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THE SCOTT LETTER:
CLOSED-END FUND REPORT

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THE SCOTT LETTER is intended to educate global investors about closed-end funds. Closed-end funds can be a valuable and profitable investment tool. To learn about closed-end funds, visit our web site, www.CEFAdvisors.com, and in particular, read our article, *What Are Closed-End Funds*. Feel free to forward this newsletter to anyone who you believe could benefit from information on closed-end funds or global portfolios.

– George Cole Scott
Editor-in-Chief

IN THIS ISSUE:

Alpine Management Tells It Like It Is: Explains Dividend Cut

Alpine Fund management held its quarterly closed-end fund conference call on December 30, 2008. It included a management webcast, mini-interview, and question-and answer session from outside investors.

Alpine, founded in 1997, had over $6.5 billion under management as of September 30, 2008. Alpine manages three closed-end funds and 10 sector mutual funds. The Alpine Global Dynamic Dividend Fund (AGD:NYSE) and Alpine Total Dynamic Dividend Fund (AOD:NYSE) are dividend-oriented funds, while its Alpine Global Premier Properties Fund (AWP:NYSE) emphasizes growth and income. AWP is not leveraged, although it has that capability, and is held by clients of Closed-End Fund Advisors, including George Cole Scott. The following is a synopsis of the December 30 conference call. Sam Lieber, President of Alpine Funds, and his management team discussed each of their three closed-end funds.

Marc Rappaport, Senior Managing Director, introduced the Alpine concept.

Rappaport: In good times or bad, we will be out in front of our investors and advisors. Our funds are unique, and we believe the more one understands our differences, our thinking, and how we manage capital, the more conviction one might have in our global dynamic dividend strategies. They are built for high current income and long-term capital appreciation.

[**Editor's Note**: Alpine recently declared distributions for shareholders of AOD and AGD, announcing that distribution rates are unchanged and will be moving to a monthly distribution.]

The primary objective of AWP is capital appreciation, while the two dividend funds are focused on high current income, with a secondary objective of capital appreciation.

On December 22, 2008, the Board of Trustees of AWP declared distributions for the next three months at a reduced rate from the previous $0.126 per share to $0.03 per share.

[**Editor's Note**: This annual dividend of AWP of $0.36 at the February 3, 2009 price of $3.52 per share yields 10.23%. AWP has declared dividends payable January 30, February 27 and March 31, 2009.]

Given the current level of uncertainty, the Board of AWP believes it is prudent to reduce monthly distributions. This decision reflects current conditions and best positions for AWP to meet its primary objective of long-term capital appreciation. Future improvements in the condition of global real estate markets may enable a dividend increase and shall be considered when appropriate.

What are the differences between AWP as a growth fund and the dividend funds, AOD and AGD, and why did AWP cut its dividend when the dividend funds did not?

Sam Leiber (Portfolio Manager, AWP): Sure. It is a good point. Basically, AWP is limited to its real estate mandate. We have to have 80% in real estate stocks. Unlike the other two funds, we can only venture outside 20%. We are in a defined universe, which has been capital-constrained more so than many others because of the high capital expenditure requirement of real estate. We think that we have seen an impact on REITs in the last few months and on other real estate companies. We believe that there is not enough clarity as to the dividend-paying potential going forward.

We felt we had no alternative but to protect the fund at this stage and to position it to take advantage of what we think will be a great total return opportunity over the next two years. As we approach the period when economic performance improves, it could lead to stronger rents and stronger growth opportunities for real estate, thereby raising cashflows and dividends. Total return prospects are much greater with this focus now.

Rappaport: Both AOD and AWP have also announced that they are buying back shares of their own fund when it is appropriate. As of December 29, 2008, AWP repurchased over 634,000 shares and AOD over 112,000 shares.

[**Editor's Note**: We applaud management for doing this, as few closed-end funds repurchase their own shares as it adds a cost and reduces management fees. Share repurchases also raise the fund's net asset values and consequently, the price of the shares – something that is especially important in down markets.]

Investor: Do you believe increasing unemployment along with decreasing corporate earnings will have a further effect on stock price declines, or do you think market sentiment has bottomed ahead of all that and most, if not all, of that inevitability has already been priced into today's market?

Steve Leiber (CIO, Alpine Funds): That is a very comprehensive and important question. The answer I think is that it depends on what you assume [about] today's market. If we have the expectation that we are going to have massive legislative and administrative efforts to sustain liquidity and reflate the economy, then employment can be declining while the organization of the new effort is in place, and the markets will reflect a better future.

Markets are all expectation-oriented. For the moment, expectations seem to be firming as noted by Sam that the November 21 bottom has not been repeated. We think that the current logic of business development is inventory reduction and demand apprehension. Therefore, you are likely to see some continuing unemployment during the same time period that the structure of the new program, which President-Elect Obama describes as creating three million new jobs, will be implemented.

Investor: What are the primary holdings of AWP's REITs, and what is the domestic and foreign blend for AWP?

Sam Leiber: Roughly not quite one-half of the portfolio, about 48%, is in REITs. That is up a little bit from a year ago .... We think that when the dust settles, we will have a better perspective on REITs' dividend-paying capabilities. On average last year, we were 23% in U.S. stocks. Right now, we are running about 80% in foreign stocks. That will probably hold.

Investor: What happens if the real estate and the REIT cycle is more similar to that of 1974 and 1975 than the early '90s? How much downside is there?

Sam Leiber: We have already been through our '74-'75. Back in the '70s, there were mortgage REITs, not equity REITs. They were sponsored by banks so they were involved in making mortgages on real estate construction projects. They blew up very quickly and were on the cusp of problems.

Equity REITs have much more stable balance sheets, typically 55% or less debt to capital positions, a much better shape to withstand the pressures of this downturn. This is not at all comparable to that period albeit there clearly are major pressures on the real estate capital markets and, in particular, in the area of commercial mortgage-backed securities where we think it will be very difficult to work through some of the existing complexities of real estate debt financing.

That said, real estate companies and REITs generally do not have much direct exposure there and are in a better position.

The crisis of confidence affecting the global financial markets has severely impacted capital-intensive, cyclically sensitive sectors such as real estate. Many companies are reassessing capital requirements. This may affect dividend payouts in 2009. As of January 31, 2009, there were already 25 REITs in the U.S. that were cutting or suspending their dividends.

The complete 17-page Alpine Closed-End Fund's conference call transcripton is available from the Alpine web site at www.alpinecef.com/pdfs/conference_calls/Alpine_CC_123108.pdf. Updates on AWP and its other closed-end funds as well as their 10 mutual funds are also available from this web site. ■

As we go to press, the world stock markets rallied strongly as central banks aggressively stepped up their efforts to bolster the global financial system and combat economic recession. A positive housing report also boosted the real estate sector.

China and India Will Save the World from Recession
Consumers Are the Key

As the U.S. and other countries slide into recession, the United States, other governments and central banks are pumping liquidity into the financial system as fast as they can. These fiscal stimulus packages are aimed to get consumers spending again. Will this be enough?

It will not – unless China and India, with their combined populations of nearly 2.4 billion also start spending more freely. For the Asian giants, this implies a shift from previous export-driven growth to domestic consumption. Which of these countries is best positioned to weather the storm?

In our January 2009 issue of *The Scott Letter,* we asked Mark Mobius, the founder of emerging markets investing, about economic revival in the emerging economies. He said that the valuations in the emerging markets are much lower than in the developed economies and that China and the countries around it will drive the coming economic revival. In the past six months, stock markets in China and some of their surrounding countries have outperformed those in Europe and the U.S. He told CEFA that China will lead the U.S. out of this recession but added that the U.S. economy has to revive as well before the recession is over.

Because we are emphasizing climate change in this issue and the effects of pollution on economies, we asked Dr. Mobius if he thought that "red" China would become "green" China, as asked by

Tom Friedman in his best-selling book, *Hot, Flat and Crowded.* (See review on page 6.)

Dr. Mobius responded: "There is no question that is the case. The first objective is to become wealthy. You pollute because it is the cheapest way of getting things done. Then you realize that you are getting sick and customers are getting sick. The clean-up stimulates the economy. China is going to have to solve this problem. Pollution control is going to be a big element of their spending program because the emphasis going forward is going to be on the consumer."

Dr. Mobius also says that this is an issue that must be managed for sustainable economic progress to continue. We are pleased that he is up on the global cimate change problem.

Our research finds that over the past decade, China's global GDP has doubled, and China is now by far the largest single contributor to world economic growth, even though analysts expect the world growth rate will slow from 3.2% in 2008 to just 1.6% in 2009. Friedman's argument is that China can only get rich if it cleans up its environment.

China could generate more than 60% GDP of the global growth, while the other fast growing country, India, is likely to be nearly 20%. Taken together, these two countries may provide three-quarters of the world's domestic demand growth in 2009. Their behavior will make an enormous difference to how long and hard this global recession will be.

China's role is crucial. Although its economy is expected to slow from recent double-digit growth, it should continue to grow at a faster pace than other large emerging economies. China is running a current account surplus of nearly $400 billion a year ... and has accumulated some $1.8 trillion in foreign currency reserves, most of them held in U.S. treasuries. They are in good shape to weather the recession.

India, by comparison, is running a deficit equal to 2.8% of GDP, considerably less than America's 4.6% but still on par with developed countries.

While India's foreign reserves have risen tenfold over the past decade, they currently stand at less than $300 billion. China's efforts to offset the impact of the global economic slowdown have been successful, even though the signals so far are mixed. Getting new infrastructure projects moving takes time, so the earliest impact of new spending on the economy is likely to come from the acceleration of existing projects.

China's use of aggressive interest rates cuts and loosening rules on bank lending – to 15% from 17% – is an abrupt about-turn on previous policy intended to curb inflation. In addition, there is an enormous pool of savings in China, giving it a huge advantage. No other country in the world can readily afford to increase economic growth in 2009 like China.

Recent dollar strength has made other Asian currencies more competitive. Should China continue devaluing its currency, it may help traditional exports, but it might also provoke an outflow of international investment and aggravate global imbalances that contributed to this recession.

China is still enjoying a huge trade surplus to boost domestic consumer spending, but will Chinese consumers spend more money? The savings habit in China is deeply entrenched. However, until Chinese citizens feel more financially secure, they are unlikely to spend.

Can India do better? The assumptions of continuing double-digit GDP growth in India, coupled by what is called its "demographic dividend" of a younger workforce than China's, may fuel India's economy into overtaking China's growth by mid-century. The Indian economy cannot continue generating 9%-10% growth achieved in recent years because its remarkable growth up to now depended more on free market dynamics and inward investment than is true of China. China is turning the table, as its people are now more ready to buy local.

International investors in India headed for the door in 2008, and the rupee took a dive. As a result, the Sensex stock index lost nearly 70% of its value.

The "crown jewel" of India's economic renaissance – its $52 billion IT and outsourcing industry – held up well. Recently, however, its GDP growth has been revised downward in 2009 to 6% from 7%.

The key question is whether Chinese leaders are willing to switch from an investment and export-driven economy toward one powered by higher domestic consumption. This switch might lead to a more balanced internal economy, help unwind global imbalances and save the world from a prolonged recession.

Only time will tell. ■

Worldwatch Institute Holds Annual Symposium
Green Jobs are the Key Economic Driver

In 2007, carbon emissions from fossil fuel combustion worldwide reached an estimated 8.2 billion tons, 2.8% more than in 2006 and 22% above the 2000 total. Capturing and disposing of carbon is known as "carbon sequestration", a term that has become a rallying cry for what has to be done to reduce carbon emissions.

Containing global warning will require an additional $275 billion in annual investment by 2020, and this investment will have to be borne by the developed world. Additionally, tens of billions of dollars will be needed to help the poorer countries prepare for even moderate warming. This might include requiring nations to pay for the clean-up, to levy transportation taxes and to develop the emission trading system into a global carbon market.

CEFA attended the Worldwatch 2009 Symposium at their Washington offices on January 15 to hear about how global warming affects world economies. The Worldwatch Institute tracks key indicators of the earth's well-being. The group monitors and evaluates changes in climate, forest cover, food production, water resources, biological diversity and other key trends to build an ecologically sustainable society.

Worldwatch focused this year on challenges that climate change, resource degradation and population growth pose for human needs in the 21st century. Their research is disseminated in over 20 languages through an innovative use of print and online media.

Worldwatch has been an indispensable source of information for us for over 10 years as it follows economic and environmental progress, especially in Brazil, China and India.

R.K. Pachauri, Chair of the 2,500 member Intergovernmental Panel on Climate Change (IPCC), opened the meeting by stating there were hopeful signs that the new U.S. administration was "just in time" to pay more attention to this issue. "Political will" is also a relevant factor in making progress, he said.

Dr. Pachauri pointed out that greenhouse gases (GHGs) have increased 70% in the period from 1970 to 2004, and that unless policies are enacted soon to mitigate carbon emissions, the global perils from shifting weather patterns and sea levels will worsen in the coming years.

In November 2009, the world will face a test. Will the roughly 200 national governments that meet in Copenhagen to forge a new climate agreement come up with a new protocol that provides both a vision and road map, thereby accelerating action around the globe?

The challenges are many. Will the new U.S. president have time to bring his country back into a leadership position? Will the global North-South divide that has marked climate talks in recent years be overcome? *State of the World 2009* may present some potential answers to these challenges.

Visit www.worldwatch.org for more information on Worldwatch or to order the full report. ■

The United States Must Take the Lead

The United States is the top carbon emitter, but it also has a large number of skeptics, putting it at loggerheads with the European Union which, since the early 1990s, has been the strongest advocate of action on climate change.

In November 2000, climate-change negotiators met with the intention of finalizing the Kyoto Protocol. Two weeks of intense discussions concluded with an agonizing all-night session that ended in failure. In the months that followed, many remained optimistic. Prior to his election in 2000, George W. Bush had indicated his support for addressing the climate change problem and working cooperatively with other countries. Two months later, under heavy pressure from the oil industry, he executed an abrupt turnaround, rejecting the Kyoto Protocol outright and throwing negotiations into a tailspin.

Europe, Canada, Japan and Russia were shocked into completing the Kyoto Protocol in the following years, but time and political momentum were lost. More significantly, the unilateral actions of the U.S. government deepened North-South fissures on climate change, a divide that has now become the largest obstacle to progress in both cleaning-up the environment and its resulting job growth.

Given the past resistance of the U.S. government to any international action or commitments on emission reductions, President Obama has an important opportunity, and it is hoped he will attend the Copenhagen conference. He has said that the world needs to work out an effective agreement to save, not just the global climate, but perhaps human civilization itself.

It is truly an economic issue affecting all countries, according to a press report. "Green jobs will, to some degree, displace other jobs," *The New York Times* reported recently.

The newspaper wrote that when gas prices started soaring last spring, sales of hybrid cars increased while overall vehicle sales fell.

Raising the price of carbon makes urgent sense, for the well-being of our planet and the human race. The economic costs of a serious climate policy are unlikely to be as big as alarmists (lobbyists and members of Congress who are trying to protect old-line energy interests) suggest.

Various analyses reveal that when "cap and trade" plans are fully implemented, it would cost less than 1% of GDP each year or about $100 billion in today's terms. That cost is manageable, but it is a cost.

Source: *The New York Times*

There are proposals in Congress that will increase tax breaks in the economic stimulus bill for U.S. equipment manufacturers of wind turbines and solar panels as well as other incentives to generate power.

A new poll suggests that Americans preoccupied with the state of the economy are less worried about rising global temperatures than they were a year ago, but they remain very concerned with solving energy problems.

The findings are somewhat at odds with President Obama, who has made global warming a high priority – to "roll back the specter of a warming planet". However, only 30% of voters, reported by the nonpartisan Pew Research Center, deemed global warming to be "a top priority" as compared with 35% in 2008.

[**Editor's Note**: More and more "socially responsive" mutual funds are focusing on companies investing in reducing carbon emissions, which has now come into the mainstream. We don't yet know of any closed-end funds that invest exclusively in green stocks, but there is the no-load mutual fund, Winslow Green Growth Fund (WGGFX), which has an excellent record in this area. Winslow also publishes "Green Environmental News" which reports that part of last October's Emergency Stabilization Act granted a slew of incentives for green energy. For more information, go to www.winslowgreen.com.

We will now examine how many of the larger countries (the U.S., Brazil, India and China) view the urgency of cleaning up the environment as being necessary for continued global growth. It is hoped that the smaller countries will follow their example. Russia, unfortunately, is doing little to address the problem.

Economic prosperity and employment growth depend fundamentally on a stable climate and healthy ecosystems. Without timely action, many jobs could be lost due to resource depletion, biodiversity loss and the impact of an increasing number of natural disasters and other disruptions.

Current employment in renewables and supplier industries stands at a conservative estimate of 2.3 million worldwide but is growing dramatically. The wind power industry employs some 300,000 people, the solar photovoltaics sector, an estimated 170,000 and solar thermal industry, more than 600,000. More than one million jobs are found in the biofuels industry.

What progress have China, Brazil and India been making on this important issue?

Brazil

Brazil has the world's largest tropical forest, the Amazon, which is disappearing at a fast pace as high agricultural prices encourage land clearing. Rabopbank, the world's largest agricultural financier, is now paying farmers in Brazil to reforest, especially in areas with the highest deforestation rates.

In 2005, the Amazon "rain machine" failed, creating the greatest drought in recorded history. This was traced to changes in Atlantic rainfall and is believed to be a preview of what adverse effects climate change could bring. A climate change of +2.5ºC has been predicted.

In Brazil's highly threatened Atlantic forest, conservation organizations working with Desengano State Park struck a deal with dairy farmers to provide technical assistance to improve dairy-farm productivity in exchange for farmers reforesting part of their land and maintaining it as a conservation easement. Milk yields tripled and farmers' income doubled, while a strategic buffer zone was established for the park.

Along with China and India, Brazil has vast solar, wind, biomass and other renewable resources. Brazil has also proposed that industrial countries finance a new Clean Development Fund that would aim to finance the costs of climate adaptation for developing countries. Brazil proposes that "adaptation funding be increased considerably and focus on building the capacity of developing countries to translate climate adaptation information" into environmental actions.

This shows that Brazil is among the developing countries that advocate participation in a global atmospheric stabilization program, essential to continued economic growth and prosperity.

[**Editor's Note**: Brazil's Sao Paulo Bovespa stock exchange has, so far in 2009, outpaced most other stock markets. As a result, we have been increasing our investments in Brazil through the Latin America Equity Fund, where Brazil is the largest component of the fund.]

China

This is the Chinese Year of the Ox. Isn't this animal related to the bull?

In 2009, the role of the United States as the world's single largest polluter, in per capita terms, remains pivotal. But China and India are now assuming an importance they did not have in 1997, when the world first came to craft the Kyoto Protocol.

China, the most populous and fastest developing country, is now emitting 24% of the global total of carbon emissions of greenhouse gases, surpassing the U.S. 21% contribution. China's emissions are still far below those of most industrial countries, but its rapid growth shows no signs of leveling off. It is more than likely that their emissions will continue to grow.

The energy path that China follows is going to determine not only its own development course but will also be vital for continued global growth and government well-being.

The dominance of coal in China's energy portfolio is responsible for high GHG emissions (about 85% of its total). The country has relied heavily on this dirty energy source throughout three decades of its economic boom and has the third largest coal reserves in the world.

China's energy consumption has shot up drastically since the turn of the century, but in 2006 the government announced a plan to cut energy consumption 20% by 2010. In 2007, the State Council (China's cabinet) made it clear for the first time that performance in meeting energy-saving and emission-reduction targets could be decisive in assessing local leaders' political performance. In other words, local officials risk their political careers if they fail to save energy.

These policies indicate the government's political will has cleared many obstacles for optimal market functioning, opening up a potential business realm for energy efficiency technologies and services. China, like many nations, now realizes that "going green" is good for business.

Renewable energy has now become a strategic industry in China. There are more than 50 domestic wind turban manufacturers, over 15 major solar cell manufacturers and roughly 50 companies in polysilicon production lines (the key components for solar PV systems). China's renewable energy industries employ some 946,000 people and are a new niche independent of conventional energy industries.

China currently gets 8% of its primary energy from renewable sources, with large hydro dams being dominant, and it expects to expand that share to 15% by 2020, a target that could be exceeded. These policy tools and market forces can collectively push China toward a less carbon-intensive energy path, and there is room for international cooperation and business initiatives to accelerate the process.

The Shanghai Composite stock market closed up 9.3% on January 30, 2009 but was down 1.2% so far in 2009 (as of February 6, 2009). The South Korea Kospi index closed up 13.3% for the week but is down -0.9% for 2009. The Global Dow index was up 4.75% for the week and reduced its yearly deficit to -5.3%.

India

In a recent paper, Melini Mehra, Founder and CEO of the Center for Social Markets, reports the following.

"This is a moment of decision for India. How can a country with one-sixth of the global population not play a leadership role on the climate agenda?

"India is the world's third largest economy. By 2045, India may have overtaken China as the most populous nation, with an estimated population of 1.50 billion compared to China's 1.496 billion. It is the fourth largest emitter of greenhouse gases. India's positive engagement will be crucial to constructing a "global deal" on climate change at the Copenhagen meeting later this year.

"For India, the stakes are too high to continue with politics as usual. Many studies have underscored the nation's vulnerability. The impacts are already being seen in unprecedented heat waves, floods, cyclones and other extreme weather events. With its long coastline, India is experiencing sea surges and salinization which affect infrastructure, agriculture, fisheries, livelihoods and human health.

"Food security is being compromised through reduced crop yields, and water security is under threat everywhere with declining water tables, conflicts over rivers and basins, and the prospect of severely diminished fresh water resources due to glacier retreat in the Himalayas.

"The government claims that it is already spending over 2% of GDP on measures to adapt to the impacts of changing climate. There are estimates that climate change could result in a loss of 9%-13% of the country's GDP in real terms by 2100.

"Given India's deeply stratified society, the hardest hit will be the poor and the marginalized. India is home to one-third of the world's poor with a predominantly youthful population.

"The International Energy Agency projects that India will become the third largest carbon emitter by 2015. Their GHG emissions need not to peak if the world is to avoid the severest impacts of climate change. There is little doubt that emissions will rise, and the country's carbon footprint will increase dramatically in coming years.

"India's problem is its energy economy. The country has an extremely high dependence on fossil fuels, in particular, imported oil and dirty coal which it has in abundance. Fossil fuels are responsible for 83% of India's carbon dioxide emissions; coal alone accounts for 51%. Addressing climate change effectively, therefore, will require a transformation of its energy economy.

"The Prime Minister has pledged that India's per capita emissions (presently 1.2 tons annually) will never exceed those of industrial countries.

"Yet, if the IPCC is to be believed, India will experience 'the greatest increase in energy and greenhouse emissions in the world, if it sustains 8% annual economic growth or more, as its primary energy demand will then multiply three to four times its present levels.'

"The government has also recognized that 'business as usual' is no longer tenable. For example, the country is committed to reducing energy intensity per unit of GHG by 20% in the period 2007 to 2017.

"India is focusing on eight areas: solar energy, energy efficiency, sustainable habitat, water, sustaining the Himalayan ecosystem, green India, sustainable agriculture and sustainable knowledge for climate change.

"The IPCC report contained some innovations such as a cap-and-trade system and stands behind market tools such as the Clean Development System (CDM) to accelerate take-up of clean technology by Indian firms. It will encourage participation in the global $30 billion carbon market. India now accounts for more than one-third of CDM projects worldwide.

"There are a few achievements. India has the world's fourth largest installed wind power capacity. Since 2004, India has also decoupled economic growth from energy use, with the economy growing annually at a rate of over 9% and energy growing at less than 4%.There is an energy labeling program for appliances with almost all florescent lights and about two-thirds of refrigerators and air conditioners covered by the scheme.

"Yet more is needed. India needs to opt for smart low carbon growth and make sustainability the organizing principle of its economy. For a country with an advanced nuclear program and space exploration ambitions, leap-frogging from a high carbon to a low carbon economy is timely and possible."

The Bombay Sensex index gained 7.4% (as of February 6, 2009) versus a 2009 decline of -4.3%. Closed-End Fund Advisors is looking for more sustainable growth in the region before investing in one of India's closed-end funds. ■

T. Boone Pickens on T. Friedman's Book, *Hot, Flat and Crowded: Why We Need a Green Revolution – and How It Can Renew America*

THE *"Hot"* part of the title refers to global warming. Friedman lays out the arguments on both sides of the climate change issue: "Is it or isn't it caused by humans?" He then demonstrates that it is.

The *"Flat"* section follows the stunning rise of the middle class in countries like Brazil, Russia, India and China that are demanding U.S. lifestyles and using resources and energy in nearly U.S. quantities to get them.

The *"Crowded"* section tells that as people are living longer, the need for food, fuel and housing is adding to the world's problems at an increasing rate.

Friedman points out that 30% of U.S. greenhouse-gas emissions come from the transportation sector and that of the 21 billion barrels of oil we consume each day, about 14 million goes to cars, trucks, planes, buses and trains. Our payment for all that imported oil – upwards of $500 billion a year – is being sent overseas to places such as Dubai and Qatar where, Friedman notes, it funds huge energy-consuming malls, buildings, and recreational areas.

Boone Pickens also states, "Wind energy and domestic supplies of natural gas (which can fuel our vehicles until we make the leap to hydrogen, electricity or whatever the new transportation technology will be) should be the focus of the country's immediate energy transformation. They are cheaper, more abundant and cleaner than oil, and they are ours."

To learn more about T. Boone Pickens's alternatives to oil, go to www.pickensplan.com. ■

Some Investors Applaud As Bank Lending in China Picks Up

Beijing: Investors and analysts cheered signs that bank lending in China has started to revive, with news that loans expanded nearly 19% in December, sending the Shanghai stock market sharply higher.

The central bank reported that local-currency lending was up 18.8% at the end of December from a year earlier. That followed a pick-up in lending growth to 16% in November from 14.6% in October. ■

Portfolio Manager's Review

January was supposed to be a turn-around month and a predictor of market trends. This is an unusually turbulent year, a year in which one has to be careful about making predictions. However, most closed-end funds enjoyed a stable January, as their discounts narrowed. Many of the funds outperformed individual stocks.

With last fall's wild stock and bond markets giving way to steadier ways most of this past month, some closed-end funds are even trading at premiums. This helped to offset January's 8.8% drop in the Dow Jones Industrial Average. Many bond funds had a double boost: rising bond prices as well as the shrinking discount.

Still holding high levels of cash, CEFA emphasizes purchase of funds that have been beaten down the most and are paying solid dividends in order to capture the stock market recovery when it comes. This includes funds in real estate and healthcare. We also invested in a Latin American fund and two global income funds for stability.

In the next few months, we plan on interviewing H&Q Healthcare Investors and its sister fund, H&Q Life Sciences Fund, as this sector has been doing well.

As the month ends, CEFA looked for new positions that we think will propel our clients' portfolios forward in the expected stock market recovery.

There is also nearly $2 trillion in money market funds. Once we have improving fundamentals in the stock market, it shouldn't be too long before the rumblings of a new bull market returns.

According to a recent *The Wall Street Journal* article, there are already glimmers of stabilization, even as job losses and corporate profits plunge.

In the U.S., Europe and China, independent surveys of purchasing managers within the manufacturing sector indicate a slight upward movement in January, suggesting that the contraction in manufacturing activity could be slowing. Interest rates at which banks lend to one another are easing, and some credit markets are thawing. ■

George Cole Scott

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