



NEWGATE

CAPITAL MANAGEMENT LLC

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EMERGING *Markets* PORTFOLIO

INVESTMENT OBJECTIVE

The portfolio seeks long-term growth of capital through investments in companies operating in emerging markets or whose shares are listed on the stock markets of such countries.

INVESTMENT PROCESS

Newgate uses a top-down, relative value approach to country and sector allocation. The investment process begins with a quantitative country and sector analysis to identify undervalued economic regions, countries and sectors.

Newgate uses fundamental analysis, investment experience and professional judgment to evaluate the impact of current geopolitical and macroeconomic factors in determining the levels of investment within each country. This approach takes into account social and political developments, demographic issues, market regulations and restrictions, shareholder protection and the impact of technological innovation.

Once the top-down regional, country and sector allocations have been determined, Newgate uses both quantitative and fundamental analyses for security selection. This rigorous, bottom-up approach focuses on a combination of relative valuation analysis and strategic business evaluation.

THE FIRM

Newgate Capital Management LLC is a privately held global investment advisor located in Greenwich, Connecticut. The firm provides investment management services to private, corporate and public funds, educational and charitable institutions, healthcare organizations and private clients.

Newgate's primary mission is to provide superior risk-adjusted performance for their clients. Founded in 1982 on the philosophy of top-down, value oriented investing, Newgate has grown to become one of the world's leading investment houses.

INVESTMENT REVIEW

Emerging markets outperformed developed markets substantially during the first quarter, gaining 1% compared to an 11% loss for the S&P 500 and a 13.9% loss for the MSCI EAFE indices. For the past 10 years, the MSCI Emerging Markets Index has an annualized gain of over 8%, vs. a 2.3% annualized loss for the S&P 500 and a flat EAFE markets. Newgate's Emerging Markets Portfolio increased 0.25% during the first quarter.

MARKET REVIEW. Historically, investors have been attracted to emerging markets in large part due to higher GDP growth rates than in developed markets. But in this environment, emerging markets have a structural advantage as well: lower debt levels. Exotic mortgages simply do not exist there. Down payments on homes are at least 20%, and often much more. Credit cards are rare; there are no mailboxes full of "pre-approved" charge cards or flyers for home equity loans. As a result of the lower leveraged consumer, banks typically have stronger balance sheets than their peers in developed countries.

Higher commodity prices played a significant role in the recent recovery. Brazil (up 12.5%) and Russia (up 5.9%) also had currency appreciation against the US dollar, counter

to the dollar's rise against other currencies. A gain of 10% in oil during the quarter was a major factor in the rise of these countries' currencies. Both countries gain structural benefits from higher oil prices, not just higher earnings for major companies. Higher oil prices increase the probability that Russia can balance its budget without dipping into foreign currency reserves or having to borrow. And higher oil prices increase Brazil's strategic importance as the huge, but expensive to develop, offshore oil fields become economically viable.

Technology was a successful theme for emerging market investors last quarter. Taiwan rose 8.3% and although both Korea (flat) and China (up 1.3%) had modest returns, technology stocks in all three countries were up almost 20%. The global economic slowdown has further delayed an already late replacement cycle for computing hardware. This cycle, combined with very low valuations for many technology-related companies, has been driving investors into the sector.

While there have always been important differences across emerging markets, the current economic climate has magnified them. Emerging market economies that have high debt levels, especially those in Eastern Europe, had significant declines in both equities and currencies. Hungary lost over 25%, in addition to the 61% lost in 2008. Argentina (down 13%) also suffered from waning investor confidence over the government's mismanagement. Argentina is in the process of being demoted out of the emerging markets index. Larger countries such as Brazil, Korea and Indonesia also are generally better positioned to recover. Their companies can develop economies of scale necessary to compete with global players both locally and in the export markets.

PORTFOLIO REVIEW. The re-acceleration of the Chinese economy is important for the overall health of emerging markets and remains a central theme in Newgate's Portfolio. Our focus remains on energy, financials and industrials, those sectors necessary for China to increase domestic consumption. Valuations in China remain attractive at 10.9 times current earnings, compared to their longer term average of 17. During the quarter, the Chinese market was up over 4% on six different days. Newgate took advantage of these rallies to lock in some profits. Chinese investments, both the large concentrations as well as the tactical trading, were a significant source of positive return during the quarter.

While still somewhat underweight, we have added to positions in Korea and Taiwan, that should benefit from the Chinese recovery. We are also overweight the commodity export countries Brazil, South Africa and Russia. Higher energy prices have restored investor interest in all aspects of those markets, not just the commodity related companies. The Portfolio benefited by not being in the Eastern European countries like Poland and the Czech Republic.

OUTLOOK. Valuation levels in emerging markets are still attractive. Current P/E is just 10 times and 11.9 times expected in 2009, and this assumes earnings declines in many countries. By some estimates, there are \$14 trillion in cash available for investment, lending and spending. What is missing from the current environment is the confidence to deploy some of this cash. The current value and growth characteristics of selective emerging markets should attract investor interest and capital when market psychology changes. ♦

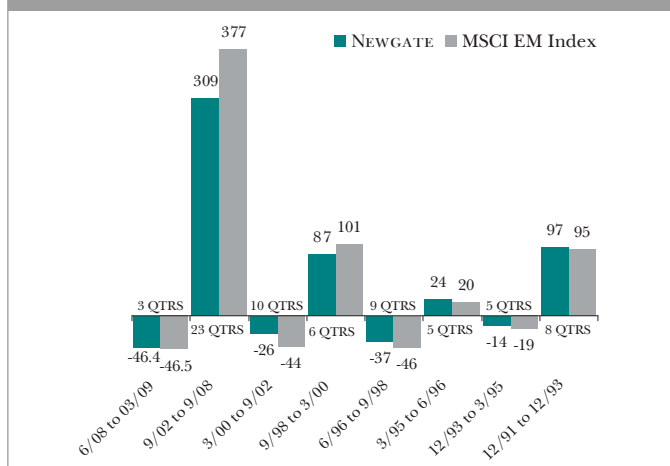


EMERGING Markets PORTFOLIO

PERFORMANCE & RISK • 10/31/91 to 03/31/09

| | NEWGATE | MSCI EM INDEX |
|--------------------|---------|---------------|
| Annualized Return | 8.79 | 6.96 |
| Standard Deviation | 24.37 | 27.33 |
| Beta | .84 | |
| R ² | 89 | |
| Alpha | 2.95 | |

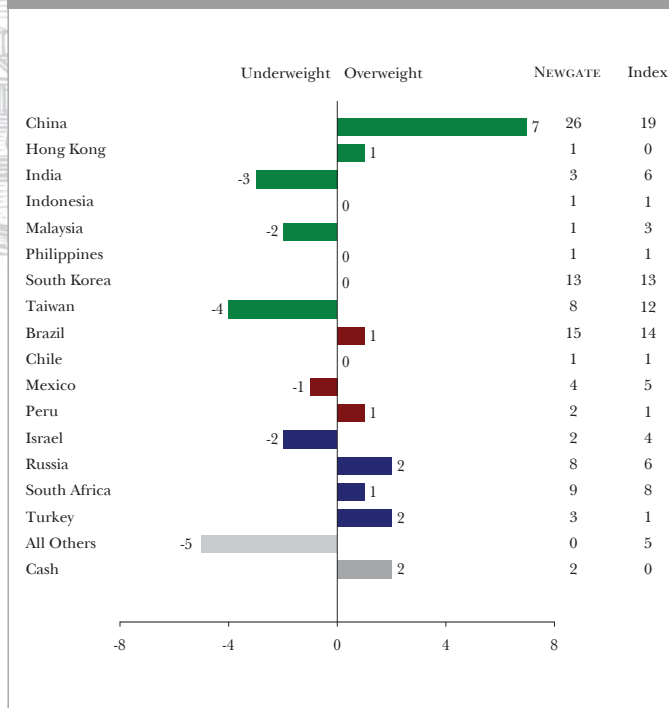
CUMULATIVE PERFORMANCE IN UP AND DOWN MARKETS



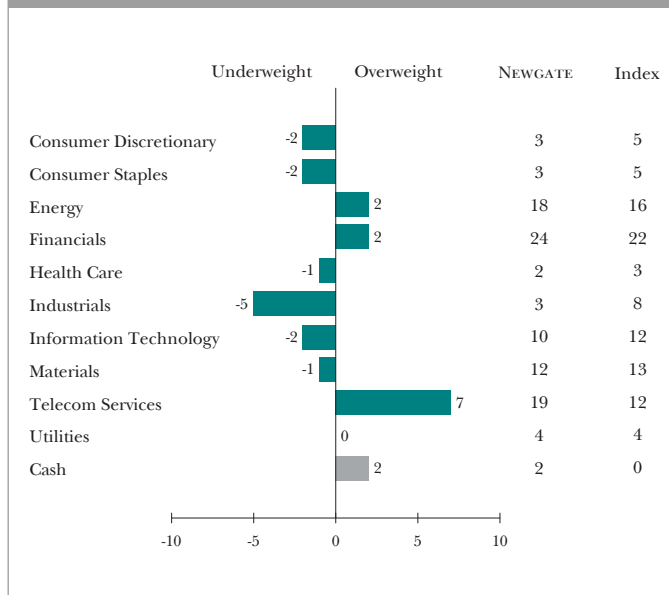
ANNUAL PERFORMANCE

| | NEWGATE | MSCI EM INDEX |
|---------|---------|---------------|
| 1Q09 | 0.25 | 1.02 |
| 1 Year | -44.96 | -46.90 |
| 3 Year | -8.55 | -7.88 |
| 5 Year | 3.82 | 6.25 |
| 7 Year | 7.54 | 10.08 |
| 10 Year | 8.86 | 8.14 |
| 2008 | -51.22 | -53.08 |
| 2007 | 36.25 | 39.78 |
| 2006 | 27.52 | 32.59 |
| 2005 | 27.19 | 34.54 |
| 2004 | 15.81 | 25.95 |
| 2003 | 60.45 | 56.28 |
| 2002 | -8.06 | -6.00 |
| 2001 | -4.17 | -2.37 |
| 2000 | -12.06 | -30.60 |

COUNTRY ALLOCATION



SECTOR ALLOCATION



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 MSCI Emerging Markets 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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