



NEWGATE *Market* MONITOR

“...the Portfolio is up 8.0% over the past 12 months...”

The Newgate Global Resources Portfolio was down 20.8% during the second quarter. Despite the recent decline, the Portfolio is up 8.0% over the past 12 months, outperforming the Dow Jones-UBS Commodity Index (2.8%).

MARKET REVIEW. The second quarter was negative for commodity related investments for a number of reasons. The Chinese government has slowed its economy to cool the property markets, reducing the country's infrastructure spending that otherwise provides significant demand for commodities such as copper and iron ore. May numbers for US employment were surprisingly weak, increasing fears of a double dip recession and putting future demand for commodities in doubt. China represents a large but difficult to quantify source of demand for almost all natural resources. In contrast, the US has greater overall consumption than China, yet US demand has less uncertainty. So while demand forecasts for both China and the US affect the markets, changes in Chinese demand tend to make bigger headlines and have greater market impact.

The potential impact of a European economic slowdown also weighs on the market. The final piece of bad news for the commodity markets was the explosion of the Deepwater Horizon drill rig in the Gulf of Mexico. There was an immediate impact on the companies directly involved, but also on all drilling and servicing companies. The status of the moratorium on deepwater drilling in the Gulf of Mexico remains uncertain. However, it seems likely that drilling will resume eventually, though with greater regulation and costs.

PORTFOLIO REVIEW. Energy stocks finished sharply lower, in part due to both regulatory and economic uncertainty. The Portfolio had relatively modest exposure to servicing and drilling even before the Deepwater Horizon explosion, and we sold positions during the modest rebound after the initial decline. Our uncharacteristically large allocation to integrated energy companies (13%) is driven by strong balance sheets and healthy dividends. We made our first allocation in over five years to oil shipping companies, another sector with stable businesses and high dividends.

Natural gas was one of the bright spots in the commodities landscape. Gas prices rose, largely for reasons that are internal to the highly technical nature of gas trading. The market may be anticipating government policy favoring natural gas sourced onshore, rather than deepwater oil. Though natural gas companies declined,

losses were much less than in other aspects of the energy market. We added pipeline and Master Limited Partnership exposure to the Portfolio during the quarter, seeking to benefit from increased use of gas while trying to limit price risk. MLPs typically issue K1s, that can create tax and reporting issues for many investors. To avoid this problem, we have invested in an ETN on the MLP index.

Base metals, steel and related sectors are very sensitive to the global economy, but especially to China. With recovery slowing globally, all related industry groups had substantial declines. We reduced positions in copper, zinc, steel and other related industries. However, we also added selectively to specialty metals such as aluminum and molybdenum late in June to take advantage of extreme valuation discounts.

Gold was one of the few commodities with gains (over 11%) during the quarter. This rise defies conventional wisdom that links higher gold prices with inflationary fears. The connection between gold and inflation is accurate but incomplete. Investors buy gold based on fear of monetary instability. Inflation is the most common manifestation of this instability, but fear of a collapsing Euro or sovereign debt defaults also creates an environment where gold's safe haven status makes it more attractive. Gold stocks tend to lag bullion during these times, though both had positive returns during the quarter. We have maintained a modest allocation to gold (under 4%) and eliminated silver during the quarter. While severe inflation and monetary instability are both possible, the more likely outcome is for a tepid recovery, which should not ignite gold demand.

OUTLOOK. We expect reduced demand for natural resources for the near term, but not the catastrophe that many politically motivated commentators are forecasting. Recent price declines combined with economic growth, however modest, have resulted in a well valued portfolio with significant growth prospects in several natural resource sectors and industries.

We are mindful of the volatility of the Portfolio and while we are risk conscious, we do not want to miss the periods of substantial upside. For example, during three days in June (9-11) the Portfolio rose 6.4%. Missing those periods would doom an investor's return. Given our macro view on an improving (though not robust) recovery, our investment committee has taken great pains to manage, but not undermine the long term investment thesis. ♦



NEWGATE
CAPITAL MANAGEMENT LLC

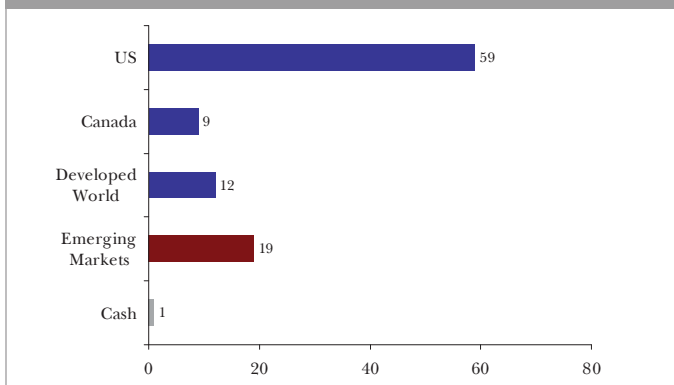
GLOBAL Resources PORTFOLIO

ANNUAL PERFORMANCE

	NEWGATE	DJ-UBS INDEX
2Q10	-20.79	-4.81
YTD	-18.24	-9.60
1 Year	8.01	2.75
3 Year	-11.32	-8.36
5 Year	3.83	-1.32
Inception*	8.30	-0.16
2009	60.10	18.91
2008	-56.30	-35.65
2007	50.91	16.23
2006	14.13	2.07
2005	29.20	21.36
2004*	28.41	-0.58

*4/30/04

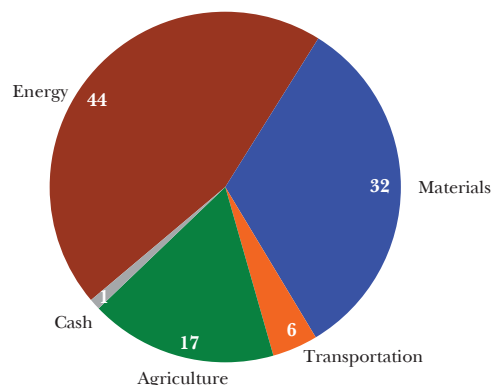
COUNTRY ALLOCATION



TOP TEN HOLDINGS (%)

Cliffs Natural Resources	United States	3.5
Occidental Petroleum	United States	3.4
Repsol	Spain	3.4
Vale	Brazil	3.3
Archer Daniels Midland	United States	3.2
Cosan	Brazil	3.0
Southwestern Energy	United States	3.0
Lukoil Holdings	Russia	3.0
Ultra Petroleum	United States	2.9
El Paso	United States	2.9

SECTOR ALLOCATION



ENERGY	44
Exploration/Production	15
Integrated Oil & Gas	13
Service & Drilling	6
Coal	5
Pipelines	4
MLPs	1
MATERIALS	32
Diversified Mining	14
Machinery Equipment	5
Steel	4
Gold	3
Copper	2
Aluminum	1
Molybdenum	1
AGRICULTURE	17
Chemicals	9
Operations	5
Sugar	3
TRANSPORTATION	6
CASH	1

PORTFOLIO CHARACTERISTICS

Average Number of Holdings	50-70
Average Market Cap	\$28.5 bn
Current Yield	1.7%

M I N D I N G T H E F U T U R E T O D A Y SM

Past performance is no guarantee of future results. Performance may vary across accounts. Returns are calculated using a time-weighted market value assuming reinvestment of dividends. Performance is reported net of management fees, commissions, and other direct expenses, but before custody charges, withholding taxes, and other indirect expenses. Performance shown is compared to the Dow Jones-UBS Commodity Index, a broad-based securities index that is unmanaged and not subject to fees and expenses. Investments cannot be made directly in a broad-based securities index. Any securities, sectors and markets listed are included for illustrative purposes at the time of publication and may not be held by accounts currently managed by Newgate. The securities identified do not represent all of the securities held in client accounts. It should not be assumed that any investments identified were or will be profitable. © 2010

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