

# ETF Investor

Diversity, Efficiency, and Simplicity Using Exchange Traded Funds

**NEWSLETTER**

## Where To Turn

The near financial meltdown during the September 15 week was, like 9/11, a world changing event. A financial crisis turned into a panic on Wednesday and led to what will be a sea change in financial markets. The days of unregulated financial institutions leveraged 30 to 1 up to 300 to 1 are likely things of the past – and good riddance! The era of massive government intervention is at hand, a step which will change forever how financial markets operate. This too is welcome given how a sub-prime market which represented only 5% of the mortgage market could trigger a financial panic on a scale that past

regulatory oversight and resources could not cope with. Those who advocated that massive failure should have been allowed are wishing to repeat past mistakes, and all in the name of ‘moral hazard’, i.e. those who err should be punished and allowed to fail. This concept served a purpose when the financial markets were less important and not globally linked the way they are today, but it is outdated today.

Many histories will be written about this financial era and we still aren’t out of the woods. Nevertheless, those who see the glass as half full will recognize that this is the time to see that opportunities abound on many fronts. Although we see the stock market in general as still vulnerable to a recession next year, the financial sector and certain closed end funds represent attractive buys now.

With the federal government proposing to take over up to \$700 billion of illiquid mortgage instruments, the large banks will see selling these instruments to the government represents a way of strengthening their balance sheets and even writing back to income some of those loan loss provisions they have had to record based on the discredited ‘mark to market’ accounting rules. Thus, money center banks, such as Bank of America and Citigroup, would benefit the most from the bailout. We see the Ultra Financials ProShares (UYG) ETF (see page 2) as a way to participate in the resurgence of these bank stocks. This is a “double up” ETF that tracks the financial sector.

**The era of massive government intervention is at hand, a step which will change forever how financial markets operate.**

A second sector that should do well are income oriented closed end funds. The recent market has not been kind to these funds and many are sporting double digit yields and double digit discounts to net asset value. This situation will not last. Your best choices here are ING Global Equity Dividend & Premium Opportunity Fund (IGD) (see page 5) and the Eaton Vance Enhanced Equity Income Fund II (EOS) (see page 4). Both of these funds not only trade at large discounts to NAV, but the discount is much larger now than it has been any time this year.

For the more aggressive investors who believe the stock market will not do well with recession staring it in the face, the UltraShort Dow 30 ProShares ETF (DXD) (see page 2) is a way to bet on a market decline or to hedge their current stock holdings. This ETF provides “double down” performance inverse to the Dow Jones Industrial Average. If the Dow drops ten percent this fund should rise 20 percent.

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All pricing as of 9/15/08

# NEWS & UPDATES

## Ultras

Not surprisingly, the best performers were all Ultra short funds but what is surprising is the uniformity of the declines. It seems that when the market declines it takes everything with it. Much like a low tide lowers all boat. The inter-

correlations between different market segments have never been higher. Semiconductors and technology in general seem to have been hit the hardest.

TICKER	ISSUER	PRICE	1MOCG	3MCG	1YRCG	1YRHGH	1YRLOW	SHARES OUT
SPY	SPDR Trust Series 1	120.09	-7.74	-11.85	-19.35	157.52	119.89	635,025,600
QQQQ	Powershares QQQ	42.08	-12.62	-13.77	-14.51	55.07	41.05	390,550,000
DIA	DIAMONDS Trust Series I	109.80	-5.78	-10.48	-18.34	141.95	108.32	81,118,100

### BEST PERFORMERS

TICKER	ISSUER	PRICE	1MOCG	3MCG	1YRCG	1YRHGH	1YRLOW	SHARES OUT
SSG	UltraShort Semiconductors	89.27	49.38	54.85	63.71	93.19	46.46	600,000
EEV	UltraShort MSCI Emerging Market	126.50	38.78	76.58	Na	126.50	58.85	4,125,000
FXP	UltraShort FTSE/Xinhua China 2	117.69	30.91	49.69	Na	121.95	59.16	2,850,000
REW	UltraShort Technology ProShares	75.21	30.82	34.21	25.66	80.44	47.17	1,125,000
QID	UltraShort QQQ ProShares	50.11	29.72	27.90	16.53	57.75	33.80	31,875,000
SKK	UltraShort Russell2000 Growth	79.04	26.26	17.90	11.91	98.45	57.06	525,000
RTW	Rydex Inverse 2X S&P Select Sector	99.75	25.88	Na	Na	99.75	78.42	100,000

### WORST PERFORMERS

TICKER	ISSUER	PRICE	1MOCG	3MCG	1YRCG	1YRHGH	1YRLOW	SHARES OUT
USD	Ultra Semiconductor ProShares	33.32	-35.43	-41.54	-59.57	92.10	32.95	1,875,000
QLD	Ultra QQQ ProShares	62.79	-23.99	-26.43	-36.48	122.75	62.05	18,000,000
ROM	Ultra Technology ProShares	48.75	-23.70	-28.60	-38.21	98.06	47.50	1,650,000
RTG	Rydex 2X S&P Select Sector Tech	53.33	-23.06	-26.35	Na	72.41	53.00	100,000
UYM	Ultra Basic Materials ProShare	56.75	-21.49	-48.47	-33.16	112.88	54.38	675,000
UKK	Ultra Russell2000 Growth ProSh	45.47	-20.40	-20.77	-31.00	79.90	42.15	525,000
UKW	Ultra Russell MidCap Growth ProSh	42.67	-20.33	-32.81	-38.45	96.62	42.67	225,000

## Proshares Ultra Financials (UYG)

The ProShares Ultra Financials (UYG) tracks the financial sector in such a way as to provide double their performance. They do this by using derivatives, leverage and other techniques. The financial companies are mainly large money center banks like Citigroup, Wells Fargo and Bank of America. These institutions are suffering from the sub-prime mess and their share prices

reflect it. The fund is trading near a one-year low at a price of \$17.71. Our reasoning for this recommendation is that when the bailout package is passed, financials will rebound. There are essentially two probabilities for this sector, a worldwide financial collapse, or a return to a semblance of normality. Government policy is clearly to do whatever it takes to save the financial system.

## Ultrashort Dow 30 Proshares (DXD)

Insurance for market declines is hard to come by and impossible to do in most qualified accounts like IRA's and 401k's, since short selling is not permitted. Now that short selling is more difficult, it also applies to regular brokerage accounts. ProShares has made playing the short side of the market quick and easy and allows the investor the ability to short the market by buying something. Specifically if you want to insure your portfolio against a market decline, there is nothing better than

the UltraShort Dow 30 ProShares (DXD). This fund rises when the Dow Jones Industrial Average declines. The Ultra in the title means it appreciates twice as much as the Dow declines. This is not a long-term hold, since the general trend of markets is usually up, but it is ideal for uncertain markets, where insurance is valuable. With the current market volatility, this may be the best way to provide an account with some downside protection. The UltraShort Dow 30 is currently trading at \$66.57.

## SECTOR PERFORMANCE REVIEW

## BEST PERFORMERS

Ticker	Fund Type	Fund Name	Current Price \$	1 Month % Change	3 Month % Change	1 Year % Change	Current Yield %	Expense Ratio %
SAW	ETF	FocusShares ISE Homebuilders Index	50.41	7.46	12.82	Na	0.00	0.35
SH	ETF	Short S&P 500 ProShs	72.00	7.29	11.28	18.17	0.00	0.95
SBB	ETF	Short SmallCap600 ProShs	73.60	7.21	2.51	6.20	0.00	0.95
ITB	ETF	iShs DJ Home Construction	17.21	6.37	6.89	-22.06	1.69	0.48
EGX	CEF	Engex Inc	7.27	6.13	17.26	-0.41	0.00	6.16
DOG	ETF	Short Dow 30 ProShs	69.64	5.66	10.24	17.00	0.00	0.95
FXY	ETF	CurrencyShares Japanese Yen	95.03	5.35	2.97	9.68	0.00	0.40

## WORST PERFORMERS

KOL	ETF	Market Vectors-Coal ETF	31.54	-24.07	-44.14	Na	0.00	0.65
MFD	CEF	Macquarie/Fst Tr Gbl Inft/Utility Dvd Income	14.57	-22.32	-36.42	-46.03	11.67	1.73
AWP	CEF	Alpine Global Premier Properties	7.26	-22.10	-41.64	-54.82	20.94	1.21
XME	ETF	sTRKS SPDR Metals & Minerals	52.83	-21.20	-41.86	-11.20	0.00	0.35
TAN	ETF	Claymore/MAC Global Solar Energy	19.21	-20.36	-31.81	Na	0.00	0.65
KWT	ETF	Market Vectors Solar Energy ETF	29.23	-20.16	-30.09	Na	0.00	0.65
CRF	CEF	Cornerstone Total Return Fund	5.52	-51.71	-58.37	-62.32	35.26	1.49

In the middle of a credit crisis brought on by declines in home prices and a building inventory of unsold homes, it was startling to see that this month's best performers were two home building funds. The FocusShares ISE Homebuilders Index (SAW) was up 7.46% and the iShares DJ Home Construction (ITB) was up 6.37%. Engex (EGX) is mainly invested in biotechnology companies, which seems to have avoided the financial turmoil of the last month and went up about 6% for the month. Another surprising winner was

the iShares KBW Regional Banking Fund (KRE) that was up 5.07%. While the best gainers were up 6% or 7%, the worst losers were down more than -20%. The common theme is energy; with coal the worst performing type as evidence by the Market Vectors-Coal ETF (KOL), which was down -24.07%. Two solar energy funds were down 20% as well. The recent decline in oil prices likely extended to coal and perhaps made solar energy less competitive for power generation.

## FEATURED SECTOR

With all the turmoil roiling the financial markets and its influence on homebuilding and other debt users we think large cap companies that don't use much debt might be able to avoid the turmoil. The high tech sector fits the bill since they typically don't fund growth or operations with debt. The high tech sector is vulnerable to global economic conditions and so may get dragged into the market decline. The biotech sector is also high tech but less susceptible to global economic conditions.

## RECOMMENDATION

Fund: Biotech HOLDRs Trust  
 Symbol: BBH  
 CUSIP: 09067D201  
 Fund Type: ETF  
 Current Price: \$190.48  
 Net Asset Value: \$190.48  
 Expense Ratio: NA%  
 Optionable: Yes  
 One Month Change: -6.98%  
 Three Month Change: 13.89%  
 One Year Change: 9.84%  
 Current Yield: 0.02%  
 Top 10 Holding Account for 94% of Fund  
 P/E Ratio: 26.71  
 Top Holdings

Genentech Inc	(44.3%)
Gilead Sciences Inc	(16.06%)
Amgen Inc	(20.18%)
Biogen Idec Inc	(6.63%)

The iShares Nasdaq Biotechnology Index (IBB) fund invests in both biotechnology and pharmaceutical companies. The problem with this ETF is their eligibility requirements for inclusion in the Index. The minimum market cap is only \$200 million, too small and unlike its name, invests in both pharmaceutical and biotechnology companies. The Biotech HOLDRs Trust (BBH) is much more concentrated in large cap biotech's and the top ten holdings make up 94% of the trust. The shares are now trading at \$190.48 for a one-year return of 9.84%. The top holding is Genentech, which makes up 37% of the fund. The fund is unmanaged.

# U.S. MARKET

## U.S. MARKET PERFORMANCE REVIEW

### BEST PERFORMERS

Ticker	Fund Type	Name	Current Price \$	1 Month % Change	3 Month % Change	1 Year % Change	Current Yield %	Expense Ratio %
EDV	ETF	Vanguard Extended Duration Treasury	107.63	11.15	18.67	Na	0.00	0.14
TLT	ETF	iShs Leh 20+ Year Treasury Bond	98.02	5.35	10.27	9.02	4.16	0.15
KRE	ETF	iShs KBW Regional Banking	35.00	5.07	17.53	-21.01	0.00	0.35
IFNA	ETF	iShares FTSE EPRA/NAREIT North	48.00	5.06	0.95	Na	3.66	0.48
JYF	ETF	WisdomTree Dreyfus Japanese Yen	24.98	4.87	2.63	Na	0.00	0.35
JYN	ETN	iPath JPY/USD Exchange Rate	56.63	4.82	2.85	9.21	0.00	0.40
XHB	ETF	sTRKS SPDR Homebuilders	20.15	4.62	10.11	-14.51	0.00	0.35

### WORST PERFORMERS

PFO	CEF	Flhty & Crumrine Pfd Income Opp Fund	5.25	-32.08	-44.74	-50.84	13.94	1.52
PSW	CEF	Pfd & Corp Incm Strgys Fund Inc	10.25	-23.85	-35.33	-42.45	12.09	1.29
PSY	CEF	Pfd Incm Strategies Fund Inc	10.32	-23.16	-35.86	-41.60	13.32	1.23
NRI	CEF	Neuberger Berman Rlty Incm	Na	Na	Na	Na	0.00	1.00
JPS	CEF	Nuveen Quality Pfd Income II	7.29	-22.86	-30.70	-41.77	13.50	0.95
DTO	ETN	PwShs DB Crude Oil Doubl	44.99	34.02	Na	Na	0.00	0.75
DEE	ETN	DB Commodity Double Short ETN	32.26	20.60	61.95	Na	0.00	0.75

The U.S. Market displays a similar pattern to some previous months. The dominant theme among performers was safety. This month the theme was prescient and served those frightened by the financial well. The best performer was the Vanguard Extended Duration Treasury (EDV), which was up 11.15% followed by the iShares Lehmann 20+ Year Treasury Bond (TLT) up 5.35%. The rest of the government bond funds were up between 3% and 4%. The worst performers broadly

defined were funds that provided non-government income. The worst performers, Cornerstone Total Return Fund (CRF) and Cornerstone Strategic Value Inc. (CLM) were down about 50%. The rest of the income funds were down more than 20% for the month. The aversion to income funds shows a lack of faith in financial institutions and underlines the fear associated with these assets. Those investors interested in income have fled to Treasury Bonds.

## FEATURED U.S. MARKET

The alternative to income generated by investing in debt or preferred instruments is income generated by option premiums. We believe the buy-write strategy is the best way to take advantage of volatile markets. The main advantage is that in a down market, income is still generated by the option premiums and they serve as a break during sharply declining markets.

## RECOMMENDATION

Fund: Eaton Vance Enhanced Equity Income Fund II

Symbol: EOS

CUSIP: 278277108

Fund Type: ETF

Current Price: \$14.60

Net Asset Value: \$16.18

Expense Ratio: 1.09%

Optionable: No

One Month Change: -11.91%

Three Month Change: -20.09%

One Year Change: -23.03

Current Yield: 11.83%

P/E Ratio: 19.22

Top Holdings

Microsoft Corp. (2.40%)

Google Inc. (1.88%)

Agilent Technologies Inc. (1.79%)

Philip Morris International (1.56%)

The Eaton Vance Enhanced Equity Income Fund II (EOS) is a closed-end-fund employing the option writing strategy. The fund is currently trading at a price of \$14.60 and yields 11.36%. The fund's typical discount from NAV over the past year was -6.54% but now trades at a -12.08% discount. The fund uses active management and seeks growth through capital gains and dividend income in addition to option income. The fund invests 27% of its funds in companies involved in information technology and 15% in health care companies. The largest holding is Microsoft at 2.40% followed by Google at 1.88%. This fund pays distributions of \$0.144 per month.

## INTERNATIONAL PERFORMANCE REVIEW

## BEST PERFORMERS

Ticker	Fund Type	Name	Current Price \$	1 Month % Change	3 Month % Change	1 Year % Change	Current Yield %	Expense Ratio %
BWX	ETF	SPDR Lehman International Trea	52.42	-1.56	-2.46	Na	0.00	0.50
ITL	ETF	NETS S&P/MIB Index Fund	20.19	-1.61	-18.39	2.23	0.00	0.47
EMB	ETF	iShares JPMorgan USD Emerging	96.88	-2.42	-3.00	Na	5.57	0.60
FHO	CEF	First Tr Strategic High Income III	6.84	-2.98	-35.83	-52.76	27.79	1.40
PCY	ETF	PwShs Emerging Markets S	23.65	-3.07	-5.36	Na	0.00	0.50
DFJ	ETF	WisdomTree SmlCap Dvd Fd Japan	38.29	-3.11	-14.30	-19.27	1.60	0.58
TDD	ETF	TDAX Independence 2010 Exchang	23.72	-3.18	-3.77	Na	0.75	0.65

## WORST PERFORMERS

AGD	CEF	Alpine Global Dynamic Dividend	9.39	-28.92	-45.34	-57.74	21.73	1.26
RSX	ETF	Market Vectors Russia ETF	30.51	-26.85	-45.32	-27.80	0.36	0.69
AOD	CEF	Alpine Total Dynamic Dividend	9.02	-26.55	-45.47	-53.98	23.95	1.25
LOR	CEF	Lazard World Dvd & Incm Fd	12.08	-26.04	-29.33	-42.10	4.45	1.90
PGX	ETF	PwShs Preferred Portfoli	12.27	-25.09	-33.10	Na	0.00	0.50
TRF	CEF	Templeton Russia and E European	34.23	-24.97	-44.70	-44.46	2.93	1.73
RNE	CEF	Morgan Stanley Eastern Europe Fd	18.00	-24.81	-49.68	-50.57	6.27	2.06

In a sign of how awful the markets have been this month, the best performer lost -1.56%, which was the SPDR Lehman International Treasury (BWX) ETF. Three of the top seven "best" performers were international sovereign debt funds, their losses were less than -3%. A new fund, the NETS S&P/MIB Index Fund (ITL) is the first Italian fund and it lost only -1.61 for the month. Two Japan funds also did well losing less than 4%. The worst performer was the Alpine Global Dynamic Dividend Fund (AGD),

which was down -28.92%. Most of the decline was an abrupt change in its discount from Net Asset Value. The 52-week average discount was actually a premium of 5.86%. The fund is usually at a premium because of its high 21.72% dividend yield. This month the premium changed to a hefty discount of -15.53% accounting for roughly 21% of the decline. The second worst performer was the Market Vectors Russia ETF (RSX) down -26.85%. Two other Russia and Eastern Europe funds were also down about 25%.

## FEATURED INTERNATIONAL RECOMMENDATION

International markets have followed the U.S. market in the recent turmoil. As a result, option premiums have risen to match the volatility of the markets. In addition, closed end funds have started trading at unprecedented discounts to their net asset values. The combination of the two makes for an interesting investment. There are many buy-write funds that take advantage of high option pricing and that trade at discounts to their net asset value. There are at least four different companies offering global buy-write funds; Blackrock, Eaton Vance, ING and Evergreen.

Fund: ING Global Equity Dividend & Premium Opportunity Fund

Symbol: IGD

CUSIP: 45684E107

Current Price: \$ 11.55

NAV: \$ 14.28

Expense Ratio: 1.03%

Optionable: No

One Month Change: --16.06%

Three Month Change: -31.49%

One Year Change: -38.59%

Current Yield: 16.21%

P/E Ratio: 11.49

Top Holdings

Fortis	(2.43%)
Royal Dutch Shell	(2.19%)
ENI S.p.A	(2.14%)
Total SA	(2.12%)
Aviva PLC	(1.88%)

The ING fund has the lowest expense and PE ratios and one of the highest yields compared to the other funds. The ING Global Equity Dividend & Premium Opportunity Fund (IGD) is trading at a steep -19.12% discount to its net asset value and yields 16.21%. The discount allows for declining market and the promise of a 19 per cent gain if the fund trades near its actual value. In addition to trading at a substantial discount, the difference between its current discount and its 52-week average discount is larger than other buy-write funds. The average discount over the past year was -5.19% compared to its current -19.12% discount. In addition to selling calls the fund may also buy puts to protect against possible losses, an important safeguard in volatile markets.

## ETFs

## RANKED BY 3 MONTH PERFORMANCE

Ticker	Name	Current Price \$	1 Month % Change	3 Month % Change	1 Year % Change	52 Wk High \$	52 Wk Low \$	Options
EDV	Vanguard Extended Duration Treasury	107.63	11.15	18.67	Na	107.63	88.86	N
KRE	iShs KBW Regional Banking	35.00	5.07	17.53	-21.01	48.75	21.72	Y
BBH	Biotech HOLDRs Trust	190.48	-6.98	13.89	9.84	205.67	154.96	Y
SAW	FocusShares ISE Homebuilders I	50.41	7.46	12.82	Na	63.58	34.42	Y
DGZ	DB Gold Short ETN	30.37	0.93	11.57	Na	32.21	23.58	N
TLT	iShs Leh 20+ Year Treasury Bond	98.02	5.35	10.27	9.02	98.17	87.10	Y
XHB	sTRKS SPDR Homebuilders	20.15	4.62	10.11	-14.51	26.61	13.81	Y
HHV	HealthShares Enabling Technology	33.80	-2.68	10.10	13.96	35.50	22.93	N
HHK	HealthShares Cancer ETF	32.46	-6.59	9.37	9.92	36.19	24.92	N
TLO	SPDR Lehman Long-Term Treasury	56.12	4.02	8.47	7.76	56.44	49.24	Y
TLH	iShs Leh 10-20 Year Treasury Bond	110.18	3.85	7.99	8.00	110.71	98.89	N
PLW	PwShs 1-30 Laddered Treasury	27.68	3.98	7.96	Na	27.68	25.18	N
ITB	iShs DJ Home Construction	17.21	6.37	6.89	-22.06	25.14	11.94	Y
PJB	PwShs Dynamic Banking	19.66	0.87	6.85	-10.56	23.12	14.56	Y
IEF	iShs Leh 7-10 Year Treasury Bond	91.34	2.66	6.27	8.35	92.59	82.84	Y
IBB	iShs Nasdaq Biotech Index	82.34	-8.55	5.70	1.28	90.87	69.59	Y
UUP	PwShs DB US Dollar Index	24.11	0.75	5.33	-1.51	24.82	21.85	N
IAT	iShs DJ US Regional Banks Index	32.24	3.50	5.29	-30.13	48.86	21.43	N
IEI	iShs Leh 3-7 Year Treasury Bond	110.01	2.11	4.97	7.65	111.77	101.39	N
BLV	Vanguard Long-Term Bond ETF	76.46	2.59	4.70	1.63	79.41	72.38	N
XBI	sTRKS SPDR Biotech	61.35	-11.10	4.69	8.62	69.85	47.71	Y
PEY	PwShs H Yld Eqty Dvd Achievers	10.21	-0.20	4.61	-30.40	15.48	7.32	Y
ITE	SPDR Lehman Intermediate Term	56.83	1.86	4.39	5.87	57.44	53.31	Y
IHE	iShs DJ US Pharmaceuticals	50.56	-5.18	4.14	-5.11	56.50	46.62	N
XPH	sTRKS SPDR Pharmaceutical	32.51	-4.61	4.10	-1.66	35.11	29.45	Y
MBB	iShs Leh MBS Fixed-Rate	103.51	3.26	3.73	3.07	104.16	99.04	N
XLP	Cnsmr Staples Sector SPDR	28.80	-0.62	3.52	5.19	29.77	24.38	Y
PSL	PwShs Dynamic Consumer Staples	27.16	-0.11	3.31	0.37	28.30	23.68	Y
PRFH	PwShs FTSE RAFI Health	47.46	-4.87	3.13	-10.28	56.29	44.47	N
VDC	Vangd Consumer Staples	70.41	-1.21	3.12	3.30	77.20	50.10	Y
PBE	PwShs Dyn Biotech & Genome	18.00	-10.45	3.03	-4.71	20.56	15.36	Y
BIV	Vanguard Intermediate-Term Bond	77.96	1.68	3.00	3.29	80.73	74.68	N
PJP	PwShs Dyn Pharm	17.22	-7.22	2.99	-6.00	19.26	15.56	Y
FXY	CurrShs Japanese Yen	95.03	5.35	2.97	9.68	103.46	84.40	N
BND	Vanguard Total Bond Market ETF	77.42	1.94	2.88	2.48	79.35	75.02	N
VHT	Vangd Health Care	55.50	-6.03	2.85	-8.04	63.99	50.50	Y
IYH	iShs DJ US Hlthcr Sector Index	64.51	-5.74	2.85	-7.38	73.53	59.76	Y
JYN	iPath JPY/USD Exchange Rate	56.63	4.82	2.85	9.21	71.38	50.75	N
JYF	WisdomTree Dreyfus Japanese Yen	24.98	4.87	2.63	Na	25.47	23.82	N
TFI	SPDR Lehman Municipal Bond ETF	22.39	2.00	2.52	0.72	23.15	20.81	N
PLK	PwShs Active Low Duration	24.96	-0.40	2.42	Na	28.36	22.20	N
IYK	iShs DJ US Cnsmr Gds Sector Index	60.19	-1.30	2.35	-3.48	66.48	48.00	Y
LAG	SPDR Lehman Aggregate Bond ETF	53.98	1.54	2.33	1.85	55.19	52.56	N
RYH	Rydex S&P Eql Wgt Healthcare	53.43	-5.68	2.32	-4.66	58.17	49.96	N
AGG	iShs Leh Aggregate Bond	101.61	1.39	2.32	1.71	105.49	98.24	Y
GBF	iShs Leh Government/Credit Bond Fd	102.95	0.81	2.06	2.47	105.92	99.94	N
BSV	Vanguard Short-Term Bond ETF	78.25	0.85	2.03	3.11	79.50	75.54	N
IHI	iShs DJ US Medical Devices	59.99	-4.78	1.94	1.20	64.50	53.97	N

## DIVERGENCE FROM AVERAGE DISCOUNT

Ticker	Name	Current Price \$	NAV \$	Discount/Premium %	52 Wk Avg Disc/Prem %	Divergence	Current Yield %
RHY	RMK Multi-Sector High Incm Fund	1.10	1.16	-36.21	7.69	-43.90	10.91
CUBA	Herzfeld Caribbean Basin	6.00	7.14	-15.97	6.42	-22.39	3.83
AGD	Alpine Global Dynamic Dividend	9.39	11.09	-15.33	5.86	-21.19	21.73
AOD	Alpine Total Dynamic Dividend	9.02	10.99	-17.93	2.59	-20.52	23.95
DCA	Dvd Cptl Rlty Incm Allocation	3.98	5.07	-21.50	-2.20	-19.30	15.08
CLM	Cornerstone Strategic Value	2.76	3.23	27.55	45.27	-17.72	37.70
BHL	BlackRock Defined Opportunity	11.57	14.15	-18.23	-2.15	-16.08	11.67
SNF	Spain Fund Inc	7.37	8.40	-12.26	3.74	-16.00	15.79
FHO	First Tr Strategic High Income III	6.84	7.21	-5.27	9.70	-14.97	27.79
MFD	Macquarie/Fst Tr Gbl Inft/Utilty Dvd Incm	14.57	17.71	-17.72	-2.83	-14.89	11.67
JFP	Nuveen Tax-Adv Floating Rate	4.81	6.25	-23.04	-8.35	-14.69	14.97
IGD	ING Gbl Eqty Dvd & Prem Opportunity	11.55	14.28	-19.12	-5.12	-14.00	16.21
RDR	RMR Preferred Dividend Fund	6.26	6.94	-9.80	4.14	-13.94	19.17
ISL	First Israel Fund	14.24	16.35	-12.89	1.04	-13.93	2.67
LBC	Lehman Brothers/First Trust Income Fund	9.15	11.77	-22.26	-9.88	-12.38	14.43
AWP	Alpine Global Premier Properties	7.26	8.94	-18.79	-6.46	-12.33	20.94
NSL	Nuveen Senior Income Fund	5.67	7.03	-19.35	-8.00	-11.35	8.47
BTZ	BlackRock Pfd and Eqty Adv Fund	11.67	14.91	-21.73	-10.42	-11.31	13.37
MGU	Macquarie Global Infrastructure	16.47	20.52	-19.74	-8.64	-11.09	9.71
PSW	Pfd & Corp Income Strgys Fund	10.25	12.75	-19.61	-8.61	-11.00	12.09
PSY	Pfd Incm Strategies Fund	10.32	12.95	-20.31	-9.35	-10.96	13.32
TKF	Turkish Investment Fund	10.41	11.98	-13.11	-2.28	-10.83	2.93
CHI	Calamos Conv Opp and Income	11.27	12.34	-8.67	1.93	-10.60	14.91
FAM	First Tr Aberdeen Global Opportunity	13.26	16.80	-20.95	-10.43	-10.52	11.76
EBI	Evergreen Intl Balcd Income Fund	14.02	16.78	-16.45	-6.00	-10.45	12.48
BFD	BlackRock Global Equity Income	11.02	13.39	-17.85	-7.64	-10.21	17.24
PHD	Pioneer Floating Rate Trust	12.07	14.77	-18.01	-8.07	-9.94	11.43
JGV	Nuveen Global Value Opportunity	13.50	16.24	-16.87	-6.96	-9.92	10.79
BWC	BlackRock World Invst Trust	11.35	13.38	-15.17	-5.30	-9.88	12.03
FHY	First Tr Strategic High Income II	8.87	10.31	-13.97	-4.09	-9.87	22.55
BGT	BlackRock Global Floating Rate	12.96	15.89	-18.44	-8.75	-9.69	9.72
JRO	Nuveen Fltg Rate Incm Opportunity	9.40	11.53	-18.47	-9.09	-9.39	8.81
PPR	ING Prime Rate Trust	5.04	6.18	-18.29	-9.12	-9.17	7.62
LOR	Lazard World Dvd & Income Fund	12.08	14.16	-14.70	-5.61	-9.10	4.45
PFL	PIMCO Floating Rate Income Fund	12.41	14.39	-10.95	-1.96	-8.99	9.94
CH	Chile Fund Inc	14.50	16.79	-13.64	-4.82	-8.82	0.83
EEF	BlackRock Enhncd Eqty Yld Fund	12.33	14.38	-14.33	-5.52	-8.81	0.00
EVF	EtnVnc Senior Income Trust	5.82	7.11	-18.14	-9.34	-8.81	8.87
MFV	MFS Special Val Tr	6.06	7.24	-16.30	-7.64	-8.66	12.36
FAX	Aberdeen Asia-Pac Income Fund	5.08	6.23	-18.46	-9.86	-8.60	8.27
JFR	Nuveen Floating Rate Income	9.49	11.55	-17.84	-9.25	-8.59	8.22
IAF	Aberdeen Australia Eqty Fund	11.25	11.96	-5.94	2.62	-8.56	14.22
EFR	EtnVnc Senior Floating-Rate	12.71	15.37	-17.31	-8.78	-8.53	9.06

This page is designed to take advantage of the short to medium term deviations of CEF discounts from their 52-week average premium/discount relationships. The listings are rank ordered by their divergence from their 52-week average premium/discount. A possible trading strategy would be to buy the CEF's that have an unusually large divergence from their 52-week discounts and then sell when the discount comes back into the average range.

# RECOMMENDATIONS AND PORTFOLIOS

Investors should allocate their funds among the three portfolios according to their personal risk tolerance. The Conservative Portfolio is designed for the longer term while the Medium-Risk and Aggressive Portfolios will have significantly more turnover. Investors should consider allocating as much as 20% of their capital for special situations which come about throughout the year. The individual security selections in the left hand column, which are not included in one of the three portfolios, represent more targeted selections. They should be viewed as short term, special situation choices.

## U.S. MARKET

These securities track the broad U.S. Economy and is diversified as to market capitalization, growth and value. These recommendations are not diversified by nationality or currency.

Ticker	Name	Current Price \$	1 Month % Change	1 Year % Change
IWD	iShares Russell 1000 Value Ind	64.91	-7.18	-23.13
QQQQ	Nasdaq-100 Index Tracking Stoc	42.08	-12.62	-14.51
PWO	PowerShares Dynamic OTC	45.47	-7.37	-16.49
IWF	iShares Russell 1000 Growth InEX	50.67	-8.50	-15.07

## INTERNATIONAL MARKET

These securities track international markets and is a way for the typical investor to achieve diversity away from securities dependent directly on the U.S. economy and the US dollar. They may be single country funds and are generally more volatile.

Ticker	Name	Current Price \$	1 Month % Change	1 Year % Change
ADRE	BLDRS Emerging Markets 50 ADR	37.60	-15.43	-21.40
EWJ	iShares MSCI Japan Index Fund	10.75	-4.61	-20.84
EPP	iShares MSCI Pacific ex-Japan	36.21	-10.35	-29.00
NAI	Nicholas-Applegate Intl Prem & Strat Fnd	15.30	-11.15	-43.44
IIF	Morgan Stanley India Inv Fund	20.38	-23.18	-56.34

## SECTOR

These securities seek the highest capital gains by investing in particular industrial sectors. These are the most volatile and least diversified.

Ticker	Name	Current Price \$	1 Month % Change	1 Year % Change
XLB	XLB Materials Select Sector SPDR FUND	36.50	-7.24	-7.59
OIH	Oil Service HOLDERS Trust	152.27	-14.76	-17.42
IGW	iShares Goldman Sachs Semiconductor	41.89	-19.22	-35.89
IYG	iShares Dow Jones US Financial Services	69.07	-7.72	-43.04
PPH	Pharmaceutical HOLDERS Trust	68.12	-5.47	-13.21
IIH	Internet Infrastructure HOLDERS Trust	2.60	-19.75	-47.05

\*=CEF

## MODEL PORTFOLIO

This portfolio is the least volatile and has the broadest exposure to diversified markets both domestic and foreign. This portfolio is meant for long-term investors and should track the major world equity markets.

Ticker	Name	Shares	Current Price \$	Dollar Investment	Allocation
SPY	SPDR Trust Series 1	500	120.09	\$60,045	63.44%
EFA	iShares MSCI EAFE Index Fund	200	57.83	\$11,566	12.22%
ADRA	BLDRS Asia 50 ADR Index Fund	600	25.46	\$15,276	16.14%
GLD	Streetworks Gold Trust	100	77.56	\$7,756	8.20%
Portfolio Inception Value 1/15/06				99,382	
Current Portfolio Value				\$94,643	

## MEDIUM RISK ALTERNATIVE

This portfolio may include sector, international and index funds. The Index funds in this portfolio are not as broad as in the conservative portfolio, for example, we may opt for growth over value stocks or vice-versa.

Ticker	Name	Current Price \$	1 Month % Change	1 Year % Change
ADRE	BLDRS Emerging Markets 50 ADR	37.60	-15.43	-21.40
QQQQ	NASDAQ 100 TR SER I	42.08	-12.62	-14.51
EPP	iShares MSCI Pacific ex-Japan	36.21	-10.35	-29.00

## AGGRESSIVE ALTERNATIVE

This is the most volatile of the three and will include single country, sector, and closed end funds's that are trading below their usual discounts. It is designed to take advantage of current market momentum in certain industries or countries.

Ticker	Name	Current Price \$	1 Month % Change	1 Year % Change
OIH	Oil Service HOLDERS Trust	152.27	-14.76	-17.42
NAI	Nicholas-Applegate Intl Premium & Strategy Fnd	15.30	-11.15	-43.44
PPH	Pharmaceutical HOLDERS Trust	68.12	-5.47	-13.21

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