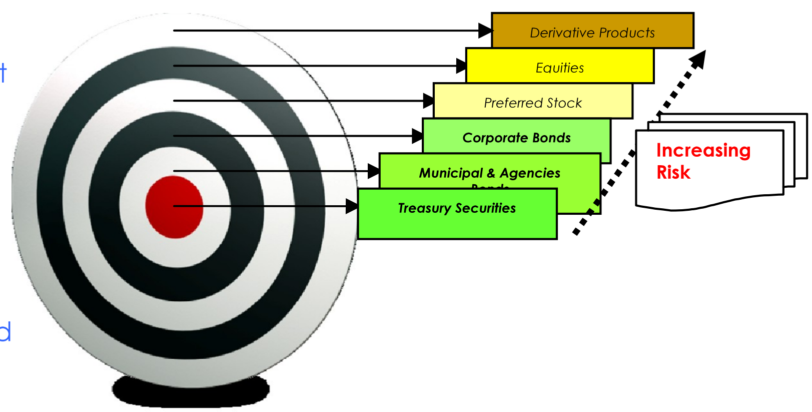
Continuum Global Asset Mgt., LLC
October 2009

Newsletter

The Figure 1 below was initially published in our January 2009 Newsletter with an endeavor to show investor perception of risk with regards to various assets classes. As one moves from the inner circle of the target, signifying Treasury securities, to the outer circle comprising of the derivative products, the perceived risk continues to increase. In essence the volatility of the asset classes increases as we move towards the outer circle.

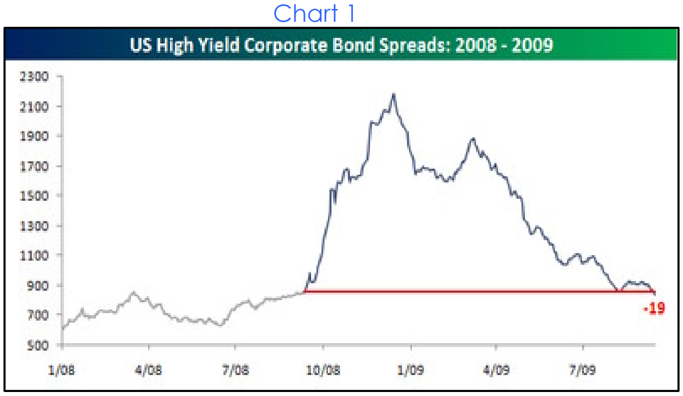
Figure 1[1]



It can also be observed in Chart 1 that the difference between the yield of the corporate bond index and the 10 year treasury was almost 2,100 basis points or 21% during the height of the market turmoil or the last quarter of 2008.

Since January 2009 markets seem to have stabilized and have resumed to a somewhat normal behavior pattern. This has been marked by a steep reduction in the spread between the high yielding corporate bonds and the 10 year treasury.

Chart 1



Source: http://seekingalpha.com/

Currently, the spreads between the high yield US bonds and the 10 year treasury have narrowed to 835 basis points or 8.35% (Chart 1, based on Merrill high yield bond index), which was the level experienced pre Lehman Brothers collapse.

In order for this to have happened, corporate bonds would have to rally significantly. This can be observed in the fact that the Triple CCC Bond index (Junk Bonds) has gained over 90% and the Merrill High Yield Index has returned over 49% year to date[2]. This is an evidence of investor confidence in the US economic outlook and therefore the willingness to take upon higher risk.

Needless to say, in addition to a higher bond market, equities have rallied strongly as well. We believe that the average investor feels a lot more comfortable with the overall economic environment. This is shown in an improving consumer confidence. In addition, inflation is at very favorable levels with major commodities like oil at levels half of what were experienced during the middle of last year. On the flip side, unemployment is still a concern, but we believe that major layoffs (see Market Commentary: http://cgamadvisor.com/) during the General Motors bankruptcy and the housing sector debacle are primarily factored in the capital markets.

We believe that it would be prudent to take profits in the high yield asset class. In addition, we would gravitate towards high quality US and international companies in the heathcare, technology and the financial sector. Also, we would highly recommend that investors start with smaller positions and dollar cost average at market pull backs.

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[1] Source: Continuum Global Asset Management LLC, [2] Source: http://barrons.com/

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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[3]

Broad Based US Indexes	Dec 31st, 2008	Sep 30th, 2009	Gain/Loss (%)
Dow Jones Industrial Average	8,776.00	9,712.28	10.67%
NASDAQ COMPOSITE	1,577.00	2,122.42	34.59%
S&P 500 INDEX	903.00	1,057.08	17.06%
RUSSELL 2000 INDEX	499.51	604.28	20.97%
Average Return			**20.82%**
CGAM Recommendations Since December 31st, 2008	**Security Price at Recommendation Date ($)**	**September 30th, 2009 Value ($)**	**Gain/Loss (%)**
UltraShort 7-10 Year Treasury ProShares	52.66	52.45	-0.40%
Blackrock Corporate High Yield Fund Inc	4.08	6.4	56.86%
Eaton Vance California Municipal Income Trust **(Sell Recommendations July 2009)**	7.99	10.12	26.66%
Western Asset Managed Municipals Fund Inc	9.4	12.49	32.87%
Boulder Growth & Income Fund Inc	4.47	5.61	25.50%
Ultra Financials ProShares	3.28	5.91	80.18%
CGM Focus	25.56	27.95	9.35%
Bank of America Corp	6.82	16.92	148.09%
Caterpillar Inc	27.96	51.33	83.58%
Corning Inc	14.62	15.31	4.72%
Manitowoc Co Inc	5.95	9.47	59.15%
E TRADE Financial Corp	1.44	1.75	21.53%
Blue Nile Inc **(Recommendations: Sell Short)**	45.9	62.12	-35.34%
Wendys/Arbys Group Ord Shs Class A	4	4.81	20.25%
Foster Wheeler Ltd	23.1	31.91	38.14%
Akamai Technologies Inc	16.44	19.68	19.71%
Average Return			**36.88%**

Investment Themes

Immersion Corporation (IMMR)[4]: $4.30 as of September 30th, 2009. **BUY**

1. Immersion uses haptic technology that allows users the sense of touch while operating various devices in different industries. IMMR is primarily involved in sectors that include automotive, consumer electronics, gaming, commercial and industrial controls; medical simulation, and mobile communications.
2. 52 week High and Low: $6.35-$2.31.
3. The company has experienced a high (30%+) top line growth and we believe that this trend will be sustained over the next 2-3 years.
4. We believe that acceptance and advent in the worldwide gaming and healthcare markets are particularly beneficial for the company.
5. We believe that the company **has the potential to grow in excess of 30% over the next 2-3 years**. We

[3] Source: CGAM, LLC., www.fidelity.com

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also believe that the company stock should reach a target of $8 by 2010. This would provide patient investors a return of over 100%.

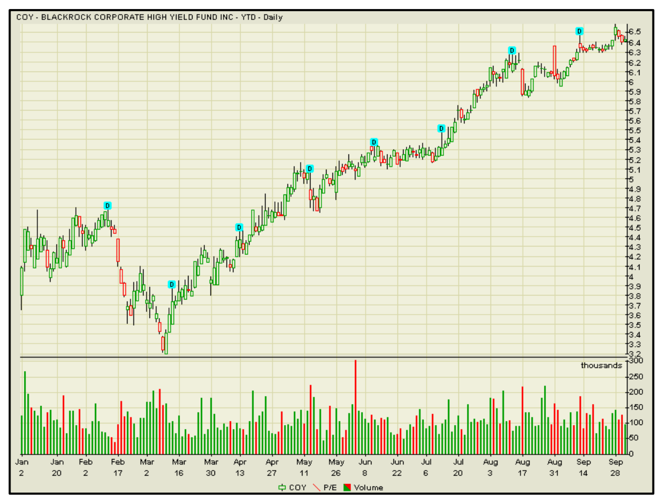
6. <u>This is purely an aggressive investment idea and is meant for investors looking to undertake high risk with start up type of technology with potential for aggressive growth.</u>

United States Natural Gas Fund, LP (UNG) [4]**: <u>Buy</u>**

$11.74 as of September 30th, 2009

1. UNG is an exchange traded fund that is primarily invested in natural gas futures. The objective of the fund is to reflect the movement in the natural gas prices, measured by the natural gas futures trading on New York Mercantile Exchange.
2. 52 week High and Low: $35.25-$8.94.
3. UNG's price movement has a direct correlation to natural gas prices. The major factor in the low price of natural gas has been a huge inventory build up on this commodity and projection of a benign winter season for 2010.
4. We believe that as the global economy improves, use of natral gas in residential and commercial area will naturally increase. In addition, there is a major endeavor by emerging countries to use natural gas as a clean energy alternative.
5. We believe that natural gas will revert to its 20 year mean, which is in the range of $5-6 / BTU from the current level of mid $3 range. If our predictions are accurate, investors at this level could expect a 50-60% over a 12-18 month time horizon.

Blackrock Corporate High Yield Fund Inc (COY) [4] **:$6.40 <u>SELL</u>**



1. **<u>We had recommended investing in COY in January 2009 at yield of 17.9%, and Price of $4.08. Since, the security has gained 57% and is currently yielding 11%.</u>**
2. 52 Week High- Low: $7.62-$2.65
3. Most bonds held in this fund are rated BBB or below, which indicates a high degree of risk. In addition, the average duration of the bonds in the fund is 4.04 years.
4. We believe that the magnitude of capital gain and our view on high yield asset class warrants taking profits in this security and divert the proceeds towards more opportune asset classes.

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

[4] *Source: Charts and quotes from <u>www.fidelity.com</u>*

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