

# AAII Washington March, 2008



**kci**communications

# 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

60) Sector(GCDS)

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

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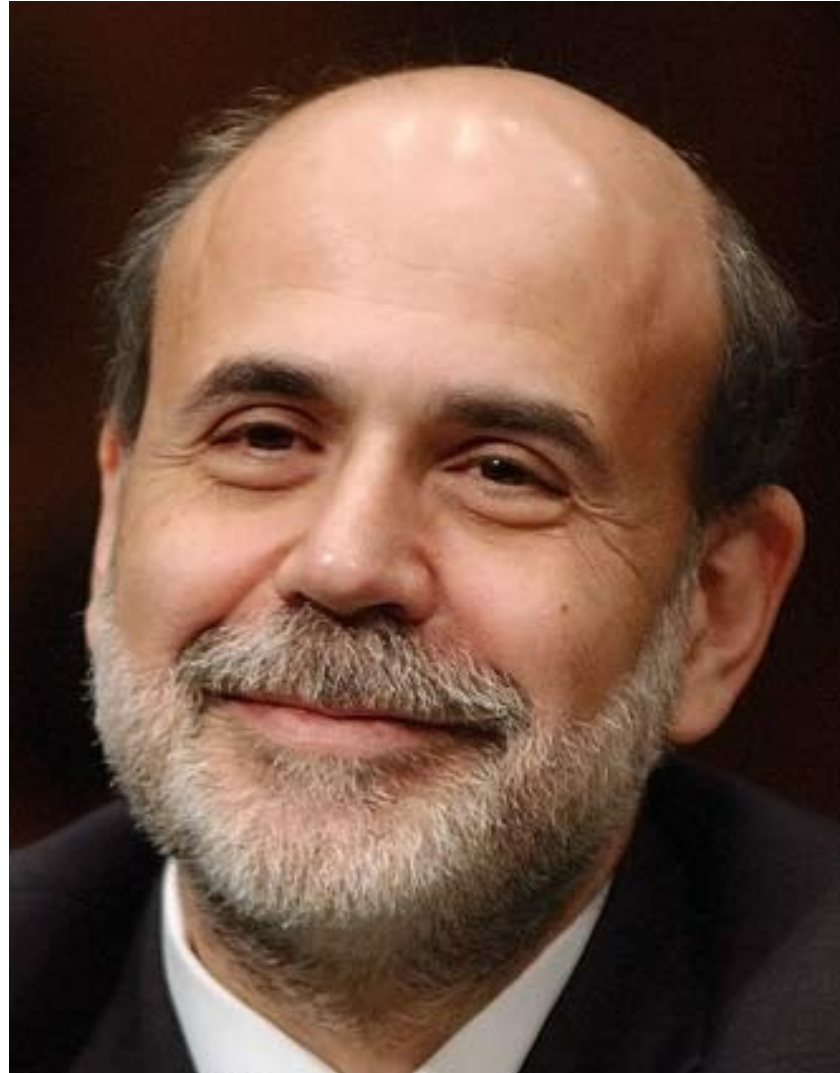
# Pay Up

- 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

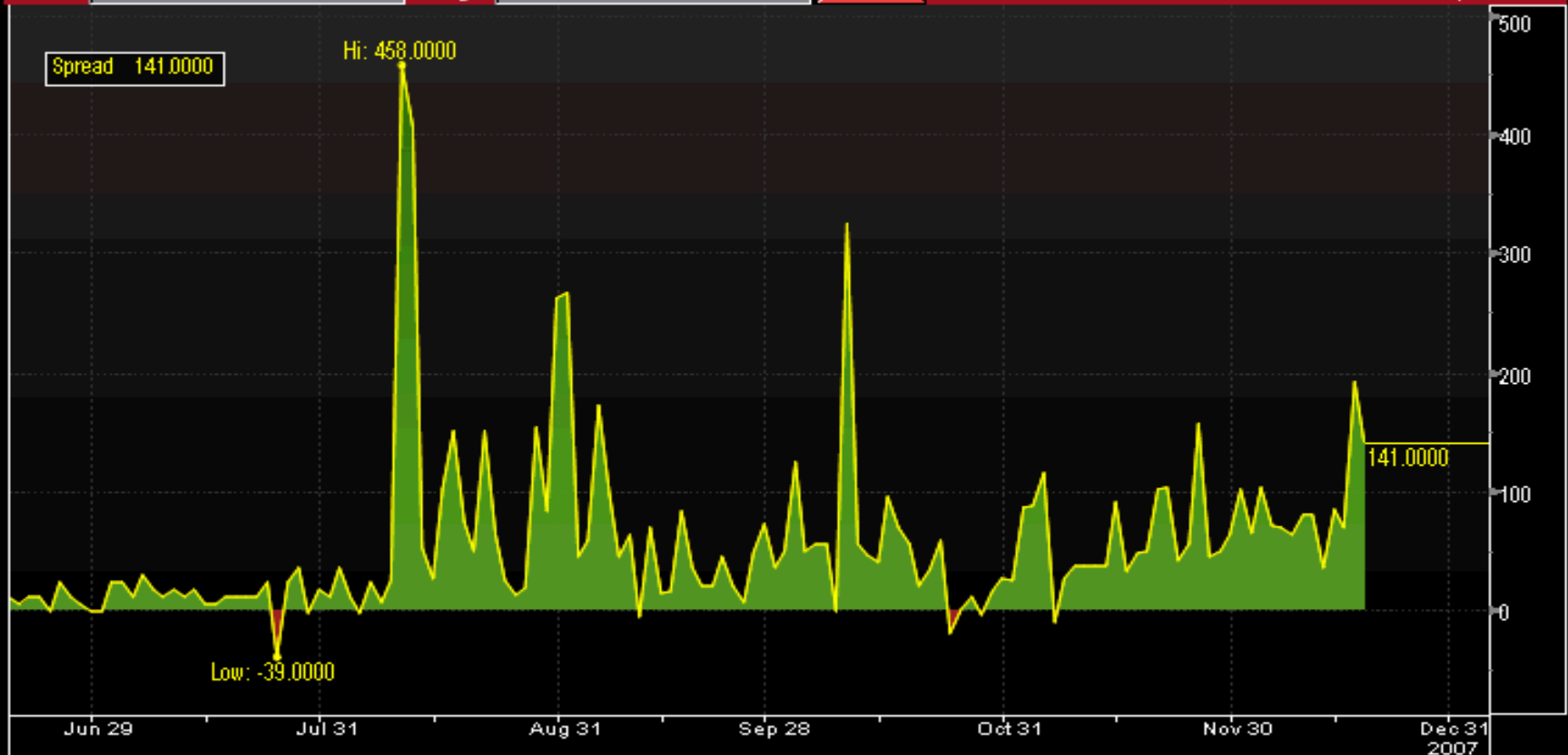


# Fed Funds/LIBOR

<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**

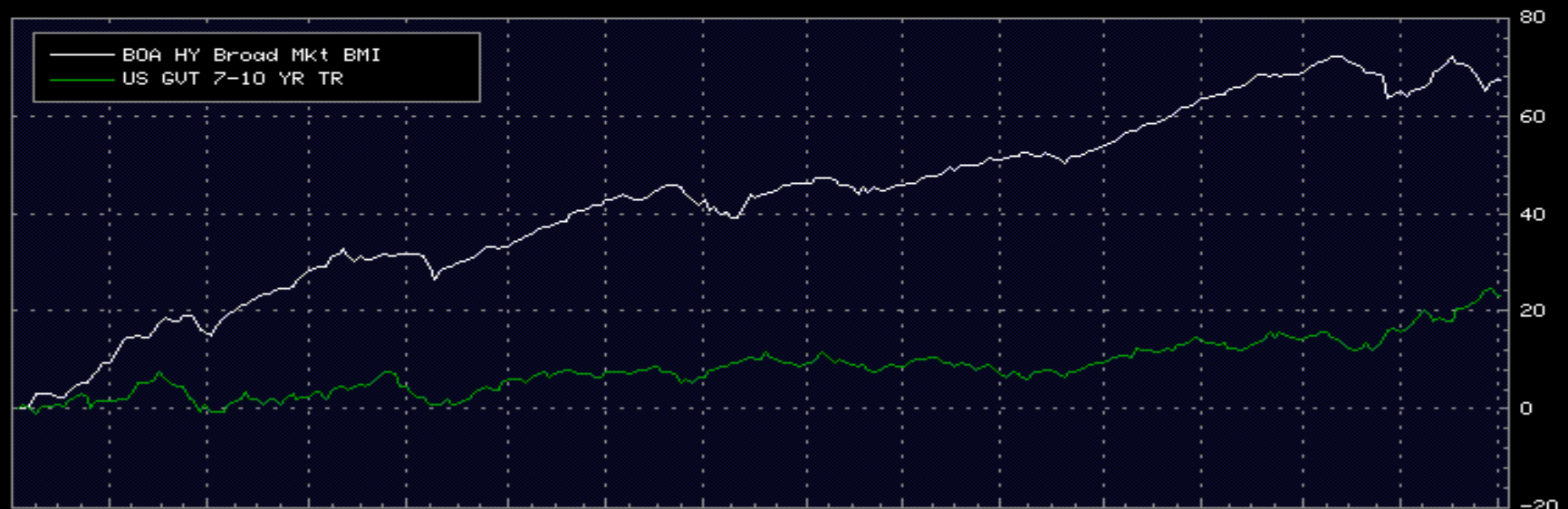
Hit 1<GO> for Options, Hit <Page> for table.

## 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
<b>D</b> Descend Sort	<b>C</b> 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 <sup>1</sup> / <sub>4</sub> y	-10 <sup>1</sup> / <sub>4</sub>	-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 <sup>3</sup> / <sub>4</sub> 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 <sup>1</sup> / <sub>2</sub> y	-52 <sup>1</sup> / <sub>2</sub>	-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



Mid Line	5.4
Hgt of 04.00.01	12.9
Average	6.6
Low of 04.00.06	3.4



# 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

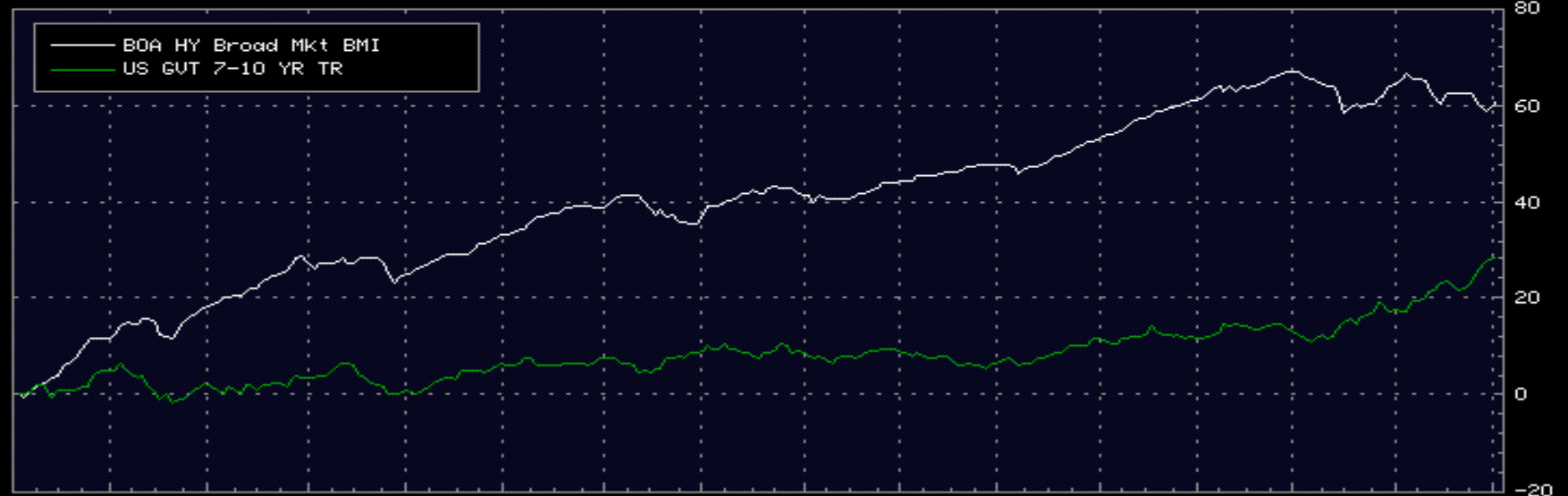
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## COMPARATIVE RETURNS

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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  
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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**

Hit 1<GO> for Options, Hit <Page> for table.

## COMPARATIVE RETURNS

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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)



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  
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# 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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