EXCERPTED FROM:
October 04, 2010

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

The following report is produced by THE WALL STREET TRANSCRIPT

10-04-2010
EMERGING MARKETS

NOTICE
The Wall Street Transcript does not in any way endorse or guarantee the accuracy or reliability of any of the information, statements or opinions expressed in the reports or comments of other firms or individuals. We take due care to report or transcribe accurately what has been written or said by others but because of the possibility of human or mechanical error, we cannot assume any liability for the correctness of the transcription. We point out further that, of course, all opinions expressed are subject to change without notice. Neither the information or any opinion which may be expressed constitutes a solicitation for the purchase or sale of any securities referred to herein. For further information, contact the individual or investment organization concerned.

CHIEF EXECUTIVE OFFICER FORUMS/INTERVIEWS
Important Note: Wall Street Transcript forums and interviews with Chief Executive Officers are published verbatim as editorial content and include "forward-looking statements" (as such term is defined in the United States Private Securities Litigation Reform Act of 1995). These "forwardlooking statements" may be subject to and be made pursuant to the "safe-harbor" provisions of Section 27A of the United States Securities Act of 1933, as amended, and Section 21E of the United States Securities Exchange Act of 1934, as amended. Since these statements are based on factors that involve risks and uncertainties, actual results may differ materially from those expressed or implied by such "forward-looking statements". Such factors are often included in the company's filings of reports with the United States Securities and Exchange Commission, including Forms 10-K, 10-Q, 8-K and Proxy Statements; the company's annual and interim reports to shareholders and similar documents. In carrying out our responsibilities to our readers and to the Chief Executive Officers selected for forums or interviews, we are required to offer, and we offer, each Chief Executive Officer an opportunity to back-up the interview and provide our readers and potential investors with specific financial data, including earnings statements, balance sheet statements and other material business and financial data, through the sponsored publication of such reports or highlights therefrom, with meaningful information.

Founded 1963
Published by Wall Street Transcript Corporation
48 West 37th Street, 8th Floor, New York, NY 10018
Copyright 2009 Wall Street Transcript Corporation
All Rights Reserved

Global Tactical ETF Investing

CHRISTIAN M. WAGNER, LONGVIEW CAPITAL MANAGEMENT

CHRISTIAN M. WAGNER is a Founder, CEO and Chief Investment Officer at Longview Capital Management, LLC. Prior to Longview, Mr. Wagner was a Senior Vice President and the Director of Investment Services for Commerce Capital Markets, Inc. and Commerce Wealth Advisors. While at Commerce, Mr. Wagner was responsible for the investment services and products delivered by Commerce Capital Markets and Commerce Wealth Advisors as well as managing a staff of over 150 investment consultants, retail broker and service personnel. Prior to joining Commerce, Mr. Wagner was a Senior Vice President at the Bank of America Private Bank, where he was responsible for the sale of Asset Management and Alternative Investment Products from Delaware to New York. Prior to Bank of America, Mr. Wagner was a Managing Director at Fisher Investments in Woodside, California.Mr. Wagner is regularly featured in print and broadcast media such as Fox News, Bloomberg, theStreet.com, Standard and Poor's and the Dow Jones Tip Sheet. Mr. Wagner is currently serving on the Board of Admiral Farragut Academy. Mr. Wagner is a graduate of the American Banking Trust School at Bucknell University, The Cannon Financial Trust School. Mr. Wagner attended George Washington University and received his bachelor's degree from Rutgers University.

SECTOR – GENERAL INVESTING

(ABU503) TWST: Would you start with an overview of Longview Capital Management and your investment philosophy?

Mr. Wagner: We are an active, global, all asset class manager. We were formed in 2005, we manage approximately $175 million using a disciplined approach to seven separate asset classes. Those asset classes are US and International Equities, US and International Bonds, Commodities, Currencies and Cash. We apply a relative strength metric to the asset classes and determine which asset classes to invest in. We use exchange-traded funds for our Global Tactical model, however we recently launched two separate equity portfolios, a concentrated mid cap and a broader-based mid cap portfolio; all using the same concept of relative strength. We primarily look to overweight those with the strongest amount of strength in their respective sectors.

TWST: Do you want to talk about all three of your portfolios; you're interested in your Global Tactical ETF portfolio?

Mr. Wagner: The Global Tactical ETF portfolio was started back in 2005 using primarily mutual funds and a smattering of exchange-traded funds. We officially launched the portfolio in 2007 as an exchange-traded fund-only offering, available through separately managed accounts with a minimum investment of $100,000. Through the use of our relative strength research and the application of our preservation overlay we have been able to provide our clients with positive returns since inception. Our strategy measures relative strength, inflows and outflows across the seven asset classes. The strategy will then lead us to overweight or underweight each of the seven asset classes.

Currently the strategy is overweight emerging markets and underweight domestic equities. The strategy changes based on macro-economic conditions, market conditions and the relative strength of certain areas. We generally include commodities in the strategy, and have been invested in metals for quite sometime now, both precious and base metals.

When investing in commodities we usually choose Exchange Traded Notes (ETNs). The goal of the strategy is to provide an absolute return. We use the S&P 500 as our benchmark and have outperformed the benchmark every year since inception. This year we're actually underperforming the benchmark and attribute that to the lack of market leadership.

However we have been sitting on a very large portion of cash this year. That is a very important part of our strategy. We believe that cash is an asset class and needs to be considered when investing. We measure each of the asset classes against

Copyrighted material: For reproduction permission contact Kenneth Wolfrath (212) 952-7400

each other, and do calculations to determine which of those asset classes are showing the greatest amount of strength. Right now, we're invested in international emerging markets and in US equities on a mid-cap basis. Our strategy also allows us to drill down into the seven asset classes. In essence, when our research identifies that international is a favored asset class we then need to determine if we are going to be invested in developed, emerging or frontier markets. If we like emerging markets, buying a single broad-based basket is not appealing to us. We would much rather analyze all of the various exchange traded funds and invest in specific countries.

Currently we are invested in Chile, India and multiple frontier countries; Indonesia, Malaysia, Thailand, pretty much all of Asia except Japan and China. We also utilize the concept of being capital weighted or equal weighted when it comes to equities. This is a bit more difficult to do in the international space, but it can be easily implemented in the US. We've been equal weighted since April of 2009, and the outperformance from being equal weighted is very significant.

Highlights

Christian M. Wagner manages the Global Tactical ETF portfolio, which has provided clients with positive returns since inception. His strategy measures relative strength, inflows and outflows across seven asset classes: US and International equities, US and International bonds, commodities, currency and cash. Currently, he is overweight emerging markets and underweight domestic equities. He is invested in Chile, India and most Asian countries except Japan and China. He utilizes ETFs because they are transparent and he is able to determine what he owns, at any point, in any day. He believes the decision to go equal weight instead of capital weight was largely responsible for the portfolio s performance last year. It enabled him to invest only 70% of the client portfolio and receive exactly the same performance as the S&P 500. The remaining 30% was invested in specific sectors or commodities, providing a total return of 34%.

Companies include: Baidu (BIDU); Hawk (HWK); LAN Chile Airlines (LAN); lululemon athletica (LULU).

"What has been performing well for us has been on our radar screen since March of 2009 when we got out of the cash position we had been holding since June of 2008 and began investing in international markets, countries like China, Brazil, South Korea, and Chile."

We believe the decision to go equal weight instead of capital weight was the one decision that drove our performance last year, and enabled us to only invest 70% of our client portfolio, and receive exactly the same performance as the S&P 500. The other 30% of the portfolio was invested in specific sectors or commodities, giving us a total return for 2009 of 34%.

We utilize ETFs because they are transparent. We are able to determine exactly what we own, at any point, in any day. A great example utilizing ETF transparency occurred last year. We noticed that when **Goldman Sachs** (GS) had reported their bad news, they dipped 15% or 20% in a day. Because we were invested in ETFs, we were able to go in and determine that we were very underweighted to **Goldman Sachs** because of our choice to be equal weighted in the market as opposed to capital weighted. Thereby providing our investors far less risk to this market cap leader.

The decision to be equal weighted over the last ten years has provided a dramatic difference in performance. Over the decade ending in 2009 the S&P 500 capital weighted index was down 27%. The equal weighted S&P 500, with the exact same stocks just a different decision as to how you're going to weight those, was positive 39%. An impactful difference. When we are invested in US equities, the first decision is whether to be equal weighted or capital weighted. We then decide based on relative strength where to be. Generally, when we are equal weighted, we find that we're going to be invested in the small-to-mid cap space. We then drill down to identify which specific sectors to invest in. Our process enables us to be very flexible and to position our client dollars in those markets that are providing the greatest return with the least amount of risk. On occasion the markets will chop around like they're doing this year. We generally like to sit back and hold a very large amount of cash during these periods.

Our philosophy in volatile markets is straightforward. We have found that volatility never resolves itself to the upside without first resolving itself to the downside. Our feeling is we would much rather sit back and preserve capital, and maybe lose an opportunity or two, as opposed to losing money. Opportunities come along every day, money is just too hard to make and too easy to lose. Our primary mandate is to preserve capital. Currently we hold 20% of the portfolio in cash. That decision reduced our beta significantly this year. At the end of the third quarter in 2009 we were even with the S&P 500 with absolutely no drawdown. By the close of 2009 we gained an additional 800 basis points over the benchmark. Our investors not only beat the benchmark by a significant margin, they also found that their investments were at an all time high due to our preservation strategy.

TWST: Tell us about your emerging markets, international emerging markets. Chile is an interesting choice you said, and India as well as the Asia Pacific countries.

Mr. Wagner: We have found that the average US investor, unlike Europeans, are not comfortable investing a large portion of their money internationally. We've found that even when the average US investor only has 10% or 15% allocation to international, even then, they feel as if they're taking a huge risk. It's very disheartening to listen to advisers talk that way because in the last ten years the international markets have significantly outperformed the US market time and time again.

"Right now, our single best idea happens to be Chile. We like Chile for multiple reasons, first and foremost we like them because they are a very fiscally responsible country, they have a terrific monetary policy, they work on rules-based counter cyclical policy, which means essentially that they're saving when times are good in order to prepare for when times aren't so good."

What has been performing well for us has been on our radar screen since March of 2009 when we got out of the cash position we had been holding since June of 2008 and began investing in international markets, countries like China, Brazil, South Korea, and Chile.

We like to go specific to certain economies. Last year we were invested in the BRICs. We don't believe Brazil is an emerging market anymore, they're so developed. We certainly think that China has lost its emerging market status, however there are some other interesting areas to go to.

Right now, our single best idea happens to be Chile. We like Chile for multiple reasons, first and foremost we like them because they are a very fiscally responsible country, they have a terrific monetary policy, they work on rules-based counter cyclical policy, which means essentially that they're saving when times are good in order to prepare for when times aren't so good. What defines when times are good for Chile? There is really only one thing that defines when times are good for Chile, and that's the price of copper. Chile is the largest producer of copper in the world with over 5,300 metric tons of production annually. They also are the seventh largest producer of silver in the world. In addition to metals and mining, they're very big in technology these days. If you live on the east coast of the US you can guarantee that most of the fruit you eat in the winter is coming from Chile. Combine these industries with a sound banking system and a business friendly government and you have a recipe for success.

TWST: That's a story of mostly domestic growth consumption, isn't it?

Mr. Wagner: India is another great story, domestic growth, developing population and, in the near future, it will be one of the largest consumers in the world. India is focused on fiscal responsibility, the government is stimulating the economy, and not getting in the way. That's really one of the master themes that we look at when we're looking to invest. What does the government think about growth? What's their monetary policy? What's their fiscal policy? Are they trying to stimulate their economy? India is a great example. We have a very significant price target on India right now. At the height of the market in 2007, India was trading at 22 times. They're currently trading at 16, so there is a very large upside, we believe, in investing in India. Again, when it comes to India, we like to do it through exchange-traded funds.

We like just about all of Asia, countries like Malaysia, Thailand, South Korea, Indonesia and all of those countries where we're finding that they're fiscally responsible and more importantly that their governments are interested in growing their economies. That's very different than what we're accustomed to in the US. Although we are focused on investing in the emerging market space, we are also finding opportunities in some developed markets such as Canada. We like Canada the most because it has a terrific banking system, it's a commodity-based economy, and is the largest supplier of energy to the US.

TWST: What are the commodities, what are your weightings and those in that area these days?

Mr. Wagner: We have a weighting of approximately 5% in commodities, 3% in precious metals and 2% in base metals; including copper, nickel and aluminum. We have held gold for a long-time and started to buy base metals several months ago when the prices got very low. We continue to like base metals, we think they'll continue to do well. We also trade other commodities such as softs, cotton and sugar were excellent trades this year.

1-Year Daily Chart of Baidu

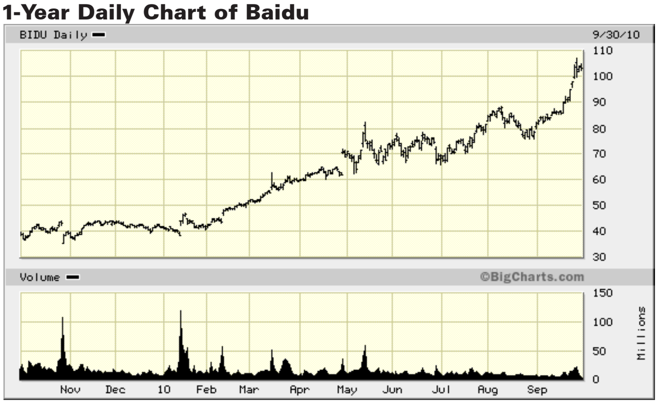

Chart provided by www.BigCharts.com

2010 has been interesting when it comes to investing in commodities. Most have invested in broad-based commodity mutual funds or in a broad-based commodity ETFs, like GSG, which is iShares Goldman Sachs Commodity Index, which have garnered little to no returns this year.

The reason most funds and broad-based commodity ETFs are flat is because they are overweighted to energy. However, if you look at the **GreenHaven Continuous Commodity Index** (GCC), which is making new highs, the reason why is simple because they equal-weight the 17 different commodities they follow.

TWST: ETFs are a burgeoning industry. They are coming out with new ones everyday. Do you see expanding into other asset classes and ETFs, aside of this portfolio?

Mr. Wagner: Right now, there are more ETFs than you can stand. We monitor over 1,500 ETFs and closed end funds everyday. The ETF is the most innovative product to come out in 30 years. The void was there and the marketers filled it. We would like to see more equal-weighted ETFs in the near future.

"We like just about all of Asia, countries like Malaysia, Thailand, South Korea, Indonesia and all of those countries where we're finding that they're fiscally responsible and more importantly that their governments are interested in growing their economies."

TWST: What about risk management? How do you incorporate that within your portfolio and your individual ETFs?

Mr. Wagner: Risk management drives everything, Longview focuses on risk management in two different ways. The first way is our rigorous and constant research. Second, is our buy and sell discipline. When we find an opportunity that meets our strict criteria, we are very careful deploying capital. We initially deploy a certain percentage of the total amount that we're willing to commit to a market or sector. If indeed we are right and the security appreciates, we add to it. If not it gets sold immediately. Every 30% loss began at 10%. The largest mistake that investors continue to make is being concerned about how much money they can make. We're not as concerned about how much money we're going to make as much as we are concerned about how much money we stand to lose if we are incorrect. Once a position has been fully established we apply an algorithm that measures price and historic trading ranges. In other words, volatility. As volatility increases we look to harvest gains and look for other opportunities. Volatility can be great if you are a premium seller, not so great if you want to preserve capital. Volatility rarely resolves itself to the upside. Draw downs like the ones in 2008 and 2009, can be devastating. Our research and relative strength calculations have warned us of major changes to the asset classes.

We began to see bonds start to perk up in April, right before the equity crash that occurred earlier this year.

Bond prices are a concern today. Bonds rally, precious metals rally and stocks rally all at the same time. There is something amiss. We believe that investors could possibly be setting themselves up for a major bear market in bonds. The duration on our bond holdings is very short so we are monitoring our positions constantly. Now is the time to be cautious when it comes to bonds.

TWST: What made you decide to branch out into these two newer equity portfolios? Tell us about the mid-cap specialty that you like.

Mr. Wagner: We have two separate mid-cap portfolios and use a global approach to equities. All are traded on US exchanges. We apply our relative strength metrics to those securities, which generates a list of securities with the greatest fundamental qualities. Strong earnings per share growth, strong sales growth, strong management and innovators in their fields.

We're looking for 125 to 150 securities that meet those parameters around the world. Once a security meets our parameters we overweight those with the greatest relative strength.

Too many managers are concerned about being overweight or underweight their benchmarks. Our philosophy is you can't beat the benchmark by being the benchmark. People pay us to outperform benchmarks, not to equal them.

Right now, the model portfolio holds about 120 positions, we also offer in a concentrated version with a maximum of 40 securities. In addition to our rigorous screening process, both of these models have our preservation overlay. The overlay is designed to preserve capital when markets are being sold. As individual securities are sold in declining markets they are not replaced until our research determines that the markets are being accumulated again.

When markets are clearly being sold, what you own doesn't matter. Price will go lower. Market leaders like **Google** (GOOG) and **Apple** (AAPL) were aggressively sold in the last bear market. It didn't matter if you owned the best companies or not, you lost money. We apply our accumulation/distribution metric to it and if the market is being sold we then begin to raise cash. The portfolio can hold a large component of cash and this year our focus model contained 18% in cash at one point.

1-Year Daily Chart of Hawk

Chart provided by www.BigCharts.com

Tactical Asset Allocation has become quite the rage in the last year or so. Everyone these days is talking about a global asset allocation strategy, picking markets and sectors and that stock picking is dead. We continue to hear that refrain everyday, which tells me that stock picking is going to be more and more important, and that a good stock picker can do very well. Although we've gotten a lot of attention on our Global Tactical product and continue to get a lot of attention, we do think that with the right screens and the right fundamental analysis, finding good companies will be key for our investors to have success.

TWST: Why are you focusing on the mid cap arena rather than the large or small caps?

Mr. Wagner: Generally when the portfolio is put together, there are some large-cap companies that go into the model, but on a total blend it ends up being a mid-cap type portfolio. Could it be argued that it is an all caps? Yes. It's a mid-cap growth portfolio. Right now, the portfolio is populated by big names that are well known about like **Baidu** (BIDU) and Apple (AAPL), and names that a lot of people don't know about like **LAN Chile Airlines** (LAN) or **Hawk Corporation** (HWK), an automotive specialty manufacturer, **Lululemon Athletica** (LULU), an apparel manufacturer. The resounding theme isn't household names, its growth.

"Although we are focused on investing in the emerging market space, we are also finding opportunities in some developed markets such as Canada. We like Canada the most because it has a terrific banking system, it's a commodity-based economy, and is the largest supplier of energy to the US."

TWST: It's fascinating to find mid-cap portfolios that have 25% foreign companies like Baidu and LAN Chile and so on mixed in with US mid cap?

Mr. Wagner: To be successful in today's markets you must think globally. Things are happening everywhere right now and limiting yourself to the US is doing investors a disservice. If I look at our entire portfolio, it has over 25% overseas. We are buying ADRs, so the risk there is much lower than if we are buying directly, and had to worry about currency exchange rates and those kinds of things.

TWST: What do you think gives your global investing approach its edge? What differentiates your investing from that at other companies with ETFs and global portfolios?

Mr. Wagner: Our biggest edge is our ability to manage risk. The application of relative strength forces us to make decisions that are very difficult to make. Because we use a mechanical process, we might be a little early but we're usually never very late for the game. Our strategy applies a strict buy and sell discipline, coupled with capital preservation. I think that's our biggest advantage. If we don't outperform the market in a given year then that's okay, but if we are absolutely outperforming the market in down years, we're going to outperform over the long run.

Our investors in the last 3.5 years have averaged about 11% per year. It was a very difficult decision for us to get out of the market in June 2008 and we went to the US Treasury and Cash in June 2008. We then sat on our hands until the 17th of March 2009, and if you thought that going out of investments into cash was hard, you should have seen what it was like deploying capital on the 17th of March, that was hell. We took a few months to get invested, but we're still able to deliver well over 800 basis points above the benchmark.

TWST: What advice would you give to investors about using a more tactical ETF approach to global markets?

Mr. Wagner: I think the best piece of advice that I would give to investors is to find a manager with a process. The most important thing in identifying an investment manager these days is to make sure they have talented people and they have a great process. Performance is one of the last things to look at.

I would look for a tactical manager that has a relatively good track record.

Most investors make a huge mistake by chasing performance. Do your research and find a manager who has been doing this for more than six months. The onset of these tactical approaches has been incredible, it seems to be the flavor of the day. There are some very good firms out there that have been at this for a long time. Unfortunately many of the large fund complexes have figured out this is something they can sell so they have launched new "tactical" products. Many are only labels, no discipline.

I think probably the best thing you can do is find someone who has been at this for a while. Find someone that has a good process, and the performance will follow. I believe that investors should have at least 30% to 40% of their portfolio invested with someone who has a tactical approach.

Our approach is to identify those asset classes that are going to provide the best opportunities for gains coupled with the best opportunity not to have a loss, which more often than not is more important. The hardest part of investing isn't the selling, the hardest part is the waiting.

1-Year Daily Chart of Lululemon Althletica

Chart provided by www.BigCharts.com

Sitting on our hands and having to wait for a really good pitch is difficult, you have to have discipline. We would rather lose opportunity than lose money. Another great opportunity or pitch is always coming at us. Lost money, on the other hand, is a lot more difficult to recover from.

TWST: Thank you. (PS)

CHRISTIAN M. WAGNER
Longview Capital Management
3512 Silverside Road, Suite 9
Wilmington DE, 19810
(302) 353-4720