

The Prospects For Owning Natural Gas Stocks Over A Particular 5-Month Stretch

ISE-Revere Natural Gas Index vs. Price Of Natural Gas (June-October/2004-2013)

5-Month Period	% Price Change	Index Total Returns
5/31/04 - 10/31/04	35.56%	24.00%
5/31/05 - 10/31/05	91.38%	38.10%
5/31/06 - 10/31/06	18.03%	7.40%
5/31/07 - 10/31/07	4.91%	10.26%
5/31/08 - 10/31/08	-42.05%	-49.31%
5/31/09 - 10/31/09	31.51%	12.45%
5/31/10 - 10/31/10	-6.91%	4.75%
5/31/11 - 10/31/11	-15.85%	-14.94%
5/31/12 - 10/31/12	52.48%	9.79%
5/31/13 - 10/31/13	-10.05%	16.74%

Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's topic covers a common question we field every year around this time. Does it pay to invest in the common stocks of natural gas companies when the weather turns warmer?
2. The data in the chart captures the price fluctuations of natural gas, as measured in British thermal units (BTUs), and the total returns of an index consisting of natural gas stocks over the past 10 years.
3. One of the first things that pops out to us is the fact that there were only two instances where the 5-month returns of the ISE-Revere Natural Gas Index were negative (2008 & 2011).
4. Natural gas prices, however, declined in four of the 10 years cited (2008, 2010, 2011 & 2013).
5. One of those years, and we are speaking about 2008, was unique in that it was the year in which the global financial crisis occurred. It also represented the first 12 months of the 18-month (12/07-6/09) U.S. recession.
6. From our perspective, the total returns in the chart do **not** suggest that common stocks of natural gas companies are good candidates for the "Sell in May and go away" axiom.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The ISE-Revere Natural Gas Index is comprised of securities that derive a substantial portion of their revenues from the exploration and production of natural gas.