



# Closed End Fund & ETF Report

Diversity, Efficiency, and Simplicity Using Exchange Traded Funds

March 2010

## An ETF of CEFs

We have heard of closed end funds buying ETF's as part of their portfolio, it only makes sense. After all, it is a fast way to invest in the market or a market segment quickly, cheaply and easily.

Turnabout is fair play and ETF creators have come up with a twist, an ETF that buys closed end funds. The PowerShares CEF Income Composite Portfolio ETF (PCEF) invests in income producing closed end funds that use three different investment approaches. The broad classes are investment grade, non-investment grade and buy-write option funds.

by asset class, investment strategy and investment manager. In addition to such diversification, the fund offers high current yield and a high discount to net asset value in its holdings. The fund's rules for investing include buying closed end income funds that have a market cap of at least \$100 million, an expense ratio of less than 2% and funds must trade at a premium of less than 20%. PCEF will increase the weighing of certain funds as their discounts increase and decrease weightings when the discounts shrink. The current make up of the fund has an average discount of -4.17% and a yield of 8.59%.

Today's average discount is near historical lows, meaning that discounts are not very deep at this time. Discounts measured in December 2006 - 2008 were all over -10%, while the past December the discount was only -4.17%. We like the idea of the fund and will keep an eye on it as a possibility for future investment. We would prefer an entry point with a deeper discount than is currently available. Now all we need is a CEF that buys this ETF and we have a snake eating its tail situation!

**1). Investment Grade Fixed Income Funds**  
Investment grade government and corporate bonds, mortgage backed securities, and preferred stock, these are securities rated equal to or higher than BBB. About 44% of funds are invested in this approach.

**2). High Yield Fixed Income Funds**  
Non-investment grade bonds of corporations, banks, or sovereign debt, rated below BBB. About 18% of funds are invested in this approach.

**3). Covered call funds or buy-writes**  
These closed end funds buy common stocks and write call options on their position to generate income. About 38% of funds are invested in this class of funds.

The fund sponsors claim the benefit of the new ETF's is that it offers diversification

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All pricing as of 2/19/10

## Inflation Portfolio

Last month showed a modest capital gain in our inflation portfolio plus some dividends. However, since inception the portfolio value has increase from \$101,085 to its current value of \$103,456.

Sym	Name	12/11/2009	1/22/2010	2/19/2010	Change	Shares	Last Mo Tot	Total	Per Share	Dividends
DRP	DWS RREEF World Real Estate	\$15.10	\$14.60	14.69	\$0.09	2,000	\$29,200	\$29,380	\$1.96	\$3,920
WIA	Western Asset/Claymore U.S.TIPS	\$12.15	\$12.39	12.23	(\$0.16)	2,000	\$24,780	\$24,460	\$0.07	\$140
GGN	Gabelli Global Gold, Nat Res & Income	\$16.36	\$16.02	15.94	(\$0.08)	1,000	\$16,015	\$15,940	\$0.14	\$140
UGL	ProShares Ultra Gold	\$46.50	\$44.40	46.07	\$1.67	350	\$15,540	\$16,125		
BCF	BlackRock Real Asset Equity		\$12.26	12.29	\$0.03	1050	\$12,873	\$12,905		
		\$101,085.00					\$98,408	\$98,809		\$4,200
		dividends + cash						\$4,647	Cash	\$447.00
		Total						\$103,456		

# NEWS & UPDATES

## Ultras

The past month showed gains across all major indexes. The best performer was the Dow up 2.32%, indicating better

performance for large cap stocks. The worst performer, like last month was the tech heavy Nasdaq 100 up only 1.52%.

### BROAD INDEXES

TICKER	NAME	PRICE \$	1MOCG%	3MCG%	1YRCG%	1YRHGH\$	1YRLOW\$	SHARES OUT
SPY	SPDR Trust Series 1 (S&P 500)	111.18	1.80	1.60	43.68	115.14	67.10	659,432,100
QQQQ	PwrShrs QQQ(Nasdaq 100)	44.83	1.52	3.20	55.28	46.64	25.63	393,250,000
DIA	DIAMONDS Trust Series I (DOW)	103.99	2.32	0.72	41.04	107.23	64.78	75,942,870
IWM	iShares Russell 2000 Index Fun	63.06	2.15	7.63	53.28	64.88	34.26	215,650,000

The best two performers for the month were oil and real estate related funds, both real asset plays. The ProShrs Ultra DJ-AIG Crude Oil ETF (UCO) was up 14.07% and the Direxion Daily Real Estate Bull 3x ETF (DRN) was up 9.49%. The ProShrs

Ultra Semiconductors ETF (USD) were up 8.79% for the month and up a whopping 173% for the year. The Euro currency did poorly as the Ultra Short Euro Fund ETF (EUO) was up 7.72% for the month.

### BEST PERFORMERS

TICKER	NAME	PRICE	1MOCG	3MCG	1YRCG	1YRHGH	1YRLOW	SHARES OUT
UCO	ProShrs Ultra DJ-AIG Crude Oil	12.32	14.07	-6.60	90.42	15.00	6.08	25,300,010
DRN	Direxion Daily Real Estate Bull 3x	133.83	9.49	15.97	Na	161.65	51.41	1,300,000
USD	ProShrs Ultra Semiconductors	31.43	8.79	19.05	173.30	35.13	10.35	2,625,000
EUO	ProShrs UltraShort Euro	20.64	7.72	18.42	-15.51	25.69	16.28	10,950,010
MWJ	Direxion Daily Mid Cap Bull 3X	99.09	7.66	20.14	233.10	107.91	18.30	400,000
EWV	ProShrs UltraShort MSCI Japan	48.08	7.49	-13.45	-51.79	120.53	42.17	450,000
TMV	Direxion Daily 30-Year Treasury	67.36	7.38	14.89	Na	91.92	50.56	1,850,000
UGE	ProShrs Ultra Consumer Goods	53.41	7.12	6.73	96.43	53.80	21.90	600,000
URE	ProShrs Ultra Real Estate	6.66	6.90	11.74	114.84	7.50	1.78	93,300,000
UYM	ProShrs Ultra Basic Material	31.94	6.89	2.83	189.84	38.34	7.86	12,750,000
TNA	Direxion Daily Small Cap Bull	43.87	6.82	23.93	168.88	48.15	9.03	6,150,010
UCC	ProShrs Ultra Consumer Service	34.45	6.23	8.88	121.26	34.66	12.39	375,000
ZSL	ProShrs UltraShort Silver	4.84	6.14	18.05	-51.74	14.02	3.67	16,100,010

### WORST PERFORMERS

TICKER	NAME	PRICE	1MOCG	3MCG	1YRCG	1YRHGH	1YRLOW	SHARES OUT
DTO	PwrShrs Crude Oil Double Short	63.97	-16.56	-4.12	-72.27	245.83	55.60	1,950,000
SCO	ProShrs UltraShort Crude Oil	13.30	-15.61	-1.41	-74.35	55.23	12.25	3,600,010
DRV	Direxion Daily Real Estate Bear 3x	12.58	-13.06	-25.87	Na	64.03	11.37	4,950,000
SSG	ProShrs UltraShort Semis	18.43	-10.62	-21.57	-77.57	89.75	17.21	1,500,000
AGQ	ProShrs Ultra Silver	51.12	-10.55	-26.03	3.15	75.55	32.02	3,200,010
EZJ	ProShrs Ultra MSCI Japan	62.84	-10.28	10.77	Na	73.40	55.16	150,000
MWN	Direxion Daily Mid Cap Bear 3x	22.79	-9.71	-23.01	-86.93	253.38	21.90	574,970
SMK	ProShrs UltraShort MSCI Mexico	25.35	-9.46	-15.16	Na	64.01	23.63	150,000
SMN	ProShrs UltraShort Basic Material	8.09	-9.10	-10.21	-81.78	57.40	7.07	18,825,000
TMF	Direxion Daily 30-Year Treasury	30.50	-8.60	-18.38	Na	54.81	28.18	300,000
TZA	Direxion Daily Small Cap Bear	9.15	-8.50	-25.91	-87.16	114.40	8.65	46,700,020
SRS	ProShrs UltraShort Real Estate	7.47	-8.34	-16.16	-89.65	111.20	6.90	92,850,000
DEE	PwrShrs DB Commodity Double	52.85	-8.25	-0.94	-44.88	102.35	46.68	200,000
SZK	ProShrs UltraShort Consumer	39.61	-7.95	-8.78	-57.10	112.50	39.41	450,000

## 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 %
JJN	ETN	IPATH Dow Jones AIG Nickel Total Ret.	30.85	13.09	23.75	115.73	0.00	0.75
SRO	CEF	DWS RREEF Real Estate Fund II	1.23	10.81	24.24	179.55	0.00	0.84
BAL	ETN	iPath Dow J-AIG Cotton Tot Return	38.01	9.35	4.28	51.37	0.00	0.75
ITB	ETF	iShs DJ Home Construction	13.27	9.22	14.20	77.41	0.71	0.47
OIL	ETN	iPath Goldman Sachs Crude Oil	25.79	7.77	-0.92	64.48	0.00	0.75
USO	ETF	United States Oil Fund	39.09	7.60	-0.84	60.27	0.00	0.45
XHB	ETF	SPDR S&P Homebuilders	16.08	7.56	10.29	71.79	0.70	0.35

## WORST PERFORMERS

VXX	ETF	iPath S&P 500 VIX Short-Term Futures	27.05	-15.18	-34.39	-76.13	0.00	0.89
GAZ	ETN	iPath Dow Jones-AIG Natural Gas	12.63	-12.79	-4.32	-38.81	0.00	0.75
UNG	ETF	United States Natural Gas Fund	9.21	-10.93	2.22	-44.38	0.00	0.60
NIB	ETN	iPath Dow J-AIG Cocoa Total Return	46.10	-10.07	-5.73	20.08	0.00	0.75
GRN	ETN	iPath Global Carbon ETN	23.02	-8.57	-4.40	24.84	0.00	0.75
GUT	CEF	Gabelli Utility Trust	8.24	-6.15	2.23	48.47	8.74	1.18
ICLN	ETF	iShs S&P Global Clean Energy	18.81	-5.97	-12.63	14.94	0.00	0.48

This month's winners are concentrated in real assets. The top performer was the IPATH Dow Jones AIG Nickel Total Return, which was up 13.09% for the month. Two more commodities made the list, oil and cotton. The iPath Dow J-AIG Cotton Total Return was up 9.35%. Two oil funds made the list, the iPath Goldman Sachs Crude Oil ETN (OIL) which was up 7.77% and the United States Oil Fund ETF (USO) which was up 7.60%. The other gainers were real estate related including

two homebuilders. The worst performer was an ETN that tracks volatility indicating that volatility has moderated in the last month. The iPath S&P 500 VIX Short-Term Futures ETF (VXX) was down -15.1%. Other poor performers were in the natural gas sector, an odd divergence from oil prices. The iPath Dow Jones-AIG Natural Gas ETN (GAZ) was down -12.79%, while the United States Natural Gas Fund ETF (UNG) was down -10.93%.

## FEATURED SECTOR

The markets are still indicating some interest in real assets such as real estate, basic commodities and oil. The interest in real assets likely reflects a premonition of coming inflation. Last month's surge in tin prices is matched by this month's gain in nickel, two basic industrial commodities. The real asset sensitivity to inflation led us to reduce our gold exposure and add some basic materials to our portfolio. The new addition to our inflation portfolio was the BlackRock Real Asset Equity CEF (BCF).

## RECOMMENDATION

Fund: BlackRock Real Asset Equity Trust  
 Symbol: BCF  
 CUSIP: 09254B109  
 Fund Type: CEF  
 Current Price: \$12.29  
 Net Asset Value: \$12.77  
 Expense Ratio: 1.12%  
 Optionable: No  
 One Month Change: 0.24%  
 Three Month Change: -0.16%  
 One Year Change: 84.26%  
 Current Yield: 8.84%  
 Top 10 Holding Account for 30.07% of Fund  
 P/E Ratio: NA  
 Top Holdings

Rio Tinto PLC.	(4.2%)
BHP Billiton PLC	(4.0%)
Vale S.A.	(3.6%)
Vedanta Resources PLC	(2.6%)

The BlackRock Real Asset Equity Trust (BCF) invests in "real assets" such as energy, natural resources and basic materials. We last recommended this fund in January 2009 at a price of \$6.57 when it had a dividend yield of 16.55%. The fund is currently trading at \$12.29 and yields 8.84%. The yield derives from dividend paying stocks and the writing of call options on its holdings. The fund trades at a -3.76% discount to its net asset value as opposed to the -19.63% from January of '09. The fund is not leveraged. Metals and mining make up 42% of holdings followed by oil and gas at 25%. The fund's net assets are \$729.9 million and its largest holding is Rio Tinto PLC at 3.65%.

# 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 %
TSI	CEF	TCW Strategic Income Fund	4.59	8.00	2.37	41.35	5.53	1.10
PFD	CEF	Flhty & Crumrine Pfd Income	11.34	7.59	23.66	104.32	7.62	2.04
ERH	CEF	Evergreen Utility and High Income	15.65	6.83	25.00	77.64	8.43	1.55
JFR	CEF	Nuveen Floating Rate Income	11.37	5.47	19.81	98.43	5.38	2.79
ASG	CEF	Liberty All Star Growth Fund	3.51	5.41	10.38	52.61	6.84	1.46
HCF	CEF	Highland Credit Strategies	7.09	4.88	10.95	44.99	8.89	2.75
PFO	CEF	Flhty & Crumrine Pfd Income Opp	8.91	4.70	22.05	102.50	7.74	2.19

### WORST PERFORMERS

CLM	CEF	Cornerstone Strategic Value	10.35	-14.32	-3.54	46.60	16.21	1.40
EFR	CEF	EtnVnc Senior Floating-Rate	14.49	-8.23	5.53	83.35	7.12	2.36
SZO	ETF	SPDR Barclays Cptl Conv Bd	47.39	-8.00	-1.54	-43.67	0.00	0.75
CRF	CEF	Cornerstone Total Return Fund	10.02	-7.31	-6.53	40.34	14.53	1.67
RPX	ETF	RP Growth ETF	25.86	-5.21	-2.04	Na	0.22	0.89
MFV	CEF	MFS Special Value Trust	6.52	-5.09	6.02	53.12	10.71	1.64
EAD	CEF	Evergreen Income Advantage	9.36	-4.68	3.08	47.40	11.91	1.51

The best performers this month were income oriented funds. The TCW Strategic Income Fund CEF (TSI) was up 8.00%. The fund has a modest 5.53% yield but invests mostly in convertible securities. The Flaherty & Crumrine Pfd Income CEF (PFD) was up 7.59%, while the Evergreen Utility and High Income CEF (ERH) was up 6.83%. A floating rate fund, the Nuveen Floating Rate Income CEF (JFR) was up 5.47%. The only non-income fund to make the list was the Liberty All Star Growth

Fund CEF (ASG), which was up 5.41%. The worst performer by far was the Cornerstone Strategic Value CEF (CLM), which was down -14.32% for the month. This fund has a phony yield of 16.21% that is mostly a return of capital and trades at a 31.00% premium to its net asset value down from its peak premium of 78%. Its sister fund was down -7.31% for similar reasons. The second worst performer was the Eaton Vance Senior Floating-Rate ETF (EFR) down -8.23%.

## FEATURED U.S. MARKET

The market likes income producing funds of late. This may reflect hesitancy to trust the economy or the strong performance of equities over the last year. This implies the market is going to be locked in a trading range. Closed end buy-write funds are an excellent way to earn while the market is going sideways, especially if volatility increases. Volatility enhances the value of call options because a gyrating market makes it more likely a stock will penetrate the strike price. Covered call funds provided some protection in a down market, especially if the fund trades at a discount.

## RECOMMENDATION

Fund: Madison Strategic Sector Premium Fund

Symbol: MSP

CUSIP: 558268108

Fund Type: CEF

Current Price: \$12.29

Net Asset Value: \$14.08

Expense Ratio: 0.96%

Optionable: No

One Month Change: -0.48%

Three Month Change: 3.19%

One Year Change: 59.19%

Current Yield: 9.37%

P/E Ratio: NA

Top Holdings

Cisco Systems, Inc. 4.72%

EMC Corp. 3.74%

Ebay 3.47%

Apache Corporation 3.35%

Bed, Bath & Beyond 3.14%

Such closed end funds have traditionally traded at discounts, but these have evaporated in the recently rising market. However, there are still some bargains. Two Madison funds are still trading at discounts. The Madison Strategic Sector Premium Fund (MSP) currently trades at a -12.71% discount to its net asset value at a price of \$12.29. The fund yields 9.37%. Our last recommendation of this fund was in November 2009 at a price of \$12.19, similar to today's price not counting a \$0.38 distribution made in December. The fund goes ex-dividend about mid March.

## INTERNATIONAL PERFORMANCE REVIEW

## BEST PERFORMERS

Ticker	Fund Type	Name	Current Price \$	1 Month % Change	3 Month % Change	1 Year % Change	Current Yield %	Expense Ratio %
JGV	CEF	Nuveen Global Value Opportunity	18.74	8.70	7.21	79.33	6.40	1.12
MES	ETF	Market Vectors - Gulf States ETF	20.07	8.31	-1.42	32.56	0.90	0.98
BGT	CEF	BlackRock Global Floating Rate	15.06	7.80	13.83	74.31	5.38	1.24
GXG	ETF	Global X/InterBolsa FSTE Colombia	31.08	7.73	6.11	120.43	3.41	0.86
VNM	ETF	Market Vectors Vietnam ETF	26.04	5.94	-7.00	Na	0.00	0.99
EWC	ETF	iShs MSCI Canada Index Fund	26.44	5.42	2.60	75.56	1.82	0.55
GULF	ETF	WisdTree Middle East Dividend	14.94	5.14	0.61	26.72	0.00	0.88

## WORST PERFORMERS

CHIX	ETF	Global X China Financials ETF	12.56	-14.38	Na	Na	0.00	0.65
CHII	ETF	Global X China Industrials ETF	14.11	-13.75	Na	Na	0.00	0.65
SNF	CEF	Spain Fund	6.59	-12.48	-9.48	59.56	9.95	1.99
CHIQ	ETF	Global X China Consumer ETF	15.09	-11.55	Na	Na	0.00	0.65
CQQQETF		Claymore China Technology ETF	24.00	-10.77	Na	Na	0.00	0.70
DGF	CEF	Delaware Invsts Gbl Dividend & Income	6.64	-9.66	-0.82	59.23	10.39	1.47
EWP	ETF	iShs MSCI Spain Index Fund	41.50	-7.24	-18.58	47.27	5.89	0.56

The best international region was located in the Middle East with two funds among the best performers. The Market Vectors - Gulf States ETF (MES) was up 8.31% for the month and the Wisdom Tree Middle East Dividend ETF (GULF) was up 5.14%. Two global funds, one a floating rate fund were in the top seven. The Nuveen Global Value Opportunity CEF (JGV) is a global buy-write funds that trades at a small premium. The floating rate fund is the BlackRock Global Floating Rate CEF (BGT) that trades at a high 11.38% premium. China

related funds led the list of losers for the second consecutive month. Their attempts to slow down their economy is working. The worst performer was the Global X China Financials ETF (CHIX) down -14.38% closely followed by the Global X China Industrials ETF (CHII) down -13.75%. Two more China funds were in the top seven as well as another claiming the eighth spot. In addition to China, Spain had a tough month with two funds the Spain Fund CEF (SNF), down -12.48% and the iShares MSCI Spain Index Fund ETF (EWP) down -7.24%.

## FEATURED INTERNATIONAL RECOMMENDATION

The Chinese government has taken steps to slow down the economy, especially the housing sector. They fear a bubble similar to the one that affected the U.S. economy. In the U.S. even rental properties are showing higher than normal vacancy rates because the rate of household formations has been dropping. We don't see similar conditions in China. In China, millions are leaving the farms and heading to cities for jobs and household formation is increasing. The demand for housing and other real estate in China is from people wanting a place to live or work, not from investment or individuals buying a second or third home. In other words, the demand is primary and lasting and supply cannot keep up with demand. The supply-demand imbalance will cause higher prices in a growth environment.

Fund: RMR Asia Pacific Real Estate Fund  
Symbol: RAP

CUSIP: 76970B101

Fund Type: CEF

Current Price: \$16.00

Net Asset Value: \$19.98

Expense Ratio: 2.82%

Optionable: No

Short Selling: NA

One Month Change: -0.80%

Three Month Change: -6.38%

One Year Change: NA

Current Yield: 4.90%

Top 10 Holding Account for 50.20% of Fund

P/E Ratio: NA

Top Holdings

Sun Hung Kai Properties, Ltd.	(10.2%)
Mitsubishi Estates Co Ltd	(8.6%)
Mitsui Fudosan Co. Ltd.	(5.2%)
Westfield Group Ltd.	(4.5%)
Stockland	(4.4%)

We found a real estate closed end fund with a discount to its net asset value of almost -20%. The RMR Asia Pacific Real Estate Fund CEF (RAP) invests in real estate equities in the Asia-Pacific region. The investments are almost exclusively in common stock. The fund has a relatively low payout, which is episodic based on investment income received, so most of the gains are coming from increase in net asset value. However, even if the underlying net asset value doesn't change a -20% discount gives the investor the opportunity to profit from nothing but a decline in the discount. The fund has 65% of its assets in diversified real estate, followed by 15% in retail space. The fund currently trades at \$16.00 with a past yield of 3.24% and does not use leverage. This is an opportunity to buy \$19.98 worth of stock for only \$16.00.

## 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
FAA	Claymore/NYSE Arca Airline ETF	32.61	2.77	34.53	88.39	33.40	13.45	Y
JFT	KEYnotes ETNs Linked 130/30 Lg Cap	30.95	17.68	28.16	52.16	31.00	17.50	N
JJN	IPATH Dow Jones AIG Nickel Total Ret.	30.85	13.09	23.75	115.73	32.80	14.22	N
FBT	First Tr AMEX Biotechnology	31.03	6.63	17.98	54.38	31.17	16.39	Y
IIH	Internet Infrastructure HOLDERS Trust	2.74	5.38	17.60	44.75	2.83	1.75	N
TUR	iShs MSCI Turkey Index Fund	54.59	-1.28	15.41	154.97	59.18	19.20	N
KRE	iShs KBW Regional Banking	24.04	-1.27	15.30	38.16	25.22	14.44	Y
XSD	SPDR S&P Semiconductor ETF	46.49	5.09	15.22	102.75	48.49	22.06	Y
FCG	First Tr ISE-Revere Natural	18.35	5.46	14.69	77.64	19.22	8.30	Y
ITB	iShs DJ Home Construction	13.27	9.22	14.20	77.41	13.92	6.33	Y
XBI	SPDR S&P Biotech	57.20	3.86	14.01	11.87	58.00	43.06	Y
RFV	Rydex S&P Midcap 400 Pure Value	29.78	4.24	13.75	124.75	29.86	10.26	Y
PBS	PwShs Dynami Media	12.25	6.99	12.44	95.37	12.28	5.58	Y
PSI	PwShs Dynamic Semis	13.19	6.48	12.35	52.85	13.88	7.96	Y
PXQ	PwShs Dyn Networking	18.97	6.75	12.18	85.98	19.03	8.14	Y
IEO	iShs Oil & Gas Exploration & Prod	55.12	3.12	11.76	64.54	57.73	29.18	N
RZV	Rydex S&P SmCap 600 Value	33.34	4.22	11.73	160.06	35.90	9.98	Y
AMJ	JPMorgan Alerian MLP Index ETN	29.66	0.64	11.42		30.44	19.29	N
XOP	SPDR S&P Oil & Gas Expl&Prod	42.32	2.20	11.19	59.58	44.62	23.02	Y
JJT	iPath Dow J-AIG Tin Total Return	39.86	-4.89	10.94	64.24	43.87	23.88	N
DOD	ELEMENTS - "Dogs of the Dow"	7.00	0.06	10.85	68.67	7.46	2.92	N
PRFZ	PwShs FTSE RAFI US 1500	52.08	3.64	10.71	96.90	53.12	22.15	N
RYJ	Claymore/Raymond James SB-1 Equity	16.82	2.69	10.37	82.43	17.00	8.06	N
PTJ	PwShs Dynamic Healthcare	20.62	0.83	10.36	27.68	21.54	12.60	Y
PBE	PwShs Dyn Biotech & Genome	17.67	4.79	10.36	28.87	17.78	10.93	Y
BSC	ELEMENTS Linked to the Benjami	11.00	2.23	10.33	77.42	11.98	4.21	N
XHB	SPDR S&P Homebuilders	16.08	7.56	10.29	71.79	16.75	8.00	Y
DSG	SPDR DJ Wilshire Sm Cap Gwth	85.53	3.02	10.06	69.53	88.50	42.90	N
IBB	iShs Nasdaq Biotech Index	85.33	2.31	9.95	21.87	86.35	58.77	Y
QABA	FstTr NASDAQ ABA Comm	23.56	0.04	9.93		24.25	18.76	N
KME	SPDR KBW Mortgage Fnce ETF	44.31	2.81	9.80		45.50	33.88	N
IGW	iShs GS Semi Index	47.12	4.78	9.79	76.88	50.30	25.41	Y
JKL	iShs Morningstar Sm Value Index	69.33	3.63	9.70	83.95	70.22	30.97	N
RZG	Rydex S&P SmCap 600 Growth	37.63	1.62	9.68	69.81	38.80	18.76	Y
ITA	iShs DJ Aerospace & Defense	53.10	3.43	9.67	45.68	54.48	28.33	N
PWT	PwShs Dyn Sm Cp Growth	12.66	1.57	9.57	34.35	13.13	8.08	Y
ECH	iShs MSCI Chile Index Fund	56.22	-2.73	9.57	66.73	60.72	30.25	Y
IAT	iShs DJ US Regional Banks Index	22.41	-1.36	9.42	71.59	23.54	10.89	N
PJM	PwShs Dynamic Small Cap	18.79	3.19	9.31	43.33	19.02	10.98	N
FYX	First Tr Small Cap Core AlphaDEX	24.15	1.81	9.28	72.62	24.75	11.77	N
FXH	First Tr Health Care AlphaDEX	22.20	1.88	9.20	50.54	22.78	12.22	N
FXL	First Tr Technology AlphaDEX	17.65	3.04	9.15	81.58	18.35	8.74	Y
DSC	SPDR DJ Wilshire Small Cap ETF	53.52	3.04	8.96	72.65	54.59	26.66	Y
VBK	Vangd Sm-Cap Growth	60.76	2.77	8.91	64.40	62.66	31.45	Y
PEZ	PwShs Dyn Consumer Discretionary	20.59	4.84	8.86	52.36	20.74	11.79	Y
IWC	iShs Rusl Microcap Index	39.92	2.75	8.80	53.66	41.16	21.46	Y
IJS	iShs S&P SmCap 600 Value Index	59.51	2.39	8.75	54.61	60.70	31.76	Y
SCHA	Schwab US Small-Cap ETF	27.52	2.80	8.73		28.23	21.70	Y

## DIVERGENCE FROM AVERAGE DISCOUNT

Ticker	Name	Current Price \$	NAV \$	Discount/Premium %	52 Wk Avg Disc/Prem %	Divergence	Current Yield %
CFP	Cornerstone Progressive Return	6.70	5.88	13.95	51.19	-37.24	18.45
TRF	Templeton Russia and East European	19.10	18.50	3.24	29.98	-26.74	0.00
FHI	First Tr Strategic High Income	3.04	3.38	-10.06	4.90	-14.96	9.87
CUBA	Herzfeld Caribbean Basin	6.33	6.58	-3.80	9.44	-13.24	0.00
BEO	Enhncd S&P 500 Covered Call	8.09	8.28	-1.81	10.45	-12.27	27.19
PHK	PIMCO High Income Fund	11.02	8.01	37.58	48.18	-10.60	13.27
CAF	Morgan Stanley China A Share	27.58	29.06	-5.09	5.50	-10.60	0.00
FEN	Energy Income and Growth	22.17	21.61	2.59	13.09	-10.50	7.94
DPD	Dow 30 Prem & Dividend Income	13.98	13.78	1.45	11.77	-10.32	8.84
KYN	Kayne Anderson MLP Investment	23.97	21.96	7.92	17.96	-10.04	8.01
RIT	Real Estate Income Fund	7.98	8.94	-10.74	-5.16	-5.58	9.02
QQQX	Nasdaq Premium Income & Growth	13.15	13.96	-5.80	-0.23	-5.57	9.61
CLM	Cornerstone Strategic Value	10.35	7.90	31.01	36.34	-5.33	16.21
RCG	Renaissance Cptl Gwth & Incm III	2.51	3.91	-35.81	-30.51	-5.30	0.00
IIF	Morgan Stanley India Investment	21.95	22.98	-4.48	0.52	-5.00	0.00
RCC	Small Cap Prem & Dividend Income	9.61	9.91	-3.03	1.91	-4.94	20.81
RQI	Cohen & Steers Quality Income Realty	6.04	7.34	-17.98	-13.18	-4.80	6.13
TF	Thai Capital Fund	9.22	11.11	-17.44	-12.71	-4.74	1.89
GGN	Gabelli Gold Natl Resources	15.94	15.20	4.87	9.20	-4.33	10.54
PAI	Western Asset Income Fund	12.52	13.26	-5.58	-1.36	-4.23	6.71
BHY	BlackRock High Yield Trust	6.06	6.51	-6.45	-2.24	-4.21	8.61
GAB	Gabelli Eqty Trust	4.92	5.05	-2.57	1.50	-4.07	13.01
FHO	First Tr Strategic High Income III	4.14	4.49	-7.80	-3.79	-4.01	11.59
IID	ING International High Dividen	11.92	10.57	12.77	16.72	-3.95	11.58
HPI	J Hancock Pfd Incm Fund	17.46	18.60	-6.13	-2.33	-3.80	8.52
BPP	BlackRock Pfd Opportunity Trust	10.37	11.30	-8.23	-4.69	-3.54	8.39
WEA	Western Asset Premier Bond Fun	13.26	12.81	3.51	7.04	-3.53	9.05
ACG	AllianceBernstein Income Fund	7.86	8.42	-6.65	-3.24	-3.41	6.56
NRO	Neuberger Berman Real Estate Sec Income	3.02	3.48	-13.22	-9.97	-3.25	7.95
JRS	Nuveen Real Estate Income	7.86	8.12	-3.20	-0.14	-3.06	11.20
HPF	J Hancock Pfd Incm Fund II	17.38	18.46	-5.85	-2.82	-3.03	8.56
KYE	Kayne Anderson Energy Total Return	23.08	21.88	4.16	7.16	-3.00	8.32
FUND	Royce Focus Trust	6.30	7.13	-11.63	-8.75	-2.88	0.00
JTP	Nuveen Quality Pfd Income	6.75	7.27	-7.43	-4.78	-2.65	8.53
CHY	Calamos Conv and High Income	11.56	12.24	-5.56	-3.25	-2.30	8.82
PSW	Pfd & Corp Income Strategies	8.57	9.64	-11.10	-8.80	-2.30	8.40
MTP	MLP & Strategic Equity Fund	15.39	15.47	-0.45	1.61	-2.06	5.46
JPS	Nuveen Quality Pfd Income II	7.49	7.88	-4.95	-2.90	-2.05	8.65
TWN	Taiwan Fund	13.35	15.09	-11.53	-9.49	-2.04	0.53
IFN	India Fund	29.70	30.96	-4.07	-2.07	-2.00	0.00
CEF	Central Fund of Canada Ltd	13.43	12.41	8.22	10.14	-1.92	0.07
EOS	EtnVnc Enhanced Equity Income II	12.73	12.81	-0.63	1.18	-1.81	11.31
CHN	China Fund	26.57	28.93	-8.16	-6.37	-1.79	0.96

This table is designed to highlight 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 six 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	57.77	1.85	46.51
QQQQ	Nasdaq-100 Index Tracking Stoc	44.83	1.52	55.28
PWO	PowerShares Dynamic OTC	40.80	3.32	35.98
IWF	iShares Russell 1000 Growth InEX	49.57	1.83	44.77

## 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	41.42	0.66	65.17
EWJ	iShares MSCI Japan Index Fund	9.76	-4.03	28.08
EPP	iShares MSCI Pacific ex-Japan	40.22	0.98	82.65
NAI	Nicholas-Applegate Intl Prem & Strat Fnd	14.48	-4.99	50.05
IIF	Morgan Stanley India Inv Fund	21.95	-2.33	96.40

## 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	32.29	2.09	57.67
OIH	Oil Service HOLDERS Trust	124.40	2.49	71.71
IGW	iShares Goldman Sachs Semiconductor	47.12	4.78	76.88
IYG	iShares Dow Jones US Financial Services	53.69	1.02	91.07
PPH	Pharmaceutical HOLDERS Trust	65.69	-1.29	24.91
IIH	Internet Infrastructure HOLDERS Trust	2.74	5.38	44.75

\*=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	111.18	\$55,590	58.52%
EFA	iShares MSCI EAFE Index Fund	200	52.94	\$10,588	11.15%
ADRA	BLDRS Asia 50 ADR Index Fund	600	25.00	\$15,000	15.79%
UGL	ProShares Ultra Gold	300	46.07	\$13,821	14.55%
Portfolio Inception Value 1/15/06				99,382	
Current Portfolio Value				\$94,999	

## 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	41.42	0.66	65.17
QQQQ	NASDAQ 100 TR SER I	44.83	1.52	55.28
EPP	iShares MSCI Pacific ex-Japan	40.22	0.98	82.65

## AGGRESSIVE ALTERNATIVE

This is the most volatile of the three and will include single country, sector, and closed end funds 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	124.40	2.49	71.71
NAI	Nicholas-Applegate Intl Prem & Strategy Fnd	14.48	-4.99	50.05
PPH	Pharmaceutical HOLDERS Trust	65.69	-1.29	24.91

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