



NEWGATE

CAPITAL MANAGEMENT LLC

FALL 2009

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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 under-valued 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, health-care 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 equities rose 21.0% during the quarter and are now up 64.9% year to date, far outpacing developed market indices. Newgate's Portfolio gained 19.7% for the quarter and is up 52.5% year to date. Emerging markets now have positive annualized performance for trailing 1, 3 and 5 years; neither the S&P 500 nor MSCI EAFE Indices can make that claim.

MARKET REVIEW. The recovery in emerging markets has been powered by two factors. First, valuations troughed at the depths of the credit crisis; simply not falling into the economic abyss accounts for some of the recent market rebound. The second factor is the real economic strength of many emerging markets. This new power of emerging markets was clearly evident during the G20 summit in Pittsburgh, when it was announced that the G20 would replace the G8 as the world's primary economic forum. This group not only includes large emerging markets such as China, Russia, and Brazil, but also smaller ones like Turkey, South Africa and Saudi Arabia.

China remains key to emerging markets. Despite naysayers, the government stimulus package has succeeded in maintaining strong economic growth. Chinese equities, however, lagged the MSCI Emerging benchmark, returning just 7.8% during the

quarter. Unlike other emerging economies, China's heavily managed currency does not allow equities to benefit from a declining US dollar.

Strong Chinese domestic demand fueled most Asian markets, such as Korea which rallied 35.5%. Trade with China has led to a rapid recovery in industrial production, exports and GDP. Korean car companies and related industries also benefited from the US "Cash for Clunkers" program, a source of stimulus that has since been removed. Taiwan, another beneficiary of China's growth, is a highly bifurcated market. Technology companies are doing well as global demand for handheld devices has been surprisingly strong, but domestic companies are lagging. Better relations with the Mainland have boosted equity prices but will not impact the profitability of Taiwanese companies until well into the future, resulting in an expensive market.

Brazilian stocks were up 27.4% and have now doubled year to date. Despite this strong performance, Brazilian equities are trading at only 14 times current earnings, just slightly above their longer term averages. In October 2010, Brazil will have an election to replace President Luiz Inacio Lula da Silva, who is constitutionally barred from a third term. Brazil's strongly independent central bank succeeded in mitigating the global financial crisis. However, the head of the central bank may leave his post in April 2010 to run for governor. Even though Brazil is a model for development of emerging markets, there is the potential for significant change during the next 12 months and thus heightened market and political volatility.

Russian equities gained 27% and are now up 84.9% for the year. Russia is the epitome of a commodity based economy, with over 75% of the country's market capitalization in energy and materials. Eastern Europe generally outperformed the rest of emerging markets, with Poland up 33.9% and Hungary up 42%. This strong rebound is not surprising, given that these three countries were among the worst performing during the credit crisis. All three still have negative performance over the past 12 months.

PORTFOLIO REVIEW. Allocations to China were reduced slightly during the quarter, though the country remains our largest position relative to the Index. We believe that investors are now beginning to understand that the economy is increasingly domestic, rather than export driven. With the Chinese economy reaccelerating, we have added to Korea and Brazil and are moderately overweight both these markets, with 15% and 17% allocations, respectively. We increased India slightly, but our 5% position is still underweight that market. Indonesia, one of the best performing markets, was eliminated. Indonesia, Korea and Russia were the greatest contributors to performance during the quarter. China was one of the largest detractors relative to the index, though most investments were profitable.

OUTLOOK. The Portfolio has been concentrated in those countries with the strongest macroeconomic positions. This has proven beneficial not only during the past credit crisis, but also as the global economy recovers. Valuations in emerging markets are reasonable considering the low interest rate environment and the growth premium of emerging markets relative to developed countries. Last year's crisis has forced investors to reconsider outdated notions regarding global asset allocation, to the benefit of dedicated emerging market investments. ♦

EMERGING *Markets* PORTFOLIO

PERFORMANCE & RISK • 10/31/91 to 09/30/09

	NEWGATE	MSCI EM INDEX
Annualized Return	11.11	9.72
Standard Deviation	25.00	28.31
Beta	0.84	
R ²	90	
Alpha	2.99	

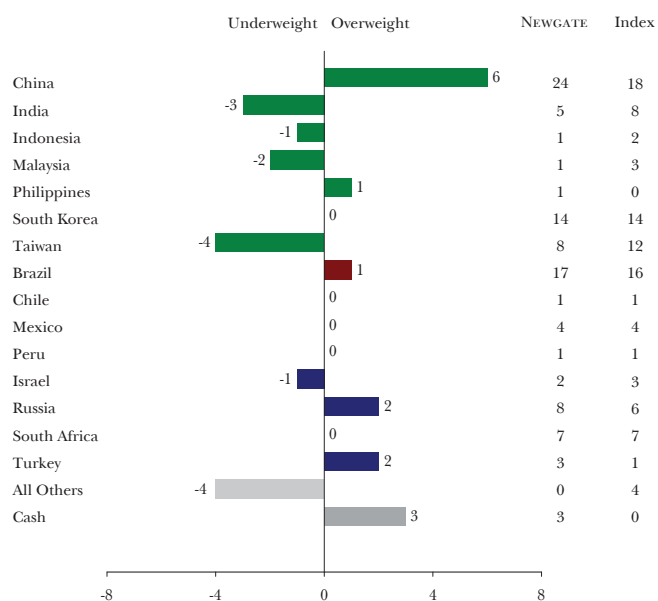
TOP TEN HOLDINGS

China Life Insurance	China	5.7
China Mobile	China	4.6
Petrobras	Brazil	4.0
Taiwan Semiconductor	Taiwan	3.4
Itau Unibanco Banco Multiplo	Brazil	3.1
CVRD	Brazil	3.0
Posco	South Korea	2.9
Lukoil	Russia	2.7
Shinhan Financial	South Korea	2.7
Gazprom	Russia	2.3

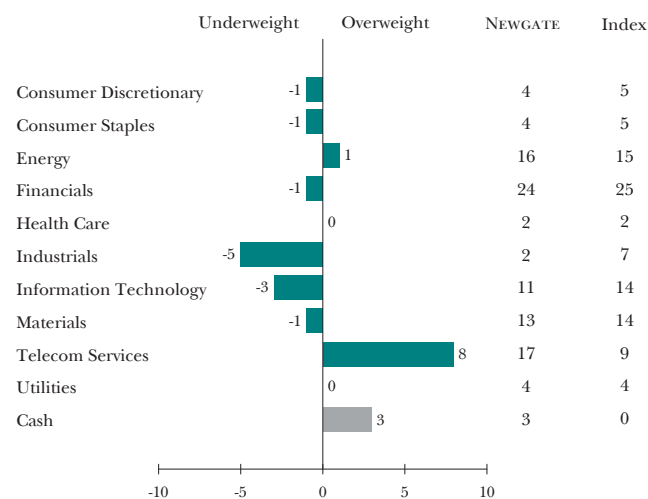
ANNUAL PERFORMANCE

	NEWGATE	MSCI EM INDEX
3Q09	19.65	21.04
YTD	52.54	64.88
1 Year	11.36	19.44
3 Year	5.38	8.27
5 Year	13.95	17.68
7 Year	18.77	22.62
10 Year	10.73	11.71
2008	-51.22	-53.18
2007	35.96	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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