

Lowly Analyst Newsletter

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There Is More to Life than Money

Your life has 4 cornerstones: social interactions, nutrition, exercise, and money.

Family and work gives all of us an opportunity to interact with a group. Even when retired and children are grown, we still have that need of belonging; we still need some group interaction and it is important that we take the time to nurture these relationships, are they family, friends or church, if we belong to one.

Health becomes increasingly important as we age. We should eat healthy and, control our weight. See: T. C. Campbell, *China Study*. What matters is our overall diet, not what you eat at any one meal. Every step you take to eating healthy helps you and sets an example for others. You do not have to be perfect. Do what you can.

We also need to exercise daily. Every amount of exercise helps. The exercise program should include aerobics, strength, stretching, and balance. See: National Institute on Aging, *Exercise* (free). Balance is particularly important as we age to avoid falls.

Asset Classes: For the 6 months mid value up 12%, large value 10%, mid growth 9%, small value 8%, small growth 7%, microcap -6%, large growth 6%.

Sectors: For the 6 months, Real Estate up 27%, Software 20%, Utilities 16%, Telecom 15%, Technology 15%, Energy 12%, Financial 10%, Consumer Srv. 10%, Healthcare 9%, Biotech. 9%, Natural Rsrc. 6%, Commodities 2%, Gold -6%.

Foreign Investing: For the past 6 months Peru up 62%, Mexico 36%, India 36%, Poland 35%, China 28%, Russia 24%, Latin America 23%, Colombia 23%, Brazil 21%, Hong Kong 18%, Pacific Rim 16%, Emerging Mrk. 15%, Germany 15%, Europe 13%, Developed Ctrs. 10%, Britain 10%, World 10%, Canada 4%, Germany 6%, US 2%, Canada 2%, Japan 0%.

Real Estate Funds

1. Introduction

This is a continuation of the discussion of Index Funds. Past issues can be found on my new website www.CurtFey.com. Your comments on the website are solicited.

Real estate is an important diversifier. It generally has little common variance or correlation with other equity. It usually generates high amounts of income. Real Estate Investment Trusts (REITs) are similar to mutual funds.

Real estate funds typically do not invest in single family housing. REITs have been undervalued for a long time. Only recently did the climb up to a normal valuation.

The Blackstone Group announced in November that it will take private Equity Office Property Trust, paying \$36 Billion. Blackstone thinks that commercial real estate (as opposed to single family houses is undervalued. On the Blackstone announcement, REIT shares increased by an average of 6.1% in the next 4 days. I do not know what the real estate markets are going to do in the future but I know that they contribute to diversification. They have about twice the risk and 2-3 times the return of the market.

2. Types of Real Estate Funds

We show 3 yr. returns, 3 year volatility, Sharp Ratio (return/risk), risk grade (short term risk measure), common variance with S&P, foreign holdings (For), expense ratio (E/R)

3. REIT Index & passive Funds Tax Deferred. Turnover Less than or Equal 30%

Cohen & Steers Realty Shares, CSRSX

	RTRN	Volat	Sharp	RiskGrade
Fund	30.3%	15.9%	1.67	80
US Total Mkt	12.5	8.0%	1.12	45
Common Variance	26%	For. 4%	E/R	0.97%

TRowe Price Real Estate, TRREX

	RTRN	Volat	Sharp	RiskGrade
Fund	29.8%	15.7%	1.62	74
Common Variance	26%	For. 2%	E/R	0.85%

iShares Cohen & Steers Realty Majors, ICF

	RTRN	Volat	Sharp	RiskGrade
Fund	30.2%	17.0%	1.50	82
Common Variance	25%	For. 0%	E/R	0.35%

Portfolio highly concentrated in a few securities.

Phoenix Real Estate Securities, PHRAX

RTRN Volat Sharp RiskGrade

Fund 28.5% 16.4% 1.51 79

Common Variance 27% For 0% E/R 1.30%

DFA Real Estate Securities Portfolio, DFREX

Including hybrid REITs, Lowest turnover 3%

RTRN Volat Sharp RiskGrade

Fund 28.2% 16.2% 1.46 78

Common Variance 26% For. 0% E/R 0.37%

StreetTRACKS Wilshire REIT, RWR

RTRN Volat Sharp RiskGrade

Fund 28.4% 16.4% 1.46 80

Common Variance 26% For. 0% E/R 0.26%

Excelsior Real Estate, UMREX

RTRN Volat Sharp RiskGrade

Fund 25.6% 15.1% 1.46 81

Common Variance 27% For. 0% E/R 1.23%

Vanguard REIT Index, VGSIX

RTRN Volat Sharp RiskGrade

Fund 27.1% 16.0% 1.42 77

Common Variance 26% For. 0% E/R 0.21%

iShares Dow Jones U.S. Real Estate IYR

RTRN Volat Sharp RiskGrade

Fund 25.38% 16.3% 1.35 76

Common Variance 29% For. 1% E/R 0.60%

Vanguard REIT Index Fund ETF, VNQ

RTRN Volat Sharp RiskGrade

Fund 27.2% 16.0% 1.48 78

Common Variance 26% For. 0% E/R 0.12%

Neuberger Real Estate Income NRL

RTRN Volat Sharp RiskGrade

Fund 28.0% 19.0% 1.30 73

Common Variance 29% For. 0% E/R 3.02%

4. Actively Managed Funds. Turnover Greater than 30%.

JPMorgan US Real Estate, SUSIX

RTRN Volat Sharp RiskGrade

Fund 30.7% 15.7% 1.64 80

Common Variance 25% For. 0% E/R 1.21%

First American Real Estate Securities, FREAX

RTRN Volat Sharp RiskGrade

Fund 29.9% 15.8% 1.6% 77

Common Variance 28% For 3% E/R 1.23%

TIAA-CREF Real Estate Securities TCREX

Investms primarily in REITs. Turnover 244%

RTRN Volat Sharp RiskGrade

Fund 24.1 % 14.0% 1.49 79

Common Variance 33% For 4% E/R 0.46%

PIMCO RealEstateRealReturn Stratgy, PRRSX

RE Derivatives and TIPS. Turnover 337%

RTRN Volat Sharp RiskGrade

Fund 30.5% 19.7% 1.32 86

Common Variance 19% For 0% E/R 0.74%

ProFunds Real Estate UltraSector Inv REPIX

50% Leverage. Turnover 1441%

RTRN Volat Sharp RiskGrade

Fund 34.4% 24.3% 1.25 113

Common Variance 30% For 1% E/R 1.73%

5. Closed End Funds

There is little reason to invest in closed end funds .They sell at discounts from 6% to 14%, except JRS. Other funds are IIA, IGR, NRL, NRO, SRQ, SRO, RAP, RHR, RIF, RIT, RMR, RRE.

6. Global Real Estate

Return. Volatility, and Sharp ratio for current year. Not comparable to 3 yr. data of previous sections.

ING Clarion Global Real Estate Income, IGR

RTRN Volat Sharp RiskGrade

Fund 62.7% 12.4% 4.71 117

Annual Turnover 22% For. 46% E/R 1.34%

E.I.I. International Property, EIIPX

Invests Primarily in REITs

RTRN Volat Sharp RiskGrade

Fund 52.9% 11.9% 4.07

Annual Turnover 14% For. 92% E/R 1.00%

AIM Global Real Estate, RGREX

RTRN Volat Sharp RiskGrade

Fund 42.4% 9.5% 3.98

Annual Turnover 31% For. 53 E/R 1.66%

ING Global Real Estate, IGLAX

RTRN Volat Sharp RiskGrade

Fund 42.8% 10.3% 3.74 51

Annual Turnover 91% For. 50% E/R 1.59%

Fidelity International Real Estate, FIREX

RTRN Volat Sharp RiskGrade

Fund 42.0% 12.1% 3.11 55

Annual Turnover 234% For. 99% E/R 1.12%

Cohen & Steers International Realty, IRFAX

RTRN Volat Sharp RiskGrade

Fund 44.5% 10.7% 3.74

Annual Turnover 35% For 93%. E/R 1.70%

Northern Global RealEstate Indx Fund,NGREX

Fund only 4 month old

For. 55% E/R 0.65%

Taxable Accounts

If possible Real Estate Funds should be held in taxable accounts since they are equity investments. Dividends are often long term gains.