

AAII Washington March, 2008



kcicommunications

Personal Finance



THE YIELD LETTER

The Partnership

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GOING UP IN FLAMES?



Blame Game



Doom & Gloom

- Subprime?
- CDOs?
- Hedge Funds?
- Mortgage Companies?
- Basel II – Sellout to Bankers?
- International? (EU, UK, Asia)

Down Not Out



Mortgage Mess



Subprime Wasn't It

- Default Rate Running at 4+% (90D)
- \$17 Trillion Housing/1 Million Maybe
- \$8.5 Tril. Mortgage/225 Billion Maybe
- 10 Lenders 60 percent of B/C or worse

Trust Me...



Trading Bonds Is The Most Fun You Can Have With Your Clothes On?



CDOs

- MBS, ABS, CLOs, CMOs
- What's In them?
- How Analyze?
- Ratings Game (MDY, S&P, Fitch)
- Insurers? (MBI, ABK)

CDSs (Credit Default Spreads)

<HELP> for explanation.
99<GO> to save Region/Sector/Period defaults

P215 Corp GCDS

CDS Sector Graph(BBG CDS 5 Yr Tenor)

Region **America** Sector **CDX Indices**
View **5Yr CDS Spread (Graph)** Period **1 Year**



	Reference Name	5Y Sprd
101)	<input checked="" type="checkbox"/> Cross Over	332.8
102)	<input checked="" type="checkbox"/> Hi Vol	269.3
103)	<input type="checkbox"/> Emerging Mkt	225.3
104)	<input checked="" type="checkbox"/> Investment Grade	117.4

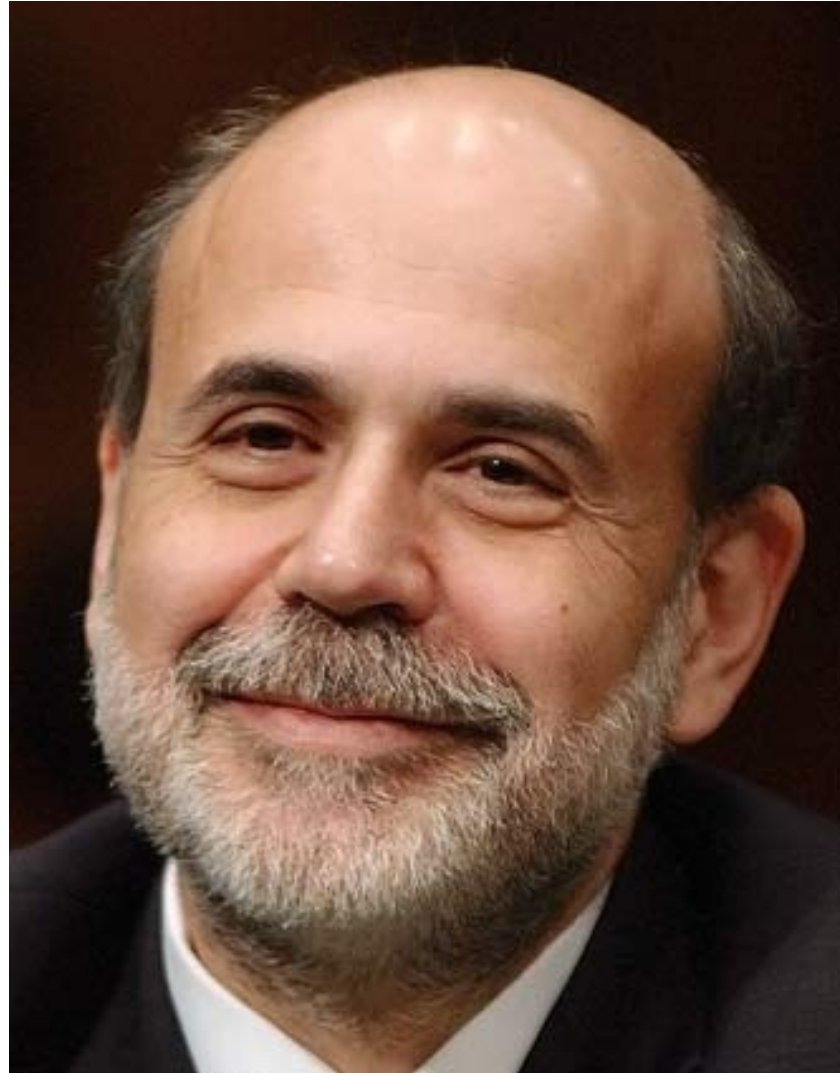
Pay Up

- Merrill Lynch
- Bear Stearns
- Bank Of America
- UBS
- Citigroup

Banks Not Bankers

- Rely on Money Markets
- Who Needs Deposits
- Fallout, Lock-Up
 - Northern Rock, WLB
- Trust Is Gone
 - Spillover: Carlyle, Thornburg?

Your Friendly Central Banker

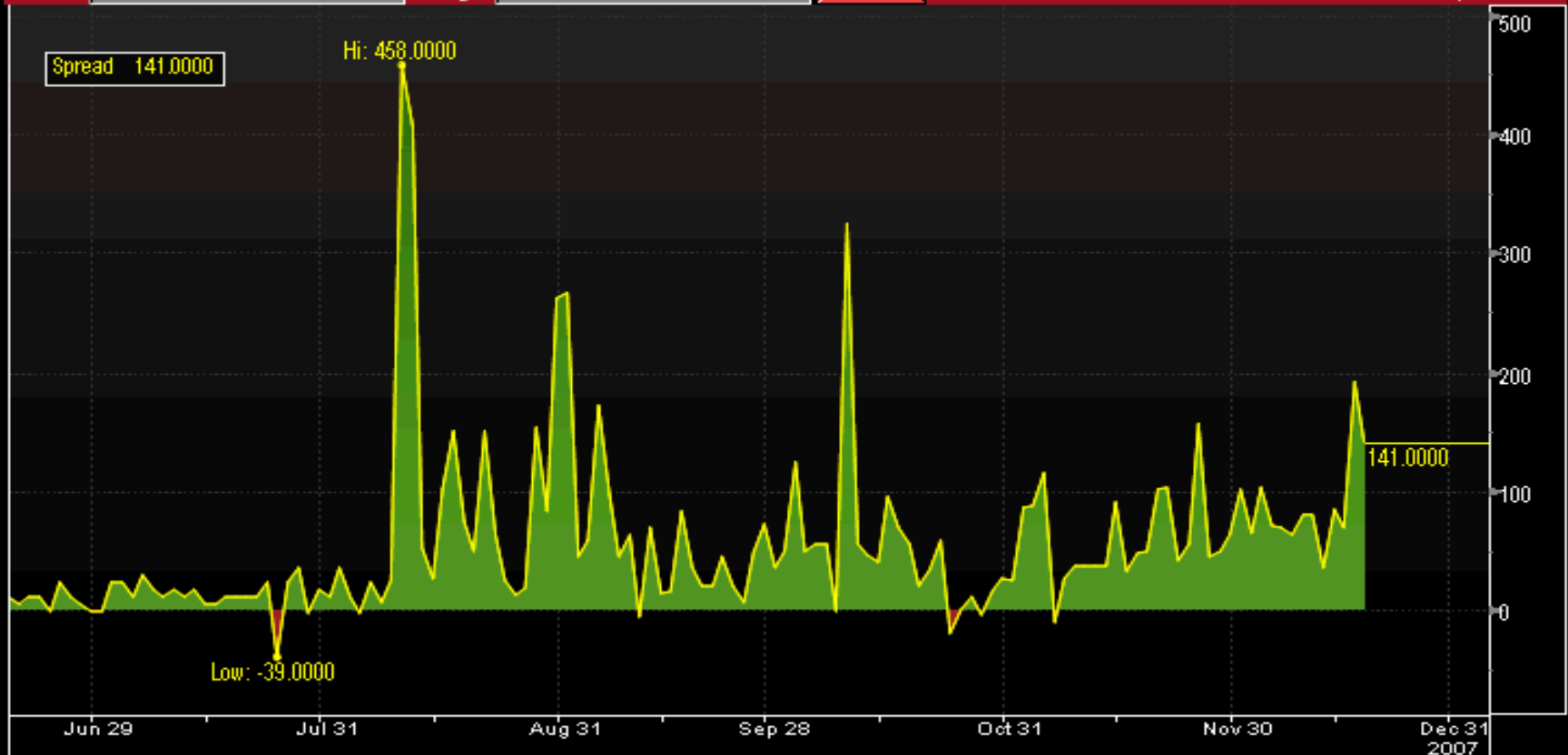


Fed Funds/LIBOR

<HELP> for explanation.
<MENU> to return to page 1

Index **HS**

Sell **FDFD Index** Buy **US0003M Index** Edit **HS - Yield Spread**



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2007 Bloomberg Finance L.P.
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Still, Risk Prevails

<HELP> for explanation.

Index **COMP**

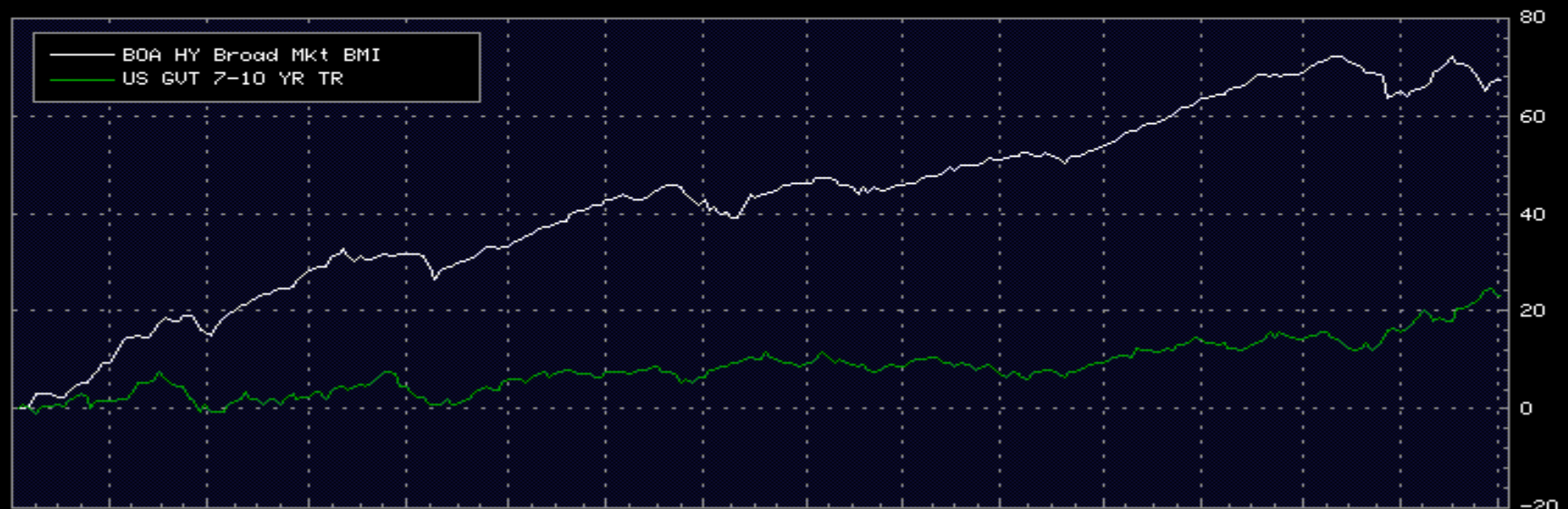
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COMPARATIVE RETURNS

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Securities	Range	Crncy	Prc	Appr	Period	Weekly Total Ret	Difference	260 Wk. Period Annual Eq
1 BMBACAP Index	12/20/02 - 12/14/07	USD	67.46 %	67.46 %*		67.46 %*	44.85 %	10.89 %
2 USG4TR Index		USD	22.61 %	22.61 %*		22.61 %*		4.17 %
3								

(* = No dividends or coupons)



Capital Keeps Coming



Yet...dollar dunked?

- Swiss franc (CHF) 11.31
- Euro (EUR) 5.16
- Aussie dollar (AUD) 4.70
- British pound (GBP) 1.28
- Canadian loonie (CAD) 0.08
- Swedish krone (SEK) 5.55
- Mexican peso (MXN) 0.51

Other Currencies?

CRY 416.40s as of close 3/14

Index **CRB**

RJ/CRB Movers		CHANGE	CURRENT	OPEN	HIGH	LOW	TIME
D Descend Sort	C Cycle Roll	-4.24	416.40	420.70	421.33	415.27	Close
GROUPS		Return	GROUPS	Return			
Grains		-3.19%	Industrials				
Soft Commodities		-1.34%	Precious Metals				
Energy		-.89%	Livestock				



COMMODITY	PRICE	CHG	%CHG	COMMODITY	PRICE	CHG	%CHG
1) LNM8 Nickel	32555.0y	+392.0	+1.22	11) JOK8 Orange Juice	117.55y	-.95	-.802
2) SIK8 Silver	20.655y	+.235	+1.15	12) LAM8 Aluminum	3090.00y	-26.50	-.850
3) GCM8 Gold	1004.30y	+5.60	+.56	13) C K8 Corn	559 ¹ / ₄ y	-10 ¹ / ₄	-1.80
4) HOK8 Heating Oil	304.00y	+.42	+.138	14) CTK8 Cotton	79.30y	-1.51	-1.87
5) HGK8 Copper	382.80y	+.30	+.078	15) NGK8 Natural Gas	9.961y	-.345	-3.35
6) XBK8 RBOB Gasolin	270.89y	+.16	+.059	16) LHM8 Lean Hogs	70.550y	-2.550	-3.49
7) LCM8 Live Cattle	90.800y	-.175	-.192	17) S K8 Soybeans	1352 ³ / ₄ y	-50	-3.56
8) SBK8 Sugar	13.54y	-.05	-.368	18) KCK8 Coffee	152.20y	-5.65	-3.58
9) CLK8 Crude Oil	108.74y	-.43	-.394	19) W K8 Wheat	1191 ¹ / ₂ y	-52 ¹ / ₂	-4.22
10) CCK8 Cocoa	2904y	-18	-.616				

Real Question: Still Shop 'Till Drop?



Earn It



Spend It



Consumer Credit

Index **GPO**

CCOSY0Y NY 31OCT07 00:00 5.4 %

CCOSY0Y INDEX Hide GP - Line Chart Page 1/10

Range 11/30/99 - 10/31/07 Upper Mid Line Mov. Avgs
 Period Monthly



Dec 31 1999 Dec 31 2000 Dec 31 2001 Dec 31 2002 Dec 31 2003 Dec 31 2004 Dec 31 2005 Dec 31 2006
 Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2007 Bloomberg Finance L.P.
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So What?



FX It?

- FXE – euro
- FXA – Aussie
- FXB – sterling
- FXC – loonies
- FXF - Swiss

Raw Deals

- Oil & Gas: DB Energy (DBE)
- Aggies: DB Agriculture (DBA)
- Industrials: DB Metal (DBB)
- All In: DB Commodity Index (DBC)

The Anti-Stock

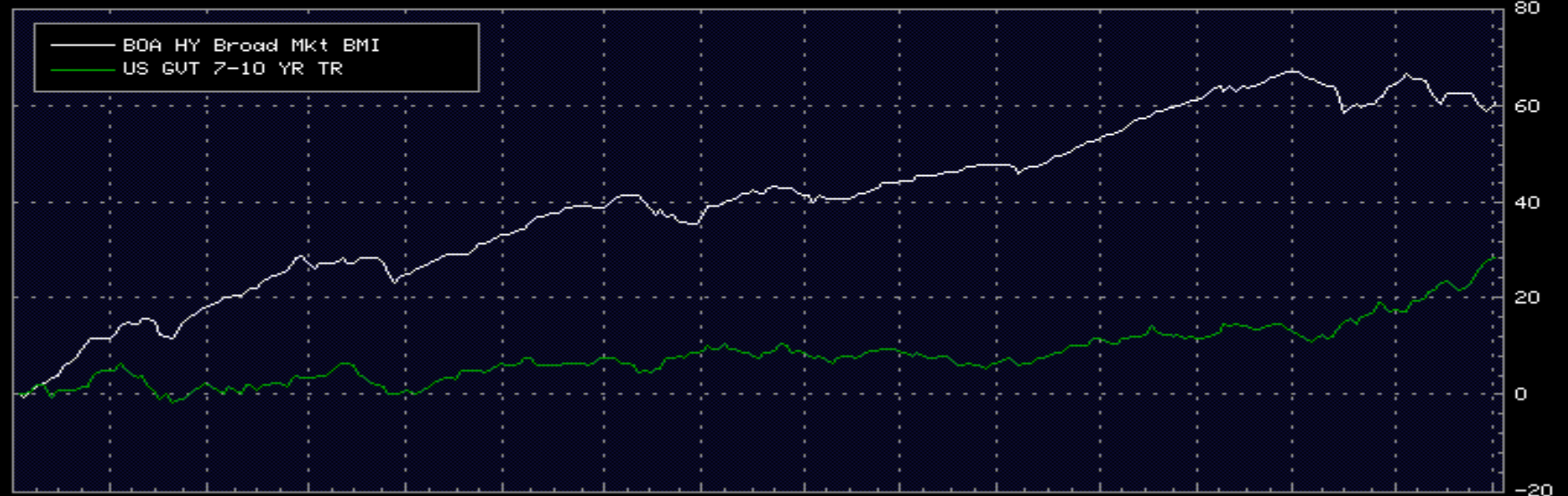
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COMPARATIVE RETURNS

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Securities	Range	Crcny	Prc Appr	Period	Total Ret	Difference	Annual Eq
1 BMBACAP Index	2/ 7/03 - 2/ 1/08	USD	60.87 %	W Weekly	60.87 %*	32.57 %	10.00 %
2 USG4TR Index		USD	28.30 %		28.30 %*		5.12 %
3							

(* = No dividends or coupons)



30MAY03 26SEP 30JAN04 28MAY 24SEP 28JAN05 27MAY 30SEP 27JAN06 26MAY 29SEP 26JAN07 25MAY 28SEP 25JAN08
 Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2008 Bloomberg Finance L.P.
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Bond Buys

- AllianceBern AWF 7.5
- Blackrock BNA 6.6
- Pimco Global RCS 7.7
- Templeton TEI 7.2
- Western Assets Emerging EFL 8.6
- AllianceBern Nat. AFB 6.4
- Black Muni II BLE 6.4
- Managed Muni MMU 5.1
- Nuveen NQU 5.3
- Muni Intermediate MUI 5.6

Buy Direct

- AMR 7.875 (AAR) 10%
- US Cell 7.5 (UZV) 8.1%
- Tribune 7 (HJS) 14.1%
- GM 7.375 (CYP)10%
- Citizens Comm. 8.375 (PIY) 8.4%
- Aon 8 (DKK) 8.3%
- Embarq 7.1 (FJA) 8.3%

Bonds That Think That They're Stocks

- More Than a Bond
- More Than A Stock
 - Atlantic Power (ATPWF) 10.3
 - Medical Facilities (MCQRF) 11.6
 - Keystone North America (KYSNF) 12.7
 - New Flyer Industries (NFYIF) 10
 - Otelco (OTT) 12.4

A Non-Stock Stock

- Become A Partner Instead
- Pass Through
- Not Just Canadian
- Global/Multi-Industry
- Tax/Estate Deals

Making Partner Pays

<HELP> for explanation.

Index **COMP**

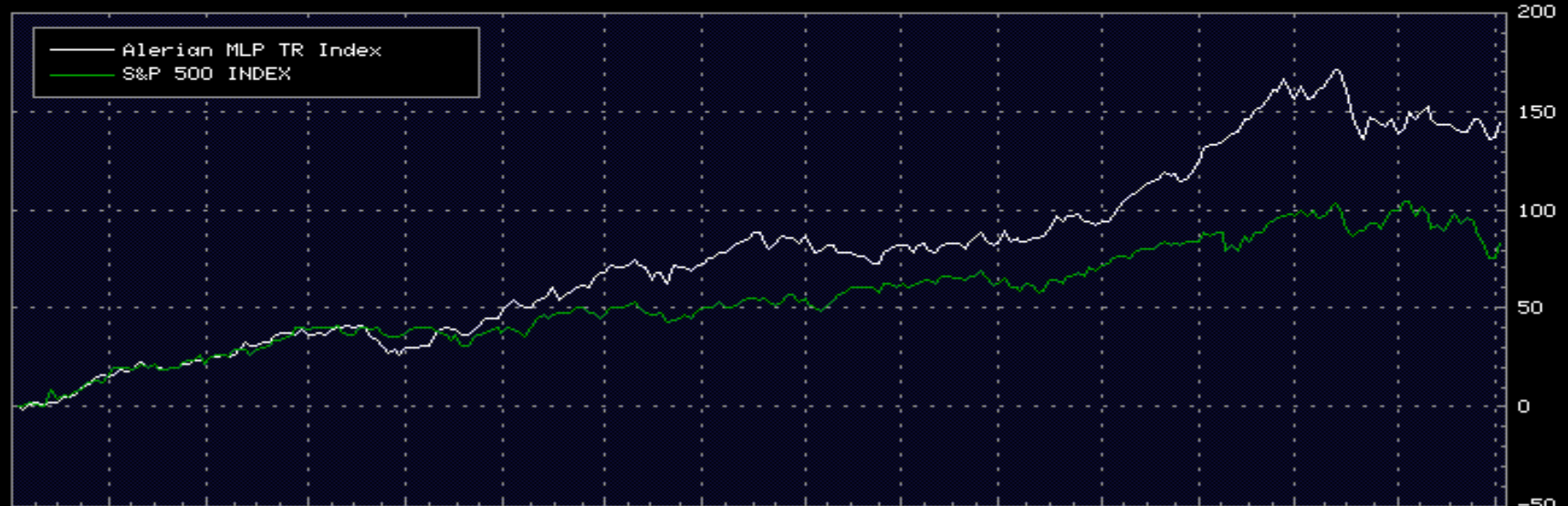
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COMPARATIVE RETURNS

Page 1/19

Securities	Range	Crcny	Prc	Appr	Total Ret	Difference	Annual Eq
1 AMZX Index	2/ 7/03 - 2/ 1/08		144.66 %		144.66 %*	60.50 %	19.65 %
2 SPX Index		USD	68.19 %		84.15 %		13.03 %
3							

(* = No dividends or coupons)



Partners That Pay

- Breitburn (BBEP) 6.5%
 - Enerplus Partners – Pending.....
- Enterprise (EPD) 6.1%
- Linn (LINE) 10%
- Macquarie (MIC) 7%
- Tortoise Capital/Infra (TTO)/TYG 6-8%
- Legacy (LGCY) 8+%
- US Shipping (USS) 12+%
- WP Carey (WPC) 6%
- Macquarie Company (MIC) 7.6%
- Kinder Morgan (KMR/KNP) 6-7%
- Aircastle/Genesis (AYR/GLS) 14-10%

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