Continuum Global Asset Mgt., LLC

March-April 2012

Newsletter

Major stock indexes are performing exceptionally well for the calendar year 2012. Table 1 below states the performance of the broader indexes, with Nasdaq gaining double digits for the first two months of 2012.

Table 1[1]

Time	S&P 500 (%)	Dow Jones (%)	Nasdaq (%)	S&P 500	Dow Jones	Nasdaq
January 2nd, 2012				1,258.86	12,221.19	2,657.39
January 31st, 2012	4.25%	3.37%	5.89%	1,312.41	12,632.91	2,813.84
February 29th, 2012	4.06%	2.53%	5.44%	1,365.68	12,952.07	2,966.89
Total Returns	**8.31%**	**5.90%**	**11.33%**			

Illustrated below is CGAM's proprietary market model which has been developed to project the potential gain or loss in the S&P 500 index over the next 12 months. It can be observed that the model uses fundamental growth and strenght of the economy to project the market movement. We have also illustrated the equation developed based on 4 decades of historical data.

Table 2[2]

Fundamental Variables		**Market Projections**	
S&P 500 Earnings	$ 115.00	S&P 500 (Projection) =	1,443.07
S&P 500 PE Ratio	16	S&P 500 (Current) =	1,365.91
Treasury Bond Rate (%)	2.5	**S&P 500 (Gain/Loss) =**	**+4.92%**
Inflation Rate (%)	3.0		
VIX Index	17.5	S&P 500 (September 2011)	1,165.00
Unemployment (%)	8	*S&P 500 Gain (Since September 2011) =*	*+17.25%*

S&P 500 (Estimate) = 594.83+4.3x (S&P Earnings) +33.55x(S&P PE)-33.63x(S&P Div Yield)-94.89x (Treasury Bond Rate) +20.84x (CPI) +4.13x (Volatility; VIX Index)-11.55x (Unemployment Rate)

Table 2 was initially illustrated in our September-October 2011 newsletter which projected an approximately 9% market gain for the following 12 months. It can be observed that the S&P 500 index has gained 17.24% since September 2011; from 1,165 in October to 1,366 as of March 8, 2012.

It is important to state that the variables used in the projection model have different attribution to the overall projections. The model shows that the earnings and the average Price to Earnings ratio (P/E) of these companies have a major impact on the movement of the S&P 500 index. Since September 2011, most analysts and economists have increased their overall estimates of the S&P 500 earnings and the P/E ratio. Our estimation of the earnings and the P/E ratio has also increased by 35% and 14% respectively. In other words, the world as we know has changed significantly. As the global economy shows signs of recovery, investor sentiment continues to grow in tandem. Investor sentiment is a weird phenomenon. If investors feel confident that the economy will continue to do well, the markets can experience expanding P/E ratio; pushing the markets up.

[1] Data Source: www.fidelity.com , CGAM's estimates

[2] Data Source: Various Analyst estimates, CGAM's estimates

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Our previous Newsletter had forecasted that S&P 500 will produce net earnings of $110 for the rest of the year. At a 15 Price Earnings ratio, we expected the market indexes to gain approximately 5-6% for the next 12 months. More than half of those gains have been experienced in the month of February.

As analysts, we have the luxury to increase the estimates and satisfy our bullish or bearish stance. Unfortunately, the problem with assumptions is that they are mere assumptions. No matter how reasonable and logical our assumptions are, any minor change in the global or domestic political / economic scenario can render those assumptions invalid.

We believe that markets move above and below a fair value that is driven by economic fundamentals. As the economic fundamentals improve and grow, the markets anticipate this phenomenon and pre-emptively gain value. We believe that markets are comprised of an aggregate investor sentiment, and majority of the times, exhuberence or pessimism catalyses markets to gain or loose value that is more than a logical fair value.

We believe that the markets have currently gravitated towards an overbought territory. We mentioned in our previous newsletter that we are expecting a 5-7% correction in the near term. This evaluation is primarily based on our belief in mean reversion and that the markets have gained a significant value over the last three months. Investor sentiment is tending to lean towards complacency and more than reasonable bullishness depite improving economic fundamentals. We therefore believe that the market could experience an interim corrections of 3-5% while keeping the long term growth trend intact.

To summarize, despite being bullish over the next 12-18 months, we think that it would be prudent to wait for an interim correction to initiate fresh investment positions. It is reasonable to say that during a correction, especially the high beta (relatively higher volatility) stocks can loose 2 to 3 times the market average loss. A 5-7% correction can hurt an average portfolio significantly more than the average market loss. It would be therefore prudent to raise cash in order to take advantage of an opportune time to rebuild a portfolio.

Enclosed is a growth portfolio with a time horizon of 12-18 months. We are going to monitor and make changes to this portfolio regularly to optimize returns. **PLEASE REMEMBER: Each investor is unique and should invest to compliment their respective financial conditions and objectives.**

No.	Ticker	Company	Sector	Country	P/E	Dividend Yield	Price ($) {3/11/12)	Target Price ($)	Potential Capital Gain (%)	Total Gain (including dividends)
1	ACAS	American Capital, Ltd.	Financial	USA	3.3		9.02	$10.04	11.25%	11.25%
2	ALU	Alcatel-Lucent, S.A.	Technology	France	7.44		2.38	$ 2.81	17.90%	17.90%
3	BAC	Bank of America Corporation	Financial	USA	12	0.50%	8.05	$12.00	49.07%	49.57%
4	CIM	Chimera Investment Corp.	Financial	USA	5.81	14.57%	3.02	$ 3.25	7.74%	22.31%
5	DNR	Denbury Resources Inc.	Basic Materials	USA	13.61		19.19	$21.88	14.00%	14.00%
6	F	Ford Motor Co.	Consumer Goods	USA	2.51	1.59%	12.58	$14.63	16.28%	17.87%
7	FCX	Freeport-McMoRan Inc.	Basic Materials	USA	8.13	2.58%	38.78	$47.83	23.34%	25.92%
8	HAL	Halliburton Company	Basic Materials	USA	10.7	1.03%	34.88	$40.34	15.65%	16.68%
9	HBAN	Huntington Bancshares Inc.	Financial	USA	9.93	2.73%	5.86	$ 6.95	18.62%	21.35%
10	HIG	Hartford Financial Services Inc.	Financial	USA	18.93	1.99%	20.07	$ 22.17	10.46%	12.45%
11	JDSU	JDS Uniphase Corporation	Technology	USA	104		13.52	$ 20.39	50.79%	50.79%
12	JOY	Joy Global, Inc.	Industrial Goods	USA	12.77	0.87%	80.31	$ 91.50	13.93%	14.80%
13	JPM	JPMorgan Chase & Co.	Financial	USA	9.18	2.44%	41.03	$ 46.96	14.45%	16.89%
14	NBR	Nabors Industries Ltd.	Basic Materials	Bermuda	17.34		20.11	$ 24.19	20.29%	20.29%
15	NGLS	Targa Resources Partners LP	Basic Materials	USA	21.46	5.67%	42.5	$ 50.90	19.77%	25.44%
16	NLY	Annaly Capital Mgt, Inc.	Financial	USA	32.98	14.11%	16.16	$ 16.98	5.08%	19.19%
17	PDLI	PDL BioPharma, Inc.	Healthcare	USA	5.28	9.79%	6.13	$ 7.37	20.20%	29.99%
18	QEP	QEP Resources, Inc.	Basic Materials	USA	21.61	0.25%	31.99	$ 39.47	23.38%	23.63%
19	S	Sprint Nextel Corp.	Technology	USA			2.78	$ 3.50	25.90%	25.90%
20	WFC	Wells Fargo & Company	Financial	USA	11.23	1.52%	31.66	$ 35.61	12.49%	14.01%
Average					**17.27**	**4.26%**			**19.53%**	**22.51%**

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Please review the following disclaimer

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