Continuum Global Asset Mgt., LLC

February 2009

Newsletter

Most investors realize that we are witnessing unprecedented market conditions during current times. Even though there are umpteen number of negative variables working against the stability and restoration of the global capital markets, following are the major aspects that we believe are crucial and need to be considered:

1. **Major equity indexes are leading economic indicators, which have declined over 40% from the highs in October 2007.**
2. **Increasing US unemployment and hence diminished expectations of corporate earnings is resulting in uncertain economic future.**
3. **The current debilitated state of US and global debt markets: The efficacy of Troubled Asset Relief Program (TARP) is under scrutiny and hopes on the stimulus by the Obama's administration are high.**
4. **Keynesian economics is back in fashion: Economists are encouraging government intervention to support the ailing global economy and more importantly the financial infrastructure.**

A major point of contetion within the academic circle is whether government intervention is truly the optimal solution for the current housing and banking debacle or is it only postponing the inevitable which allows free markets to correct themselves. US Government has two alternatives to raise the required assets in the short term. One; use the federal printing press and print the mighty dollar, and second; issue debt in the form of treasury bonds and hope that global and domestic investors subsidize them. Subsequent to this stimulus, the government will be confronted with addressing the potential consequence of inflation in the first case and fulfill its debt obligation in the second. The debt accumulated to bail out US institutions with an intent to bolster the financial infrastructure will obviously have a cost associated to it. The sooner we realize this the sooner we can start to make crtical adjustments in our economic ways as a country.

Table 1[1]

Major Broad Based Indexes	Dec 31st, 2008	Jan 30th, 2009	Gain/Loss (%)
Dow Jones Industrial Average	8,776	8,000.86	-8.83%
NASDAQ COMPOSITE	1,577	1,476.42	-6.37%
S&P 500 INDEX	903	825.28	-8.60%
10 year Treasury Yield	2.24 (%)	2.66 (%)	18.75%

The US broad based equity indexes have lost approximately 6-9% since the beginning of 2009 as shown in Table 1. Rising unemployment and the lack of credit is debilitating businesses and choking working capital needs. Banking institutions are primarily concerned with protecting their own balance sheets as opposed to helping the economy by increasing lending. This is being experienced despite the financial support from the government. The lack of lending activity is throwing a wrench in the government's plan to boost liquidity in the debt markets. This phenomenon is pushing unemployment higher, resulting in deteriorating consumer confidence and spending. All of this provides insight on the investor sentiment and dabilitated consumer activity.

The most important aspect of investing is to not only review the macro economic environment but also be able to determine the areas of investment that would benefit from this analysis. Table 2 below provides a brief review of the investment ideas mentioned in the January 2009 Newsletter.

Table 2[2]

Security Description	Dec 31st, 2008[2]	Jan 30th, 2009	Gain/Loss (%)
Ultra Short Lehman 7-10 Yr Treasury ProShares (PST)	$52.66	$56.19	6.70%
Blackrock Corporate High Yield Fund Inc (COY)	$4.08	$4.42	8.33%
Eaton Vance California Municipal Income Trust (CEV)	$7.99	$9.88	23.65%
Western Asset Managed Municipals Fund Inc (MMU)	$9.40	$10.10	7.45%

It can be clearly observed in Table 1 that the 10 year treasury yield has gained approximately 65 basis points or .65% for the month of January 2009. This has translated to a 6.7% appreciation of the short treasury investment (PST) CGAM had mentioned in the January Newsletter. More importantly, we conceptually believed that even if markets started to

[1] *Source: Continuum Global Asset Management LLC,* [2] *Data Source:www.fidelity.com*

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transition to some stability from a state of panic, asset flows would stop gravitating towards treasuries, and start flowing into relatively riskier asset classes. In addition, Federal Fund Rates in the US, currently between 0-.25% can not possibly go any lower. As the treasury bond prices have an inverse relationship with interest rates, their prices can not appreciate significantly from current levels. In other words, the downside of the short treasury trade is relatively low in our view.

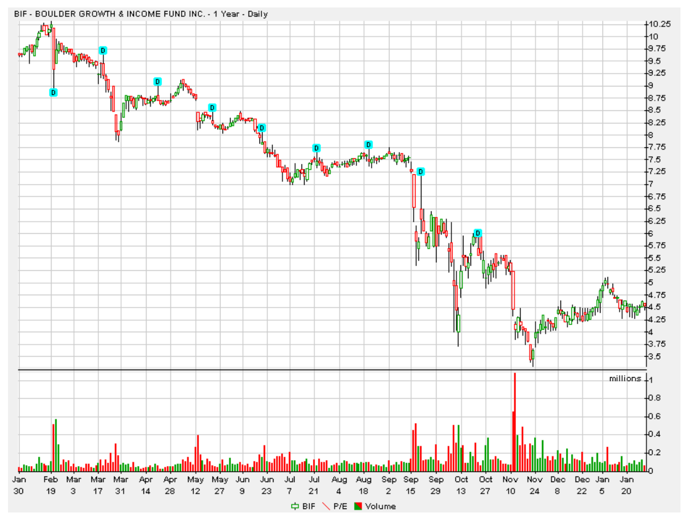
This prediction relating to the movement of assets to riskier debt classes from US treasuries has come to fruition a lot quicker than we expected and can be clearly observed in the appreciation of the high yield and municipal funds mentioned in our previous newsletter. The major endeavor with the positive bias towards high yield and municipal bond funds was to harness the attractive yields they continue to provide despite the sharp appreciation in their traded values during January 2009. Even though we are in favor of continuing to either hold or take fresh positions in the municipal and corporate bond area, we would be inclined to place 5-8% trailing stop losses on the Ultra Short Lehman 7-10 Yr Treasury ProShares Fund (PST).

Invest Themes

Following are themes that we believe should be considered for growth oriented long term investors who would like to build on the fixed income securities mentioned in the previous Newsletter:

A bet on Uncle Warren!!!

Boulder Growth & Income Fund (BIF)
Chart 1



Source: www.fidelity.com

Despite the brilliance and impeccable investing track record of Mr. Warren Buffett the mighty Berkshire Hathaway stock has experienced a 40% decline from its 52 week high, since October 2007. Despite this steep decline in the stock, the A shares still trades at an eye popping $89,500 and the B shares trade at $2,990 as of January 30th, 2009.

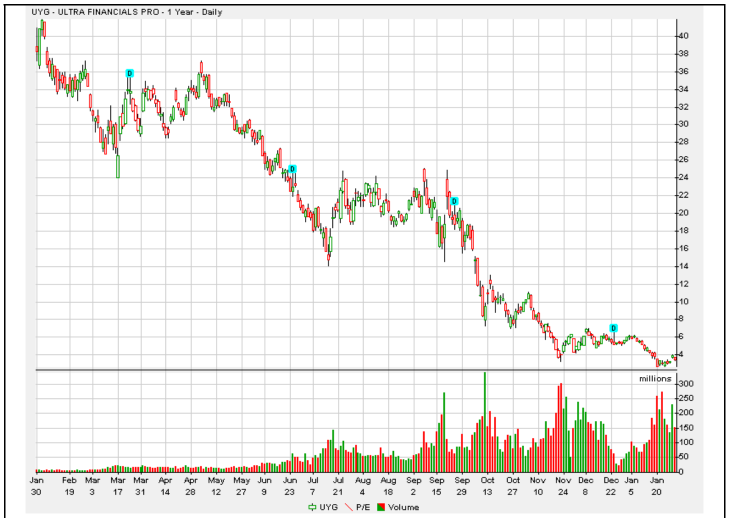
Following is a fund that we believe can help provide exposure to the Berkshire Hathaway stock with reasonable diversification and an investment per share of lot less than $87,000:

Boulder Growth & Income Fund: BIF, $4.53

1. The fund's primary goal is capital appreciation and income through dividends. The fund management company believes in buy and hold strategy and therefore have maintained majority of positions for long periods of time.
2. Current Price: $4.42 as of January 30th, 2009.
3. 52 week high and low: $10.32-$3.31.
4. 26% of the fund is invested in Berkshire Hathaway shares and 7% is invested in Wal-Mart.
5. The fund is allowed to use leverage and is currently leveraged by 20% of its assets. Therefore, the fund could experience higher relative volatility and risk.
6. The insiders/principals of the fund management company have recently increased their position in the fund substantially. Filings of their purchases can be found at www.sec.gov.
7. The fund has a history of paying double digit dividend yield during economic booms. Investors should be ready for delayed and/or non dividend periods during periods of economic down turn.
8. Due to the high exposure to Berkshire Hathaway stock, the fund could be adversely impacted in the short term if something were to happen to Mr. Buffett healthwise. We hope that he lives forever.

Contrarian Bet with the Financial Sector

Ultra Financial ProShares (UYG)
Chart 2



Source: www.fidelity.com

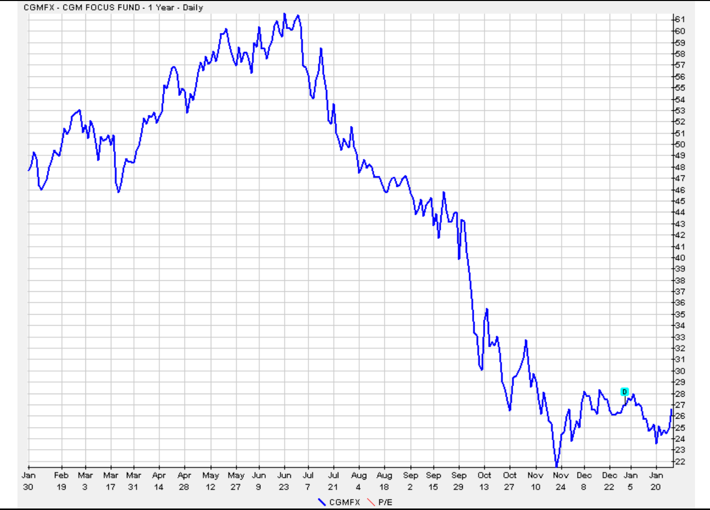
We believe that over time security prices of an underlying entity move around the economic value it has created. As investor psychology moves into a bullish phase, the prices move away from the reasonable mean value on the upside and similarly over shoots on the downside during periods of weak psychological moods. We can not emphasize enough the importance of economic fundamentals that drive aggregate investor sentiment, but aggregate sentiment has a tendency to feed on its own momentum. We do not claim to be able to time the market but for opportunistic investors certain sectors could prove lucrative if they can compel themselves to not be short term investors.

Ultra Financial ProShares (UYG):

1. The fund invests in the US financial sector with 22% of the fund's assets invested in the top 7 US national banks.
2. Current Price: $3.24 as of January 31st, 2009.
3. This fund uses leverage and derivatives to attempt to generate 2 times the performance of the Dow Jones financial index.
4. 52 Week High-Low: $41.96-$2.73. Current Yield: 8.1%.
5. It is important to note the dividend yield could be diminished over the next few quarters as more financial institutions could cut dividends in order to contain cost and bolster their capital structure.
6. This fund should be treated as an opportunistic investment and we also strongly encourage investors to cost average (gradually add to the investment as opposed to buying at once) over the next 2-3 quarters.

Actively managed Funds

CGM Focus Fund (CGMFX)
Chart 3



Source: www.fidelity.com

CGM Focus Fund (CGMFX):

7. CGM Focus Fund is managed by Mr. Kenneth Heebner; one of the most revered and reputable money managers. The fund is managed with an opportunistic style. It comprises of concentrated positions with emphasis on conceptual investing. Mr. Heebner uses his analysis to determine areas that he believes are either over or undervalued and uses individual securities to take bearish or bullish positions respectively.
8. Current Price = $25.02 as of January 31st, 2009.
9. 52 Week High- Low: $61.46-$21.50.
10. The fund is rated 5* by Morningstar, the highest rating on a scale of 1-5 stars.
11. This fund should be considered as a high volatility investment with an objective of capital appreciation.

We would like to emphasize that our February 2009 Newsletter is attempting to build on the initial investment opportunities provided in our January write up. Market in the past have experienced busts and eventually recovered. We believe that natural human psychology tends to compel people to provide solutions under adverse circumstances that result in stronger and superior environments. Based on a realistic yet optimistic view of the world, we look beyond the current problems and focus on the better times we shall experience. Needless to say, each investor is unique and should invest to compliment their respective financial conditions and objectives.

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