Continuum Global Asset Mgt., LLC

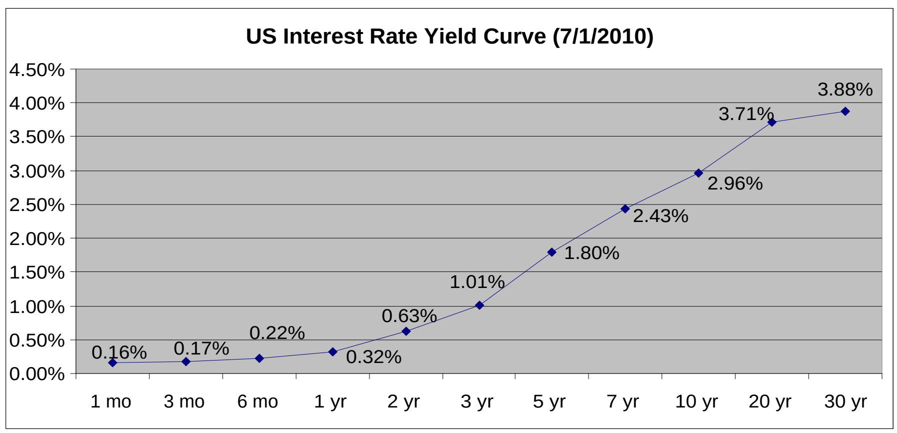
July 2010

Newsletter

Uncertainty can wreck havock on the market sentiment. Major market indexes have lost approximately 14-15% value since early May 2010. The major areas of uncertainty include the European debt crisis, the US double dip recession expectation, the uncertainty with the financial regulations and the impact of Chinese GDP deceleration. A market poised for a sustained recovery during the first quarter of 2010 is now projected to be bundled in problems not only in the US but also beyond our borders. We attempt to illustrate our view of how the economy and capital markets will shape up over the next 12-15 months based on the variables we believe address both the fundamental and technical dimensions.

1. The Yield Curve.
2. S&P 500 index movement since 1950.
3. S&P 500 Price Earning Ratio since 1870.

Chart 1

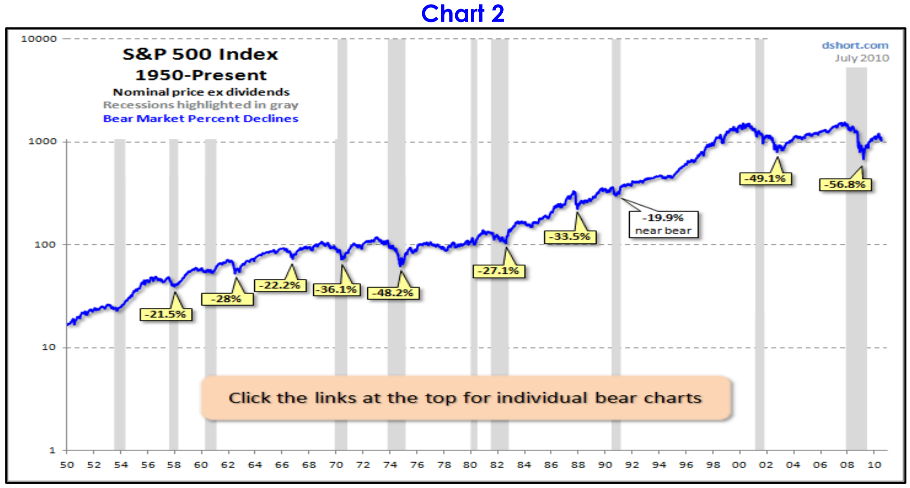


The Yield Curve: Favorable

The recovery of any economy is based on the strength of it's financial infrastructure. We believe that the severe problems faced by the US economy in 2008 and early 2009 were attributable to the inefficiency created in the financial services arena primarily by the housing sector.

Since then, the US government has done a good job of providing liquidity to the system resulting in an economic recovery. Even though employment and housing have been the major variables of scrutiny by most investors, one can not ignore the cost of capital for corporate enterprise. In other words, the cost of borrowing for growth and sustenance is a crucial variable catalyzing any economic recovery. The chart above signifies the current interest rate environment in the US. The steepness of the curve exhibits the low rates of borrowing for short term and vice verse. This is esepecially positive for the corporate enterprise as the overall cost of capital is at historic low. In addition, the financial sector is in a sweet spot to borrow at low rates and lend those assets at a profit by loaning them for longer periods of time. This in our view is a fundamental macro variable that is favorable for the US corporate enterprise growth.

Chart 2



S&P 500 index movement since 1950 : Neutral

Chart 2 illustrates the movement of the S&P 500 since 1950. We have mentioned umpteen times in our past issues of our belief that the market movement is primarily determined by investor sentiment.

It can be clearly observed that significant (over 25% decline) market declines have followed by larger gaines in the index value majority of the times.

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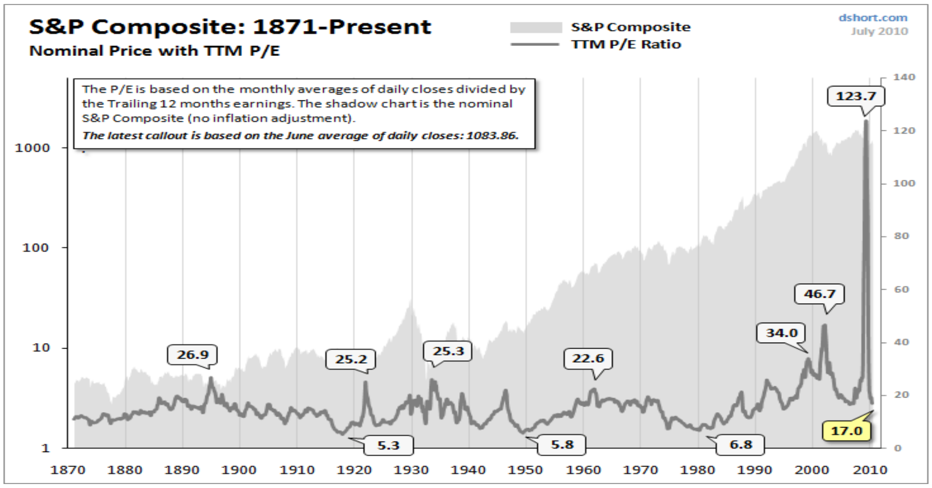
Chart 3



S&P 500 Price Earning Ratio since 1870: Favorable

The most commonly used measure to evaluate whether the market are over or undervalued is the ratio of a broad based index's price to earnings ratio (P/E ratio, Chart 3).

The average P/E ratio of the S&P 500 index since 1950 has been approximately 16.5 and the high and low ratios have been 123 and 5.3 respectively. Most analysts are projecting the earnings for the S&P 500 companies to be in the range of $70-$75 for the fiscal year 2011. In other words, the index should trade in the range of approximately 1,155 to 1,235 for earnings of $70-$75 respectively. This would translate in a gain of 13% to 20% respectively with the average P/E of 16.50. The over all earnings projections are predicated on the belief that the economy will continue to improve and earnings will follow.

We believe that the world has become a cohesive business entity with great intra and inter region trade possibilities. The premise of this belief is the emergence of a large labor and hence consumer group in the emerging economies. The inter region trade in our opinion should be very robust due to increasing disposable income in emerging countries like India, China, Brazil and other Latin American and South-East Asian countries.

Most of the emerging markets have now been accumulating foreign surplus reserves for sometime. We believe that consumers in economically advanced countries will be compelled to gravitate towards deleveraging their existing debt and increase savings. This phenomenon coupled with increased disposable income in emerging markets will provide a platform for increased domestic consumption in emerging economies. In addition, we also believe that the currencies of major emerging economies will continue to appreciate, allowing stronger buying power for these regions. Therefore, we believe that major consumption will come from emerging markets over the next 5-10 years. The investment themes below provide investing opportunities in US domestic companies that should benefit from this global phenomenon.

Investment Themes

As mentioned in the previous section, we believe that the market has over reacted to uncertainty in various parts of the world. This includes the European debt crisis, the US double dip recession expectation, the uncertainty with the financial regulations and the impact of Chinese GDP deceleration. Despite the importance of these factors history shows that markets have made new highs after major traumas experienced in the past similar to the 2008-09 US financial debacles.

Our recommendations in this issue are based on our belief that the global economic recovery is still in place and that some of the major US companies with global exposure present a compelling long term opportunity.

Security Description	Price	YTD Change (FY 2010)	EPS Estimate (FY 2011)	Forward P/E Estimate	Dividend Yield (%)
Microsoft Corporation (MSFT)	$23.27	-24.00%	$2.05	11.35	2.20%
AT&T Inc (T)	$24.29	-24.35%	$2.27	10.70	6.90%
Bank of America Corp (BAC)	$13.84	-7.00%	$1.00	13.84	0.30%
Chevron Corp (CVX)	$67.31	-12.00%	$8.63	7.80	4.30%
Pfizer Inc (PFE)	$14.14	-22.00%	$2.17	6.52	5.10%
Citigroup Inc (C)	$3.79	14.00%	$0.34	11.15	0.00%
Merck & Co Inc (MRK)	$34.22	-6.00%	$3.39	10.09	4.40%

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.

Broad Based US Indexes	Dec 31st, 2008	July 2nd, 2010	Gain/Loss (%)
Dow Jones Industrial Average	8,776.00	9,686.48	10.37%
NASDAQ COMPOSITE	1,577.00	2,091.79	32.64%
S&P 500 INDEX	903.00	1,022.58	13.24%
RUSSELL 2000 INDEX	499.51	598.97	19.91%
Average Return			19.04%

CGAM Recommendations Since December 31st, 2008	Security Price at Recommendation Date ($)	July 2nd, 2010	Gain/Loss (%)
UltraShort 7-10 Year Treasury ProShares	52.66	43.78	-16.86%
Blackrock Corporate High Yield Fund Inc (Sell Recommendation Oct 2009)	4.08	6.62	62.25%
Eaton Vance California Municipal Income Trust (Sell Recommendations July 2009)	7.99	12.89	61.33%
Western Asset Managed Municipals Fund Inc	9.40	13.01	38.40%
Boulder Growth & Income Fund Inc	4.47	5.46	22.15%
Ultra Fin ProShares (1:10 Split;April 15th, 2010)	32.80	48.19	46.92%
CGM Focus	25.56	24.51	-4.11%
Bank of America Corp	6.82	13.84	102.93%
Caterpillar Inc	27.96	59.18	111.66%
Corning Inc	14.62	16.33	11.70%
Manitowoc Co Inc	5.95	8.64	45.21%
E TRADE Financial Corp	14.40	11.61	-19.38%
Blue Nile Inc	45.90	45.17	1.59%
Wendys/Arbys Group Ord Shs Class A	4.00	4	0.00%
Foster Wheeler Ltd	23.10	20.72	-10.30%
Akamai Technologies Inc	16.44	38.83	136.19%
Immersion Corp	4.30	4.99	16.05%
United States Natural Gas	11.74	7.87	-32.96%
Progressive Corp	16.00	18.62	16.38%
Banco Santander ADR Rep 1 Ord Shs	16.11	10.92	-32.22%
Corning Inc (Cost Average)	16.68	16.33	-2.10%
AT&T Inc	26.94	24.29	-9.84%
Citigroup Inc (Cost Average)	3.32	3.79	14.16%
Activision Blizzard Inc	11.39	10.64	-6.58%
PowerShares DB Gold Double Short ETN	14.13	11.26	-20.31%
Goldman Sachs Group Inc	156.35	145.2	-7.13%
Chimera Investment Corp	4.00	3.59	-10.25%
Banco Santander ADR Rep 1 Ord Shs	12.34	10.92	-11.51%
ProShares UltraShort S&P500	35.54	38.33	7.85%
			17.63%[1]

[1] *Note: Total return for CGAM are not annualized and do not consist of dividends and interest.*

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