Pacific employs a radar screen technology to look for those spikes and climaxes in both directions and takes advantage of swings in sentiment at key reversal points.

Finally, Century Pacific uses **Long/Short Equity** strategies with a proprietary approach to determining bias and allocation. By going long the strongest stocks in best performing sectors and shorting the weakest stocks in the worst performing sectors, the firm takes advantage of market sentiment to push prices further and faster in the direction of its trades.

SUN TZU SAID....

DEFENSE IS FOR TIMES OF INSUFFICIENT STRENGTH AND OFFENSE IS FOR TIMES OF GREAT STRENGTH.

(LIVE TO FIGHT ANOTHER DAY, NEVER PUT GOOD MONEY AFTER BAD, ADD TO WINNERS NOT LOSERS)



THE CENTURY PACIFIC ADVANTAGE

Century Pacific Investments was formed to implement a global fully-automated trading system so accurate it could be turned loose to trade markets 24 hours a day seven days a week. The goal is to achieve 80% trading accuracy with minimum Reward:Risk ratios of 3 to 1.

The ultimate goal of Century Pacific Investments is to create a trading program so accurate that it can trade the markets with no human intervention. Our approach to achieving this goal is to combine fundamental stock selection with artificial intelligence timing methods applied to technical indicators to improve the accuracy and profitability of our trading systems.

Because we reduce risk by avoiding more than 5% concentration in any one position, our traders rely on a combination of computer trading programs to identify, priori-

tize and execute trades in multiple markets around the clock. The most efficient way to locate, evaluate and act upon multiple trading ideas in several different markets is to automate a trading program capable of mind blowing mathematical computation in real-time.

With the help of key partners, Century Pacific has developed a highly proprietary trading machine capable of trading 10 domestic equity, foreign equity and futures markets simultaneously. Strict money management guidelines, tight trailing stops and the mantra that "Singles are better than homeruns" all combine to humble our even most enthusiastic ambitions.

The following pages explain the theory and the reality of what we have accomplished.

MARKET INFORMATION MACHINE-TECHNOLOGY BEHIND THE TRADES

More than ten years ago Logical Information Machines (LIM) developed and licensed the most advanced investment data-mining technology in the world. It is called the Market Information Machine (MIM).

A user can pose sophisticated questions regarding historical commodity, equity, bond and economic data in near-English without the necessity of any computer programming experience. MIM allows us to quickly test trading rules and simultaneously add date and time conditions, as well as fundamental

factors; homework that the MIM performs to improve trading confidence and enhance profitability.

We use Event Dynamic Factor Analysis (E/DFA) to give us a proprietary advantage combining fundamental and technical events for equities.

It begins with an event: a seasonal date, a key technical signal, or news for a specific security, such as an earnings surprise. Then factors surrounding the event are studied. A factor can be any characteristic describing a security or the environment in

which it trades.

The Market Information Machine software allows quick and easy execution of sophisticated queries regarding historical commodity, equity, bond and economic data. MIM enables rapid testing of trading rules with simultaneously added date and time conditions, as well as fundamental factors.

The MIM's ability to dynamically view these different events according to the factors surrounding them is the essence of E/DFA.

Viewing these different events according to the factors surrounding them is the essence of E/DFA. After we distill all the relevant information, the result is trading ideas that have a high historical probability of success.

For Example, on the next page see how the Investor's Intelligence survey combined with recent price action in the market defines the probability of the stock market rising in price and the bond market dropping over the next 12 and 30 days respectively.

NATURAL LANGUAGE QUERIES

In clear terms, we explain what to look for in the markets. To the right is one of our favorite examples of event analysis. We found that stock market spikes on the day of a bond auction lead to a sharp rise in bond yields. In fact, the bond yield opened 5 basis points higher the day after the auction and never looked back.

Bottom Line: Shorting bond when this query was made would have yielded over 30 basis points - at \$1,500 per basis point on each long bond.

This ability to ask "What happened in the past when conditions are identical to today," is a powerful addition to the trading platform at Century Pacific.

NATURAL LANGUAGE QUERY OF MULTIPLE MARKET EVENTS

Q: What's happened in the past to stocks and the long-term Treasury bond futures when we have seen the percentage of stock advisors who are bullish climb to a 3-year high in the same week when the Dow posts a decline on the week?

A: There have been 13 prior occurrences of this event, the most recent, prior to Friday's in June of 1999. Over the next 12 trading days the Dow has rallied by an average of 2.3% in 11 of the 13 cases. The two declines averaged -0.8%. By 21 trading days later (t+21) the average of the gains, which occurred in 9 of the 13 cases, was 4.9% versus the average of the four declines: -1.3%.

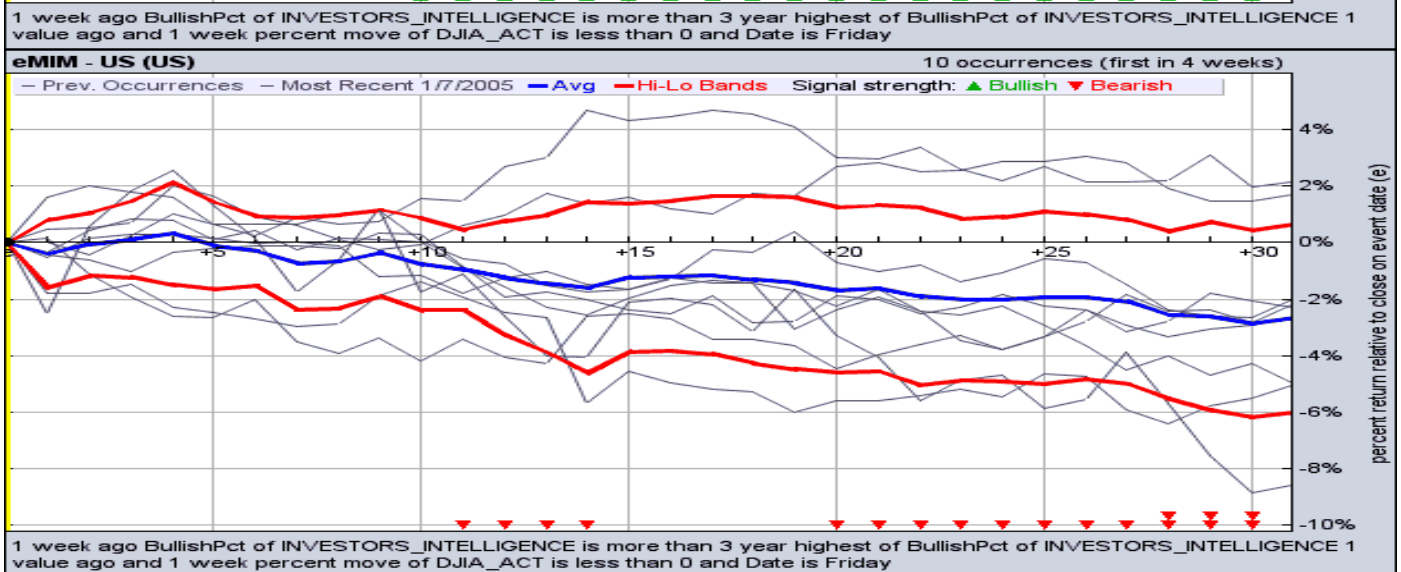
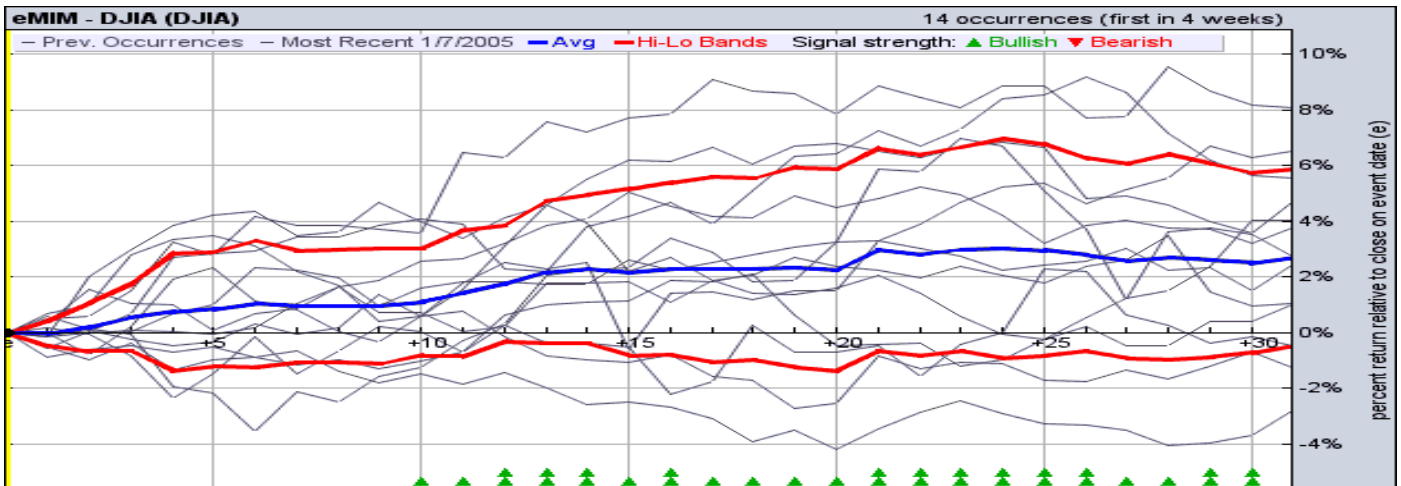
Bond futures (US), however have not fared so well following this event. Over the next 30 trading days the front contract in bonds has dropped by an average of 4.2% in 7 of the 9 prior occurrences. The two rallies averaged 1.7%. (see below)

To the right you will see how events in the markets give us our ideas. Sound simple? It is. That's why it works.

It all starts with an event, a question confronting the markets. What happened in the past when the market configuration was similar to what we see today?

In this case we came up with a simple price action analysis that returned ever major equity market "crash" in the modern era - the day before the 5% slide in stocks August of 1998.

Bottom Line: MIM would have closed our longs the day before a 500 point slide.



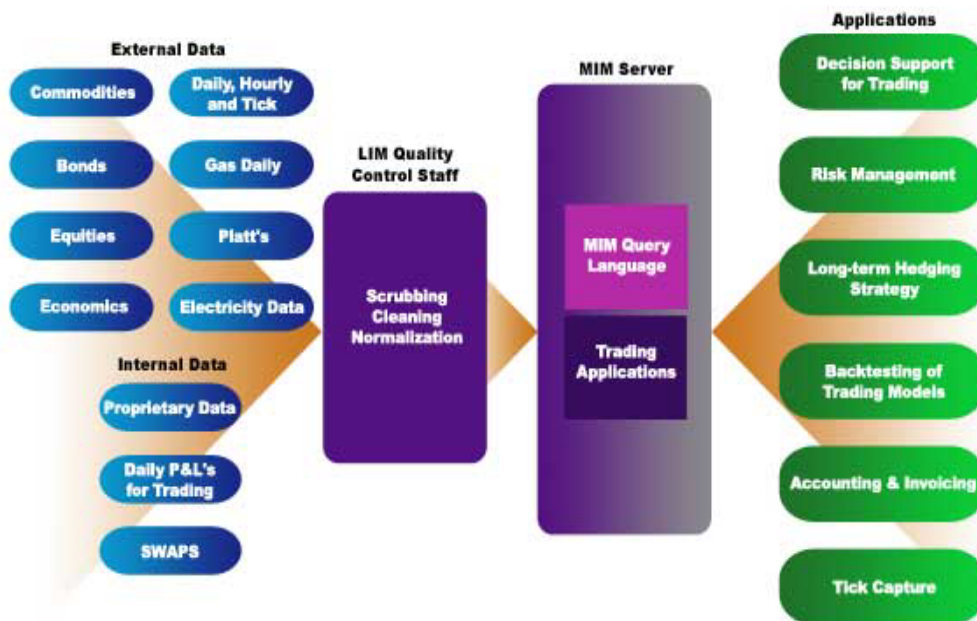
1 week ago BullishPct of INVESTORS_INTELLIGENCE is more than 3 year highest of BullishPct of INVESTORS_INTELLIGENCE 1 value ago and 1 week percent move of DJIA_ACT is less than 0 and Date is Friday

HISTORY DOES REPEAT ITSELF AND MIM PROVES IT

Using the patented "Market Information Machine", Century Pacific focuses on finding unique and interesting analysis that shows future price movements and probabilities based on past events.

The firm uses LIM technology to translate current market action into ideas about future price movements utilizing historical precedents and pattern recognition.

We use this technology to model and evaluate trading opportunities. Historical data from sources around the world is collected and overlaid onto a security's price action. Algorithms are used to determine which events caused prices to move and how much. The technology then looks for history to repeat itself by watching fundamental events and predicting price action based on past results.



PREDICTING PRICE MOVES AROUND EARNINGS REPORTS IS OUR SPECIALTY

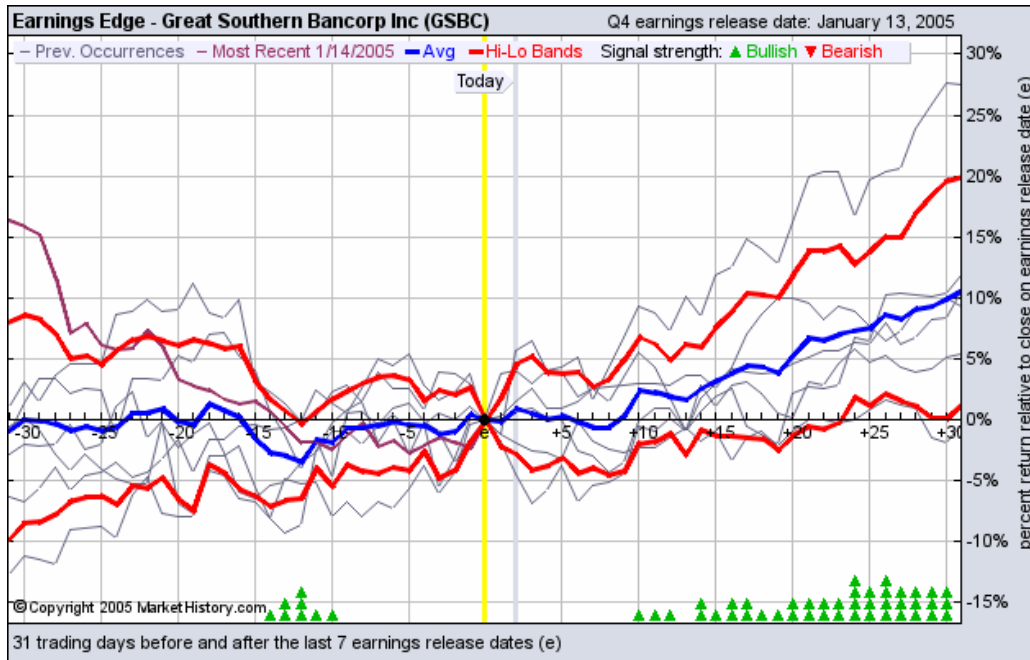
Earnings Edge, a new fundamental screen, allows our traders to see, for any given day, which stocks are scheduled to release earnings. Further, it looks at prior earnings announcement dates to determine whether or not there is a trade-able "edge" or a predictable seasonality related to the release of earnings.

Earnings (profits) drive stock prices, and when this information is released it can often be a trend-changing or a trend confirming event. Accountants at these companies have gotten very good at managing their quarterly earnings numbers, and as a result, the reaction in the price of the stock can become very predictable. The Earnings Edge helps the trader identify those companies that seem to have a consistent pattern of movement before or after the earnings release date, based on history.

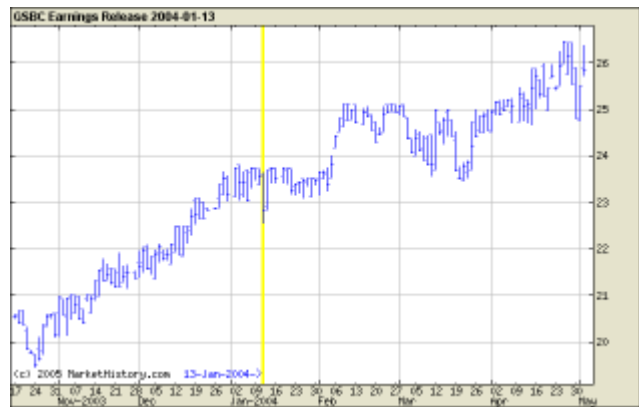
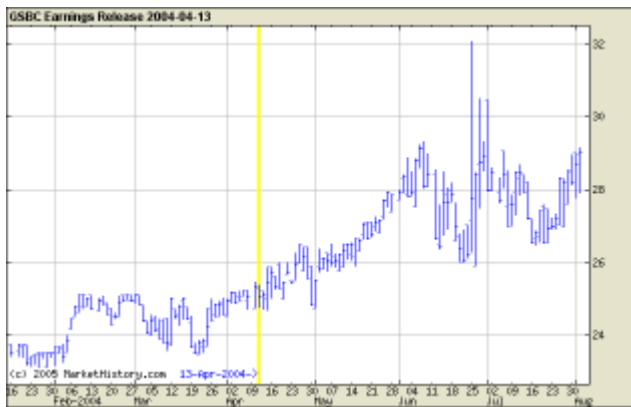
Stocks can exhibit a particular pattern of movement around earnings dates, and those that do may provide some powerful trading opportunities. Before Earnings Edge, finding those stocks was like finding a needle in a haystack. To the right is an example of how Earnings Edge works.

Ticker Symbol	Company Name	Edge Index	Type	\$ Volume Percentile	Fiscal Quarter	Release Date	Verified Date
QCOM	Qualcomm	▼	6q	99	Q1	January 24	
VRTS	Veritas Software Corporation	▲	6q	99	Q4	January 17	
SEPR	Sepracor	▲	6q	96	Q4	January 21	
COH	Coach	▲	12q	94	Q2	January 25	✓
CMI	Cummins Inc.	▲	February	94	Q4	February 2	
HIG	Hartford Financial Servic.	▲	6q	94	Q4	January 26	✓
MHP	Mcgraw Hill Cos Inc	▲	12q	92	Q4	January 25	✓
RYL	Ryland Group	▲	January	92	Q4	January 18	
FO	Fortune Brands Inc	▲	6q	90	Q4	January 21	✓
CDWVC	CDW Corporation	▼	January	89	Q4	January 25	
FHN	First Horizon National Corp	▼	6q	89	Q4	January 19	
HPT	Hospitality Prop Trust	▲	February	82	Q4	February 7	
ICBC	Independence Community Bank	▲	January	77	Q4	January 26	✓
SON	Sonoco Products	▼	6q	74	Q4	January 26	
PMTIC	PTC	▼	6q	72	Q2	January 19	
ALGN	Align Technology	▼	6q	67	Q4	January 26	✓
FCFS	First Cash Financial Services In	▲	12q	60	Q4	January 24	
FCFS	First Cash Financial Services In	▲	6q	60	Q4	January 24	
TWTR	Tweeter Home Entertainment Group	▲	January	59	Q1	January 25	✓
STMP	Stamps.com	▲	12q	57	Q4	January 24	
FRC	First Republic Bank	▲	6q	56	Q4	January 27	
SEB	Seaboard Corp	▲	12q	53	Q4	February 21	
LNCE	Lance	▲	6q	52	Q4	January 27	
NHI	National Health Invs Inc	▲	12q	51	Q4	January 24	
LCRY	LeCroy	▲	January	43	Q2	January 19	✓
HRBT	Hudson River Bancorp Inc	▲	12q	40	Q3	January 18	
FFIN	First Financial Bankshares Inc	▲	January	38	Q4	January 17	✓

The list above shows those companies who are scheduled to release earnings in the upcoming days and weeks which seem to exhibit a historical pattern of movement leading up to the release of earnings. The edge, whether bullish or bearish, is strongest starting with today's closing price relative to the earnings date in the future.



ACCORDING TO THE LAST 7 EARNINGS RELEASE DATES, EARNINGS EDGE INDICATES THAT GREAT SOUTHERN BANCORP INC (GSBC) HAS SHOWN A STRONG BULLISH EDGE THAT PEAKS 12 TRADING DAYS BEFORE THE ANNOUNCEMENT (DECEMBER 28 IN THE CURRENT INSTANCE) AND A SOMEWHAT BULLISH EDGE THAT PEAKS 26 TRADING DAYS AFTER EARNINGS ARE RELEASED (FEBRUARY 22).



THE FOUR CHARTS ABOVE SHOW HOW GSBC HAS PERFORMED AFTER EACH OF ITS LAST EARNINGS REPORTS. AS YOU CAN CAN SEE, EARNINGS EDGE HAS GIVEN US INSIGHT AS TO THE BIAS GSBC HAS TO THE LONG SIDE BOTH BEFORE AND AFTER AN EARNINGS RELEASE.

EVENT TRADING

Event Trading is a system that involves news events, such as earnings reports and economic indicators, to predict market direction.

The market can be highly predictable. When a news event makes market direction predictable for one day, event traders do not buy slow-moving stocks. Instead, they buy index options, remarkable leverage tools that increase the chance of large one day profits. Throughout history, the market has made its largest up and down moves when the right news is released under the right market conditions.

Event trading recognizes entry set-ups in the market at those critical points in time when market news is signaling a change in direction. These set-ups occur repeatedly based on current market news and world events.



► **EVENT TRADING IS A HIGHLY DISCIPLINED SYSTEM** that can result in large profits with little initial investment. Most important, event-traders take a much smaller risk than daytraders, momentum traders or long-term investors. After extensive research, the author has discovered that certain market and world news events, released under certain market conditions, are the reasons behind the largest upward and downward moves in the market. If you patiently wait for these days to occur, you can make substantial amounts of money while taking little risk. These news events and conditions are the building blocks of event trading. World events, Fed interest rate decisions and comments by Alan Greenspan are wild cards that are outside the event trading rules.

✓ DAILY CHECK LIST

1 ECONOMIC INDICATORS In this box, list the economic indicators that will be released during the upcoming week. Include the time the indicator will be released.

2 MARKETING CONDITION Determine the market's oversold or overbought level each day. Write "oversold" or "overbought" in the appropriate box.

3 CONFLICTS This is the place for you to record the presence of good news/bad news conflicts each day.

4 UNCERTAINTY If there is a great deal of uncertainty in the market about domestic scandal or foreign tensions, write "conflict" in the appropriate box.

5 NEWS EVENT When an economic indicator is released, determine if it is better-or-worse than expected. Write "better" or "worse" in the appropriate box.

6 ALERT STATUS EVALUATION Based on all the above, determine whether each day is a Green, Yellow or Red alert day. Record this information in the appropriate box.

7 MARKET PERFORMANCE After the closing bell rings, record the amount that each major index has gained or lost. Compare this result with your alert

EVENT TRADING CHECKLIST

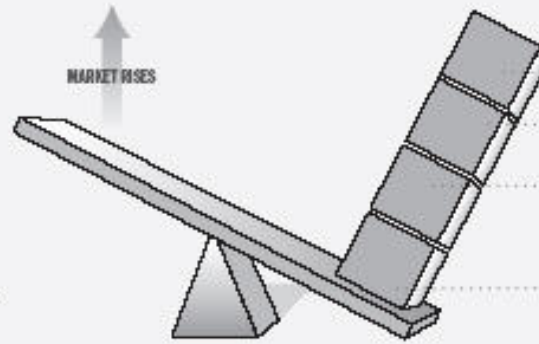
On the list below, record the economic indicators that will be released during the week you paper trade. Fill in the information as explained in the check list on the left.

EVENT TRADING CHECK LIST					
DATE:	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
1 ECONOMIC INDICATORS					
2 MARKETING CONDITION ___ Over-bought ___ Over-sold					
3 CONFLICTS ___ Market Uncertainty ___ Good or Bad Earnings					
4 UNCERTAINTY					
5 NEWS EVENT ___ Better then Expected ___ Worse then Expected					
6 MARKET EVALUATION GREEN ALERT ___ upside___ downside YELLOW ALERT ___ upside___ downside RED ALERT					
7 MARKET PERFORMANCE					

► **FILL OUT THE LIST ABOVE AS INSTRUCTED.** Start by listing each of the economic indicators that will be released during the upcoming week. Then determine if the market is oversold or overbought and note the presence of any market conflicts. If the market is preoccupied by uncertainty, make note of the conflict. When the indicator is released, determine if it is better or worse than expected. Then apply the event-trading rules to the information you have collected. Before the opening bell rings, declare whether the market will have a Green, Yellow or Red Alert Day.

▲ GREEN ALERT: UPSIDE

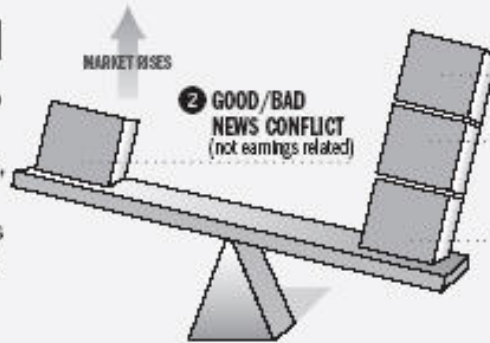
This is the best upside day to trade. The market is oversold and suddenly gets better-than-expected earnings or economic news. There is no bad news released at the same time to cause a conflict. And there is no uncertainty about outside events. The DOW can gain 200 points or more.



- 1 OVERSOLD MARKET
- 2 NO CONFLICTS
- 3 NO UNCERTAINTY
- 4 BETTER-THAN-EXPECTED-EARNINGS OR ECONOMIC INDICATOR

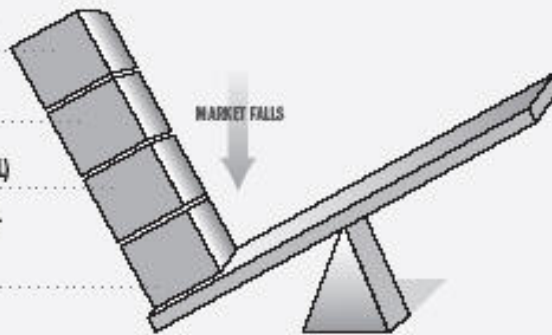
▲ YELLOW ALERT: UPSIDE

This the second best upside day to trade. The same conditions that create a Green Alert have occurred, but there is a conflict with bad news. The bad news, however, does not involve earnings, the strongest market event of all. The DOW can gain 100 points or more.



- 1 OVERSOLD MARKET
- 2 GOOD/BAD NEWS CONFLICT (not earnings related)
- 3 NO UNCERTAINTY
- 4 BETTER-THAN-EXPECTED-EARNINGS OR ECONOMIC INDICATOR

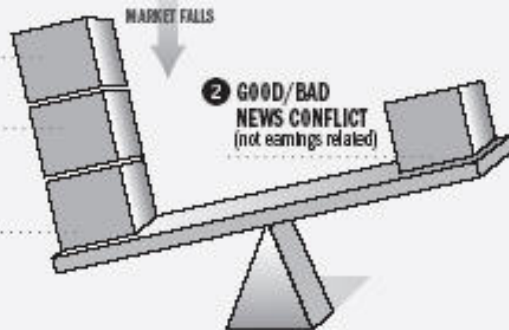
- 1 OVERBOUGHT MARKET
- 2 NO CONFLICTS
- 3 UNCERTAINTY (OPTIONAL)
- 4 WORSE-THAN-EXPECTED-EARNINGS OR ECONOMIC INDICATOR



▼ GREEN ALERT: DOWNSIDE

This is the best downside day to trade. The market is overbought and suddenly it gets worse-than-expected earnings or economic news. There is no conflict with good news released at the same time. The more uncertainty the better. The DOW can lose 200 points or more.

- 1 OVERBOUGHT MARKET
- 3 UNCERTAINTY (OPTIONAL)
- 4 WORSE-THAN-EXPECTED-EARNINGS OR ECONOMIC INDICATOR



▼ YELLOW ALERT: DOWNSIDE

This is the second best downside day to trade. It's the same as a Green Alert Day, with one exception. There is a conflict caused by good news released at the same time as the bad news. The bad news, however, does not concern earnings. The DOW can fall 100 points or more.

THE PRESENTATION ABOVE SHOWS THE FOUR ENTRY SET-UPS WE USE TO EVENT TRADE. GREEN AND YELLOW ALERTS TO THE UPSIDE CONFIRM OUR BULLISH BIAS AND ALLOW US TO GO LONG. GREEN AND YELLOW ALERTS TO THE DOWNSIDE CONFIRM OUR BEARISH BIAS AND ALLOW OUR TRADERS TO SHORT.

Powerful New Signal Generation Process

PRIORITIZING OUR TRADING OPPORTUNITIES

Once we have built a universe of stocks for which we have fundamental bias either long or short, we turn to our trade timing technology based on backtested knowledge bases specific to each stock. Knowledge bases are databases of measurements taken over thousands of

years of market data. The measurements are used to determine the "mood" of the market, and from these measurements, we extract rules about the market in any given situation. This process of accessing a knowledge base of information and matching systems to market conditions

forms the basis of the Adaptive Reasoning Model technology known as "ARM".

ADAPTIVE REASONING MODEL ("ARM")

According to the Personality of Markets theory developed by Ed Downs, all markets have personalities. Trading systems fail when markets change personality. The Adaptive Reasoning Model (ARM) seeks to find systems and signals that match the current personality of each individual security and use those systems to generate trading signals in real time. Century Pacific attempts to

capture a security's personality by running trading simulations in the immediate past. The Adaptive Reasoning Model (ARM) expands on this concept by using artificial intelligence methods to create knowledge bases that contain profitable rules based on market measurements. Our computers perform a back test to determine which systems were working in the immediate past and then use the

systems to arrive at a *voted* or *consensus* signal. Our systems have the ability to automatically choose a system appropriate to each market. If the market changes personality, the ARM technology adjusts and selects which system is appropriate at any given time and any market.

APPROACH TO TIMING OUR TRADES

The available technical analysis tools help us to assess the future direction of a security. Specific systems, indicators and patterns are automatically selected that best fit each trading candidate. Two different approaches are used to time our trades:

The Voting Method

Using the Adaptive Reasoning Model, our lists of long and short candidates are analyzed continuously using hundreds of systems and technical indicators. Our computers apply a voting process to the best systems to arrive at a consensus signal. With the Voting

Method, we can determine which systems have worked the best on each security in the past, and use these systems to generate signals.

Trading Strategies

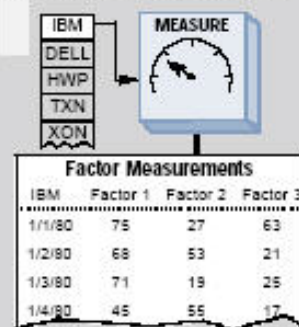
A trading strategy applies particular systems, filters and additional settings to a security to isolate an appropriate setup.

It starts with a concept called "Multiple Strategy Voting". It's like having multiple experts examine your charts and apply the right strategy at the right time. For example, at one place in the

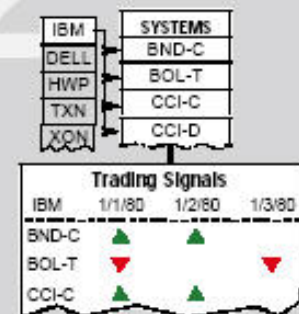
chart you might have an excellent Breakout opportunity. At another place, the conditions for a good Swing trade. Now, both strategies will fire and when more strategies are added, the program literally gets smarter and smarter. Our Trade Processor breaks each trading strategy down into its individual components and optimizes each step to get the best possible signal for each individual security.

How We Build Knowledge Bases

First, all symbols are measured over many years of data, to arrive at a database of market factors and clues, such as Trend Angle, Volatility, etc. for each day in each market.



Next, every security is run through OmniTrader. During this process, we save off all signals generated by all systems in a signals database.



The last step is the factor & signals databases are fed to our computers at night, each running a Genetic Algorithm process to find rules.

When a rule is discovered that meets our minimum requirement, it is added to the Knowledge Base. Each night, more new rules are added to the KB.





SUPER STRATEGIES

Combining market factors that work together to predict profitable moves in global markets is our mission. To do this we need to be able to diversify with multiple trades simultaneously and be in the market as much as possible. To do this required the development of Super Strategies. A Super Strategy is not a single strategy, but rather a collection of strategies. The idea is to prioritize multiple trading strategies such that the combined performance meets or exceeds our 80% accuracy and 3:1 Reward to Risk requirements. This enables Century Pacific to diversify and maintain optimal investment of capital at all times, generating large returns through compounding.



SUN TZU SAID....

FEED OFF YOUR ENEMIES AND FORAGE THEIR RESOURCES.

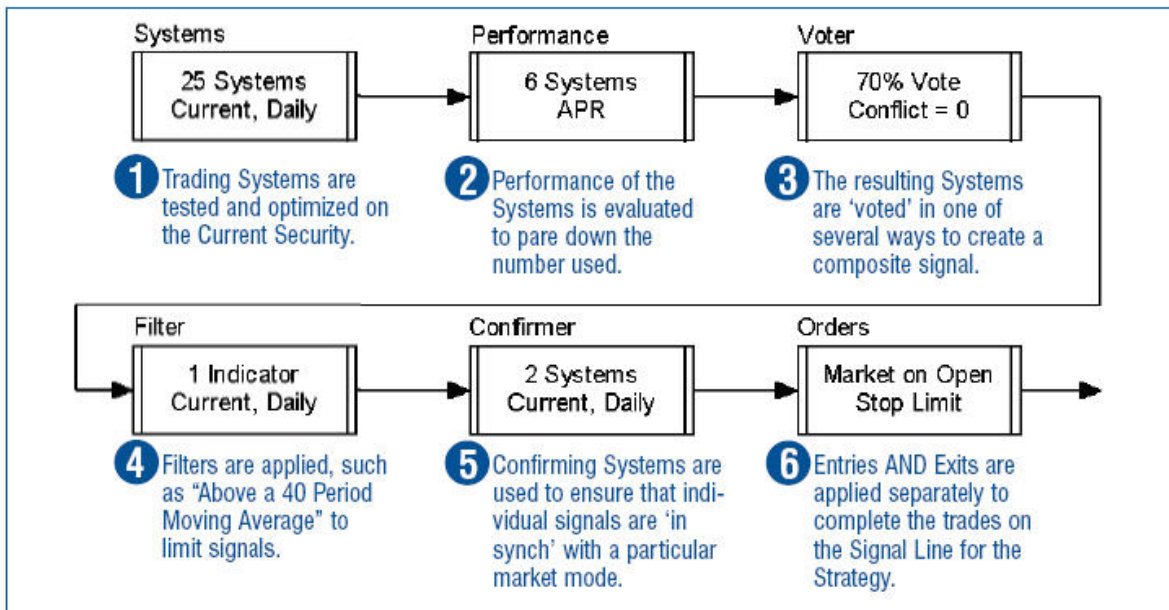
IT IS BETTER TO HAVE NUMEROUS WINS CONSISTENTLY THAN TO BET ON A BIG WIN AND LOSE. EMPLOY PRUDENT MONEY MANAGEMENT

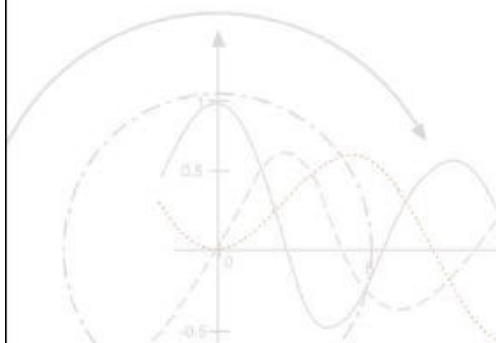
THE TRADE PROCESSOR

Century Pacific's Trade Processor uses a process very similar to an assembly line. Each "line" is called a Strategy. Within a given strategy, building blocks are connected which include a System Tester, Performance Evaluator, Voter, Filter, Confirmer and Order Block. Trades flow from left to right as new information is added to the signals. The Performance Evaluator looks at how well the Systems performed in the test period, similar to a "Quality Assurance" test. Those signals that pass move on to the Voter, which

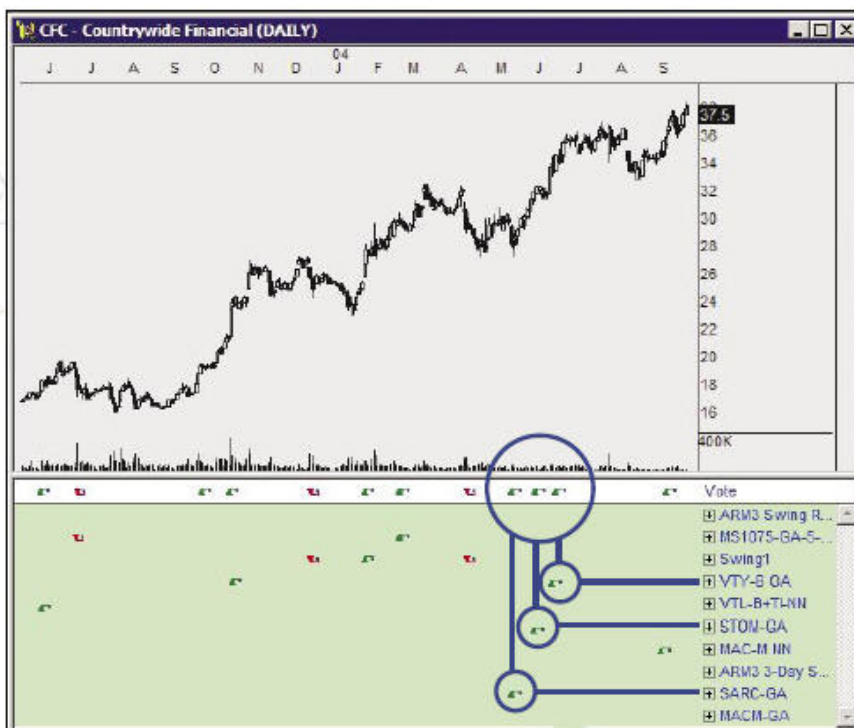
generates a voted signal. The next step Filters the signals against criteria designed to eliminate the lower-probability trades. Then, the Confirmer checks the signals against other systems to confirm them. Finally, Entries and Exits are added at the end of the assembly line to produce the final product, the best possible trade for that security.

The graphic below demonstrates the workflow as the Trade Processor analyzes trades along its assembly line structure.





This chart shows the concept of the Super Strategy in action. This example uses 10 different strategies that each fire a few excellent trades. By combining their results, we are given plenty of opportunities to engage the market and, ultimately, reach our UTM goals.



File View Mode Tools Window Help

Custom Mode Focus List To Do List Chart Options Symbol: LSI Chart Periods 3 6 9 12 All

Focus List

Symbol	Sig	Adv	BTMR	BTAP
CDE	▲	92	81	95
UCR	▲	91	77	82
LSI	▲	89	86	301
CMM	▲	85	77	143
CSC	▲	88	74	85
CPMNY	▲	88	60	39
TWE	▲	88	64	5
TFX	▲	85	85	63
ABG	▲	83	76	77
QADI	▲	82	73	104
PDE	▲	82	78	85
CVG	▲	81	67	54
DNR	▲	81	86	117
HC	▲	81	65	64
BPRG	▲	80	75	367
BNG	▲	80	75	27
CLIC	▲	80	63	142
SII	▲	78	75	105
HYSNY	▲	74	89	109
BK	▲	72	77	39

STATISTIC: BT FT

Longs 12 0

Shorts 11 0

Hit Rate 74 0

Profit 249 0

Avg A.P.R. 85 0

CSC - COMPUTER SCIENCES CORP. (DAILY)

Chartbook

Automatic trend lines

Automatic signals & ratings

Statistics for each symbol in the list.

Main Longs Shorts New

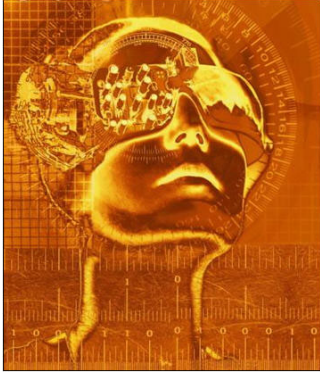
Chart Date 7/23/2001 Chart Periods 152 Period Type DAILY

Saving Chart Options 0.00% 0.0 s 0.00/s 10:38 AM

Disclaimer: Past performance is not indicative of future results. Results in this presentation are hypothetical. Hypothetical or simulated performance results have certain inherent limitations. Unlike an actual performance record, simulated results do not represent actual trading. Also, since the trades have not been executed, the results may have under-or-over compensated for the impact, if any, of certain factors, such as lack of liquidity. Simulated trading programs are also subject to the fact that they are designed with the benefit of hindsight. No representation is being made that any account will, or is likely, to achieve profits or losses similar to those shown.

ARTIFICIAL INTELLIGENCE

The origins of "artificial intelligence" programming sought to replicate the way humans think and solve problems



Neural networks are a type of adaptive learning program. They combine a network of numerical processing units each with its own weight, or importance, to act together. Through trial and error they search for the answer to the problem. Neural networks do not need to have a set of rules to solve a problem, they surmise the rules from a set of historical data.

Genetic algorithms are another type of problem solving program. They work in a manner similar to the way nature allows for "survival of the fittest". They allow hundreds or thousands of possible solutions to compete with each other to find the best solution. Unlike neural networks, you must have a deeper understanding of the nature of the problem you are trying to solve, in

order to apply the genetic algorithms.

There is a distinct difference between the way humans think and the way most "artificial intelligence" programs solve problems. The stock market problem is not just about economics or technical analysis, it is about humans making decisions. *It is the perception of what other investors are about to do.* Solving the stock market problem is solving two problems. One is trying to extrapolate the non-linear response to market stimuli and the other is trying to replicate human response. Our model takes both options into consideration.

Through the use of powerful computers, sophisticated genetic algorithms and neural networks, Century Pacific is building a system that reduces risk in investing and decision making, allowing our managers to exceed the technical ability of other fund managers (see our trad-

ing machine below). The project is based on the premise that each professional money manager has a different system for choosing what investments to make, when to enter and when to exit the market to increase profit or decrease loss, and each professional uses varying amounts of computer power to help make these decisions on a daily basis. Although each professional has a different system, all draw from the same set of 800+ technical indicators to analyze the markets and make investment decisions. Some managers choose 5 of the 800, some choose 10, some chose 60 or 70, with each manager limited in his selections only by the amount of computer power used by his company. Century Pacific has built a sophisticated trading computer able to use all 800+ indicators all the time, reducing risk in investing by reducing unknowns in decision making.

INTRODUCTION TO GENETIC ALGORITHMS

A new artificial intelligence technique surfaced several years ago as scientists tackled the huge problem of mapping the human genome. Genetic Algorithms were created to search for combinations of market factors and trading signals that have a high probability of success based on backtesting. A genetic algorithm is an *algorithm* or computer process that attempts to find solutions in a very large problem space through the use of a segmented search Strategy.

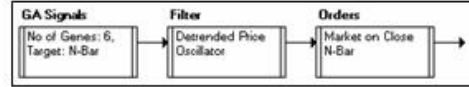
The Genetic Algorithm starts with combinations of individual factors and makes one pass through all the data to create a set of rules that are profitable in trading a security. It will continue several iterations of this process until it finds the combination of rules that meet a predetermined level of success. The rules are then combined through a genetic mutation process millions of times until highly specific rules with at least 80% accuracy are saved into a knowledge base.

We are using a *new* Genetic Algorithm Signal component (GA Signal) that can create *Super Systems* from multiple systems and market measurements. GA Signal works like a super-charged voting engine. We define several systems and market measurements, as we did in the development of ARM2. GA Signal, then combine the existing systems and measurements to create Super Rules such as: When MAC-M fires a signal with VTY-B, and the Close is below a 21 period moving average, and the Tradability Index is above 60, the probability of a profitable 7-bar move is above 80%. GA Signals is useful in situations where you are not sure which system to use to generate a signal, but have an idea that several systems and measurements, when combined, could create a good entry. That is, by combining 3 Systems and 3 Indicators (for example), some combination thereof would generate a signal - you just don't know what that combination is. GA Signals iterates on the problem space using a Genetic Algorithm process, until it has converged on numerous "rules" which are then added to a Knowledge Base, such as "Long Signal when MAC-M fires a signal and Volatility is between 2.5 and 3.5 and Close is more than 5% above the 21 period Moving Avg."

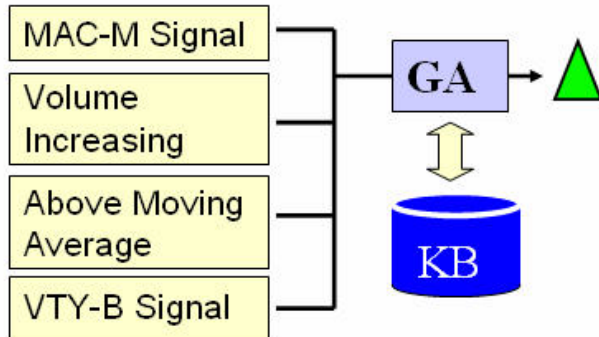


Century Pacific's state-of-the-art trading computer.

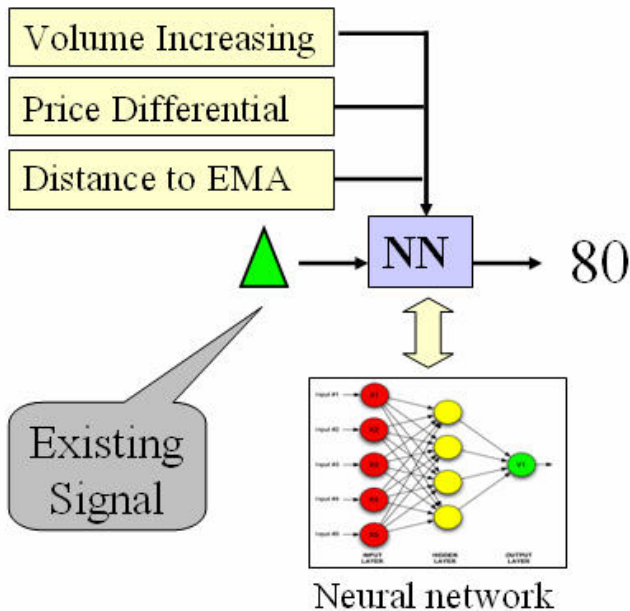
GA Signal creates "Super Systems" by combining Factors to find profitable combinations, in essence creating "Super Systems"



	Back Test	Forward Test
Number of trades	25	39
Profitable trades	19	30
Average hit rate (%)	76.04	76.97
Average net profit (%)	37.00	87.25
Average profit/trade (%)	6.20	9.38
Average APR (%)	6.56185	9.91895

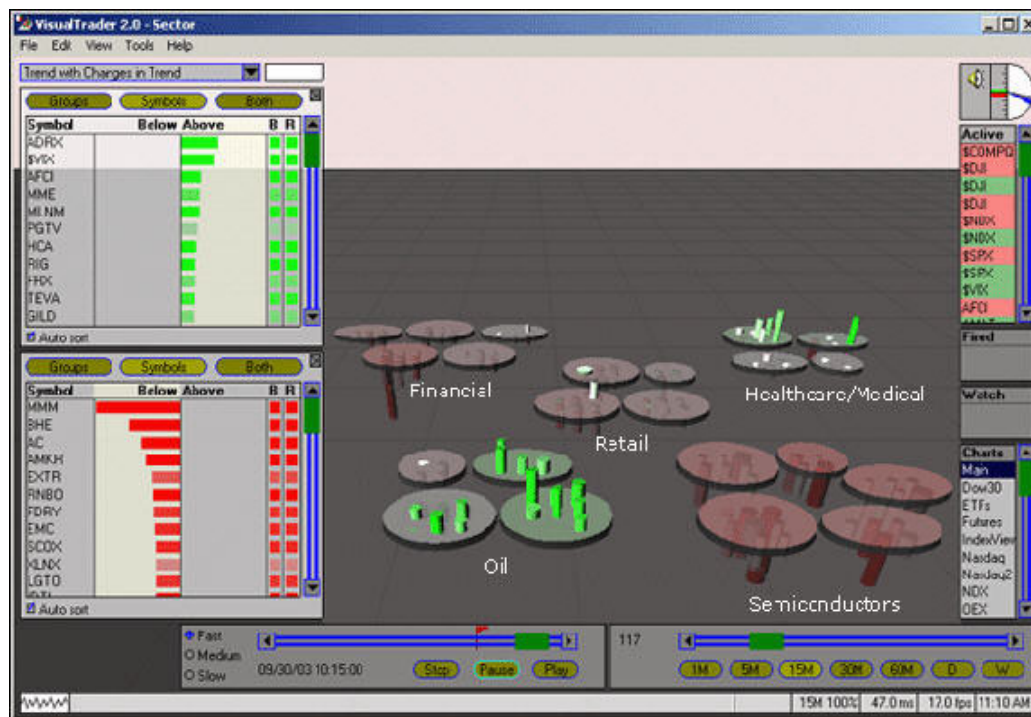


NN Score can improve the performance of any System or Strategy by "Scoring" the signals.



BIAS BASED ON MARKET AND INDUSTRY GROUP DIRECTION

After selecting which securities have a long or short bias, we then consider market and industry direction. We have learned how important market direction is in trading. We have automated the ability to trade only in the direction of a particular group, index or market factor. We calculate fulcrum points in the market and industry groups determining where strong moves short and long will occur and when.



INDEX DIRECTION IS IMPORTANT FACTOR IN TIMING

Short Term NASDAQ
 Short term, the NASDAQ has formed a tight intraday consolidation at the highs of the 5 Minute Chart from 2,080 to 2,090 (1,555 to 1,565). An upside break is implied, but a break either way will clear way for movement at the Open.

Medium Term NASDAQ
 In the medium term, we are still out of the market, since none of our entry levels were crossed. We are out of the market, and will watch 2,105 (1,575) up, and 2,075 (1,550) down; using 5 (5) point stops.

Summary
 The NASDAQ closed the day higher after getting a solid rally to begin the session. The index continues to trade within the boundaries of the expanding trading range, which will likely persist early next week. Watch for the eventual break that will arise from this pattern, as such a break should yield key movement.

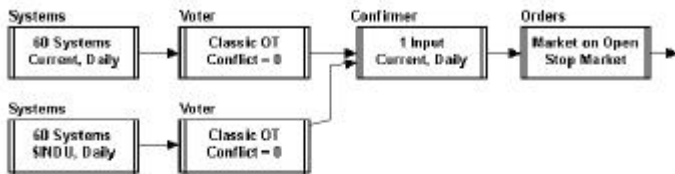
NASDAQ DAILY CHART



NASDAQ WEEKLY CHART



Index Confirmation Strategy



Unfiltered signals for NSC. The circled signals fired too early - it would be nice if we could cancel them out. Confirming against the Index does this, as shown below.



Signals on the Dow Jones Index: These signals from the Index confirm several signals in the NSC chart.



Signals for NSC confirmed against the Index signals. By confirming against the Index, the 'early' signals are filtered out, and we are left with three profitable trades.

CONFIRMING OUR TRADES

Overall market direction and sentiment are an important part of trading. Trading in the direction of the market is equivalent to taking the path of least resistance. Because there are so many equities to select from worldwide, we are able to narrow down our search for the best long and short candidates that must first pass a rigorous screen test. The equity must be fundamentally very strong or very weak. There should be a trigger event like earnings or news coming up that will bring momentum players in to drive price. The underlying technical action must tell us definitively that a move in the direction of our trade is imminent. The individual

stock's chart pattern must statistically show that the Pattern Strength and Pattern Direction support the direction of the trade. And finally, the market or industry group needs to be going in the direction of the trade on the day that we take our position. We have found that these factors only align on a small percentage of stocks on any given day. The good news is that we have multiple markets for which we can run these screens. In the end, we find the most liquid, fastest moving stocks for each day we are trading.

▲ Buy Signals

Name	ETF	Type*
Health Care Facilities		R
Health Care Providers		T
Home Builders		T
Oil & Gas Drilling & Exploration		R

▼ Sell Signals

Name	ETF	Type*
Auto Parts		T
Banks Regional	RKH	T
Diversified Manufacturers		R
Real Estate		T
Trucking		T

*The type of signal:

- T = Trending
- R = Reversal

CONFIRMING TRADES WITH PATTERN RECOGNITION

Through rigorous analysis, several independent researchers have determined that chart patterns are predictive. Identifying the best patterns gives us a significant advantage in confirming high probability trades. By analyzing factors on each pattern, we can find those which have the highest odds of success and establish a target for each pattern.

A database of patterns has been created to perform automatic analysis across thousands of patterns in both the intraday and daily data.

All the major chart patterns have been analyzed over a stock's history, and moves and statistics were measured from the break line of each pattern.

The statistics were averaged among a cross section of the market and predictive models were created. The percentage failure rate, average rise and likelihood of a rise were tabulated. These calculations are constantly being updated and a Pattern Strength and Pattern Direction score are attributed to each trade.

Symbol	Sig	Adv	Pat	PD	Str
INTC	▲	91	TLN	●	5
UTX	▲	55			
BAC	▲	55			
EP	▼	86	SR	●	3
FDX	↑	54			
G	↑	70	SR	●	3
GS	↑	74	TLN	●	1
HIG	↑	79	TLN	●	2
MCD	↑	61			
T	↑	79	FIB	●	1
MO	↑	77	TLN	●	4
PEP	↑	61	TLN	●	5
MRK	↑	82			
OMX	↑	76			
NXTL	↑	82			
\$SPX	↑	62	SR	●	2

#	Formation	image	Fail%	AvRise%	LkRise%
1	Rectangle Bottoms, up break		0	46	20
2	Rectangle Tops, up break		2	52	25
3	Triangles, ascending		2	44	20
4	Wedges, falling		2	43	25
5	Broadening Bottoms, up break		2	25	10
6	Sym Triangle Bottoms, dn break		3	41	20
7	Double Bottoms		3	40	25
8	Triple Bottoms		4	38	20
9	Broadening Tops, up break		4	34	12
10	Sym Triangle Tops, up break		5	37	20

* According to likelihood of success, from [Encyclopedia of Chart Patterns](#).

BULLISH PATTERNS

Each stock is measured according to the effectiveness of each pattern. Next, the relative performance of the patterns is calculated and converted into a Pattern Strength rating from 1 (low) to 5 (high). Empowered by this new technology, our traders can quickly identify the best patterns to trade in concert with all the fundamental and technical screening performed prior to this point. This enables Century Pacific to confirm its trades faster and can lead to higher profitability in trading. The chart to the left shows several of the bullish patterns the Fund uses to confirm its trades.

BEARISH PATTERNS

The chart to the right shows a number of the bearish patterns Century Pacific uses to confirm its short sales. It is quite well known that stocks drop much faster than they go up. It may be that market makers are less willing to bid for a stock when it is dropping and hence move the market that much faster. General consensus is that a stock can drop as many as 3 times faster than it goes up. There are many opportunities to make significant profits by monitoring the short side of the market every hour of every day. This becomes a natural hedge and has been known to reduce overall portfolio volatility.

#	Formation	image	Fail%	AvDecl%	LkDecl%
1	Rectangle Tops, dn break		0	20	20
2	Sym Triangle Bottoms, dn break		2	19	10
3	Scallops, Descending		3	24	20
4	Broadening Formation, Right angled and Descending		3	19	12
5	Broadening Tops, dn break		4	23	15
6	Triangles, Descending		4	19	15
7	Rectangle Bottoms, dn break		4	19	12
8	Sym Triangle Tops, dn break		6	20	15
9	Wedges, Rising		6	19	15
10	Broadening Wedges, Ascending		6	20	10

* According to likelihood of success, from [Encyclopedia of Chart Patterns](#).



REAL WORLD EXAMPLE

The chart to the left, Altria Group, is an example of Century Pacific's trading paradigm. In September 2004 there was a bearish pattern forming but no short signal to accompany the trade, hence a short trade would not have been entered. In mid-October, a bullish signal was fired by our trading algorithms, and shortly thereafter a bullish chart pattern confirmed the trade. Altria quickly rose in the coming weeks and a profitable trade evolved.

EXECUTING TRADES AT CENTURY PACIFIC



"Strategy Order Generated"
"Order Filled"

Order execution is a critical component of a successful trading strategy. Our platform is designed to help us identify market opportunities and execute trades more efficiently than a trader could ever do manually. It actually monitors the markets, tick-by-tick, in real-time, and seeks market opportunities based on the firm's strategies. The instant an opportunity arises based on custom buy or sell rules, it's

designed to automatically generate entry and exit orders and send them to the marketplace within fractions of a second of the market move.

One of the most significant advantages is that it enables the firm to design, historically test and optimize proprietary custom equities, options, futures and forex trading strategies before risking a penny of trading capital.



With TradeStation's powerful EasyLanguage, you'll be able to describe and test your own custom strategies.

"NO HANDS" TRADING

Century Pacific's platform gives it the power to describe sophisticated ideas and strategies having dozens or even hundreds of parameters and conditions. For example, traders can test strategies that contain multiple entry and exit signals, various order types (market, limit, stop orders), pyramiding and money management rules, advanced parameter optimization. Traders

can create strategies on pre-market hours only, post-market hours only, pre-and post-market hours combined—or any other custom sessions traders define. One can even have a strategy place limit orders. These strategies can then be "enabled" to trade automatically whenever the criteria for that strategy are met.

PERFORMANCE TESTING TRADES

The trading platform includes an extensive Strategy Performance Report to help traders analyze the simulated historical results of stock, options, futures and Forex strategies from virtually every angle, including everything from historical net profit and loss to number of winning and losing trades and beyond.

one year or up to 20 years of intra-day historical market data included with the platform, this extensive report instantly shows whether a strategy could have been profitable or unprofitable in the past, the annual rate of return, number of winning and losing trades, and much more. This is very helpful in reducing risk prior to entering trades.

Whether we are testing an idea on one day,

TradeStation Strategy Performance Report

Performance Summary:

Total Net Profit	\$20,870.00	Total Net Profit	\$20,176.00
Gross Profit	\$28,540.00	Gross Profit	\$24,681.00
Total # of trades	58	Total # of trades	11
Number winning trades	26	Number winning trades	7
Largest winning trade	\$4,220.00	Largest winning trade	\$6,749.00
Average winning trade	\$1,019.29	Average winning trade	\$2,128.43
Ratio avg win/avg loss	3.99		
Max consec. Winners	3		
Avg # bars in winners	20		
Max intraday drawdown	(\$1,120.00)		
Profit Factor	3.72	Max # contracts held	1,000

Performance Summary: Long Trades

Summary Trades Analysis Annual Monthly Weekly Daily Win/Loss Time Graphs Settings

Strategy Performance Reports give you a clear picture of how well your strategy could have taken advantage of market moves, and what may have occurred if you had traded it.



Account(s)

 12715096
 12715097
 12715098
 12715099

Date Range

2/ 1/2004

To:

2/29/2004

Symbol Filter

All Symbols

None selected

[Click here to see the different TradeManager Analysis screens.](#)

TradeStation Performance Summary			
	All Trades	Long Trades	Short Trades
Total Net Profit	\$39,658.00	\$13,140.20	\$25,517.80
Gross Profit	\$54,554.20	\$20,890.20	\$33,664.00
Gross Loss	(\$15,896.20)	(\$7,750.00)	(\$8,146.20)
Profit Factor	3.43	2.70	4.13
Total Number of Trades	113	65	48
Percent Profitable	54.87%	46.15%	66.67%
Winning Trades	62	30	32
Losing Trades	47	35	12
Even Trades	4	0	4
Avg. Trade Net Profit	\$342.19	\$202.20	\$531.63
Avg. Winning Trade	\$879.90	\$696.34	\$1,052.45
Avg. Losing Trade	(\$338.27)	(\$221.48)	(\$678.89)

Performance Summary Trade Analysis Trades List Performance Graphs Trade Graphs Settings

The account manager reviews all trades placed and creates detailed analysis reports of all trading activity in multiple accounts. With over 100 performance fields detailed analysis reports evaluate trading performance from different perspectives, such as profitability, time and trade series analysis. This identifies trends and strengths and weaknesses in the firm's trading.

Below, automated position tracking technology monitors trades in real-time and executes trading rules such as trailing stops or other exits.

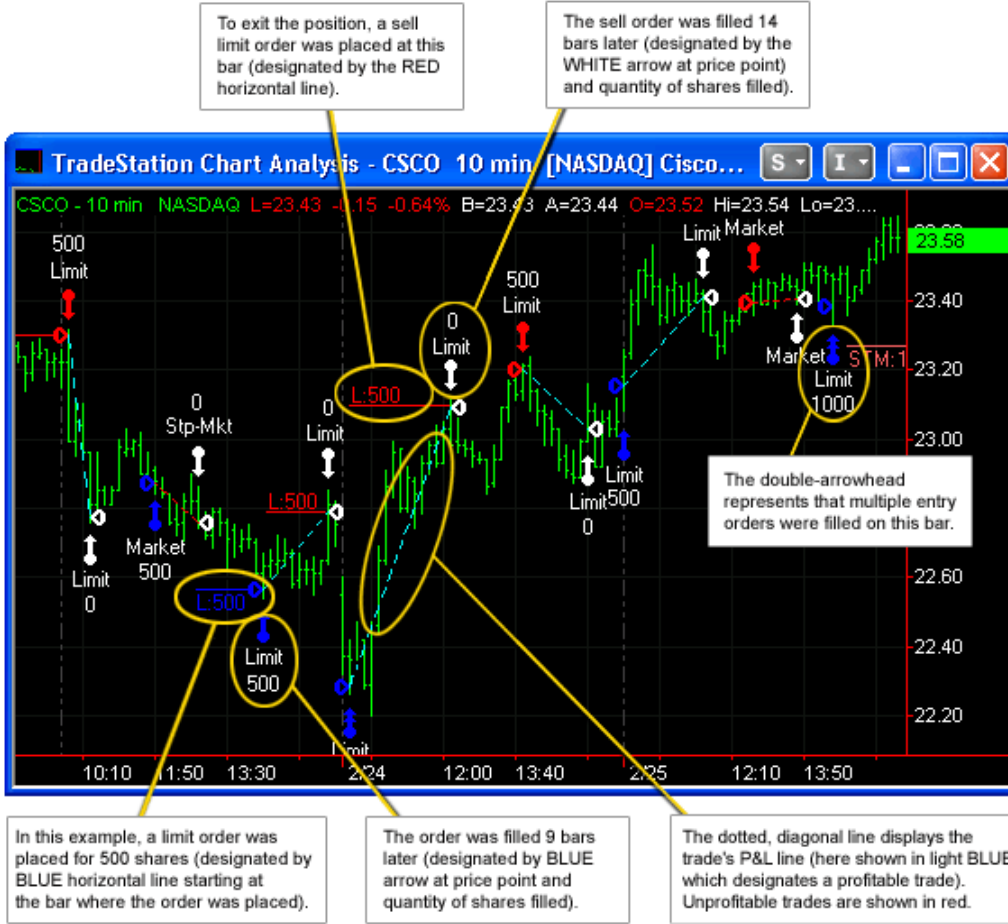
Symbol	Interval	Strategy Position	Open Position	Positions Match	Strategy Price	Last	Strategy P/L	Strategy Filled Time	Entry Name
DJH03	1 min.	Long 5	Long 5	True	8021	8029	\$400.00	2/4/2003 7:55:00 AM	VICisLE
ESH03	5 min.	Long 5	Long 5	True	842.00	844.00	\$500.00	2/4/2003 12:15:00 PM	MomLE
ESM03	15 min.	Short 5	Short 5	True	844.25	844.75	(\$125.00)	2/4/2003 2:45:00 PM	VICisSE
NQH03	15 min.	Short 5	Flat	False	966.50	966.00	\$50.00	2/4/2003 3:00:00 PM	MACrossSE
NQM03	5 min.	Long 5	Long 5	True	972.00	975.00	\$300.00	2/4/2003 1:50:00 PM	MacdLE

NOTE: The list is automatically sorted every minute. Last sort on 2/4/2003 at 2:51:25 PM

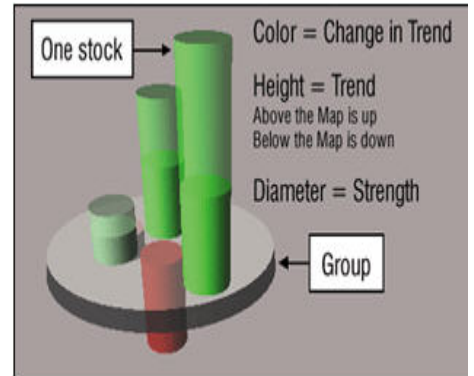
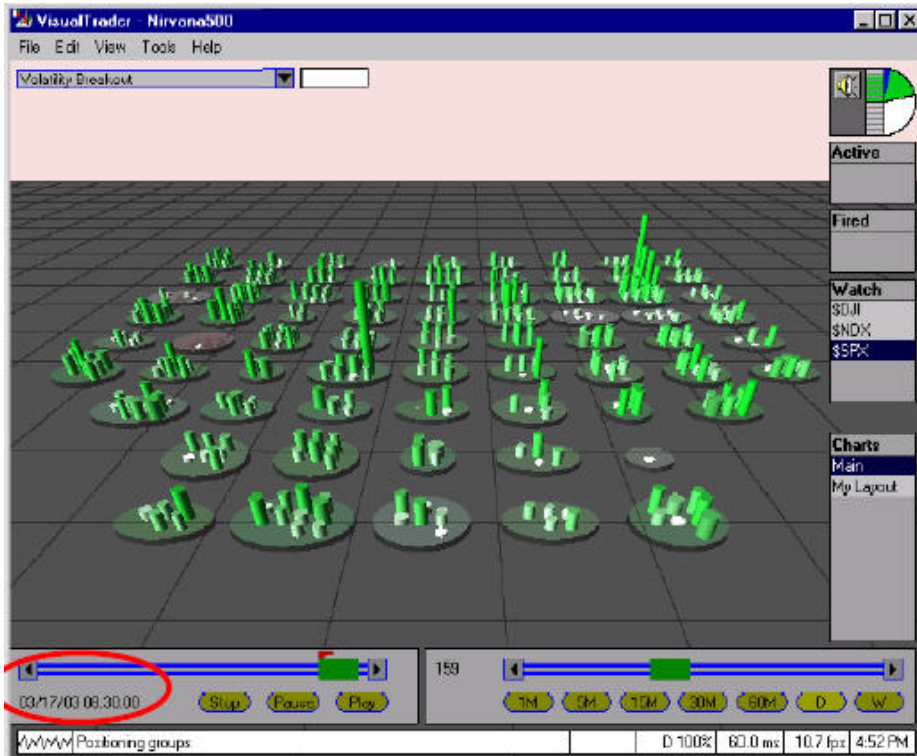
NOTE: The "Positions Match" column is a general indicator of whether or not your actual open position in a security appears to match and be consistent with immediately try to identify the possible reasons for the failure to match.

Total strategy profit and loss is \$1125.00

Today's Orders / Open Positions / Strategy Orders / **Strategy Positions** / Historical Orders / Balances / Messages



The advantages of automated trading are many. The firm is able to identify and react to opportunities faster. Traders are able to simultaneously track more markets than ever before, executing multiple conditional entries and exits, profit targets, protective stops, trailing stops and custom rules and strategies. Finally and most importantly, automated trading reduces emotions and increases trading discipline. Emotions can be a trader's worst enemy. Century Pacific designed its trading platform to eliminate emotions and trade based on historically tested strategies and chart patterns.



Century Pacific's traders can also see the entire market in a 3-D heads-up visual display much like fighter pilots use. This enables them to monitor all positions visually as well as computer-aided. The positions are all compared relative to each other using the height, width and color of each cylinder. The higher, wider and brighter the color, the stronger the move in the direction indicated.

HOW CENTURY PACIFIC MANAGES RISK

Risk is the key to any professionally managed portfolio. Knowing which stage the market is in: Hope, Greed, Fear, Despair is also crucial to developing a trading bias.

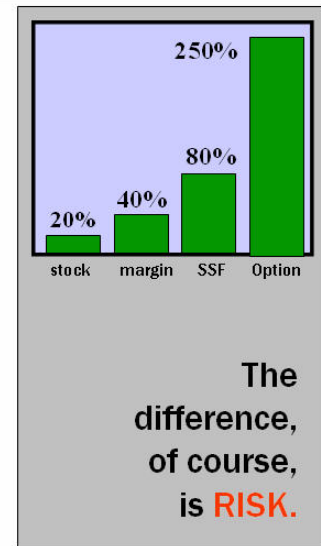
Sun Tzu, the great Chinese general and philosopher from 2500 years ago summed it up nicely:

“If you know yourself and your enemy, you will not fear battle. If you know yourself, but not your enemy, you will lose a battle for every one that you win; and if you do not know yourself or your enemy, you will never see victory”.

**A stock that goes up 20%.
Here are 4 ways to trade it.**

- Trade on NO margin & make 20%
- Trade on Full margin & make 40%
- Trade Single Stock Futures & make 80%
- Trade Call Options & make 250%

These are all the SAME TRADE.



Risk Factors common to ALL Trading Vehicles

- **Overnight Risk**
“How much could this position move against me?” and “What happens to my portfolio if it does?”
- **Leverage Applied**
“How much leverage is used?”
- **Costs of the Trade**
“How much must I overcome to make a profit?”

RISK CONTINUED

Translating Sun Tzu we find that: If you know your capabilities and your market, you will be a consistent winner. If you know your capabilities but not your market, at best you will break even. But if you do not know your own capabilities nor do you know the market you are trading in, you will always lose.

Century Pacific’s trading platform calculates the entire history of any given stock and trades that stock over lengthy

backtesting periods before our traders ever consider going long or short. The personality of the stock, its inherent volatility and its projected Reward:Risk ratio are all computed prior to the stock ever making it to the final cut.

We respect what a stock has taught us over the years and consider history carefully when determining our allocations in markets, sectors and stocks.

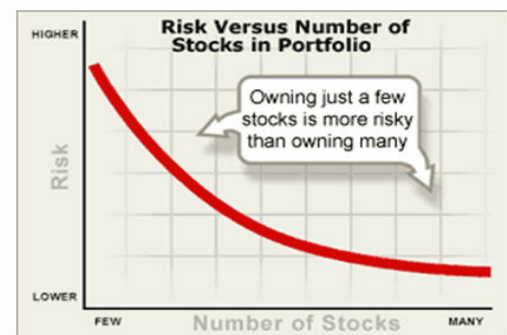
DIVERSIFICATION

The chart to the right speaks for itself. Owning more positions and avoiding single stock concentration is a good start to avoiding serious drawdowns.

The trading platform at Century Pacific was designed specifically to handle trading large numbers of securities in multiple markets. The efficiency and execution are markedly better than manual trading. While traders still oversee what the computer models are doing, program trading is necessary to gain a competitive edge.

The more securities you hold, the less risk in your portfolio.

- A portfolio with 10 stocks is HALF as risky as owning a single stock.
- A portfolio with 50 stocks is typically ONE THIRD as risky as owning a single stock.



This graph shows the relationship between the number of stocks held and the risk exposure.

CENTURY PACIFIC INVESTMENTS, LLC

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Beverly Hills, CA 90210

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steve@centurypacific.net

AT CENTURY PACIFIC, YOUR MONEY NEVER SLEEPS

The information provided here is intended to be general in nature and should not be construed as investment advice. This information is subject to change at any time based on market and other conditions and should not be construed as a recommendation to buy or sell any specific security. All information provided is general in nature. Century Pacific's investment recommendations may not be suitable for all investors. Investments involve substantial risks and special considerations. Equity investments should be considered a speculative investment and investors should only invest if they can sustain a complete loss of their investment. Century Pacific Investments, LLC is an investment advisor registered in the state of California.

This material must be preceded or accompanied by a prospectus. The prospectus contains more complete information, including management fees and expenses. Please read the prospectus carefully before you invest or send money.

Century Pacific Investments, LLC is an investment advisor registered in the state of California. The firm's principle is Thomas Ronk.

Thomas Ronk has 16 years of trading experience. As a registered representative of Transamerica Financial Resources, a division of Transamerica, Mr. Ronk managed over \$150 million in equity accounts. Mr. Ronk is the principal of Dreamvest, LLC which issues proprietary research and takes companies public. Four companies that Mr. Ronk has brought public are HealthStar, Aim Smart, eSynergies and Nutra Pharma. Mr. Ronk has been interviewed on CNBC Television, CBS MarketWatch, Red Herring, MSNBC and has been an approved research analyst for Investor's Business Daily.

Mr. Ronk studied Electrical Engineering and Computer Science at the University of California at San Diego.

