



## NEWGATE *Market* MONITOR

*“Newgate’s Global Resources Portfolio rebounded 18.8%...”*

Natural resource investments continued their 2009 rally as the global economy showed positive signs of recovery. The increase in economic activity across most of Asia, China in particular, boosted commodity prices. The Dow Jones-UBS Commodity Index gained 4.3% during the quarter as base metals, energy and agricultural commodities all rose. Year to date, the Index has increased 9.1%. Commodity equities generally outperformed most futures based investments, with the S&P Global Resources Index up 11.5%. The Newgate Global Resources Portfolio surged 18.8% during the quarter and is up 43.9% year to date.

**MARKET REVIEW.** One of the central reasons for the superior performance of commodity equities over commodity futures is the current shape of the futures curve. Future prices can either be lower than today’s spot prices (referred as *backwardation*) or higher (*contango*). During periods of *contango*, investors suffer as managers must buy contracts at prices higher than current spot prices. Given that many markets are in *contango*, commodity index returns have lagged commodity equities.

**PORTFOLIO REVIEW.** At the beginning of the year we focused the Portfolio on “early stage cyclicals” – industries that tend to outperform as the economy is beginning to recover. Principal among this group are base metals miners and related servicing companies. This cycle has been true to form, with the HSBC Global Mining Index up 40% during the quarter and up over 100% year to date. Copper and zinc prices both rose 25% during the quarter; copper has doubled and zinc is up over 50% for the year.

We have sold into this strength. Diversified mining companies, which generally have large amounts of iron ore along with other metals, and pure play copper companies have been reduced. Aluminum companies were eliminated. However, we have added exposure to both zinc and nickel companies, which have remained attractively valued despite the recent run up in metals prices.

As the global economy recovers, we believe that “later stage cyclicals,” including energy and steel, are likely to have better performance. Oil has been in a trading range around \$70/bbl since May and rose just 1% during the quarter. Natural gas prices in the US rose sharply in the last two weeks of the quarter after plummeting for most of the year. These price increases have occurred despite

the large amount of both commodities in storage; buyers are hoping for a stronger global economy and a colder winter in the US to absorb this inventory. The XOI index of oil companies rose 11.5% and the XNG index of gas companies rose 20.7% during the quarter.

We have been cautiously increasing our allocation to energy. Approximately half of the Portfolio’s 40% position is in exploration and production companies, with another 10% invested in servicing names. In both industries we have favored gas companies over oil. We have eliminated thermal coal (used for power generation) companies, in favor of those that have some exposure to coal used in steel making.

Gold climbed steadily during the quarter, especially when contrasted to the high volatility experienced late last year. Spot prices were up 9% and the XAU index of gold miners rose 19%. In a reversal of the last decade, global central banks have been adding gold to their reserves. China, Russia and The Philippines have boosted gold reserves, while European central banks remain net sellers. Given price appreciation and additional purchases, gold and silver companies currently represent 9% of the Portfolio.

We also added utilities to the Portfolio. Much like energy refiners, utility companies are an investment that benefits from low commodity input prices, especially natural gas. Agriculture was reduced by selling some fertilizer and seed company stocks, though the sector still represents over 16% of the Portfolio. Sugar was added to capture supply and demand imbalances currently in that market.

**OUTLOOK.** Two factors are likely to determine the performance of commodity investments over the next 12 months: the strength of the global economy (especially China) and the relative strength of the US dollar. Natural resource companies are still pricing in very low demand; therefore, even a modest uptick in the economy is likely to be viewed as positive. As the economy recovers, we believe that the US dollar will continue to decline. The Federal Reserve has stated clearly that it will err on the side of “too much monetary stimulus” and risk inflation rather than to withdraw stimulus too soon and weaken the economy. The combination of a stronger than expected economy and loose monetary policy bodes well for continued strength in the natural resource markets. ♦



**NEWGATE**  
CAPITAL MANAGEMENT LLC

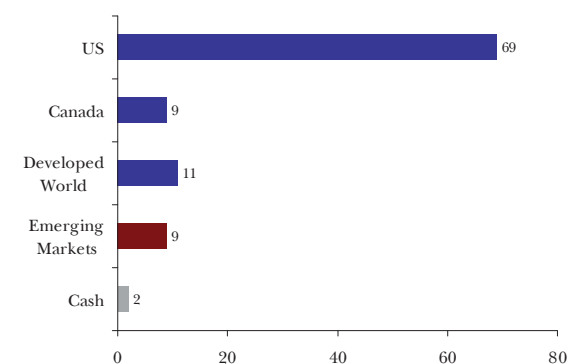
# GLOBAL Resources PORTFOLIO

## NEWGATE PERFORMANCE AS OF 09/30/09

	Cumulative Return		Annualized Return	
	NEWGATE	DJ-UBS INDEX	NEWGATE	DJ-UBS INDEX
3Q09	18.77	4.25		
YTD	43.87	9.06		
2008	-56.22	-35.65		
2007	51.14	16.23		
2006	14.16	2.07		
2005	29.20	21.36		
1 Year	-10.20	-23.71		
3 Year	4.92	-14.03	1.61	-4.91
5 Year	46.90	-3.46	8.00	-0.70
Inception*	80.34	0.46	11.50	0.09

\*4/30/04

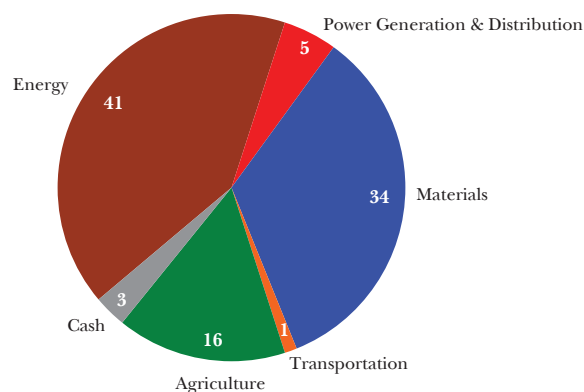
## COUNTRY ALLOCATION



## TOP TEN HOLDINGS (%)

iPath DJ-UBS Livestock ETN	United States	3.1
Potash Corp of Saskatchewan	Canada	3.0
Transocean	United States	3.0
Apache	United States	2.9
Consol Energy	United States	2.9
Foster Wheeler	United States	2.7
Silver Wheaton	United States	2.6
Rio Tinto	Great Britain	2.6
Cliffs Natural Resources	United States	2.6
Mosaic	United States	2.6

## SECTOR ALLOCATION



<b>ENERGY</b>	<b>41</b>
Exploration/Production	20
Service/Drilling	10
Integrated Oil & Gas	5
Coal	3
Engineering/Construction	3
<b>MATERIALS</b>	<b>34</b>
Diversified Mining	11
Gold	6
Copper	5
Steel	3
Silver	3
Machinery Equipment	2
Nickel	2
Zinc	2
<b>AGRICULTURE</b>	<b>16</b>
Chemicals	11
Livestock Operations	3
Sugar	1
<b>POWER GENERATION &amp; DISTRIBUTION</b>	<b>5</b>
<b>TRANSPORTATION</b>	<b>1</b>
<b>CASH</b>	<b>3</b>

## PORTFOLIO CHARACTERISTICS

Average Number of Holdings	50-70
Average Market Cap	\$23.7 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 <sup>SM</sup>

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. © 2009

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