Newsletter

It has been our endeavor to focus on investor behavior using both fundamental and technical variables to gauge prevailing market conditions and what the future may hold. We have provided a list of variables (Page 2) used in our previous newsletters. The objective is to evaluate the importance these variables hold on a macro economic level independently and in combination. We will also provide our view regarding these variables in our inference section and our projections for the market in the near and long term.

Before we provide feedback on how these variables are positioned with respect to the markets, we would like to revisit an illustration (Chart 1) comparing the market movement that followed President Roosevelt's inaguration in 1932 to that of President Obama after his inauguration. It can be observed that Roosevelt's administration experienced a 75% increase in Dow Jones Industrial Average (DOW) in less than 6 months of his taking office. In addition, the index stayed at those levels for the next 12 months before gaining another 200% over the next 3 ½ years and then falling -40% in the subsequent 12 months (March 1937-April 1938). Similarly, the Obama administration has experienced a major rally illustrated in Chart 2. In addition, the technology heavy Nasdaq index has gained almost 37% since Obama's inaguration and over 55% from the March 2009 lows. The question now becomes whether the market can continue to move higher from here and if so by how much.

A common model used to deduct the valuation of major indexes is to project future earnings potential of the companies in the respective index and multiply it with a historical average price to earnings (P/E) multiple. Currently, the S&P 500, a popular broad based index used in the US, is trading at 987. Earnings for fiscal year 2009 for the 500 companies in the index are estimated at $55-56. In other words, if we divide the index value with the earnings estimate, we will derive a P/E multiple of approximately 17. Historically, the index has traded at an average P/E multiple of 15-16. Encouraged by second quarter 2009 earnings, most analysts increased their earnings estimates of the S&P 500 companies for 2010 by almost 34% to $75-76. If we use the historic P/E multiple stated above, we can deduct a fair value of S&P 500 index in the range of approximately 1125-1200. It can be infered from this simple model that the S&P 500 can gain another 14% in value if the economy is infact in a turnaround phase and earnings continue to grow.

Even though we believe that the major indexes are undervalued from a longer term perspective, we are concerned with the magnitude of the overall gains in a short period of time and the quality of earnings. We believe that technically the market will experience a correction of 5-7% in the near term. Obviously, we are not smart enough to predict the timing and therefore, are not recommending raising cash for long term inverstors. The reader will notice in the Inferences section that we are bullish on the long term. Traders on the other hand can benefit by taking partial profits in the short term, and be positioned to re-enter the market at 5-7% lower than current levels.

Chart 1[1]

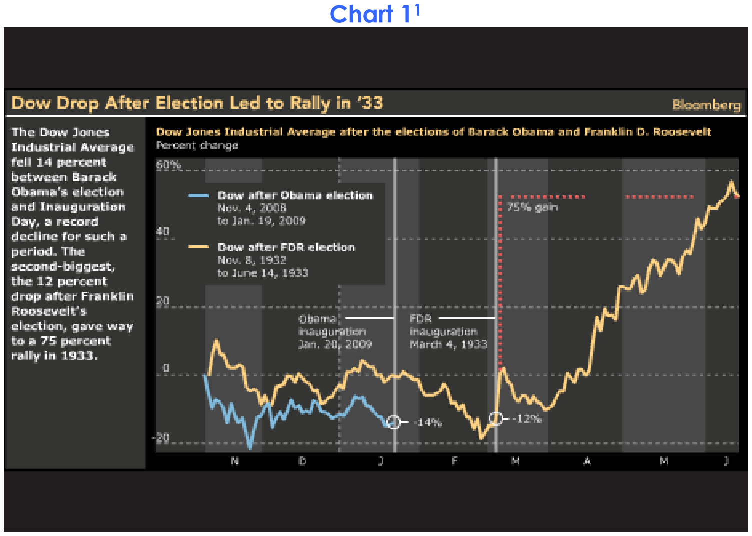
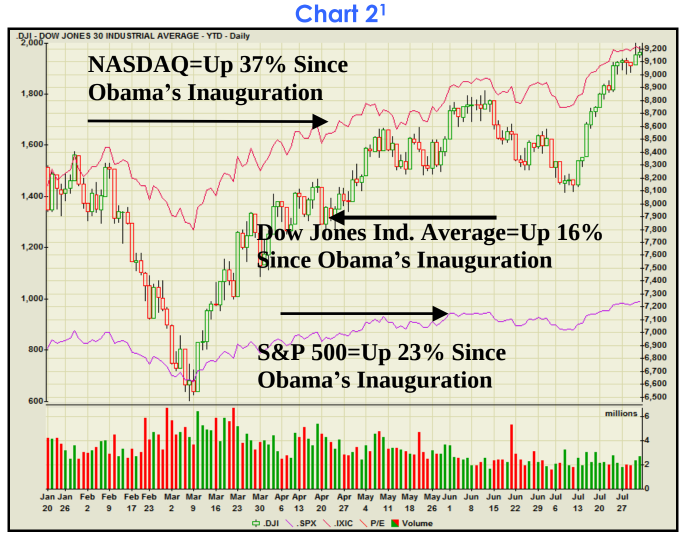


Chart 2[1]



[1] Data Source for Chart 1: www.bloomberg.com, Chart 2: www.fidelity.com

Following is an illustration of variables that we have described and used to evaluate the current state and potential for major capital market indexes. As mentioned above, we believe that this set of variables capture a major part of investor psychology. The Inference section below describes our view on these crucial variables and how we see the markets in the future.

1) Consumer Confidence
2) Unemployment, Housing Market and Delinquincies
3) Inflation
4) Interest Rates & Liquidity

Variables explained in July 2009 Newsletter to evaluate consumer behavior

1) Volitility index : The Gauge of Fear in the Market.
2) Equity and Mutual Fund Market Value Vs. GNP.
3) Money Market Levels.
4) Margin Levels.

Variables used to evaluate the technical stance of the market in the March 2009 Newsletter

Inferences

1. Consumer Confidence: Consumer Confidence has been consistently increasing: **Favorable.**
2. Unemployment: We believe that unemploymet will stabilize at 10-11% rate and will start to decline by year end: **Neutral to Negative.**
3. Inflation: As mentioned in our previous Newsletter; we believe that inflation will be subdued for the next 12-15 months: **Favorable.**
4. Interest Rates & Liquidity: Government intervention has alleviated liquidity concerns and has brought normalcy in the system: Favorable.
5. Money Market Levels: Money Market levels at US brokerage houses have decreased from $3.90 trillion in March 2009 to $3.59 trillion as of July 29th, 2009: **Favorable.**
6. S&P 500 Technicals: **Nuetral:** The S&P 500 is trading at 17-18 times forward (2009 earnings estimates) P/E ratio based on an earnings estimate of $56. We believe that the index is trading at reasonable levels and can experience a gain of 5-7% in the near term due to improving technicals and investor confidence. We would recommen waiting to see how the second quarter earnings season ends and only build positions with an endeavor to add during market corrections.
7. **Reiteration from July Newsletter:** We recommend considering high growth and low labor cost countries like Brazil, India, Indonesia, South Africa (Frontier Markets) for longer term investors. These area will experince relatively higher growth compared to the US and Europe.

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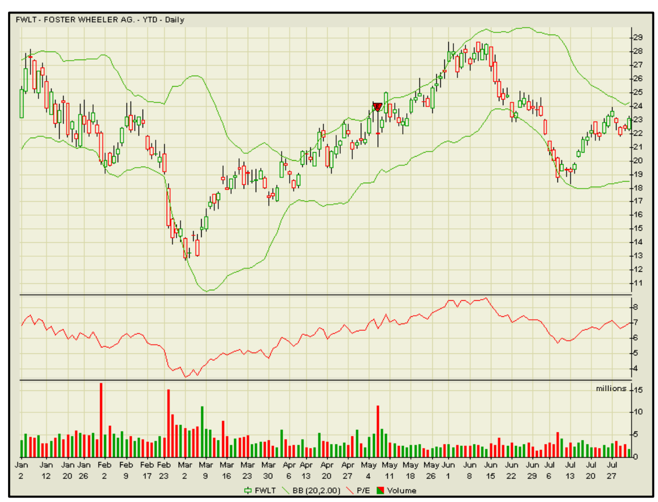
Table 1 illustrates the change in U.S. broad based equity indexes since the beginning of the year 2009. This is followed by the performance of the recommendations CGAM has provided via the monthly newsletters for the same time frame.

Table 1[2]

Broad Based US Indexes	Dec 31st, 2008	July 30th , 2009	Gain/Loss[3] (%)
Dow Jones Industrial Average	8,776.00	9,171.00	4.50%
NASDAQ COMPOSITE	1,577.00	1,978.50	25.46%
S&P 500 INDEX	903.00	987.48	9.36%
RUSSELL 2000 INDEX	499.51	556.71	11.45%
Average Return			12.69%
CGAM Recommendations Since December 31st, 2008	**Recommendation ($)**	**July 30th, 2009 Value ($)**	**Gain/Loss (%)**
UltraShort 7-10 Year Treasury ProShares	52.66	55.13	4.69%
Blackrock Corporate High Yield Fund Inc	4.08	5.96	46.08%
Eaton Vance CA Muni Inc Trust **(Sell Recommendations July 09)**	7.99	10.12	26.66%
Western Asset Managed Municipals Fund Inc	9.4	11.31	20.32%
Boulder Growth & Income Fund Inc	4.47	4.92	10.07%
Ultra Financials ProShares	3.28	4.59	39.94%
CGM Focus	25.56	26.6	4.07%
Bank of America Corp	6.82	14.79	116.86%
Caterpillar Inc	27.96	44.06	57.58%
Corning Inc	14.62	17	16.28%
Manitowoc Co Inc	5.95	6.18	3.87%
E TRADE Financial Corp	1.44	1.5	4.17%
Blue Nile Inc **(Recommendation: Sold Short)**	45.9	46.23	-0.72%
Wendys/Arbys Group Ord Shs Class A	4	4.58	14.50%
Average Portfolio Return			**26.03%**

Investment Themes

Foster Wheeler AG (FWLT)[4]: $23.10 as of July 31st, 2009. **BUY**



1. Foster Wheeler AG, has two business groups: Global Engineering and Construction Group (Global E&C Group) and Global Power Group. The company is involved in designing and developing oil and natural gas facilities, oil refining, chemical and petrochemicals, pharmaceutical and biotechnology facilities and other infrastructure related projects.
2. 52 week High and Low: $58.46-$12.73.
3. The company generates almost $6.3 billion in annual revenues, has comparitively low debt ratio and is well funded to service short and intermediate term liabilities.
4. The company's total market value is $3 billion or half its revenues.
5. We believe that worldwide stimulus packages are particularly beneficial for companies involved in infrastructure projects. FWLT is a global company that should benefit immensely from this phenomenon.
6. The company is expected to generate $2.30 per share in earnings by 2010. The company is currently trading at very attractive PE multiple of 7, relative to its peers. At an average price earnings multiple of 12, the company **stock has the potential to grow in excess of 20% over the next 12 months**. We believe that the company stock should reach a target of $28 by 2010.

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[2] *Source: CGAM, LLC., www.fidelity.com*

[3] *Note: Total return for the CGAM portfolio does not include dividends and interest.*

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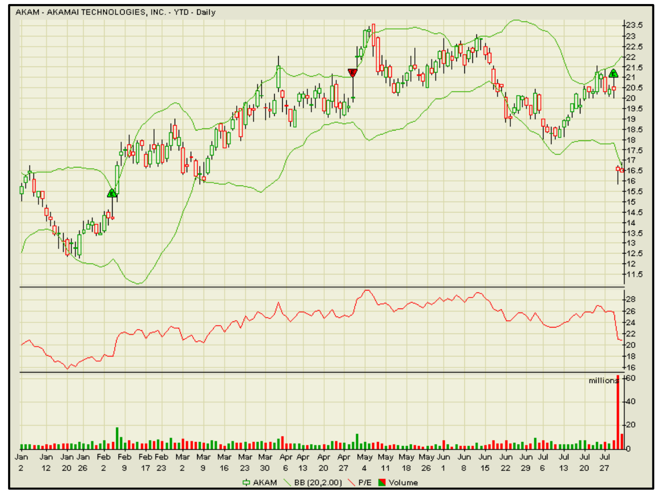
Investment Themes…continued

Akamai Technologies, Inc. (AKAM): Buy (Accumulate)
$16.44 as of July 31st, 2009



1. Akamai Technologies, Inc. (AKAM) provides services for accelerating and improving the delivery of content and applications over the Internet. It offers services and solutions for digital media and software distribution and storage, content and application delivery, application performance services and specialized Internet-based offerings.
2. 52 week High and Low: $24.14-$9.25.
3. AKAM announced earnings on July 29th and diappointed the street with lower revenue projections. Looking deeper into projections, the company lowered the revenues by 4-5% for 2010. We believe that given the dismal business environment AKAM has done a phenomenal job and the stock has been unduly punished.
4. The stock value declined by 20% after the earning's announcement. Over 62 million shares exchanged hands on down volume. Of the total number of outstanding shares for AKAM (178 million), almost 1/3rd were sold on July 30th. This in our view is an oversold situation and long term investors should start to accumulate AKAM with a 12-18 month investment horizon.
5. We believe that the top and bottom line of AKAM will respond as the economy rebounds. The company has done a great job of growing their infrastructure and are positioned for the economic rebound. We believe that the company can produce $2.30 earnings per share in 2010 and the stock could be valued at a target price of $30 at a reasonable price earnings multiple of 15 (a 20% discount to average net margins for the company).

Each investor is unique and should invest to compliment their respective financial conditions and objectives.

[4] *Source: Charts and quotes from www.fidelity.com*

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