



# Closed End Fund & ETF Report

Diversity, Efficiency, and Simplicity Using Exchange Traded Funds

February 2010

## New for 2010

With this new year, we have re-titled the newsletter to the Forbes/ISA Closed End Fund & ETF Report to reflect an increased focus on closed end funds. It also reflects a new sponsorship of our newsletter by Forbes magazine, with whom we have had a long marketing relationship. Closed end funds offer several advantages over plain ETF's in that their pricing is sensitive to supply/demand characteristics of the market in addition to the value of their holdings. This aspect lends some punch to the performance in up markets, as deep discounts

tend to evaporate and even turn into premiums. This effect provides acceleration to the upside; the funds holdings increase in value and at the same time the discounts shrink giving the investor more bang for the buck. However, in down markets the opposite occurs, the asset class that is declining causes the fund to be less desirable thus increasing its discount. In these circumstances, the fund is usually a very good contrarian buy. The declining assets are probably undervalued as they overreact to market conditions and the market for the fund also decreases leading to increasing discounts. This allows the investor to buy

distressed assets at a double discount. During a recovery, the profits are better than the performance of a portfolio of equal assets owned outright. Add to this the use of leverage by the fund and investors have a triple push to profits.

ETF's are most valuable when closed end funds are trading at premiums. This is because most ETF's have a market mechanism to keep premium/discount characteristic in balance so that the ETF's are always trading with close to zero discounts or premiums. In a popular market segment closed end funds might trade at premiums, why buy \$10 worth of stock for \$10.60, when

a comparable ETF is selling at \$10.00 and is holding \$10.00 worth of stock? In addition, ETF's have much lower expense ratios than comparable closed end funds and are a better bet if both types of fund are trading near their intrinsic value that is with small premiums or discounts.

The reason we are changing our name from the ETF Investor Newsletter to the Forbes/ISA Closed End Fund & ETF Report are the compelling bargains available in the closed end universe. In an uncertain market, the extra cushion provided by the discount helps to moderate price swings in these funds.

### What's Inside

Volume 6 Issue 2

- Ultras .....2
- Sector .....3
- U.S. Market .....4
- International .....5
- ETF Rankings .....6
- CEF Rankings .....7

#### PORTFOLIOS

- U.S. Market .....8
- International .....8
- Sector .....8
- Conservative .....8
- Medium Risk .....8
- Aggressive .....8

All pricing as of 1/22/10

## Inflation Portfolio

We have reconfigured our inflation portfolio to approximate \$100,000. This is to allow users to scale it up or down easily. The starting price point is from December 11, 2009. The only gainer was the Western Asset/Claymore U.S. Treasury Inflation Protected Securities Fund, up \$0.24 since inception, not counting the \$0.038 cent dividend paid in January. The DWS RREEF World Real Estate & Tactical Strategies Fund, Inc. was down \$0.50 but doesn't take into account the \$1.88 in dividends paid in January. We have lightened our position in Gold by selling 300 shares of ProShares Ultra Gold and using the proceeds to buy 1,050 shares of BlackRock Real Asset Equity CEF (BCF) at a price of \$12.26. This fund invests in real assets such as iron and copper and uses covered calls to generate income. The left over cash from the transaction of \$447 is added to our dividend total.

|     | 12/11/2009 | 1/22/2010        | Change   | Shares | Total     | Per Share | Dividends |
|-----|------------|------------------|----------|--------|-----------|-----------|-----------|
| DRP | \$15.10    | \$14.60          | (\$0.50) | 2,000  | \$29,200  | \$1.88    | \$3,760   |
| WIA | \$12.15    | \$12.39          | \$0.24   | 2,000  | \$24,780  | \$0.04    | \$76      |
| GGN | \$16.36    | \$16.02          | (\$0.34) | 1,000  | \$16,015  |           |           |
| UGL | \$46.50    | \$44.40          | (\$2.10) | 350    | \$15,540  |           |           |
| BCF |            | \$12.26          | New      | 1050   | \$12,873  |           |           |
|     |            | \$101,085        |          |        | \$ 98,408 |           | \$3,836   |
|     |            | dividends + cash |          |        | \$ 4,283  |           |           |
|     |            | Total            |          |        | \$102,691 |           |           |

# NEWS & UPDATES

## Ultras

In one of the worst months in the last year, all major indexes showed losses. The worst performer was the technology heavy Nasdaq, which was down almost -4%. The least worst performer

was the broadest, the Russell 2000 Index Fund was down only -2.57, reflecting the better performance of small cap stocks.

### BROAD INDEXES

| TICKER | NAME                            | PRICE \$ | 1MOCG% | 3MCG% | 1YRCG% | 1YRHGH\$ | 1YRLOW\$ | SHARES OUT  |
|--------|---------------------------------|----------|--------|-------|--------|----------|----------|-------------|
| SPY    | SPDR Trust Series 1 (S&P 500)   | 109.21   | -3.01  | 1.05  | 31.40  | 115.14   | 67.10    | 618,382,100 |
| QQQQ   | Powershares QQQ (Nasdaq 100)    | 44.16    | -3.96  | 2.39  | 52.80  | 46.64    | 25.63    | 399,550,000 |
| DIA    | DIAMONDS Trust Series I (DOW)   | 101.63   | -3.21  | 1.80  | 26.22  | 107.23   | 64.78    | 88,992,870  |
| IWM    | iShares Russell 2000 Index Fund | 61.73    | -2.57  | 2.78  | 39.06  | 64.88    | 34.26    | 193,400,000 |

The best performers this month were all inverse funds. The best performer was the short real estate sector represented by the Direxion Daily Real Estate Bear 3x, which was up more than 20% for the month; meaning real estate stocks did poorly.

Technology stocks also did poorly, which is why the Direxion Daily Technology Bear 3x and the ProShares UltraShort Telecom ETF both gained more than 15%.

### BEST PERFORMERS

| TICKER | NAME                             | PRICE  | 1MOCG  | 3MCG   | 1YRCG  | 1YRHGH | 1YRLOW | SHARES OUT |
|--------|----------------------------------|--------|--------|--------|--------|--------|--------|------------|
| DRN    | Direxion Daily Real Estate Bul   | 122.23 | -20.83 | 9.71   | Na     | 161.65 | 51.41  | 1,150,000  |
| TYH    | Direxion Daily Technology Bull   | 133.97 | -16.67 | 3.47   | 216.42 | 167.09 | 27.36  | 1,350,000  |
| XPP    | ProShrs Ultra FTSE/Xinhua China  | 60.50  | -15.27 | -22.77 | Na     | 85.74  | 50.90  | 600,000    |
| LTL    | ProShrs Ultra Telecommunications | 34.24  | -14.69 | 6.88   | 32.31  | 43.35  | 17.56  | 375,000    |
| URE    | ProShares Ultra Real Estate      | 6.23   | -14.42 | 7.97   | 35.73  | 7.50   | 1.78   | 91,950,000 |
| USD    | ProShares Ultra Semiconductors   | 28.89  | -13.84 | 6.45   | 130.02 | 35.13  | 10.35  | 2,475,000  |
| EDC    | Direxion Daily Emerging 3x Bull  | 115.11 | -12.45 | -11.56 | 285.71 | 153.84 | 19.71  | 2,650,000  |
| RTG    | Rydex 2X S&P Select Sector Tech  | 48.13  | -11.50 | 0.70   | 106.20 | 55.69  | 18.40  | 150,000    |
| ROM    | ProShares Ultra Technology       | 47.62  | -11.02 | 3.48   | 131.73 | 54.90  | 15.64  | 3,225,000  |
| UYM    | ProShares Ultra Basic Material   | 29.88  | -10.35 | 1.74   | 131.45 | 38.34  | 7.86   | 13,050,000 |
| DYY    | PwrShares DB Commodity Double    | 7.35   | -10.06 | -11.02 | 20.89  | 9.16   | 4.56   | 2,750,000  |
| UCO    | ProShares Ultra Crude Oil        | 10.80  | -9.92  | -24.74 | -15.16 | 15.00  | 5.77   | 21,600,010 |
| DZK    | Direxionshares Daily Developed   | 67.38  | -9.63  | -13.19 | 130.51 | 85.00  | 15.11  | 300,000    |

### WORST PERFORMERS

| TICKER | NAME                               | PRICE | 1MOCG  | 3MCG   | 1YRCG  | 1YRHGH | 1YRLOW | SHARES OUT |
|--------|------------------------------------|-------|--------|--------|--------|--------|--------|------------|
| TNA    | Direxion Daily Small Cap Bull 3X   | 40.58 | -15.56 | 9.09   | 23.23  | 50.61  | 10.22  | 7,700,010  |
| DRV    | Direxion Daily Real Estate Bear 3X | 16.93 | -15.10 | -42.98 | Na     | 64.03  | 16.23  | 3,300,000  |
| BOM    | PwShs Base Metals Double Short     | 21.00 | -14.08 | -18.16 | -62.62 | 83.21  | 18.75  | 100,000    |
| DZZ    | PwShs Gold Double Short            | 14.28 | -12.93 | -30.27 | -61.62 | 38.64  | 14.27  | 5,100,000  |
| GLL    | ProShares UltraShort Gold          | 10.12 | -12.31 | -30.25 | Na     | 27.22  | 10.11  | 4,100,010  |
| TYP    | Direxion Daily Technology Bear     | 10.26 | -12.01 | -33.93 | Na     | 81.82  | 10.22  | 3,400,000  |
| UVT    | ProShares Ultra Russell2000 Va     | 19.24 | -11.70 | 3.44   | 21.08  | 22.72  | 7.04   | 900,000    |
| FXP    | ProShares UltraShort China         | 7.59  | -11.64 | -24.70 | -89.11 | 96.13  | 7.48   | 37,425,000 |
| FAS    | Direxion Daily Financial Bull      | 76.21 | -11.34 | 3.55   | -57.06 | 178.50 | 11.60  | 17,648,930 |
| ERX    | Direxion Daily Energy Bull 3X      | 45.18 | -11.32 | 37.33  | -3.36  | 54.54  | 16.23  | 3,450,010  |
| RRY    | Rydex 2x Russell 2000 ETF          | 29.27 | -10.71 | 6.44   | 34.14  | 33.69  | 10.81  | 800,000    |
| UWM    | ProShares Ultra Russell2000        | 25.07 | -10.05 | 7.14   | 38.82  | 28.82  | 9.21   | 6,750,000  |
| SAA    | ProShares Ultra SmallCap600        | 27.09 | -9.79  | 6.74   | 36.34  | 30.67  | 9.91   | 1,725,000  |
| UKK    | ProShares Ultra Russell2000 Gr     | 27.14 | -9.53  | 9.22   | 54.20  | 30.65  | 10.26  | 900,000    |

## 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 % |
|--------|-----------|------------------------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| JJT    | ETN       | iPath Dow J-AIG Tin Total Return   | 41.91            | 11.31            | 22.01            | 70.30           | 0.00            | 0.75            |
| KME    | ETF       | SPDR KBW Mortgage Finance ETF      | 43.10            | 9.00             | 1.61             | Na              | 2.30            | 0.35            |
| SEA    | ETF       | Claymore/Delta Global Shipping     | 14.24            | 8.95             | 5.40             | 43.98           | 0.96            | 0.65            |
| IAT    | ETF       | iShares DJ US Regional Banks Index | 22.72            | 7.78             | 7.63             | 37.61           | 1.51            | 0.48            |
| KRE    | ETF       | iShares KBW Regional Banking       | 24.35            | 7.51             | 15.62            | 17.35           | 0.70            | 0.35            |
| FF     | CEF       | First Financial Fund               | 6.45             | 7.14             | 0.86             | 57.32           | 0.47            | 1.84            |
| GRN    | ETN       | iPath Global Carbon ETN            | 25.18            | 7.14             | -6.05            | 16.35           | 0.00            | 0.75            |

## WORST PERFORMERS

|      |     |                                      |       |        |       |       |      |      |
|------|-----|--------------------------------------|-------|--------|-------|-------|------|------|
| KWT  | ETF | Market Vectors Solar Energy ETF      | 13.15 | -15.27 | -8.30 | 13.75 | 0.65 | 0.65 |
| TAN  | ETF | Claymore/MAC Global Solar Energy     | 8.88  | -13.03 | -6.13 | 27.22 | 0.00 | 0.70 |
| KYN  | CEF | Kayne Anderson MLP Investment        | 23.12 | -10.80 | 5.52  | 49.35 | 8.30 | 2.60 |
| DCA  | CEF | Dvd Cptl Rlty Incm Allocation        | 2.23  | -10.44 | 9.31  | 34.34 | 5.38 | 1.70 |
| PBW  | ETF | PowerShares WilderHill Clean Energy  | 10.00 | -10.31 | -6.54 | 33.16 | 0.00 | 0.69 |
| QCLN | ETF | First Trust NASDAQ Clean Edge Liquid | 14.56 | -10.29 | -1.42 | 39.20 | 0.00 | 0.60 |
| ICLN | ETF | iShs S&P Global Clean Energy         | 20.00 | -10.15 | -9.99 | 8.11  | 0.00 | 0.48 |

The month's top performing sector was in regional banking. These funds claimed two of the top spots. The iShares DJ US Regional Banks Index ETF (IAT) was up 7.78% and the iShares KBW Regional Banking ETF (KRE) was up 7.51%. However, the largest gain was a single commodity ETN, the iPath Dow J-AIG Tin Total Return ETN (JJT), which was up 11.31%. Coming in second was the SPDR KBW Mortgage Finance ETF (KME) up 9.00% again showing some strength in the financial sector overall. The

worst performers were those funds related to "green energy". The worst performer was the Market Vectors Solar Energy ETF (KWT), which was down -15.27% followed by the Claymore/MAC Global Solar Energy ETF (TAN) down 13.03%. Solar energy wasn't the only green area hit. Two general green energy funds were also hit, PowerShares WilderHill Clean Energy ETF (PBW) was down -10.31% while the First Trust NASDAQ Clean Edge Liquid ETF (QCLN) was down -10.29%.

## FEATURED SECTOR

The current hostile environment for big banks is likely to continue for some time. Not only is the administration hostile, but the anti big bank attitude is spreading throughout. The consequences for big banks are negative but leave an opening for regional banks. These banks seem to be favored and may be the conduit for increased loan activity backed by government policy. They typically know their local markets and many have avoided the pitfalls that befell the larger money center banks such as multi-billion dollar holdings of toxic assets.

## RECOMMENDATION

Fund: KBW Regional Banking  
 Symbol: KRE  
 CUSIP: 78464A698  
 Fund Type: ETF  
 Current Price: \$24.35  
 Net Asset Value: \$24.31  
 Expense Ratio: 0.35%  
 Optionable: Yes  
 One Month Change: 7.51%  
 Three Month Change: 15.62%  
 One Year Change: 17.35%  
 Current Yield: 2.29%  
 Top 10 Holding Account for 23% of Fund  
 P/E Ratio: NA  
 Top Holdings

|                              |        |
|------------------------------|--------|
| Hancock Holding Company      | (3.0%) |
| CVB Financial Corporation    | (2.8%) |
| Fulton Financial Corporation | (2.8%) |
| SVB Financial Group          | (2.7%) |

Regional banks, unless they are in hard hit areas, probably don't have a problem with many foreclosed mortgages. These banks can benefit from the prevailing interest rates, but don't have the drag on earnings that the big banks do. We first recommended the KBW Regional Banking (KRE) ETF in April of 2009 at a price of \$18.10. The fund is currently trading at \$24.35 and has a dividend yield of 2.29%. The expense ratio is a low 0.35 and has the added attraction of being optionable. The fund has gained more than 15% in the last three months and 17% over the last year. Its largest holding is Hancock Holding Company at 3% of total funds.

# 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 % |
|--------|-----------|-----------------------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| PPR    | CEF       | ING Prime Rate Trust              | 5.72             | 8.75             | 10.00            | 57.58           | 5.24            | 3.01            |
| HCF    | CEF       | Highland Credit Strategies        | 6.76             | 6.96             | 7.64             | 20.07           | 9.32            | 2.75            |
| VVR    | CEF       | Van Kampen Senior Income Trust    | 4.48             | 6.92             | 11.72            | 65.93           | 6.72            | 1.64            |
| EVF    | CEF       | EtnVnc Senior Income Trust        | 6.60             | 6.62             | 12.63            | 73.68           | 5.64            | 4.17            |
| EFT    | CEF       | Eaton Vance Floating-Rate Income  | 15.08            | 6.48             | 15.16            | 73.47           | 6.21            | 1.24            |
| JRO    | CEF       | Nuveen Fltg Rate Incm Opportunity | 11.43            | 6.42             | 19.31            | 97.07           | 6.51            | 2.86            |
| EFR    | CEF       | EtnVnc Senior Floating-Rate       | 15.79            | 6.17             | 14.58            | 87.99           | 5.93            | 2.36            |

### WORST PERFORMERS

|     |     |                                      |       |        |        |       |       |      |
|-----|-----|--------------------------------------|-------|--------|--------|-------|-------|------|
| BEO | CEF | Enhncd S&P 500 Covered Call          | 8.39  | -23.03 | -22.31 | 9.67  | 26.22 | 1.06 |
| DPD | CEF | Dow 30 Prem & Dividend Income        | 13.91 | -17.40 | -14.19 | 6.35  | 8.89  | 1.08 |
| DCS | CEF | Claymore Dividend & Income Fund      | 13.59 | -13.22 | -8.32  | 46.88 | 2.94  | 1.64 |
| EOS | CEF | EtnVnc Enhanced Equity Income II     | 12.79 | -12.76 | -4.48  | 15.85 | 11.26 | 1.10 |
| ETV | CEF | EtnVnc Tax-Mgd Buy-Write Opportunity | 13.73 | -10.09 | -3.65  | 27.72 | 11.65 | 1.07 |
| RCC | CEF | Small Cap Prem & Dividend Income     | 9.78  | -9.53  | -17.12 | 17.27 | 20.45 | 1.12 |
| ETB | CEF | EtnVnc Tax-Mgd Buy-Write Income      | 15.03 | -9.46  | -2.21  | 22.89 | 11.98 | 1.11 |

This month's best performers were consistent across all seven top performing funds. All the best performing funds were linked to floating rate securities. The top performer was the ING Prime Rate Trust (PPR), a fund that invests in floating rate secured senior loans. The fund was up 8.75% for the month. The remainder of the top performers invested in similar securities and averaged a monthly increase of about 6.5% on average. The rise of this class of security may presage an expected rise in short-term interest rates. The worst performer this month was our sell recommendation of two months ago. We recommended a sale of

the Enhanced S&P 500 Covered Call Fund CEF (BEO) at \$11.60 it now trades at \$8.39 down -23.03%. The second worst performer was also a covered call fund, the Dow 30 Prem & Dividend Income (DPD), which was down -17.40%. In fact, six of the seven worst performers were covered call funds, possibly reflecting the recent low volatility in the markets. Low volatility reduces the premiums on call options and reduces the income earned. Notably many covered call funds that were trading at premiums declined this month, while those that were trading at discounts maintained their prices while discounts shrank.

### FEATURED U.S. MARKET

The uncertainty caused by record low interest rates has ignited an interest in floating rate securities. Because short-term rates have been at historically low levels for a long time, most all, floating rate securities are trading near their floor values. That is, they are currently paying out the lowest dollar amount possible and can't reset lower no matter further changes in interest rates. This leaves the fact that interest rates on individual securities can only go up from this point and, after a lag, should ratchet up with interest rates. Given that short-term rates must rise eventually, these funds should be beneficiaries.

### RECOMMENDATION

Fund: Highland Credit Strategies  
Symbol: HCF  
CUSIP: 43005Q107  
Fund Type: CEF  
Current Price: \$6.76  
Net Asset Value: \$7.26  
Expense Ratio: 2.75%  
Optionable: No  
One Month Change: 6.96%  
Three Month Change: 7.64%  
One Year Change: 20.07%  
Current Yield: 9.32%  
Top 10 Holding Account for NA% of Fund  
P/E Ratio: NA  
Top Holdings

|                           |         |
|---------------------------|---------|
| Genesys Ventures Llp      | (7.48%) |
| Celtic Pharma Phinco      | (6.19%) |
| Comcorp Broadcasting, Inc | (5.26%) |
| Seven Media Group         | (3.53%) |

We researched the available closed-end funds for the best combination of dividend and discounts from net asset value. The Highland Credit Strategies closed-end fund (HCF) is the only floating rate fund that trades at more than a -4% discount from its net asset value. It is currently trading at \$6.76, a -6.89% discount from its net asset value. The fund yields 9.32% and is slightly leveraged at about 10%. The fund does not employ a level distribution strategy so 100% of the dividend is earned income; there is no return of capital. The fund is mostly invested in floating rate bank loans at about 60%, the rest mostly in bonds. Credit quality is below investment grade.

## INTERNATIONAL PERFORMANCE REVIEW

## BEST PERFORMERS

| Ticker | Fund Type | Name                            | Current Price \$ | 1 Month % Change | 3 Month % Change | 1 Year % Change | Current Yield % | Expense Ratio % |
|--------|-----------|---------------------------------|------------------|------------------|------------------|-----------------|-----------------|-----------------|
| ECH    | ETF       | iShares MSCI Chile Index Fund   | 57.80            | 6.72             | 14.96            | 81.13           | 0.64            | 0.65            |
| CH     | CEF       | Chile Fund                      | 18.43            | 5.19             | 12.38            | 77.21           | 7.81            | 1.50            |
| TUR    | ETF       | iShs MSCI Turkey Index Fund     | 55.30            | 4.99             | 2.75             | 133.33          | 0.47            | 0.65            |
| IF     | CEF       | Indonesia Fund                  | 9.73             | 4.40             | 7.60             | 130.11          | 0.44            | 1.81            |
| PJO    | ETF       | PwShs FTSE RAFI Japan Portfolio | 38.36            | 4.34             | 3.20             | 23.19           | 3.94            | 0.75            |
| TKF    | CEF       | Turkish Invst Fund              | 13.47            | 4.01             | 1.66             | 138.41          | 0.99            | 1.38            |
| JEQ    | CEF       | Japan Equity Fund               | 5.46             | 4.00             | 4.80             | 14.23           | 0.70            | 1.41            |

## WORST PERFORMERS

|     |     |  |       |       |        |       |       |      |
|-----|-----|--|-------|-------|--------|-------|-------|------|
| TAO | ETF | Claymore/AlphaShares China Real Estate | 16.36 | -9.67 | -16.75 | 66.43 | 3.48  | 0.78 |
| ETW | CEF | EtnVnc Tax-Mgd Gbl Buy-Write Opp       | 12.98 | -8.85 | -4.35  | 32.58 | 12.02 | 1.08 |
| MES | ETF | Market Vectors - Gulf States ETF       | 18.53 | -8.72 | -20.57 | 33.41 | 0.97  | 0.98 |
| EWP | ETF | iShs MSCI Spain Index Fund             | 44.74 | -8.38 | -13.01 | 44.60 | 5.46  | 0.56 |
| CAF | CEF | Morgan Stanley China A Share Fund      | 27.60 | -8.22 | -8.75  | 36.36 | 0.57  | 1.80 |
| EWG | ETF | iShs MSCI Germany Index Fund           | 20.86 | -8.15 | -9.78  | 39.25 | 0.13  | 0.55 |
| FEZ | ETF | sTRKS DJ EURO STOXX 50                 | 38.70 | -8.01 | -9.45  | 39.56 | 2.28  | 0.29 |

The two best performing funds for the month were both invested in Chile. The iShares MSCI Chile Index Fund ETF (ECH) was up 6.72% for the month, while the Chile Fund CEF (CH) was up 5.19%. Since both funds hold similar securities the close-end fund in this instance is the better buy because it trades at a 7% discount while the ETF trades without a significant discount. Turkey and Japan also did well both

regions up more than 4% for the month. On the downside, China was the clear loser. The Claymore/AlphaShares China Real Estate ETF (TAO) was down -9.67% for the month and was joined by the Morgan Stanley China A Share Fund CEF (CAF), which was down -8.22%. China has deliberately acted to slow down its economy and illustrates the difficulty with investing in a country with dictatorial government.

## FEATURED INTERNATIONAL RECOMMENDATION

The Organization for Economic Co-operation and Development recently released a report on the Chilean economy. It states that Chile's economy after falling 1.8% in 2009 is expected to grow by around 4.1% this year and 5.0% in 2011. It cites sound fiscal policies, good monetary policy management and low debt as some of the positive factors. The report concludes that Chile has managed the economic crisis better than other small open economies. Improving copper prices have also helped the overall economy.

Fund: The Chile Fund  
 Symbol: CH  
 CUSIP: 168834109  
 Fund Type: CEF  
 Current Price: \$18.43  
 Net Asset Value: \$19.82  
 Expense Ratio: 1.89%  
 Optionable: No  
 One Month Change: 5.19%  
 Three Month Change: 12.38%  
 One Year Change: 77.21%  
 Current Yield: 7.81%  
 Top 10 Holding Account for NA% of Fund  
 P/E Ratio: 17.39  
 Top Holdings  
 Empresas Copec SA (18.2%)  
 Empresa Nacional de Electricidad SA (16.7%)  
 Empresas CMPC SA (9.0%)  
 Enersis SA (7.2%)

The Chile Fund (CH) currently trades at \$18.43 up 77% for the past year and up 12.3% for the last three months. The fund trades at a discount of -7.01% from its net asset value of \$19.82. It invests more than 98% of its funds in Chilean equities with the remainder in the U.S. equity market. It yields 7.81%, however, this is not a true yield but is a result of a level distribution policy that seeks to pay out anticipated capital gains over the course of the year on a quarterly basis. Therefore, some of the distribution may represent a return of capital. The top two investment sectors are in Utilities at 34.3% and Basic Materials at 16.5%.

## 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 |
|--------|--------------------------------------|------------------|------------------|------------------|-----------------|---------------|--------------|---------|
| FAA    | Claymore/NYSE Arca Airline ETF       | 31.73            | 0.34             | 26.97            | Na              | 33.40         | 13.45        | Y       |
| JJT    | iPath Dow J-AIG Tin Total Return     | 41.91            | 11.31            | 22.01            | 70.30           | 43.87         | 23.88        | N       |
| KRE    | iShs KBW Regional Banking            | 24.35            | 7.51             | 15.62            | 17.35           | 25.09         | 14.44        | Y       |
| IHF    | iShs DJ US Healthcare Providers      | 49.41            | -0.62            | 15.20            | 43.05           | 52.51         | 26.50        | N       |
| ECH    | iShs MSCI Chile Index Fund           | 57.80            | 6.72             | 14.96            | 81.13           | 60.72         | 30.25        | Y       |
| CWB    | SPDR Barclays Cptl Conv Bd           | 51.51            | 4.29             | 14.42            | -23.93          | 87.42         | 44.83        | N       |
| PTJ    | PwShs Dynamic Healthcare             | 20.45            | -1.02            | 13.05            | 28.37           | 21.54         | 12.60        | Y       |
| JJU    | iPath Dow J-AIG Alum Total Return    | 31.59            | -2.80            | 12.74            | 48.59           | 34.08         | 19.60        | N       |
| AMJ    | JPMorgan Alerian MLP Index ETN       | 29.47            | 1.97             | 11.93            | Na              | 30.44         | 19.29        | N       |
| XBI    | SPDR S&P Biotech                     | 55.07            | 2.02             | 11.39            | 6.44            | 56.92         | 43.06        | Y       |
| PGM    | iPath Dow J-AIG Plat Total Return    | 37.18            | -2.47            | 10.99            | 58.01           | 47.90         | 23.02        | N       |
| XSD    | SPDR S&P Semiconductor ETF           | 44.24            | -7.12            | 10.82            | 89.71           | 48.49         | 22.06        | Y       |
| RYH    | Rydex S&P Eql Wgt Healthcare         | 57.47            | 0.12             | 10.77            | 42.46           | 59.82         | 34.14        | N       |
| DNO    | United States Short Oil Fund L       | 47.18            | 4.28             | 10.29            | Na              | 52.44         | 41.77        | Y       |
| XLV    | Health Care Sector SPDR              | 31.66            | 0.64             | 10.28            | 21.40           | 33.16         | 21.63        | Y       |
| FXH    | First Tr Health Care AlphaDEX        | 21.79            | -0.82            | 10.16            | 50.80           | 22.78         | 12.22        | N       |
| IHE    | iShs DJ US Pharmaceuticals           | 57.90            | -0.36            | 10.01            | 32.31           | 60.80         | 35.73        | N       |
| JJC    | iPath Dow Jones AIG Copper Total Rtn | 45.85            | 1.48             | 10.00            | 122.25          | 48.21         | 19.96        | N       |
| IYH    | iShs DJ US Healthcare Sector Index   | 64.77            | 0.51             | 9.97             | 23.08           | 67.81         | 43.99        | Y       |
| XPH    | SPDR Pharmaceutical                  | 38.61            | 0.76             | 9.81             | 32.77           | 40.40         | 23.60        | Y       |
| PTH    | PwShs Dynamic Healthcare             | 23.59            | -1.42            | 9.67             | 25.95           | 24.78         | 15.20        | Y       |
| JJS    | iPath Dow J-AIG Softs Total Return   | 51.88            | 2.49             | 9.66             | 42.25           | 52.77         | 33.73        | N       |
| FBT    | First Tr AMEX Biotechnology          | 29.10            | 1.91             | 9.40             | 51.80           | 30.19         | 16.39        | Y       |
| IHI    | iShs DJ US Medical Devices           | 54.31            | 1.88             | 9.34             | 43.64           | 56.10         | 31.48        | N       |
| PPH    | Pharmaceutical HOLDRs Trust          | 66.55            | -0.25            | 9.09             | 19.43           | 70.18         | 45.26        | Y       |
| IBB    | iShs Nasdaq Biotech Index            | 83.40            | 1.63             | 8.79             | 22.23           | 86.35         | 58.77        | Y       |
| EEO    | Emging Gbl Shs DJ Egy Titans         | 12.39            | -1.13            | 8.62             | 42.61           | 13.25         | 7.15         | N       |
| PJP    | PwShs Dyn Pharmaceuticals Portf      | 18.60            | -0.64            | 8.39             | 22.45           | 19.48         | 12.49        | Y       |
| BDG    | PwShs DB Base Metals Long            | 22.96            | -2.21            | 7.84             | 92.29           | 25.32         | 11.60        | N       |
| QABA   | FstTr NASDAQ ABA Comm                | 23.55            | 3.88             | 7.73             | Na              | 24.19         | 18.76        | N       |
| DBB    | PwShs DB Base Metals Fund            | 21.90            | -2.32            | 7.72             | 88.79           | 24.54         | 10.92        | N       |
| PNXQ   | PwShs NASDAQ Next-Q Portfolio        | 24.20            | 0.83             | 7.65             | 52.59           | 24.76         | 13.92        | Y       |
| IAT    | iShs DJ US Regional Banks Index      | 22.72            | 7.78             | 7.63             | 37.61           | 23.54         | 10.89        | N       |
| RFV    | Rydex S&P Midcap 400 Pure Value      | 28.57            | -0.35            | 7.61             | 83.61           | 29.86         | 10.26        | Y       |
| ITA    | iShs DJ Aerospace & Defense          | 51.34            | -0.54            | 7.56             | 28.61           | 54.48         | 28.33        | N       |
| PKOL   | PwShs Global Coal Portfolio          | 28.32            | -3.16            | 7.35             | 138.25          | 32.57         | 10.28        | N       |
| IXJ    | iShs S&P Gbl Hlthcare Sector Index   | 51.98            | -0.50            | 7.13             | 19.63           | 54.26         | 35.29        | Y       |
| VHT    | Vangd Health Care                    | 54.90            | 0.33             | 7.12             | 22.63           | 57.49         | 37.37        | Y       |
| EIS    | iShs MSCI Israel Capped Index        | 54.91            | 0.48             | 6.91             | 83.09           | 57.90         | 28.91        | N       |
| UBD    | Claymore/Dorchester-Cap Mkts Bonds   | 49.25            | 1.56             | 6.76             | 4.56            | 52.00         | 41.15        | N       |
| CPI    | IndexIQ ETF Trust - IQ CPI Inf       | 25.03            | -0.28            | 6.69             | 6.69            | 26.00         | 24.50        | N       |
| JJM    | iPath Dow Jones-AIG Industrial       | 39.63            | -2.12            | 6.68             | 85.97           | 44.42         | 20.04        | N       |
| PQY    | PwShs Active AlphaQ Fund             | 22.85            | -2.14            | 6.58             | 48.96           | 23.68         | 13.64        | N       |
| ITF    | iShs S&P/TOPIX 150 Index             | 44.45            | 3.30             | 6.52             | 19.64           | 46.32         | 29.40        | Y       |
| DMM    | MacroShs Maj Metro Housing           | 99.46            | 2.00             | 6.36             | 14.29           | 103.33        | 79.78        | N       |
| PEJ    | PwShs Dyn Leisure & Entertainment    | 13.55            | -0.44            | 6.36             | 52.59           | 13.88         | 7.19         | Y       |
| BVT    | ELEMENTS Linked to the Benjami       | 10.65            | 1.04             | 6.18             | 70.95           | 10.90         | 5.05         | N       |
| XME    | SPDR Metals & Mining                 | 50.00            | -6.63            | 6.09             | 90.11           | 60.46         | 20.55        | Y       |

## DIVERGENCE FROM AVERAGE DISCOUNT

| Ticker | Name                                 | Current Price \$ | NAV \$ | Discount/Premium % | 52 Wk Avg Disc/Prem % | Divergence | Current Yield % |
|--------|--------------------------------------|------------------|--------|--------------------|-----------------------|------------|-----------------|
| TRF    | Templeton Russia and East European   | 18.71            | 18.38  | 1.80               | 32.10                 | -30.31     | 0.00            |
| CFP    | Cornerstone Progressive Return       | 8.05             | 6.03   | 33.50              | 52.05                 | -18.55     | 30.56           |
| FHI    | First Tr Strategic High Income       | 3.05             | 3.37   | -9.50              | 7.80                  | -17.30     | 9.84            |
| PHK    | PIMCO High Income Fund               | 11.12            | 8.23   | 35.09              | 50.01                 | -14.92     | 13.15           |
| CUBA   | Herzfeld Caribbean Basin             | 6.25             | 6.45   | -3.16              | 10.75                 | -13.90     | 0.00            |
| CAF    | Morgan Stanley China A Share         | 27.60            | 29.36  | -6.00              | 6.31                  | -12.30     | 0.57            |
| DPD    | Dow 30 Prem & Dividend Income        | 13.91            | 13.55  | 2.66               | 12.25                 | -9.59      | 8.89            |
| GGN    | Gabelli Gold Natl Resources          | 16.02            | 15.32  | 4.54               | 11.77                 | -7.23      | 10.49           |
| IID    | ING International High Dividend      | 11.91            | 10.90  | 9.17               | 16.38                 | -7.21      | 11.59           |
| BEP    | S&P 500 Covered Call                 | 9.87             | 9.85   | 0.20               | 6.71                  | -6.51      | 20.26           |
| BHY    | BlackRock High Yield Trust           | 6.14             | 6.60   | -6.97              | -0.83                 | -6.14      | 8.50            |
| TSI    | TCW Strategic Income Fund            | 4.25             | 4.99   | -14.83             | -8.72                 | -6.12      | 5.98            |
| PCN    | PIMCO Corporate Income Fund          | 14.28            | 13.35  | 6.97               | 12.99                 | -6.03      | 8.93            |
| RIT    | Real Estate Income Fund              | 7.86             | 8.87   | -11.39             | -5.48                 | -5.91      | 9.16            |
| DVF    | BlackRock Diversified Income         | 9.92             | 10.31  | -3.78              | 2.08                  | -5.86      | 8.29            |
| RCG    | Renaissance Cptl Gwth & Incm III     | 2.57             | 4.08   | -35.78             | -29.98                | -5.81      | 0.00            |
| PTY    | PIMCO Corporate Opportunity Fund     | 14.81            | 14.29  | 3.64               | 9.43                  | -5.79      | 9.32            |
| IIF    | Morgan Stanley India Investment      | 22.47            | 23.59  | -4.73              | 1.05                  | -5.79      | 0.00            |
| IFN    | India Fund                           | 30.20            | 32.42  | -6.85              | -1.12                 | -5.73      | 0.00            |
| HPI    | J Hancock Pfd Incm Fund              | 17.23            | 18.41  | -6.29              | -0.65                 | -5.64      | 8.64            |
| JPS    | Nuveen Quality Pfd Income II         | 7.27             | 7.90   | -7.98              | -2.39                 | -5.59      | 8.91            |
| JTP    | Nuveen Quality Pfd Income            | 6.60             | 7.29   | -9.60              | -4.24                 | -5.36      | 8.73            |
| BEO    | Enhncd S&P 500 Covered Call          | 8.39             | 8.01   | 4.87               | 10.19                 | -5.32      | 26.22           |
| BPP    | BlackRock Pfd Opportunity Trust      | 10.39            | 11.33  | -8.39              | -3.17                 | -5.22      | 8.37            |
| PAI    | Western Asset Income Fund            | 12.73            | 13.43  | -5.21              | -0.39                 | -4.81      | 6.60            |
| HPF    | J Hancock Pfd Incm Fund II           | 17.16            | 18.37  | -6.59              | -1.95                 | -4.64      | 8.67            |
| JFP    | Nuveen Tax-Adv Floating Rate         | 2.14             | 2.30   | -8.26              | -3.82                 | -4.44      | 8.41            |
| PSW    | Pfd & Corp Income Strategies         | 8.60             | 9.78   | -12.17             | -7.76                 | -4.41      | 8.37            |
| RQI    | Cohen & Steers Quality Income Realty | 5.80             | 6.99   | -17.17             | -12.94                | -4.23      | 6.38            |
| FHO    | First Tr Strategic High Income III   | 4.26             | 4.54   | -5.73              | -1.72                 | -4.00      | 11.27           |
| FEN    | Energy Income and Growth             | 23.55            | 21.43  | 9.89               | 13.70                 | -3.81      | 7.47            |
| TWN    | Taiwan Fund                          | 13.85            | 15.87  | -12.73             | -9.16                 | -3.57      | 0.51            |
| WEA    | Western Asset Premier Bond Fund      | 13.38            | 12.79  | 4.30               | 7.58                  | -3.28      | 8.97            |
| ACG    | AllianceBernstein Income Fund        | 7.96             | 8.49   | -6.13              | -2.87                 | -3.26      | 6.48            |
| CEF    | Central Fund of Canada Ltd           | 13.57            | 12.66  | 7.19               | 10.44                 | -3.26      | 0.07            |
| JHP    | Nuveen Quality Pfd Income III        | 7.04             | 7.62   | -7.61              | -4.38                 | -3.23      | 8.69            |
| QQQX   | Nasdaq Premium Income & Growth       | 13.19            | 13.71  | -3.79              | -0.67                 | -3.12      | 9.58            |
| BHK    | Blackrock Core Bond Trust            | 11.95            | 12.93  | -7.58              | -4.51                 | -3.07      | 6.23            |
| FXBY   | Foxby Corp                           | 1.02             | 1.60   | -36.25             | -33.37                | -2.88      | 0.00            |
| HNW    | Pioneer Diversified High Income      | 18.30            | 19.34  | -5.38              | -2.52                 | -2.86      | 10.49           |
| FUND   | Royce Focus Trust                    | 6.30             | 7.07   | -10.89             | -8.09                 | -2.80      | 0.00            |
| ETF    | Emerging Markets Telecom             | 16.13            | 18.57  | -13.14             | -10.34                | -2.80      | 0.77            |
| PKO    | PIMCO Income Opportunity Fund        | 22.54            | 22.53  | 0.04               | 2.56                  | -2.51      | 9.42            |

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   | 56.72            | -2.49            | 28.65           |
| QQQQ   | Nasdaq-100 Index Tracking Stoc   | 44.16            | -3.96            | 52.80           |
| PWO    | PowerShares Dynamic OTC          | 39.49            | -2.40            | 24.85           |
| IWF    | iShares Russell 1000 Growth InEX | 48.68            | -3.22            | 37.67           |

## 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            | 41.15            | -5.98            | 63.18           |
| EWJ    | iShares MSCI Japan Index Fund            | 10.17            | 2.42             | 18.81           |
| EPP    | iShares MSCI Pacific ex-Japan            | 39.83            | -2.47            | 77.81           |
| NAI    | Nicholas-Applegate Intl Prem & Strat Fnd | 15.24            | -5.69            | 46.82           |
| IIF    | Morgan Stanley India Inv Fund            | 22.47            | 0.69             | 97.62           |

## 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   | 31.63            | -5.33            | 43.71           |
| OIH    | Oil Service HOLDERS Trust               | 121.59           | 0.75             | 61.12           |
| IGW    | iShares Goldman Sachs Semiconductor     | 44.97            | -8.97            | 63.11           |
| IYG    | iShares Dow Jones US Financial Services | 53.15            | -1.59            | 61.80           |
| PPH    | Pharmaceutical HOLDERS Trust            | 66.55            | -0.25            | 19.43           |
| IIH    | Internet Infrastructure HOLDERS Trust   | 2.60             | 1.34             | 49.99           |

\*=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    | 109.21           | \$54,605          | 57.97%     |
| EFA                               | iShares MSCI EAFE Index Fund | 200    | 53.87            | \$10,774          | 11.44%     |
| ADRA                              | BLDRS Asia 50 ADR Index Fund | 600    | 25.83            | \$15,498          | 16.45%     |
| UGL                               | ProShares Ultra Gold         | 300    | 44.40            | \$13,320          | 14.14%     |
| Portfolio Inception Value 1/15/06 |                              |        |                  | 99,382            |            |
| Current Portfolio Value           |                              |        |                  | \$94,197          |            |

## 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 | 41.15            | -5.98            | 63.18           |
| QQQQ   | NASDAQ 100 TR SER I           | 44.16            | -3.96            | 52.80           |
| EPP    | iShares MSCI Pacific ex-Japan | 39.83            | -2.47            | 77.81           |

## 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                   | 121.59           | 0.75             | 61.12           |
| NAI    | Nicholas-Applegate Intl Prem & Strategy Fnd | 15.24            | -5.69            | 46.82           |
| PPH    | Pharmaceutical HOLDERS Trust                | 66.55            | -0.25            | 19.43           |

### Closed End Fund & ETF Report is published monthly by Income Securities Advisor Inc. (ISA)

To subscribe, call 800-472-2680, or subscribe online at [www.etfinvestornewsletter.com](http://www.etfinvestornewsletter.com)

Visa/Mastercard accepted. One year (12 issues).....\$195  
6175 N.W. 153 St., Suite 201, Miami Lakes, FL 33014

Publisher: Richard Lehmann  
Editor: Jack Colombo

Senior Analyst: George Weinfurter  
Subscription Services: Tara Lockett

*The Closed End Fund & ETF Report provides information, pricing, recommendations and investment ideas on Exchange traded funds. ISA does not guarantee that these securities will offer a profit or that they will equal past performance. Although all contents are derived from data believed to be reliable, accuracy cannot be guaranteed.*

*Income Securities Advisor (ISA) is an independent authoritative source of information on Exchange Traded Funds. ISA is not a dealer in securities, nor are its principals engaged in such activities. ISA also publishes the Income Securities Investor newsletter. Richard Lehmann, the publisher, is an investment advisor and columnist with Forbes magazine. For information on research or advisory services call (305) 557-1832 or e-mail [editors@incomesecurities.com](mailto:editors@incomesecurities.com).*