Continuum Global Asset Mgt., LLC

March 2009

Newsletter

Fear, Fear and more Fear…These words pretty much sum up the market sentiment since the third quarter of 2008. As shown below in Table 1, the broad based equity indexes in the US have lost an average of 18% year to date, after loosing approximately 35% for the calender year 2008.

Apparently, most investors have been taking cover in cash as fear governs their decision making. In such irrational investor mood, it would be frivolous to discuss fundamentals of the markets. Therefore, this newsletter concentrates on technical indicators that attempt to provide an insight in the aggregate sentiment of the capital markets. I believe that the following variables describe important aspects of the market and attempt to gauge inverstor sentiment based on a historical perspective.

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.**

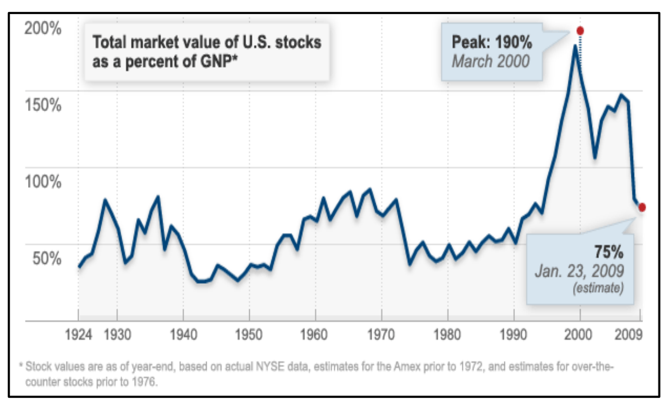
Volitility Index: <u>Favorable</u>

1. The volitility index uses activity in the options market to calculate how bearish or bullish investor sentiment is.
2. It can be observed from the adjacent chart that the volitility index was much higher during October and November 2008 relative to current levels. Vix index is at 47 relative to 68 on October 23rd and 81 on November 20th, 2008.
3. The Dow Jones Industrial average (DJI) was lower as of February 26th, 2009 relative to October or November 2008 levels, despite the lower volitility exhibited by the VIX index. This huge decline is attributable to the Dow components in the financial sector, comprising of Amex., Bank Of America Citigroup and GE which have lost an average of 53%[1] year to date.
4. Lower level of VIX could also be attributed to diminished initiation of new bearish positions.

Source: www.Fidelity.com

Equity and Mutual Fund Market Value Vs. GNP: <u>Neutral to Unfavorable</u>

1. The adjacent chart exhibits the ratio of the total market value of the US stocks and equity based mutal funds to US Gross National Product (GNP).
2. Historic data suggests that market valuations could fall further from a current ratio of 75%. The average ratio during recessions has been below 50%.
3. Wall street sentiment follows the perception of economic activity. If US GNP continues to decline due to high unemployment and low consumer spending, we could see deteriorating investor confidence which could put more pressure on the markets.



Source: http://money.cnn.com/

[1] *Note: This includes General Electric because the company was treated as a financial stock due to the impact of GE Finance*

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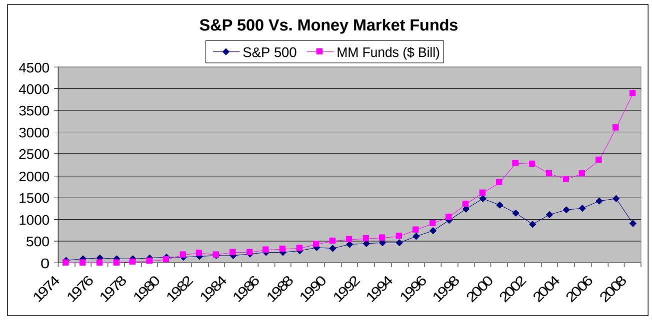
Money Market Levels: Very Favorable

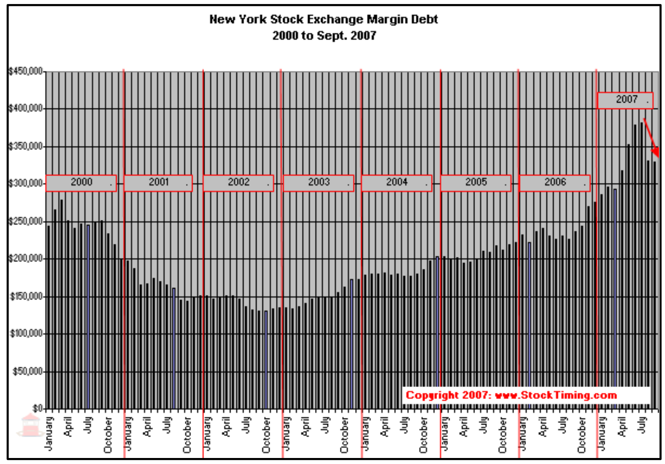
1. Currently, the total Money Market Funds at US brokerages are approximately $3.9 trillion[2] illustrated by the pink line on the adjacent chart. This is approximately 46% of the total equity and mutual fund's market value as of February 15^{th}, 2009[3].
2. It can be observed that money market funds were at their peak before the economy recovered from the recession created by the dot com bust which lasted for 32 months. Similarly, current money market funds are at extremely high levels suggesting that majority of the selling may have already been done.



Source: CGAM, LLC

Margin Levels: Neutral to Favorable

1. Investors have the option to borrow funds (margin) from their brokers, using investments as collateral. Bullish cycles experience elevated levels of margin funds as investors take advantage from leveraging their assets, and vice versa during bearish cycles.
2. It can be observed by the adjacent chart that margin levels in the US have fluctuated with market cycles. The year 2000 experienced elevated margin levels that started to decrease as the markets plummeted and were at relatively low levels at the end of 2002.
3. As fear increases, investors are compelled to sell in order to fulfill margin calls, hence driving the markets further in to negative territory.
4. Currently, the NYSE contain approximately $186 billion of margin debit as opposed to $286 billion in 2007 and $275 billion in 2006[4].



Source: http://www.safehaven.com

Table 1 illustrates the movement of US broad based indexes since the beginning of the year 2009. This is followed by the performance of the recommendations CGAM, LLC has provided via the monthly newsletters for the same time frame.

Table 1

Major Index Returns	December 31^{st}, 2008	February 26^{th}, 2009	Gain/Loss (%)
Dow Jones Industrial Average	8,776.00	7,062.93	-19.52%
NASDAQ COMPOSITE	1,577.00	1,377.84	-12.63%
S&P 500 INDEX	903.00	735.09	-18.59%
RUSSELL 2000 INDEX	499.51	389.02	-22.12%
Average Return			**-18.22%**
CGAM recommendations since January 1^{st}, 2009	**December 31^{st}, 2008**	**February 26^{th}, 2009**	**Gain/Loss (%)**
Ultra Short Lehman 7-10 Yr Trsy ProShares (PST)	$52.66	$56.32	6.95%
Blackrock Corporate High Yield Fund Inc (COY)	$4.08	$3.91	-4.17%
Eaton Vance California Municipal Inc. Trust (CEV)	$7.99	$9.52	19.15%
Western Asset Managed Municipals Fund Inc (MMU)	$9.40	$9.97	6.06%
Boulder Growth & Income Fund Inc (BIF)	$4.47	$3.89	-12.98%
Ultra Financials Pro Shares (UYG)	$3.28	$2.19	-33.23%
CGM Focus Fund (CGMFX)	$25.56	$21.57	-15.61%
Average Return			**-4.83%**

2 http://www.ici.org/stats

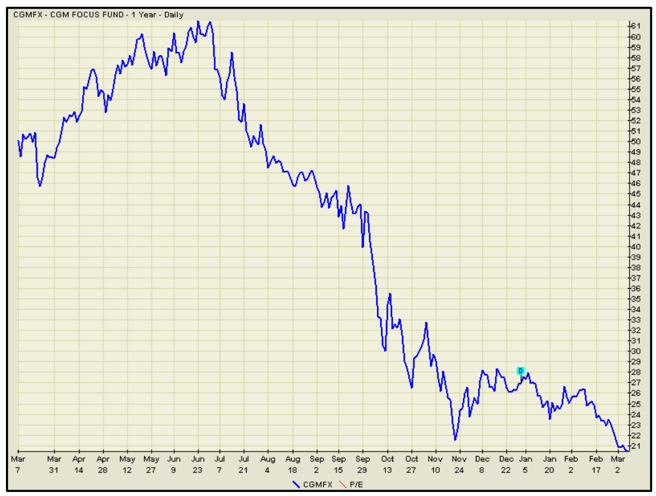
3 Source of Data: http://www.ici.org/stats/ and CGAM estimates

4 Source: http://www.federalreserve.gov

Investment Themes

[Boulder Growth & Income Fund](#) (BIF): $3.89 as of February 26th, 2009: Initially recommended on February 1st, 2009.[5]
We are recommending that long term investors invest in this fund and / or add to their existing positions in order to cost average through this turbulent market phase. The fund's primary goal is capital appreciation and income through dividends.

1. 52 week high and low: $9.65-$3.11.
2. 26% of the fund is invested in **Berkshire Hathaway shares and 7% is invested in Wal-Mart**.
3. The fund is allowed to use leverage and is currently leveraged at 20% of its assets. Therefore, the fund could experience higher relative volatility and risk.
4. 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.
5. The fund has a history of paying double digit dividend yield during economic booms. Investors should also be ready for no dividend payments during periods of economic downturn.
6. 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.



CGM Focus Fund (CGMFX): Initially recommended on February 1st, 2009. We are recommending that long term investors invest in this fund and / or add to their existing positions in order to cost average through this turbulent market phase.

1. 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.
2. Current Price = $22.38 as of February 26th, 2009.
3. 52 Week High- Low: $61.46-$20.48.
4. The fund is rated 5* by Morningstar, the highest rating on a scale of 1-5 stars.
5. This fund should be considered as a high volatility investment with an objective of capital appreciation.

The prevalent fear in the capital markets reminds me of the period of optimism during the 3rd and 4th quarter of 2007, only in reverse. The DJI was trading at approximately 14,000 and the advent of global trade was expected to push us into a new paradigm of growth. Most economists and experts predicted that the double digit growth of China and India would drive those economies ahead of the US sooner rather than later. In hind sight, we have experienced how wrong the herd can be in predicting the future and considering the obvious. Currently, investors can not get enough doom and gloom. It is true that momentum feeds on itself and markets could stay irrational lot longer than an investor can stay invested. On the other hand years from now, we shall look back and think; what a no brainer it was and why we didn't invest in the highest quality companies at the cheapest they had been in over two decades. Then again, when the entire herd is moving one way, it becomes very difficult to take a stance and go the other way…

Needless to say, each investor is unique and should invest to compliment their respective financial conditions and objectives.

[5] Chart Source: www.fidelity.com

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Please review the following disclaimer

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