

# Alternative Investments

## Topics to be Discussed

- Returns on Alternative Investments
- Mutual Funds
- Money Market Funds
- Exchange Traded Funds

## Returns on Alternative Investments

2006 Investment Scoreboard		
	Total return on investment	
	2005	2006
<b>Stocks</b>		
Dow Jones Industrial Average	1.72%	<b>19.05%</b>
Standard & Poor's 500 Stock Index	4.91	<b>15.79</b>
Russell 2000	4.55	<b>18.37</b>
Dow Jones Wilshire 5000	6.32 <sup>1</sup>	<b>15.88</b>
<b>Bonds (Lehman Brothers Indexes)</b>		
Long-Term Treasury Index	6.50%	<b>1.85%</b>
U.S. Credit Index AA-rated segment	2.38	<b>4.32</b>
Municipal Bond Index	3.51	<b>4.84</b>
Intermediate-Term Treasury Index	1.56	<b>3.51</b>
Mortgage-Backed Securities Index	2.61	<b>5.22</b>
<b>Mutual Funds (Lipper Indexes)</b>		
Growth Fund Index	7.24%	<b>10.75%</b> <sup>2</sup>
Growth and Income Fund Index	6.82	<b>16.06</b> <sup>2</sup>
Balanced Fund Index	5.20	<b>11.91</b> <sup>2</sup>
International Fund Index	15.67	<b>25.89</b> <sup>2</sup>
Multi-Cap Value Index	6.33	<b>17.68</b> <sup>2</sup>
<b>Bank Instruments (Bankrate.com National Index)</b>		
One-year certificate of deposit	2.77%	<b>3.70%</b>
30-month certificate of deposit	3.18	<b>3.83</b>
Money-market deposit account	0.66	<b>0.80</b>
<b>Money Market Fund</b>		
iMoneyNet/12-month yield on all taxable funds	2.66% <sup>1</sup>	<b>4.27%</b> <sup>3</sup>
<b>Precious Metals</b>		
Platinum	12.65% <sup>1</sup>	<b>17.09%</b>
Gold	18.36 <sup>1</sup>	<b>22.95</b>
Silver	30.03 <sup>1</sup>	<b>45.50</b>
<b>Residential Real Estate</b>		
OFHEO (repeat sale index)	13.36% <sup>1</sup>	<b>6.00%</b> <sup>4</sup>
<b>Collectibles</b>		
Rare Coins, top investment grade	10.19%	<b>3.48%</b>

<sup>1</sup>Revised <sup>2</sup>Through Dec. 28 <sup>3</sup>12 months, through Dec. 27 <sup>4</sup>Office of Federal Housing Enterprise Oversight; figures are through third quarter  
Sources: CPM Group; Coin World

## Mutual Funds

### Investment Company

- ☛ a pool of funds belonging to many individuals that is used to acquire a collection of individual investments such as stocks, bonds, and other publicly traded securities

### Closed End Fund

- these authorize and issue stock at their inception, after which no more shares are sold
- the company does not redeem its shares
- shares are traded on open market

### Open-end Investment Company (Mutual Funds)

- the open-end company may increase its capitalization at any time simply by selling more shares of its capital stock
- these companies do redeem their shares
- mutual funds vary based on a number of factors
  - ⇒ investment objective – such as growth vs. preservation of principal
  - ⇒ investment style – such as rapidly growing vs. undervalued by market
  - ⇒ investment strategy – such as passively managed index vs. actively managed individual company analysis

### Bond funds

- ☛ municipal bond funds
- ☛ corporate bond funds
- ☛ mortgage-backed securities funds
- ☛ U. S. government bond funds

### Stock funds

- ☛ growth funds – invest in stocks believed to be the fastest growing companies
- ☛ value funds – invest in large and mid-sized companies that appear to be undervalued
- ☛ blend funds – invest in a “blend” of growth and value stocks
- ☛ large-cap funds
- ☛ mid-cap funds
- ☛ small-cap funds

### International funds

- ☛ global funds – invest in both U. S. and international stocks
- ☛ foreign funds – invest primarily outside the U. S.
- ☛ country specific funds
- ☛ emerging markets funds – focus on small developing countries; considered very risky

### Sector funds

- ☛ invest in a particular industry or segment of the market, e.g. automotive, technology, air transportation, biotechnology, utilities

### Money market funds

- ☛ funds invest in short-term debt instruments

### Index funds

- ☛ funds try to mimic a chosen index such as the S&P 500, Nasdaq or the Russell 2000

## Mutual Fund Quotations – Closed-End Funds

## CLOSED-END FUNDS

## Closed-end Funds

Tuesday, January 16, 2007

[AMEX](#) | [NASDAQ](#) | [NYSE](#) | [NASDAQ SMALL-CAP](#)

AMEX	Symbo l	Open	High	Low	Close	Net		Vol	52 Week		52 Week		Year-To- Date	
						Chg	%Chg		High	Low	Div	Yield	%Chg	
	FAX	6.15	6.23	6.15	6.17	-0.01	-0.16	623,100	6.35	5.60	.42	6.8	-0.8	
	IAF	14.00	14.00	13.66	13.98	0.01	-0.07	104,800	14.90	11.31	1.11e	7.9	0.1	
	FCO	13.10	13.28	13.05	13.15	0.01	-0.08	11,100	13.70	12.40	.78	5.9	-1.7	
	BCV	19.75	19.75	19.61	19.63	0.08	-0.41	9,900	19.84	18.01	1.27e	6.5	0.7	
	BCT	15.11	15.12	15.11	15.12	0.01	0.07	7,200	15.70	14.75	.90	6.0	0.5	
	RAA	15.40	15.40	15.40	15.40	0.01	0.06	700	17.00	14.49	.58a	3.8	1.0	
	BCL	15.82	16.03	15.77	15.94	0.08	0.50	27,800	16.05	13.94	.79	5.0	3.4	
	BZM	17.69	17.69	17.69	17.69	0.17	0.97	200	18.64	15.71	.86a	4.9	-2.6	
	BLE	16.95	16.96	16.90	16.91	0.03	-0.18	55,200	17.95	15.65	.91	5.4	-0.1	
	MVF	9.90	9.95	9.88	9.90	0.06	-0.60	48,100	12.00	8.84	.52	5.3	-0.8	

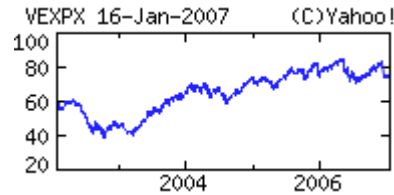
Source: The Wall Street Journal Online  
[http://online.wsj.com/mdc/public/page/2\\_3024-CEF.html?mod=mdc\\_h\\_mfhl](http://online.wsj.com/mdc/public/page/2_3024-CEF.html?mod=mdc_h_mfhl)

# MUTUAL FUND QUOTATIONS

## Vanguard Explorer (VEXPX)

VANGUARD EXPLORER FD Delayed quote data

**Net Asset Value:** 76.24  
**Trade Time:** Jan 16  
**Change:** ↓0.12 (0.16%)  
**Prev Close:** 76.36  
**YTD Return\*:** 9.70%  
**Net Assets\*:** 8.63B  
**Yield\*:** 0.39%



[3m](#) [6m](#) [1y](#) [2y](#) [5y](#) [max](#)

\* As of 31-Dec-06

### FUND SUMMARY

The investment seeks to provide long-term capital appreciation. The fund invests mainly in the stocks of small companies. These companies tend to be unseasoned but are considered by the Fund's advisors to have superior growth potential. These companies often provide little or no dividend income.

### FEES & EXPENSES

Expense	VEXPX	Category Avg
Total Expense Ratio:	0.46%	1.68%
Max 12b1 Fee:	0.00%	N/A
Max Front End Sales Load:	0.00%	5.30%
Max Deferred Sales Load:	0.00%	2.67%
3 Yr Expense Projection*:	\$179	\$739
5 Yr Expense Projection*:	\$313	\$1,113
10 Yr Expense Projection*:	\$701	\$2,197

\* Per \$10,000 invested

Source: [finance.yahoo.com](http://finance.yahoo.com)

Mutual fund prices are quoted as “bid” and “ask”

- ☛ bid is price at which fund will redeem shares
  - same as NAV - net asset value
- ☛ ask or “offer” is price investor must pay to purchase shares
  - no-load funds are sold directly by the fund and some, but not all, are also sold by stockbrokers
    - ⇒ no commission or “load”
  - load funds are sold by stockbrokers or financial planners who charged a commission or “load”
  - low-load funds
  - no evidence that load funds perform better than no-loads
  - may be additional fees such as redemption fees

## Mutual Fund Yardsticks

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Mutual-fund categories and their benchmarks ranked by one-year total return.

Investment Objective	DAILY		TOTAL RETURN (%)				
	Chg	% Chg	4-wk	YTD	Annualized		
					1-yr	3-yr	5-yr
European Region	0.05	0.12	0.42	-0.13	26.96	21.39	18.10
Utility	0.03	0.09	-1.66	-1.31	20.05	20.07	11.31
International	0.06	0.23	0.71	-0.31	18.63	18.65	15.37
Dow Jones Ind Dly Reinv	42.94	0.21	1.05	1.04	17.52	8.29	7.69
Equity Income	0.01	0.04	0.09	0.12	15.20	11.65	9.02
Global Funds	0.04	0.17	1.04	0.59	14.89	14.37	11.40
Large-Cap Value Funds	0.02	0.06	0.14	0.29	14.85	11.16	8.37
Multi-Cap Value Funds	unch.	-0.01	0.30	0.45	14.22	11.72	9.55
S & P 500 Daily Reinv	1.81	0.08	0.58	1.02	13.33	9.88	6.78
Mid-Cap Value Funds	unch.	unch.	0.92	0.99	13.23	14.03	13.52
Small-Cap Value Funds	-0.06	-0.28	1.04	0.27	12.27	12.64	14.03
Vanguard Small Co. index	-0.07	-0.21	1.21	0.89	11.54	12.56	12.38
Large-Cap Core Funds	0.01	0.01	0.66	1.12	11.34	8.50	5.51
Multi-Cap Core Funds	0.01	unch.	0.92	1.17	10.98	9.62	7.39
Small-Cap Core Funds	-0.05	-0.27	1.12	0.50	10.62	11.67	12.03
High Yield Taxable Bond	0.01	0.14	0.94	0.58	9.66	6.80	8.57
Mid-Cap Core Funds	-0.02	-0.11	1.22	1.42	9.59	11.46	10.33
Stock & Bond Funds	0.01	0.07	0.60	0.63	9.22	8.44	8.03
Balanced	0.02	0.07	0.38	0.49	8.71	7.27	6.42
Small-Cap Growth Funds	-0.02	-0.12	1.79	1.32	6.41	7.09	7.03
Mid-Cap Growth Funds	-0.01	-0.05	1.45	2.10	6.18	9.59	7.17
Multi-Cap Growth Funds	unch.	0.01	1.72	2.44	6.13	8.67	5.82
General Taxable Bond	0.01	0.10	0.19	0.21	5.89	5.12	7.79
Science & Technology	-0.06	-0.29	2.62	2.74	4.75	4.16	2.40
Large-Cap Growth Funds	0.03	0.09	1.81	2.66	4.52	6.06	3.17
General Municipal Debt	0.01	0.05	-0.17	-0.08	4.00	3.30	4.42
Short Term Investment Grade Corp Bond	unch.	0.05	0.10	0.11	3.87	2.35	3.03
Single State Municipal Debt	0.01	0.05	-0.19	-0.09	3.85	3.21	4.32
Long Term Investment Grade Corporate Bond	0.02	0.13	-0.11	0.13	3.83	3.18	5.00
Health & Biotechnology	0.07	0.24	2.39	2.99	3.76	7.48	4.68
Intmdt Investment Grade Corporate Bond	0.01	0.11	-0.09	0.07	3.59	2.91	4.30
Mortgage	0.01	0.08	-0.04	0.12	3.58	2.99	3.73

n.a. - data unavailable.

Source: Lipper

**Advantages of Mutual Funds**

- ☛ professional investment management
- ☛ diversification
- ☛ freedom from housekeeping/recordkeeping
- ☛ freedom from emotional involvement

**Performance of Mutual Funds (from finance.yahoo.com)**

Performance As of 28-Feb-06

**PERFORMANCE OVERVIEW**

Morningstar Return Rating:	Above average
Year to Date Return:	7.15%
5-Year Average Return:	8.58%
Number of Years Up:	29
Number of Years Down:	9
Best 1-Yr Total Return (1991):	55.90%
Worst 1-Yr Total Return (1974):	-35.08%
Best 3-Yr Total Return (1978-80):	35.87%
Worst 3-Yr Total Return (1972-74):	-16.57%

**TRAILING RETURNS (%) VS. BENCHMARKS**

Return	VEXPX	Category	Diff	Index*	Diff
Year To Date	7.15	8.04	-0.89	2.93	4.22
1-Month	-0.46	-0.36	-0.1	0.27	-0.73
3-Month	7.74	8.16	-0.42	2.96	4.78
1-Year	18.25	16.68	1.57	8.39	9.86
3-Year	26.74	25.08	1.66	17.10	9.64
5-Year	8.58	5.77	2.81	2.36	6.22
Last Bull Market ( 28-Feb-03 to 31-Mar-04)	55.86	55.64	0.22	33.61	22.25
Last Bear Market ( 31-Mar-02 to 30-Apr-03)	-20.85	-22.21	1.36	-17.13	-3.72

\* Index means [ Standard & Poor's 500 ]

## Money Market Funds

### Money Market Funds

#### TAXABLE FUNDS

GO TO: [Tax Exempt Funds](#)

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The following quotations, collected by the National Association of Securities Dealers Inc., represent the average of annualized yields and dollar-weighted portfolio maturities. Yields don't include capital gains or losses. Assets are in millions.

	Avg. maturity	7-day yield	Assets
ABN AmroGvtS	10	4.69	55
ABN Amro GvtI	10	5.01	466
ABN AmroMMS	16	4.63	197
ABN AmroPrY	49	5.19	2,543
ABN AmroPrYS	49	4.94	13
ABN Amro Trsl	2	4.90	126
ABN AmroInvN	2	4.72	77
AIM MMCshRes	31	4.37	534
AIMMMInv	31	4.62	276
AXAEnterB p	37	4.71	n.a.
AXAEnte C	37	4.71	n.a.
AZMunCTIns	22	3.03	84
AccUSGov	59	4.78	1,279
ActAsInsGv	40	5.10	896
ActAsInst	46	5.19	1,442
ActiveAstGv	27	4.61	640
ActiveAstMny	49	4.74	8,590
AdvGovLiquid	76	4.35	n.a.
AdvPrimLiq p	36	4.28	n.a.
AlgerMM	21	4.40	54

## Exchange Traded Funds

- ☛ type of investment company whose objective is to achieve the same return as a particular market index
- ☛ similar to an index fund
- ☛ ETF will invest in all or a representative sample of the securities included in the index
  - one type of ETF, known as Spiders or SPDRs, invests in all of the stocks contained in the S&P 500 Index
- ☛ because the ETF trades like a stock:
  - it's price fluctuates daily; it can be traded during a day
  - it does **not** have a Net Asset Value calculated daily like a mutual fund
  - it can be sold short, bought on margin
  - one can purchase as little as one share
  - the expense ratios for most ETFs are lower than the average mutual fund
  - you pay a commission to your broker when you buy or sell an ETF

## Complete listing of ETFs

Here are all of the exchange-traded funds tracked by Morningstar and their performance as of 12/31/2006. The information included in this report is based on data obtained from sources believed to be reliable. However, Morningstar does not guarantee the completeness or accuracy thereof.

### Latest Returns (Mkt) for ETFs Tracked by Morningstar

Name	Ticker	Prospectus Objective	4 Wk	13 Wk	26 Wk	Wk End YTD	52 Wk	3 years	52 Wk Yield
B2B Internet HOLDRs	BHH	Specialty - Technology	-4.84	-3.13	-15.62	-14.96	-14.96	-7.95	N/A
Biotech HOLDRs	BBH	Specialty - Health	-2.01	-0.61	4.10	-8.49	-8.49	10.73	N/A
BLDRS Asia 50 ADR Index	ADRA	Foreign Stock	5.29	12.97	13.93	22.51	22.51	16.30	1.32
BLDRS Developed Markets 100 ADR Index	ADRD	Foreign Stock	3.04	10.03	13.56	25.80	25.80	14.40	2.30
BLDRS Emerging Markets 50 ADR Index	ADRE	Diversified Emerging Markets	5.90	20.73	26.12	37.53	37.53	29.95	1.51
BLDRS Europe 100 ADR Index	ADRU	Europe Stock	2.25	10.04	14.72	27.93	27.93	16.62	2.51
Broadband HOLDRs	BDH	Specialty - Communications	-5.86	-9.13	-7.03	-15.21	-15.21	5.34	N/A
Consumer Discretionary SPDR	XLY	Specialty - Unaligned	2.16	10.15	15.51	18.41	18.41	7.68	0.73

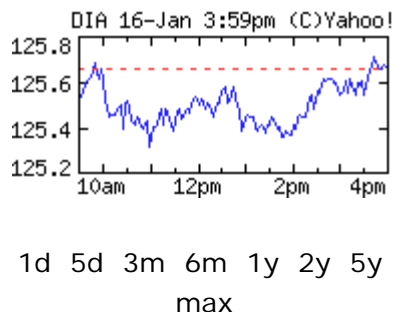
Exchange Traded Funds (continued)

DIAMONDS Trust, Series 1 (DIA)

DIAMONDS TRUST SER 1 (AMEX:DIA) Delayed quote data

After Hours: **125.61** ↓0.07 (0.06%)

Last Trade:	<b>125.68</b>	Day's Range:	125.32 - 125.74
Trade Time:	4:15PM ET	52wk Range:	106.45 - 125.75
Change:	<span style="color:green">↑0.04 (0.03%)</span>	Volume:	6,837,500
Prev Close:	125.66	Avg Vol (3m):	7,287,750
Open:	125.58	YTD Return (Mkt) <sup>2</sup> :	18.91%
Bid:	N/A	Net Assets <sup>2</sup> :	6.73B
Ask:	N/A	P/E (ttm) <sup>2</sup> :	15.56
NAV <sup>1</sup> :	125.48	Yield (ttm) <sup>2</sup> :	2.04%
<sup>1</sup> As of 12-Jan-07		<sup>2</sup> As of 31-Dec-06	



FUND SUMMARY

The investment seeks to provide investment results that, before expenses, generally correspond to the price and yield performance of the Dow Jones Industrial Average (DJIA). The Trust holds the Portfolio and cash, and is not actively "managed" by traditional methods. To maintain the correspondence between the composition and weightings of stocks held by the Trust and component stocks of the DJIA, the Trustee adjusts the portfolio from time to time to conform to periodic changes in the identity and/or relative weightings of index securities, typically within three business days before or after the day on which such changes are scheduled to take effect.