



NEWGATE

CAPITAL MANAGEMENT LLC

SUMMER 2009

VOLUME 6, NUMBER 3

GLOBAL Resources PORTFOLIO

INVESTMENT OBJECTIVE

The Global Resources Portfolio seeks long term growth of capital and protection against inflation and monetary instability by investing in high quality companies involved in the mining, processing and transportation of natural resources of any kind.

INVESTMENT PROCESS

Top-down global approach to sector and industry allocation, combined with a bottom-up style of stock selection. The investment process begins with a top-down, global economic assessment to identify undervalued natural resources and commodity related sectors. Newgate uses fundamental analysis, investment experience and professional judgment to evaluate the impact of current geopolitical and macroeconomic factors on natural resource companies worldwide.

Newgate uses both quantitative and fundamental analyses for security selection. A rigorous, bottom-up approach focuses on a combination of relative valuation analysis and strategic business evaluation. In addition to attractive price levels, Newgate focuses on large and medium capitalization companies with dominant market share, a high degree of financial transparency and good corporate governance.

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

Newgate's Global Resources Portfolio rebounded 19.1% during the second quarter and has gained 21.1% year to date. In contrast, the newly renamed Dow Jones-UBS Commodity Index rose just 11.7% and 4.6%, respectively. Newgate's Portfolio, and commodity related equities generally, outperformed most broadly diversified equity benchmarks.

MARKET REVIEW. What have been the primary drivers of the recent natural resources rebound? Both commodity prices and the value of commodity related equities fell hard last year, with most equities effectively pricing in the worst case scenarios. When the more dire forecasts did not materialize, stocks responded sharply higher. Base metals such as copper and iron ore are early stage cyclical and are typically the first to respond to any signs of increased economic activity.

There have been two primary sources of relative strength for natural resource investments: China and government sponsored stimulus packages. China is the only major country in the world to maintain significant GDP growth. Chinese companies have been stockpiling natural resources, taking advantage of lower prices. This restocking has benefited commodity exporting

companies across the globe, but especially in countries such as Australia, Brazil, Canada and Peru.

Government stimulus packages across the globe have also contributed to the rally in commodity related companies. Many of these packages are laden with infrastructure spending. Base metals, steel, and some components of the energy sector are direct beneficiaries of infrastructure spending. Copper rose 22% during the quarter and is now up over 60% for the year. As impressive as that seems, the price is still 50% below the peak reached in July 2008. Despite strong recent performance, most commodity prices, including oil, are approximately 50% lower than highs reached in the middle of last year.

PORTFOLIO REVIEW. In keeping with the theme of an early stage economic recovery, we have increased base metals exposure steadily as the year has progressed; they now represent almost 20% of the Portfolio. Initially, this exposure was through diversified, multinational mining companies. As we have seen strength in the sector, we have added specialized copper and aluminum companies to the Portfolio.

Gold, which had experienced high volatility last year and during the first quarter of 2009, has been relatively calm and ended the second quarter flat. Gold companies have followed a similar pattern. Given the concern regarding the future of the US dollar as the world's reserve currency, this has been somewhat surprising. We reduced gold to under 5% during the quarter, while maintaining some dedicated silver exposure. Positions in platinum, with characteristics of both gold and base metals, were sold.

Oil prices were up 40%, while natural gas was flat during the quarter, pushing the traditional relationship between the two commodities to the extreme. Natural gas tends to be more economically sensitive. Unlike oil, natural gas is not used as a transportation fuel and therefore does not have the same constant source of demand. Twenty percent of the Portfolio holds exploration and production (E&P) and integrated energy companies. Stocks of these companies are not factoring in the current price of oil, which at nearly \$60/bbl is still expensive historically.

Servicing and drilling holdings were a significant source of return during the quarter, with many stocks surging more than 30%. We sold into strength and ended the quarter with just a 12% allocation. Major energy companies are still committed to finding new sources of oil and natural gas. However, current energy prices, especially for natural gas, are not warranting additional expenditures beyond current plans.

The Portfolio's allocation to agriculture remains near 20%, mostly focused on agrichemical stocks. Many of these companies are now focused on selling more products to the fast growing emerging markets, where diets are becoming more protein based. We also reintroduced a direct allocation to livestock.

OUTLOOK. Global financial markets are no longer pricing in the worst case scenario, but forecasts are hardly rosy. Global energy and mining companies are reducing production, setting the stage for higher prices once demand returns. We expect continued volatility as market expectations regarding the time frame of recovery changes. This should not dissuade long term investors. There will be a recovery in demand for natural resources, even as the global economy remains relatively weak. This demand growth will be led by Asia, and especially China, a country with 25% of the world's population that is just entering a new phase of increased material consumption. ♦



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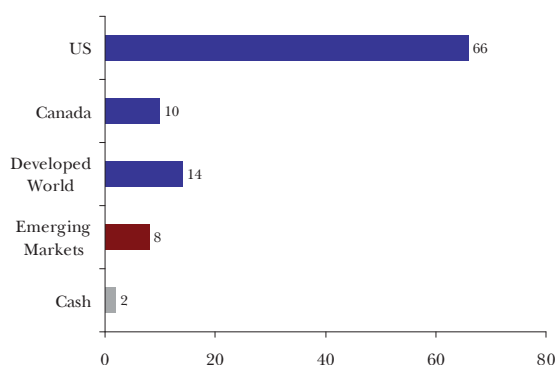
CAPITAL MANAGEMENT LLC

GLOBAL Resources PORTFOLIO

NEWGATE PERFORMANCE AS OF 06/30/09

	Cumulative Return		Annualized Return	
	NEWGATE	DJ-UBS INDEX	NEWGATE	DJ-UBS INDEX
2Q09	19.10	11.67		
YTD	21.14	4.62		
2008	-56.22	-35.65		
2007	51.14	16.23		
2006	14.16	2.07		
2005	29.20	21.36		
1 Year	-56.18	-47.08		
3 Year	-18.88	-22.89	-6.74	-8.30
5 Year	43.47	-1.14	7.49	-0.23
Inception 4/30/04	51.85	-3.63	8.42	-0.71

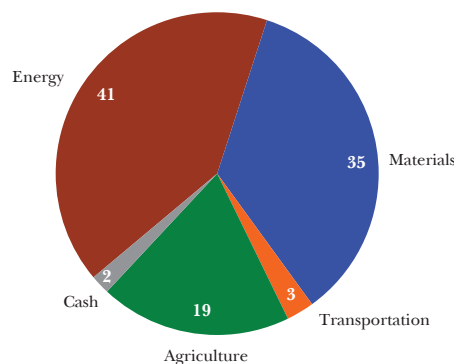
COUNTRY ALLOCATION



TOP TEN HOLDINGS (%)

Southern Copper	Peru	4.4
BHP Billiton	Australia	3.8
Potash Corp of Saskatchewan	Canada	3.8
Rio Tinto	United Kingdom	3.4
Transocean	United States	3.1
Occidental Petroleum	United States	3.1
Mosaic	United States	2.9
Weatherford International	United States	2.6
Alcoa	United States	2.6
Monsanto	United States	2.6

SECTOR ALLOCATION



ENERGY	41
Exploration/Production	19
Service/Drilling	12
Coal	4
Integrated Oil & Gas	3
Refining	2
Engineering/Construction	1
MATERIALS	35
Diversified Mining	13
Copper	7
Gold	4
Aluminum	3
Machinery Equipment	3
Steel	3
Silver	2
AGRICULTURE	19
Chemicals	18
Livestock	1
TRANSPORTATION	3
CASH	2

PORTFOLIO CHARACTERISTICS

Average Number of Holdings	50-70
Average Market Cap	\$27.7 bn
Current Yield	1.3%

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. © 2009

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