



NEWGATE

CAPITAL MANAGEMENT LLC

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GLOBAL *Fixed Income* PORTFOLIO

INVESTMENT OBJECTIVE

The portfolio invests in government and corporate debt on a global basis. It earns high current yields without sacrificing overall investment quality. Our goal is to meet or exceed the returns of the bench-mark index.

INVESTMENT PROCESS

Newgate uses a three-step discipline to identify and invest in taxable Closed-End Funds. The first is the use of top-down Asset Allocation which determines investment commitment and cash reserves. Secondly a Strategic Fund Evaluation that identifies the best performing funds and the third is acquiring the best values.

Newgate's investment strategy is primarily implemented through the shares of closed-end funds (CEFs), US and foreign ETF's, open-ended mutual fund and individual issues. Closed-end funds that invest in fixed-income securities offer a number of unique advantages to sophisticated investors. One of which is Higher Yields achieved by buying CEFs at discounts to their net asset value which result in higher current yields.

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

The global fixed income markets have begun to respond to the massive monetary policy shocks put in place by central banks around the globe. Closed-end fixed income funds, which magnified last year's declines, are now responding positively to signs of stability, if not recovery, in the fixed income markets. Newgate's Global Fixed Income Portfolio earned 3.9% during the quarter, compared to -1.6% for the Lipper Global Index and -3.2% for the Lehman Aggregate Bond Index.

MARKET REVIEW. Signs of recovery are apparent in the arcane details of the fixed income markets. Interest rates are coming down – evidence of loosening credit markets. LIBOR rates, the rates at which banks lend money to each other and therefore a gauge of bank confidence in each other, are an important measure. These rates rose in February and early March, but declined again by the end of the quarter on strong statements by central banks that their financial systems will not be nationalized. Credit spreads on both investment grade and high yield bonds also tightened during the quarter, but remain wide by historical standards.

The performance of the US dollar has also become a useful "fear" indicator. Not only has the dollar been viewed as a safe haven, resulting in the well documented "flight to quality" but it also is a source of liquidity as many aspects of the credit

markets are still frozen. The dollar rose against the major currencies, but fell against the emerging market currencies and also against the Euro.

As the fixed income markets slowly recovered, so have closed-end debt funds. While it's true that many leveraged funds were forced to redeem a portion of their outstanding auction-rate-preferred securities to reduce total leverage, reports of the death of closed-end funds as an investment vehicle have proven over-exaggerated. In fact, several new closed-end funds were successfully launched this year. Leverage on closed-end fixed income funds is a function of LIBOR rates, and the resulting steep yield curve is now proving to be a boon to leveraged funds.

PORTFOLIO PERFORMANCE. Most sectors in Newgate's Global Fixed Income Portfolio had positive returns during the first quarter. More importantly, the source of this performance generally included rising net asset values, indicating a return to liquidity in the fixed income markets. Dividends were also maintained for most funds, providing another source of return.

Investment grade bonds were the best performing segment. High yield and multi-sector bond funds (allocated to investment grade, high yield, mortgage and senior loans) had double digit returns as well. Global income funds also added value to the Portfolio. This sector includes funds that invest in Australian bonds, which have rallied sharply as commodities have increased in price. The only sector that was a significant detriment to the Portfolio was preferred stocks, a segment dominated by financial issuers.

PORTFOLIO ACTIVITY. Volatility in the markets provided an opportunity to rebalance the Portfolio. We increased allocations to non-US debt in both developed and emerging markets. The Templeton Emerging Markets Fund (TEI), yielding over 10% with a 15% discount, was added to the Portfolio. Like most emerging market debt funds, TEI tends to focus on the larger countries in Latin America and Asia, with little or no exposure to Eastern Europe. We also initiated positions in the Barclays iShare TIPS ETF (TIP). Both purchases express our concern of the inflationary potential of current US monetary policy. We have also increased allocations to mortgage backed securities through both multi-sector funds and ETFs.

We reduced allocations to some of the preferred stock funds that began to trade above their NAVs. Other funds with large allocations to preferred shares, such as the Nuveen Multi-Strategy funds (JQC and JPC) continue to have very wide discounts and high yields, making them attractive despite some additional risk.

OUTLOOK. Confidence is slowly building in the credit markets, evidenced both by higher prices and increased liquidity. This process will be slow and frustrating, with occasional setbacks. There will also be defaults and failures. But there is also a renewed focus on fixed income as an asset class to earn meaningful returns, not merely as a place to park money not earmarked for equities. In this environment, a diversified portfolio like Newgate's, with 25-30 closed-end funds providing exposure to thousands of instruments across the capital spectrum, may be attractive. The Portfolio's yield of 10.3% represents value against a treasury market inflated by both panic and government intervention. As confidence increases, investors will reallocate to sectors with the prospects for real returns in the coming years. ♦



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GLOBAL Fixed Income PORTFOLIO

PERFORMANCE & RISK • TEN YEARS TO 3/31/09

	<u>NEWGATE GLOBAL FIXED INCOME</u>	<u>LIPPER GLOBAL INCOME INDEX</u>
Annualized Return	1.26	4.03
Standard Deviation	10.48	4.98
Beta	98	
R ²	22	
Alpha	-2.69	

RETURNS

	<i>Cumulative Return</i>		<i>Annualized Return</i>	
	<u>NEWGATE</u>	<u>INDEX</u>	<u>NEWGATE</u>	<u>INDEX</u>
1Q09	3.86	-1.56		
1 Year	-25.43	-11.41		
3 Year	-28.80	4.09	-10.70	1.35
5 Year	-27.06	8.99	-6.12	1.74
7 Year	-5.62	41.38	-0.82	5.07
10 Year	13.37	48.51	1.26	4.03

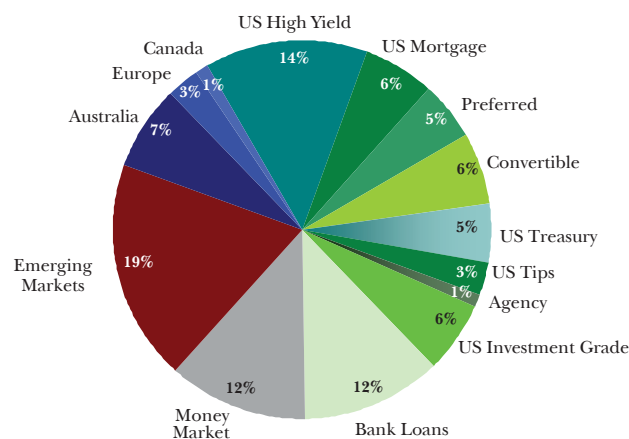
PERFORMANCE

	<u>NEWGATE</u>	<u>INDEX</u>
2008	-28.12	-7.54
2007	-12.81	7.16
2006	14.09	7.21
2005	-4.43	-1.91
2004	4.90	8.51
2003	21.82	13.21
2002	8.69	11.68
2001	7.24	2.50
2000	11.09	4.18
1999	-2.06	-2.76
1998	1.15	6.34
1997	10.81	3.62
1996	11.20	10.02
1995	28.11	17.75

PORTFOLIO DATA

Yield	10.3%
Quality	BBB
Maturity	7.0 Years
Duration	3.0 Years

ASSET ALLOCATION



INTERNATIONAL	30
Emerging Markets	19
Australia	7
Europe	3
Canada	1
US	58
Bank Loans	12
High Yield	14
Investment Grade	6
Convertible	6
Mortgages	6
Treasuries	5
Preferred	5
US Tips	3
Agency	1
MONEY MARKET	12

MINDING THE FUTURE TODAYSM

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 Lipper Global Income 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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