

ETF Investor

Diversity, Efficiency, and Simplicity Using Exchange Traded Funds

NEWSLETTER

A Random Sprint Down Wall Street

A recent seemingly calm day in the market, with the closing Dow Jones price only down 5 points, belied the 350 point low point for the day. Volatility, as measured by the presence or absence of triple digit days has dramatically increased over the past few months. Even when markets close nearly unchanged, the market can be up, then down triple digits. The apparent randomness of price movements makes defining a trend difficult. All three sectors we follow; U.S. Market, Sectors and International were similar in

that they showed no consistent trends, save one, "Anything But Equity". The only consistent winners were safe haven U.S. Treasuries, a manifestation of the fear and uncertainty that is gripping the markets. In times like these, a market neutral approach may work best. A market neutral approach does not attempt to predict the direction of the market, but invests on the assumption of randomness.

All things being equal, a closed end fund that trades at a significant discount to its Net Asset Value (NAV) is a buy in the sense that one can purchase \$10.00 worth of stocks for only \$9.00. Buying an ETF assures that one can buy \$10.00 worth of stock for \$10.00. From that point whichever way the market moves determines the value of the ETF. The closed end fund on the other hand can offer the holder a one-dollar gain if the market does nothing, but the discount shrinks to zero, while the ETF holder gains nothing in the same circumstance. Of course, there is no assurance that discounts will shrink but likely, the discount will return to its historical average. On page 7 of the newsletter, we list the average discount on each fund for the past year and contrast it with a funds current discount. The divergence gives the holder a sense of how far from the average discount the fund is trading at and where it is

The recent market downturn has left many CEF's as compelling buys.

likely to return. The regression to the mean principal is at work here. That is, all things being equal, the current discount should return to its average value. The divergence from average discount is now the largest it has been in the last two years.

A second market neutral way to invest in this market is through buy-write funds. These funds hold common stock and write call options on their holdings. In a flat market, these funds earn premium income from the option selling strategy. In a volatile market, these funds earn even richer premiums on their holdings. Therefore, an ideal investment in the current market is a closed end buy-write fund that trades at a discount to its NAV and has a current discount that is greater than its average discount. In any event, the recent market downturn, be it a bear market or a correction, has left many CEF's as compelling buys, more so than ETF's. Income oriented investors can lock in 8% to 10% yields – an opportunity that wont soon come around again. See the table on page two for a list of buy-write funds.

What's Inside

Volume 3 Issue 8

News & Updates	2
Sector ETFs	3
U.S. Market ETFs	4
International ETFs	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 8/15/07

Proshares

The best ProShares performance were concentrated in the UltraShort category with the best performer UltraShort Basic Materials (SMN) up 35.50% followed by the UltraShort Real Estate (SRS) up 33.69%. Logically, the double down best performers were mirrored by the double up

worst performers. The Ultra Basic Materials ProShares (UYM) was down 27.97% and the Ultra Real Estate (URE) was down 27.07%. The moves in opposite directions did not exactly match, but were close to being opposite. A quick glance at the list tells much about the direction of the market.

TICKER	ISSUER	PRICE	1 MO CHG	3 MO CHG	1 YR HIGH	1 YR LOW	SHARES OUT
SMN	UltraShort Basic Materials ProShare	64.13	35.50	15.32	72.23	45.89	300,000
SRS	UltraShort Real Estate ProShares	116.91	33.69	43.27	117.90	63.64	4,350,000
SJH	UltraShort Russell2000 Value	91.09	30.00	26.13	93.50	67.17	300,000
SJL	UltraShort Russell MidCap Value	84.78	29.85	26.16	85.18	64.97	75,000
SKF	UltraShort Financials ProShares	92.57	28.57	34.41	95.00	66.37	6,900,000
MZZ	UltraShort MidCap400 ProShares	61.56	25.97	18.73	75.11	48.14	3,450,000
TWM	UltraShort Russell2000 ProShars	75.70	25.14	16.46	78.72	59.45	7,125,000
SCC	UltraShort Consumer Services Pro	83.36	24.51	19.00	83.39	66.30	75,000

TICKER	ISSUER	PRICE	1 MO CHG	3 MO CHG	1 YR HIGH	1 YR LOW	SHARES OUT
UYM	Ultra Basic Materials ProShares	71.58	-27.97	-17.82	102.11	68.12	150,000
URE	Ultra Real Estate ProShares	38.14	-27.07	-34.70	77.05	37.67	150,000
UVT	Ultra Russell2000 Value Pro	50.97	-25.87	-24.05	72.29	49.76	150,000
UVU	Ultra Russell MidCap Value Pro	55.34	-24.60	-24.29	75.91	55.34	150,000
UYG	Ultra Financials ProShares	50.37	-24.48	-28.96	74.09	50.00	300,000
UWM	Ultra Russell2000 ProShares	62.22	-21.36	-16.90	81.42	60.25	975,000
MVV	Ultra MidCap400 ProShares	77.78	-21.28	-17.40	101.05	69.47	1,125,000
DIG	Ultra Oil & Gas ProShares	86.50	-19.59	-2.59	113.43	63.69	675,000

Buy-Writes

This is list of buy-write funds sorted by the divergence between their average one-year discount and their current discount. The higher the negative number in the Divergence column the greater the discount varies from its

average. The top two are described more fully as our picks for the U.S. Market (page 4) and International Market (page 5). As you can see, deep discounts are matched by high yields.

TICKER	ISSUER	PRICE	DISCOUNT	AVG. DISCOUNT	DIVERGENCE	YIELD
BOE	BLACKROCK GLOBAL OPPORTUNITIES	23.05	-13.767	0.766	-14.533	9.8698
EOS	EATON VANCE ENHANCED EQUITY IN	16.52	-13.098	0.698	-13.796	10.46
JSN	NUVEEN EQUITY PREMIUM OPPORTUN	15.7	-13.546	0.137	-13.683	11.3121
BWC	BLACKROCK WORLD INVESTMENT TRU	14.18	-12.846	0.463	-13.309	9.6262
JLA	NUVEEN EQUITY PREMIUM ADVANTAG	16.25	-9.972	2.392	-12.364	11.1508
EOI	EATON VANCE ENHANCED EQUITY IN	17.31	-13.059	-0.879	-12.18	9.4974
ETB	EATON VANCE TAX-MANAGED BUY-WR	17	-10.432	1.553	-11.985	10.5882
NAI	NICHOLAS-APPLEGATE INTERNATIONAL	23.8	-12.532	-0.641	-11.891	9.0336
IGA	ING GLOBAL ADVANTAGE AND PREMI	17.7	-11.896	-0.243	-11.653	10.5085
JPZ	NUVEEN EQUITY PREMIUM INCOME F	16.1	-11.538	-0.111	-11.427	10.5839

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 %
DCR	ETF	Claymore MACROshares Oil Down	46.85	6.77	-3.68	NA	1.27	1.60
UNG	ETF	United States Natural Gas Fund	43.62	5.69	-17.07	NA	0.00	0.60
FXY	ETF	CurrShs Japanese Yen	85.61	4.30	3.33	NA	0.00	0.40
UUP	ETF	PwShs DB US Dollar Index	25.07	2.04	1.01	NA	0.00	0.50
HHD	ETF	HealthShares Diagnostic ETF	29.31	1.00	14.05	NA	0.00	0.75
IAU	ETF	iShs COMEX Gold Trust	66.14	0.35	0.69	5.99	0.00	0.40
XBI	ETF	sTRKS SPDR Biotech	52.65	0.29	-1.24	18.45	1.04	0.35

WORST PERFORMERS

REM	ETF	iShs FTSE NAREIT Mortgage Reit	26.39	-39.01	-45.89	NA	12.83	0.48
DCA	CEF	Dvd Cptl Rlty Incm Allocation	10.04	-28.18	-33.64	-26.61	13.15	3.97
NRO	CEF	Neuberger Berman RI Est Sec Income	12.55	-27.25	-34.84	-23.24	14.64	1.05
ITB	ETF	iShs DJ Home Construction	23.68	-24.51	-33.52	-33.48	1.09	0.48
NRI	CEF	Neuberger Berman Realty Income	17.04	-24.47	-32.38	-19.20	14.32	1.00
RPF	CEF	Cohen & Steers Prem Income Realty	17.11	-22.68	-28.62	-29.06	11.22	0.71
RWF	CEF	Cohen & Steers Wwide Realty Income	18.64	-22.33	-27.67	-13.58	7.73	1.17

This month's big winner was the Claymore MACROshares Oil Down (DCR), which was up 6.77% most likely picking up a decline in oil prices and an adjustment to the funds premium. Natural gas represented by the United States Natural Gas Fund (UNG), which was up 5.69%. The rest of the best movers were in currencies, precious metals and some health care ETF's. The biggest losers list does have some dramatic coherence. The worst performing fund was the iShares

FTSE NAREIT Mortgage Reit Index Fund (REM) down -39.01% in one month. The fund has lost almost half its value since it was issued in May. The rest of the list reflects the turmoil in the housing and lending sectors. Real Estate Investment Trusts have been hard hit across the board. All of the top losers are down more than 20% in the past month.

FEATURED SECTOR

The sub-prime panic has caused a number of bankruptcies and brought mortgage lending to a near standstill. Mortgage companies are laying off employees by the thousands and exiting once lucrative markets or just ceasing operations altogether. The way the panic affects the rest of the economy is primarily in lost new construction jobs. When home sales decline, it affects a wide swath of the U.S. economy. Think of the number of real estate agents, title companies and home equity lending firms that face diminished prospects without the buying and selling of homes. Financial related firms have cut 87,962 jobs so far this year, 75 percent more than for all of 2006. The meltdown may moderate and not cause an economic slowdown or it might. With this uncertainty, what's needed is a defensive sector, that is, the defense sector. This sector will do well in any economic scenario.

RECOMMENDATION

Fund: iShares Dow Jones US Aerospace & Defense
 Symbol: ITA
 CUSIP: 464288760
 Fund Type: ETF
 Current Price: \$ 56.03
 NAV: \$ 55.64
 Expense Ratio: 0.48%
 Optionable: No
 One Month Change: -2.36%
 Three Month Change: 5.05%
 One Year Change: NA
 Current Yield: .35%
 Top 10 Holding Account for 62% of Fund
 P/E Ratio: 19.41
 Top Holdings
 Boeing Corp (10.39%),
 United Technologies Corp (9.80%)
 Lockheed Martin Corp. (7.08%)
 General Dynamics Corp. (6.17%)

The iShares Dow Jones US Aerospace & Defense Fund (ITA) was first recommended in July 2006 at a price of \$46.05. The fund is now trading at \$56.06. Defense budgets of the world are still increasing and Europe is getting a bit worried about Russia resuming long-range bomber runs. In addition, it doesn't seem the Iraq and Afghanistan wars are going to end any time soon. Development of new weapons systems continue to be well funded and for the most part defense appropriation bills have been passing without much trouble. The fund's top holdings include Boeing, United Technologies Corp and Lockheed Martin, which accounts for about 27% of holdings. The top 10 holdings account for 62% of total fund holdings.

U.S. MARKET ETFs

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 %
GKD	ETF	Ameristock/Ryan 10 Year Treasury	25.78	2.50	NA	NA	0.00	0.15
TLO	ETF	SPDR Lehman Long-Term Treasury	50.38	2.42	NA	NA	4.93	0.13
IEF	ETF	iShs Leh 7-10 Year Treasury Bond	82.65	2.23	0.01	1.10	4.68	0.15
GKE	ETF	Ameristock/Ryan 20 Year Treasury	25.80	2.18	NA	NA	0.00	0.15
GKC	ETF	Ameristock/Ryan 5 Year Treasury	25.66	2.15	NA	NA	0.00	0.15
IEI	ETF	iShs Leh 3-7 Year Treasury Bond	101.14	1.88	0.63	NA	4.39	0.15
TLH	ETF	iShs Leh 10-20 Year Treasury Bond	99.40	1.84	-0.76	NA	5.13	0.15

WORST PERFORMERS

FGB	CEF	First Trt/Gallatin Specialty	14.25	-27.88	NA	NA	9.82	NA
CRF	CEF	Cornerstone Total Return Fund	13.60	-26.54	-23.77	-22.33	15.71	1.44
RLF	CEF	Cohen & Steers Adv Income Realty	17.01	-24.50	-29.54	-30.85	11.29	0.98
MFV	CEF	MFS Special Val Trust	8.25	-23.65	-25.04	-18.52	11.79	1.44
JTA	CEF	Nuveen Tax-Adv Tot Ret Strategy	21.45	-23.20	-20.05	-9.26	9.03	2.34
FHI	CEF	First Tr Strategic High Income	13.32	-22.83	-34.35	-33.00	14.41	1.20
CLM	CEF	Cornerstone Strategic Value Inc	7.13	-21.99	-18.33	-6.06	15.65	1.22

The best performers were safety issues, all Treasury related funds. The best moving funds were up about 2% in contrast to the worst performing, which were down more than 20%. We previously noted the high correlation between equity funds and the low correlations between equity and Treasury debt. This month's performance statistics gives a practical demonstration to the relationship. The worst performer was the First Trust/Gallatin Specialty Finance and Financial Opportunities Fd (FGB), which

lost -27.88% of its value. This unfortunate fund was launched in May 2007 and was decimated before it could even post its holdings. The Cornerstone Total Return Fund (CRF) was down -26.54, but still trades at a very high premium to its Net Asset Value of 69.43%. That is, the fund Net Asset Value (NAV) is \$9.16, but the fund trades at \$13.60. Perhaps the 13.76% yield has something to do with it, but this month there are many funds with over 12% yields trading at 12% discounts. (See page 7).

FEATURED U.S. MARKET

The volatility we noted last month is even more evident today. Last month we recommended the first ETN that used a covered call writing strategy that could take advantage of volatility by way of increased option premiums. The iPath CBOE S&P 500 BuyWrite Index ETN (BWV) also had a tax advantage because the ETN structure allowed all option income to be added back to the fund. The introduction of this fund had a negative effect on closed end buy-write funds by lowering their premiums. This process has continued and now most of the buy-writes trade a significant discounts to their Net Asset Value (NAV). This in turn makes the closed end buy-writes a good buy in a volatile market.

RECOMMENDATION

Fund: Eaton Vance Enhanced Equity Income Fund II
 Symbol: EOS
 CUSIP: 278277108
 Fund Type: CEF
 Current Price: \$16.52
 NAV: \$19.01
 Expense Ratio: 1.26%
 Optionable: No
 One Month Change: -18.58%
 Three Month Change: -20.46%
 One Year Change: -14.89%
 Current Yield: 10.46%
 Top 10 Holding Account for NA% of Fund
 P/E Ratio: 20.52
 Top Holdings

Teradyne Inc	(1.77%)
General Dynamics Corp.	(1.64%)
Apple Inc	(1.62%)
Memc Electronic Materials Inc.	(1.55)

Eaton Vance has five closed-end buy-write funds, three that are tax advantaged and two that are not. The tax-advantaged funds write index options, which have tax advantages, but lower premiums. Those funds that are not tax-managed, write options on the common stock in their portfolios. Options on individual securities tend to be richer than Index options and provide a better option return. The Eaton Vance Enhanced Equity Income Fund II (EOS) provides a monthly payout that has an annual yield of 10.46%. The fund has traded at an average premium of 0.70% for the past year, but now trades at \$16.52 a 13.10% discount to its NAV of \$19.01. The fund writes options on 62% of holdings and uses option premium income to pay its dividend, rather than holding dividend-paying stocks. This is a buying opportunity.

INTERNATIONAL PERFORMANCE REVIEW

BEST PERFORMERS

Fund Ticker	Type	Name	Current Price \$	1 Month % Change	3 Month % Change	1 Year % Change	Current Yield %	Expense Ratio %
ZSEV	CEF	Z-Seven Fund Inc	6.34	9.12	9.50	-6.07	0.00	3.00
SNF	CEF	Spain Fund Inc	17.00	-4.06	1.74	33.44	8.21	1.56
CHN	CEF	China Fund Inc	38.70	-4.35	6.73	27.22	0.77	1.38
ISL	CEF	First Israel Fund Inc	20.90	-4.57	-4.78	31.86	0.81	1.73
DNL	ETF	Wisdtree Japan Hi Yld Eqty Fund	54.00	-5.76	-7.96	-0.72	0.63	0.58
DFJ	ETF	Wisdtree SmlCap Dvd Fund	48.63	-6.32	-4.91	-5.81	0.11	0.58
CUBA	CEF	Herzfeld Caribbean Basin	13.25	-6.56	5.58	64.80	0.00	3.37

WORST PERFORMERS

MXE	CEF	Mexico Equity and Income Fund	35.63	-24.00	-2.38	75.95	0.37	1.82
TF	CEF	Thai Capital Fund Inc	11.76	-23.19	-7.40	18.19	2.38	2.10
TTF	CEF	Thai Fund Inc	11.30	-23.08	9.18	26.54	0.22	1.74
IAF	CEF	Aberdeen Australia Equity Fund Inc	14.03	-22.06	-17.03	7.51	9.69	1.47
EWZ	ETF	iShares MSCI Brazil Index Fund	52.96	-21.66	-8.37	29.55	1.64	0.74
ETG	CEF	EtnVnc Tax-Adv Global Dvd Income	22.95	-20.34	-19.16	-1.16	7.52	1.15
CH	CEF	Chile Fund Inc	17.78	-20.25	-12.95	15.78	0.22	1.91

This month's best performers list has only one fund that finished in positive territory and that fund has 43% of its assets invested in U.S. securities. The Z-Seven Fund Inc (ZSEV) was delisted and converted into an open end mutual fund, accounting for its positive performance. The rest of the top performers list reflected no gains, just varying degrees of not losing so much. The best of the bunch was the Spain Fund Inc (SNF), which was down only 4.06%

for the month. The Mexico Equity and Income Fund (MXE) was down 24.00%, making it this month's worst performer. Both Thai funds, the Thai Capital Fund Inc (TF) and the Thai Fund Inc (TTF) were down about 23%. There were 11 International funds that dropped more than 20% in the last month. The market is indeed volatile.

FEATURED INTERNATIONAL RECOMMENDATION

Market volatility is likely to continue until the credit situation is sorted out. International markets seemed to react more to the domestic sub-prime market than the U.S. Market did. Volatile markets are good for option premiums since there is a better chance that a common stock will reach a strike price if markets are making large moves. This trend will benefit a class of funds known as buy-writes, funds that buy stocks and then write options on them.

Fund: BlackRock Global Opportunities Equity Trust

Symbol: BOE

CUSIP: 092501105

Fund Type: ETF

Current Price: \$23.05

NAV: \$26.73

Expense Ratio: 1.14%

Optionable: No

One Month Change: -19.15%

Three Month Change: -18.83

One Year Change: 11.00%

Current Yield: 9.87%

Top 10 Holding Account for 17% of Fund

P/E Ratio: 16.35

Top Holdings

Hyundai Heavy Industries Co., Ltd. (1.5%)

Exxon Mobil Corp. (1.4%)

ConocoPhillips (1.3%)

Diageo, PLC (1.2%)

In the international sector, we have recommended the Nicholas-Applegate International Premium & Strategy Fund (NAI) before as well as the ING Global Equity Dividend & Premium Opportunity Fund (IGD). The BlackRock Global Opportunities Equity Trust (BOE) uses a buy-write strategy like the previous funds. The BlackRock fund writes options on 51% of its individual securities, which typically have a higher premium than index options. In addition, the fund focuses on dividend paying stocks and will invest in preferred securities and foreign debt. In comparing BlackRock with the other two funds, BlackRock shows the greatest divergence between its average discount from NAV and its current discount. The fund traded at an average .70% premium to its NAV for the last year, but recently traded at a 13.77% discount.

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
SRS	UltraShort Real Estate ProShar	116.91	33.69	43.27	NA	117.90	63.64	N
SKF	UltraShort Financials ProShare	92.57	28.57	34.41	NA	95.00	66.37	N
SJL	UltraShort Russell MidCap Valu	84.78	29.85	26.16	NA	85.18	64.97	N
SJH	UltraShort Russell2000 Value P	91.09	30.00	26.13	NA	93.50	67.17	N
SDP	UltraShort Utilities ProShares	65.07	12.91	23.66	NA	69.40	52.01	N
SJF	UltraShort Russell1000 Value P	78.77	23.04	19.57	NA	80.37	63.62	N
SCC	UltraShort Consumer Services P	83.36	24.51	19.00	NA	83.39	66.30	N
MZZ	UltraShort MidCap 400 ProShs	61.56	25.97	18.73	-13.30	75.11	48.14	N
TWM	UltraShort Russell2000 ProShs	75.70	25.14	16.46	NA	78.72	59.45	N
SMN	UltraShort Basic Materials Pro	64.13	35.50	15.32	NA	72.23	45.89	N
SDS	UltraShort S&P 500 ProShs	59.82	20.12	14.99	-12.18	68.99	49.39	N
SDD	UltraShort SmallCap600 ProShs	72.10	23.33	14.88	NA	74.39	57.33	N
HHD	HealthShares Diagnostic ETF	29.31	1.00	14.05	NA	30.50	23.26	N
USO	U. S. Oil Fund LP	55.12	-1.11	13.49	-17.95	68.27	42.56	N
RXD	UltraShort Health Care ProShar	72.15	11.15	11.62	NA	76.12	63.64	N
DXD	UltraShort Dow 30 ProShs	54.62	16.98	10.23	-19.66	68.87	46.18	N
SDK	UltraShort Russell MidCap Grow	74.20	22.18	9.55	NA	80.25	60.37	N
SFK	UltraShort Russell1000 Growth	73.88	19.68	9.19	NA	79.47	61.00	N
MYY	Short MidCap 400 ProShs	63.47	12.48	9.02	-7.32	70.55	55.81	N
RWM	Short Russell2000 ProShs	74.24	13.48	8.78	NA	75.25	65.33	N
SKK	UltraShort Russell2000 Growth	76.99	22.65	8.28	NA	82.59	61.75	N
SZK	UltraShort Consumer Goods ProS	72.67	14.30	8.09	NA	75.36	63.33	N
SH	Short S&P 500 ProShs	64.05	10.17	7.81	-5.46	68.27	57.79	N
HHV	HealthShares Enabling Technolo	28.04	-2.33	6.86	NA	29.34	24.98	N
PBW	PwShs WilderHill Clean Energy	20.31	-10.33	6.34	15.92	23.54	16.24	Y
FXI	iShs FTSE/Xinhua China 25 Idx	122.57	-11.85	5.23	49.38	142.90	77.30	Y
DOG	Short Dow 30 ProShs	61.80	8.69	5.19	-9.45	68.65	56.59	N
SIJ	UltraShort Industrials ProShar	63.20	22.29	5.18	NA	73.29	50.92	N
IAH	Internet Architecture HOLDRs Tr	48.29	-3.79	5.14	37.07	52.01	34.57	Y
GXC	SPDR S&P China ETF	63.98	-12.08	5.06	NA	75.49	52.60	Y
PZD	PwShs Cleantech Portfoli	28.73	-10.78	4.78	NA	32.39	24.18	Y
SBB	Short SmallCap600 ProShs	70.05	9.40	4.55	NA	71.91	63.56	N
GSG	iShs GSCI Commodity-Indx Tr	42.92	-1.24	4.05	-11.41	49.15	35.53	N
FIW	First Trust ISE Water Index Fu	20.80	-6.85	3.64	NA	22.69	19.98	N
GMF	SPDR S&P Emerging Asia Pacific	69.97	-10.16	3.43	NA	80.22	60.72	Y
EWT	iShares MSCI Taiwan Index Fund	14.78	-12.23	3.36	14.48	17.30	12.21	Y
FXI	CurrShs Japanese Yen	85.61	4.30	3.33	NA	86.66	80.61	N
QID	UltraShort QQQ ProShs	49.37	18.25	3.22	-26.30	69.60	40.65	N
EWY	iShares MSCI South Korea Index	58.47	-13.57	3.16	29.42	69.57	44.75	N
IEZ	iShs DJ US Oil Equip & Svcs	54.75	-7.78	3.11	22.24	62.95	38.66	N
DBO	PowerShares DB Oil Fund	26.66	-2.98	3.09	NA	28.13	21.73	N
DBA	PowerShares DB Agriculture Fun	26.05	-2.36	2.96	NA	28.35	24.50	N
QCLN	First Tr NASDAQ Clean Edge	22.45	-12.44	2.56	NA	28.00	18.88	N
FXC	CurrShs Canadian Dollar	92.85	-3.37	2.25	3.57	96.92	84.29	N
UCR	Claymore MACROshares Oil Up Tr	73.60	-4.39	2.12	NA	77.90	55.35	N
IHI	iShs DJ US Medical Devices	56.25	-1.61	1.94	22.74	58.96	45.74	N
PSQ	Short QQQ ProShs	60.50	9.30	1.94	-13.22	70.96	54.67	N
BHH	B2B Internet HOLDRs Trust	2.16	-7.69	1.89	7.46	2.46	1.81	N

DIVERGENCE FROM AVERAGE DISCOUNT

Ticker	Name	Current Price \$	NAV \$	Discount/Premium %	52 Wk Avg Disc/Prem %	Divergence %	Current Yield %
FHY	First Tr Strategic High Incm II	13.56	17.06	-20.52	2.03	-22.55	14.75
FHI	First Tr Strategic High Incm	13.32	16.17	-17.63	3.40	-21.02	14.41
NCV	Nicholas-Applegate Conv & Incm	12.01	13.75	-12.66	7.96	-20.62	12.49
MFV	MFS Special Val Tr	8.25	9.03	-8.68	10.76	-19.44	11.79
NCZ	Nicholas-Applegate Conv & Incm II	11.85	13.82	-14.26	3.90	-18.16	11.71
CHI	Calamos Conv Opp and Incm	15.38	15.04	2.26	19.87	-17.61	11.70
HNW	Pioneer Diversified High Incom	19.46	23.14	-15.90	1.55	-17.45	12.21
RHY	RMK Multi-Sector High Incm Fd	7.52	8.07	-6.82	10.19	-17.00	22.34
JDD	Nuveen Divers Dvd and Incm	14.28	16.80	-15.00	0.07	-15.07	10.87
RDR	RMR Preferred Dividend Fd	12.22	12.89	-6.52	8.20	-14.72	14.73
BOE	BlackRock Gbl Opp Eqty Tr	23.05	26.73	-13.77	0.77	-14.53	9.87
TRF	Templeton Russia and E European	60.20	61.63	-2.32	12.05	-14.37	3.14
EOS	EtnVnc Enhncd Eqty Incm II	16.52	19.01	-13.10	0.70	-13.80	10.46
JSN	Nuveen Eqty Prem Opportunity	15.70	18.16	-13.55	0.14	-13.68	11.31
RWF	Cohen & Steers Wwide Rlty Incm	18.64	20.74	-10.13	3.06	-13.18	7.73
NIE	Nicholas-Applegate Eqty & Conv Inc Fd	20.35	23.65	-13.95	-0.90	-13.05	11.06
IIF	Morgan Stanley India Invst Inc	41.60	49.31	-15.64	-2.79	-12.85	0.00
ZTR	Zweig Tot Ret Fund Inc	4.50	4.75	-5.26	7.20	-12.46	10.93
JTP	Nuveen Quality Pfd Incm	10.65	12.06	-11.69	0.72	-12.41	9.69
JLA	Nuveen Eqty Prem Advantage	16.25	18.05	-9.97	2.39	-12.36	11.15
JTA	Nuveen Tax-Adv Tot Ret Styg	21.45	24.44	-12.23	-0.01	-12.23	9.03
EOI	EtnVnc Enhncd Eqty Incm Fd	17.31	19.91	-13.06	-0.88	-12.18	9.50
ETB	EtnVnc Tax-Mgd Buy-Write Incm	17.00	18.98	-10.43	1.55	-11.99	10.59
BTZ	BlackRock Pfd and Eqty Advg Fd	18.10	21.07	-14.10	-2.18	-11.92	10.36
FHO	First Tr Strategic High Inc	14.11	15.91	-11.31	0.58	-11.89	13.47
NAI	Nicholas-Applegate Intl & Prem Fd	23.80	27.21	-12.53	-0.64	-11.89	9.03
RVT	Royce Val Tr Inc	18.18	19.85	-8.42	3.46	-11.88	9.90
PGP	PIMCO Gbl StocksPLUS & Incom	22.42	25.86	-13.30	-1.56	-11.74	9.81
RMT	Royce Micro-Cap Tr Inc	12.93	13.97	-7.44	4.28	-11.72	0.00
IGA	ING Gbl Adv and Prem Opp	17.70	20.09	-11.90	-0.24	-11.65	10.51
CGO	Calamos Gbl Tot Ret	14.67	17.02	-13.81	-2.36	-11.45	9.00
JPZ	Nuveen Eqty Prem Incm	16.10	18.20	-11.54	-0.11	-11.43	10.58
JPS	Nuveen Quality Pfd Incm II	11.20	12.60	-11.11	0.16	-11.27	9.75
RNE	Morgan Stanley Eastern Europe Fd	32.86	38.51	-14.67	-3.52	-11.15	0.00
JPC	Nuveen Pfd and Conv Incm	11.01	12.87	-14.45	-3.30	-11.15	10.35
FCM	First Tr/Four Corners Senio	15.12	17.57	-13.94	-2.89	-11.06	9.71
LOR	Lazard World Dvd & Incm Fd	18.61	22.17	-16.06	-5.35	-10.70	7.53
JQC	Nuveen Pfd and Conv Incm 2	11.11	12.99	-14.47	-3.90	-10.58	10.26
LCM	Adv Clay Enhncd Gwth & Incm	15.76	18.16	-13.22	-2.74	-10.47	10.15
JHP	Nuveen Quality Pfd Incm III	11.08	12.09	-8.35	1.98	-10.33	9.58
MCN	Madison/Claymore Covd Call Fd	12.15	13.44	-9.60	0.68	-10.28	10.86
ETV	EtnVnc Tax-Mgd Buy-Write Opp	16.95	18.39	-7.83	2.43	-10.26	11.21
FFA	First Tr Fid Asset Mgt Cov Call	15.45	17.75	-12.96	-2.74	-10.22	10.36

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	79.86	-10.26	5.86
QQQQ	Nasdaq-100 Index Tracking Stoc	45.90	-7.92	18.97
PWO	PowerShares Dynamic OTC	52.46	-8.38	9.96
IWF	iShares Russell 1000 Growth InEX	56.46	-8.15	11.78
PZI	Powershares Zacks Micro Cap Po	16.00	-15.48	1.65

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	41.18	-15.99	24.75
EWJ	iShares MSCI Japan Index Fund	13.67	-7.32	-2.29
EPP	iShares MSCI Pacific ex-Japan	132.19	-13.88	19.65
NAI	NAI Nicholas-Applegate Intl Prem & Strat Fnd	23.80	-18.83	-11.75
IIF	Morgan Stanley India Inv Fund	41.60	-13.17	-6.66

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	36.90	-13.52	15.75
OIH	Oil Service HOLDERS Trust	164.87	-7.21	19.04
IGW	iShares Goldman Sachs Semiconductor	62.84	-9.97	6.71
IYG	iShares Dow Jones US Financial Services	114.63	-13.28	-6.24
PPH	Pharmaceutical HOLDERS Trust	76.71	-7.88	1.82
IIH	Internet Infrastructure HOLDERS Trust	4.60	-20.14	0.00

*=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	141.04	\$70,520	63.71%
EFA	iShares MSCI EAFE Index Fund	200	74.26	\$14,852	13.42%
ADRA	BLDRS Asia 50 ADR Index Fund	600	31.30	\$18,780	16.97%
GLD	Streetworks Gold Trust	100	65.40	\$6,540	5.91%
Portfolio Inception Value 1/15/06				99,382	
Current Portfolio Value				\$110,692	

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	41.18	-15.99	24.75
QQQQ	NASDAQ 100 TR SER I	45.90	-7.92	18.97
EPP	iShares MSCI Pacific ex-Japan	132.19	-13.88	19.65

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	164.87	-7.21	19.04
NAI	Nicholas-Applegate Intl Premium & Strategy Fnd	23.80	-18.83	-11.75
PPH	Pharmaceutical HOLDERS Trust	76.71	-7.88	1.82

ETF Investor Newsletter is published monthly by
Income Securities Advisor Inc. (ISA)

To subscribe, call 800-472-2680, or subscribe online at
www.incomesecurities.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 ETF Investor Newsletter 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.