



NEWGATE

CAPITAL MANAGEMENT LLC

FALL 2009

VOLUME 19, NUMBER 4

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

Closed-end fixed income funds continued to outpace the general bond markets with another strong quarter of performance. Every sector across the closed-end fixed income fund universe had positive returns. Newgate's Global Fixed Income Portfolio gained 14.2% during the quarter and is up 46.3% year to date, compared to 9.0% and 15.6% for the Lipper Global Fixed Income and 3.7% and 5.7% for the Barclays Aggregate Bond Indices, respectively.

MARKET REVIEW. Credit markets rallied as the global central bank driven re-liquification continued unabated. Despite some public handwringing by various officials and private sector economists, policy makers have made it clear that they will err by "too loose," rather than "too tight," monetary policy. While overall economic statistics have been mixed, measures of credit market healing, if not quite health, are apparent. The arcane statistics of credit and OIS spreads, LIBOR rates and similar measures have moved closer to normal levels, and in some cases have even moved to pre-Lehman collapse levels.

Debate on the role of the US dollar in the global economy has dominated the headlines. Emerging markets, especially China, had their vociferous calls for an expanded role in reshaping the global economy answered at the September G20 summit. The ten largest emerging markets collectively

now have record levels of foreign currency reserves. While Chinese reserves have been well documented, both Brazil and Russia have been increasing their reserves following last year's collapse. These reserves have strengthened currencies across the globe.

This return to near normality has come on the back of massive central bank intervention. Two questions are raised: 1) When do central banks begin to withdraw this liquidity? and 2) What will the role of the US dollar be in this "new normal" environment?

There are no easy answers, but there are at least a few reasonable conclusions:

- 1) The value of US Treasury and similar assets is likely to decline quite sharply as rates increase.
- 2) Investments linked to credit are likely to outperform.
- 3) Non-dollar assets are also likely to outperform, but will be highly volatile and best traded on a tactical, rather than strategic basis.
- 4) Inflation will become a motivating force for investors, even if government statistics show muted increases.

PORTFOLIO ACTIVITY. The allocation to floating rate senior loans is now over 20% and likely to increase even further. These assets actually increase in value as rates rise, unlike Treasuries which decline with rising rates. Funds like the Eaton Vance Floating Rate Income Trust (EFT) offer great value, with a 6.5% current yield at an 8% discount from NAV. This fund will actually benefit from higher interest rates. Conversely, our allocation to Treasury and agency securities is now less than 2%. Although we believe that the trend for the US dollar is decidedly negative, there will still be periods of dollar strength. We reduced our allocation to non dollar assets to 15% after a significant move during the quarter. Emerging markets debt had been particularly strong; the Templeton Emerging Markets Income Fund gained more than 40% in less than six months.

We increased our allocations to preferred shares and mortgages during the quarter. Both bank preferred shares (accounting for most of the market) and mortgages have been significant beneficiaries of the current loose monetary policy. Several programs announced, but not yet enacted, such as the Public Private Investment Program (PPIP) should provide additional support to both of these markets. Unleveraged ETFs are a cost effective way to access the mortgage market without taking on the additional risk of leverage.

PORTFOLIO PERFORMANCE. Performance was positive across all sectors of the Portfolio. As the financial markets strengthened during the quarter, net asset values climbed and discounts narrowed. In addition, most funds in the Portfolio have benefited from rising dividends.

OUTLOOK. We are at an inflection point in the financial markets. Growth is coming back, albeit with heavy support from global monetary authorities. Just as with a child learning to ride a bike, the markets must eventually be able to stay upright once this support is removed. At Newgate, we believe this will be the case and investors should be preparing for the next battle – rising rates and higher inflation. The Portfolio's 6.2% yield, low duration and significant cash position, give us flexibility to move as the financial markets shift ♦.



NEWGATE
CAPITAL MANAGEMENT LLC

GLOBAL *Fixed Income* PORTFOLIO

PERFORMANCE & RISK • TEN YEARS TO 09/30/09

	NEWGATE GLOBAL FIXED INCOME	LIPPER GLOBAL INCOME INDEX
Annualized Return	4.83	5.83
Standard Deviation	13.35	5.85
Beta	1.47	
R ²	42	
Alpha	-3.75	

RETURNS

	Cumulative Return		Annualized Return	
	NEWGATE	INDEX	NEWGATE	INDEX
3Q09	14.17	8.95		
YTD	46.33	15.63		
1 Year	31.63	12.76		
3 Year	-5.17	17.79	-1.76	5.61
5 Year	2.03	27.64	0.40	5.00
7 Year	30.96	54.01	3.93	6.36
10 Year	60.25	76.24	4.83	5.83

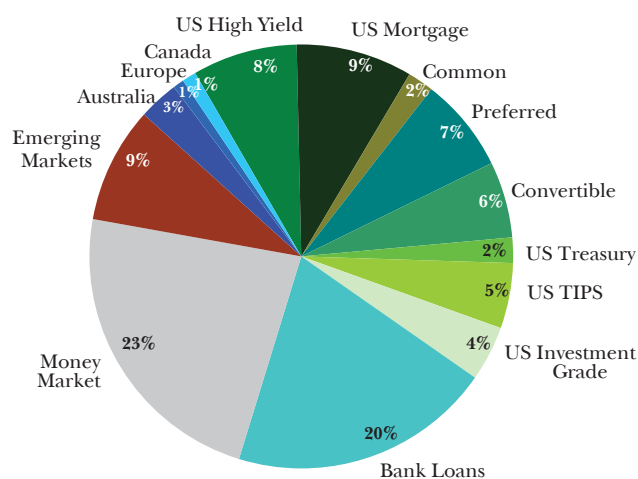
PERFORMANCE

	NEWGATE	INDEX
2008	-28.12	-7.54
2007	-12.82	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	6.4%
Quality	BBB
Maturity	6.0 Years
Duration	2.1 Years

ASSET ALLOCATION



INTERNATIONAL 14

Emerging Markets	9
Australia	3
Europe	1
Canada	1

US 63

Bank Loans	20
Mortgages	9
High Yield	8
Preferred	7
Convertible	6
US Tips	5
Investment Grade	4
Treasuries	2
Common	2

MONEY MARKET 23

MINDING THE FUTURE TODAY 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 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

Investment products: not FDIC insured, no bank guarantee, may lose value.

FOR FURTHER INFORMATION, PLEASE VISIT OUR WEBSITE AT: www.newgatecapital.com