



Commentary

Getting Back To Even

I watch Cramer on CNBC from time to time. Like most pundits his predictions are 50/50 but I can always learn something. The thesis of his shows for the last 18 months has been 'Getting Back to Even'. This obviously refers to recouping the significant losses of the 2008/2009 melt down.

I am happy to report that the Webb Asset Management funds are basically 'back to even.' The Enhanced Income Fund is at a new all-time high, and the Enhanced Growth Fund is approaching the old high. This is great news for those that kept the faith. It is not good news for those that abandoned ship and swam to 'dry land'.

Preceding the bottom in March of 2009, I made it clear in my monthly commentary that significant returns were ahead. Melt downs of that magnitude are uncommon, and the returns after such events are usually significant. Unfortunately, very few took advantage of the opportunity. Our funds received virtually no subscriptions at the bottom and of course had redemptions.

The Enhanced Income Fund declined -44% from a NAV of \$10.63 on 6/17/08 to a low of \$5.95 on 12/10/08. The low of the Enhanced Income Fund was put in place 3 months before the broader indexes. Interestingly, the fund had a 10% yield at that low. I tried to convince people that buying the Enhanced Income Fund when it was yielding 10% was like buying 30 year Treasuries in 1982 when they were yielding over 15%. With one purchase your investment needs were taken care of for a very long time.

The Income Fund has appreciated +78% by year-end 2010. The monthly distribution has remained the same, and thus the fund is currently yielding 7.2%. It is unlikely that one will ever see a +78% return from holding conservative assets in 18 months again.

The Enhanced Growth Fund declined -59% from a NAV of \$11.59 on 6/25/08 to a low of \$4.77 on 3/9/10. This was the same day that all global indexes bottomed. By year-end 2010 the fund appreciated +106%.

The S&P/TSX index declined -51% from 15,155 on 6/18/08 to the low of 7,492 on 3/9/10. The S&P index decline -52% from 1,425 on 5/16/08 to 677 on 3/9/09. The S&P/TSX has appreciated +79% to by year end 2010. While the S&P has appreciated +85% to 1,258 by year end 2010.

To obtain the returns of the last 18 months, you had to keep the faith during adversity. Investing is never easy and the best returns generally come during trying times. Unfortunately, the right investment decisions are usually the hardest to make.

Most investors are still afraid to get back into equities as they assume they have missed the rally. This apprehension by the public is bullish and portends further returns.

- Derek Webb

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