

# Alternative Investments

## **Topics to be Discussed**

Returns on Alternative Investments

Mutual Funds

Money Market Funds

Exchange Traded Funds

## Returns on Alternative Investments

## 2007 Investment Scoreboard

STOCKS	TOTAL RETURN ON INVESTMENT		
	2005	2006	2007
Dow Jones Industrial Average	1.72%	19.05%	<b>8.88%</b>
Standard & Poor's 500 Stock Index	4.91	15.79	<b>5.49</b>
Russell 2000	4.55	18.37	<b>-1.57</b>
Dow Jones Wilshire 5000	6.39	15.88	<b>5.62</b>
<b>BONDS (Lehman Brothers Indexes)</b>			
Long-Term Treasury Index	6.50%	1.85%	<b>9.81%</b>
U.S. Credit Index AA-rated segment	2.38	4.32	<b>5.39</b>
Municipal Bond Index	3.51	4.84	<b>3.36</b>
Intermediate-Term Treasury Index	1.56	3.51	<b>8.83</b>
Mortgage-Backed Securities Index	2.61	5.22	<b>6.90</b>
<b>MUTUAL FUNDS</b>			
Lipper Growth Fund Index	7.24%	r10.28%	<b>a8.45%</b>
Lipper Growth and Income Fund Index	6.82	r15.57	<b>a4.68</b>
Lipper Balanced Fund Index	5.20	r11.60	<b>a6.76</b>
Lipper International Fund Index	15.67	25.89	<b>a14.57</b>
Lipper Multi-Cap Value Index	6.33	r17.07	<b>a-0.54</b>
<b>BANK INSTRUMENTS (Bankrate.com National Index)</b>			
One-Year Certificate of Deposit	2.77%	3.70%	<b>3.72%</b>
30-Month Certificate of Deposit	3.18	3.83	<b>3.71</b>
Money-Market Deposit Account	0.66	0.80	<b>0.86</b>
<b>MONEY MARKET FUND</b>			
iMoneyNet/12-month yield on all taxable funds	2.66%	4.28%	<b>b4.48%</b>
<b>PRECIOUS METALS</b>			
Platinum	12.65%	17.09%	<b>34.15%</b>
Gold	18.36	22.95	<b>31.35</b>
Silver	30.03	45.50	<b>15.35</b>
<b>RESIDENTIAL REAL ESTATE</b>			
Office of Federal Housing Enterprise Oversight*	13.36%	r4.20%	<b>0.80%</b>
<b>COLLECTIBLES</b>			
Classic U.S. Rarities Index	10.19	r15.80	<b>31.90</b>

r - Revised.

a - Through Dec. 28, 2007.

b - Through Dec. 25, 2007.

\* all figures are through 3Q, annualized.

## 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 22, 2008

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

AMEX	Symbol	Open	High	Low	Close	Net Chg	%Chg	Vol	52 Week High	52 Week Low	Div	Yield	Year-To-Date %Chg
ABERDEEN ASIA PACIFIC INCOME FUND INC	<a href="#">FAX</a>	5.53	5.95	4.45	5.82	-0.13	-2.18	1,130,343	6.66	4.54	.42	7.2	0.3
ABERDEEN AUSTRALIA EQUITY FUND INC	<a href="#">IAF</a>	14.06	14.35	11.73	14.08	-0.59	-4.02	255,933	18.72	11.50	1.43e	10.2	-20.5
ABERDEEN GLOBAL INCOME FUND INC	<a href="#">FCO</a>	11.90	11.90	11.70	11.88	-0.10	-0.83	21,939	16.01	11.01	.78a	6.6	0.3
BANCROFT FUND LTD.	<a href="#">BCV</a>	17.75	18.12	17.75	18.12	-0.16	-0.88	10,235	21.56	16.68	.63e	...	-6.1
BLACKROCK BROAD INVESTMENT GRADE 2009 TERM TRUST INC.	<a href="#">BCT</a>	13.95	13.95	13.55	13.75	-0.20	-1.43	8,600	15.65	11.76	.59	4.3	5.0
BLACKROCK CALIFORNIA INVESTMENT QUALITY MUNICIPAL TRUST INC.	<a href="#">RAA</a>	12.74	12.76	12.74	12.76	0.02	0.16	1,100	16.99	11.20	.58a	4.5	2.1
BLACKROCK CALIFORNIA MUNICIPAL INCOME TRUST II	<a href="#">BCL</a>	14.29	14.89	14.29	14.80	0.02	0.14	15,900	16.44	13.35	.79a	5.3	6.7
BLACKROCK MARYLAND MUNICIPAL BOND TRUST	<a href="#">BZM</a>	16.15	16.95	16.00	16.30	-0.09	-0.55	3,900	22.25	14.60	.86a	5.3	7.6
BLACKROCK MUNICIPAL INCOME TRUST II	<a href="#">BLE</a>	14.76	15.25	14.50	15.03	0.01	0.07	109,400	17.39	13.09	.85a	5.7	10.0
BLACKROCK MUNIVEST FUND INC.	<a href="#">MVF</a>	9.38	9.67	9.30	9.65	0.18	1.90	68,875	10.27	8.54	.52	5.4	8.5

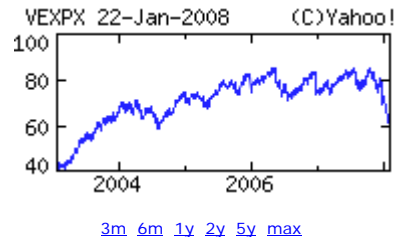
Source: The Wall Street Journal Online

[http://online.wsj.com/mdc/public/page/2\\_3024-CEF.html?mdc\\_h\\_mfhl](http://online.wsj.com/mdc/public/page/2_3024-CEF.html?mdc_h_mfhl)

# MUTUAL FUND QUOTATIONS

## VANGUARD EXPLORER FD

Net Asset Value: **61.92**  
 Trade Time: Jan 22  
 Change: **↓0.61 (0.98%)**  
 Prev Close: 61.92  
 YTD Return\*: 5.06%  
 Net Assets\*: 8.23B  
 Yield\*: 0.40%



\* As of 31-Dec-07

## 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 advisors to have superior growth potential. These companies often provide little or no dividend income.

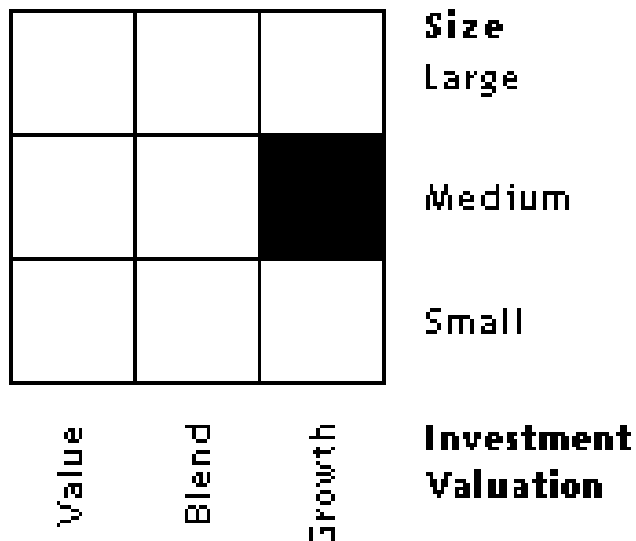
## FEES & EXPENSES

Expense	VEXPX	Category Avg
Total Expense Ratio:	0.46%	1.61%
Max 12b1 Fee:	0.00%	N/A
Max Front End Sales Load:	0.00%	5.33%
Max Deferred Sales Load:	0.00%	2.65%
3 Yr Expense Projection*:	\$144	\$694
5 Yr Expense Projection*:	\$252	\$1,082
10 Yr Expense Projection*:	\$567	\$2,158

\* Per \$10,000 invested

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

**MORNINGSTAR STYLE BOX**



**Growth Fund**

- ☛ a diversified portfolio of stocks that has capital appreciation as its primary goal
- ☛ little or no dividend payouts
- ☛ portfolio consists of companies with above-average growth in earnings
- ☛ companies reinvest their earnings into expansion, acquisitions and/or research and development
- ☛ most growth funds offer higher potential capital appreciation but usually at above-average risk.
- ☛ growth funds are more volatile than funds in the value and blend categories
- ☛ investing in growth funds requires a tolerance for risk and a holding period with a time horizon of five to ten years

**Value Fund**

- ☛ a portfolio of stock that are deemed to be undervalued in price and that are likely to pay dividends
- ☛ premise of value investing is that the market has inherent inefficiencies that enable companies to trade at levels below what they are actually worth
- ☛ once the market corrects these inefficiencies, the share price will rise

**Blend Fund**

- ☛ a portfolio that is made up of a mix of value and growth stocks

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**

Tuesday, January 22, 2008

Mutual-fund categories and their benchmarks ranked by one-year total return. Yardsticks are based on categories compiled by The Wall Street Journal, based on Lipper, Inc. fund investment objectives. Performance for Yardsticks is based on an arithmetic average of all the mutual funds in the category.

Investment Objective	DAILY		TOTAL RETURN (%)				
	Chg	% Chg	4-wk	YTD	Annualized		
					1-yr	3-yr	5-yr
Intermediate Term US Treasury/Govt Bond	0.10	0.77	4.19	3.15	12.13	4.89	4.63
Long Term US Treasury/Govt Bond	0.13	0.76	4.08	2.91	9.66	4.51	3.97
Lipper L-T Govt Bond Index	3.18	0.67	3.72	2.76	9.28	4.82	4.06
Utility	-0.82	-3.20	-10.81	-10.14	8.61	15.79	18.53
Mortgage	0.07	0.49	2.68	1.89	7.14	4.28	3.75
Intmdt Investment Grade Corporate Bond	0.06	0.52	2.89	1.98	6.63	4.00	4.21
Long Term Investment Grade Corporate Bond	0.08	0.47	2.54	1.58	5.85	3.99	4.93
Intermediate Term Municipal Debt	0.04	0.34	2.47	2.20	5.32	3.31	3.42
Short Term Investment Grade Corp Bond	0.04	0.33	1.59	1.22	5.12	3.64	3.13
General Taxable Bond	unch.	0.02	0.52	-0.09	3.94	4.82	7.51

Source: [http://online.wsj.com/mdc/public/page/2\\_3023-fundyardstick.html?mod=mdc\\_h\\_mfhl](http://online.wsj.com/mdc/public/page/2_3023-fundyardstick.html?mod=mdc_h_mfhl)

Note: table shown is a partial table

## Advantages of Mutual Funds

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

## Performance of Mutual Funds

*Performance as of December 31, 2007*

**PERFORMANCE OVERVIEW**

Morningstar Return Rating:	Average
Year to Date Return:	5.06%
5-Year Average Return:	15.62%
Number of Years Up:	31
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%

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

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

Return	VEXPX	Category	Diff	Index*	Diff
Year To Date	5.06	7.59	-2.53	6.23	-1.17
1-Month	-0.55	0.00	-0.55	-4.18	3.63
3-Month	-4.07	-3.61	-0.46	0.98	-5.05
1-Year	5.06	7.59	-2.53	7.72	-2.66
3-Year	7.99	7.94	0.05	10.09	-2.1
5-Year	15.62	15.63	-0.01	11.63	3.99
Last Bull Market ( 31-May-06 to 30-Jun-07)	14.77	14.08	0.69	19.15	-4.38
Last Bear Market ( 31-Mar-02 to 30-Apr-03)	-20.85	-22.06	1.21	-17.13	-3.72

\* Index means [ S&P 500 TR ]

## Money Market Funds

### TAXABLE FUNDS

GO TO: Tax Exempt Funds

Tuesday, January 22, 2008

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	2	3.55	92
ABN Amro Gvtl	2	3.87	265
ABN AmroMMS	42	3.80	262
ABN AmroPrY	37	4.34	1,862
ABN Amro Trsl	2	3.03	157
ABN AmroInvN	12	3.60	32
AIM MMCshRes	27	3.78	616
AIMMMInv	27	3.93	272
AZMunCTIns	28	2.50	128
AccUSGov	78	3.80	1,204
ActAsInsGv	52	4.28	1,447
ActAsInst	57	4.66	1,752
ActiveAstGv	50	3.88	473
ActiveAstMny	68	4.41	5,778
AlgerMM	25	3.11	54
AllegAdvMM	46	4.41	2,032
Alleg GovA	26	3.76	319

## 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 Thomson Financial and their performance as of Sept. 30, 2007. The information included in this report is based on data obtained from sources believed to be reliable. However, Thomson Financial does not guarantee the completeness or accuracy thereof.

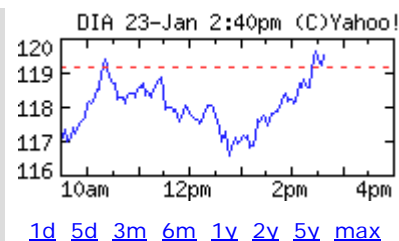
**All ETFs tracked by Thomson Financial**

	Ticker	Investment Objective	Latest Rtrn - 4 Wk (Mkt)	Latest Rtrn - 13 Wk (Mkt)	Latest Rtrn - 26 Wk (Mkt)	Latest Rtrn - Wk End YTD (Mkt)	Rtrn - Latest 52 Wk (Mkt)	Rtrn - Latest 156 Wk (Mkt)	Current Yield (Mkt)
iShares GS\$ InvesTop Corp Bond	LQD	Bond - Corporate	-1.21	-0.79	2.64	1.17	2.14	6.31	4.99
iShares Lehman 1-3Yr Treasury Bond	SHY	Bond - Government	-0.22	0.27	1.11	0.94	0.80	1.49	3.40
iShares Lehman 20+Yr Treasury Bond	TLT	Bond - Government	-1.91	-1.85	5.55	7.15	9.18	6.35	4.35
iShares Lehman 7-10Yr Treasury Bond	IEF	Bond - Government	-1.42	-0.90	2.54	1.79	1.97	3.07	3.90

## Exchange Traded Funds (continued)

**DIAMONDS Trust, Series 1 (DIA)****DIAMONDS TRUST SER 1 (AMEX: DIA)**

Last Trade:	<b>119.62</b>	Day's Range:	116.58 - 119.79
Trade Time:	2:41PM ET	52wk Range:	115.80 - 141.95
Change:	<b>↑0.40 (0.34%)</b>	Volume:	25,859,118
Prev Close:	119.22	Avg Vol (3m):	16,602,200
Open:	117.24	YTD Return	
Bid:	N/A	(Mkt) <sup>2</sup> :	8.79%
Ask:	N/A	Net Assets <sup>2</sup> :	8.57B
NAV <sup>1</sup> :	119.61	P/E (ttm) <sup>2</sup> :	15.73
<sup>1</sup> As of 22-Jan-08		Yield (ttm) <sup>2</sup> :	2.08%
		<sup>2</sup> As of 31-Dec-07	

**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.