

## Income Unit Trust March 2010 Commentary

The Income Unit Trust had a weak month in March, being hurt by the falls in gold, shorts and our hedging positions. Hedge funds the world over have really struggled over the last year, almost all showing losses and the two hedge funds we invest in went down over the year, as well as over the month of March. Hedge funds work best when there are big movements one way or the other and the last year has seen mostly little fluctuations which hedge funds usually lose money on. Still, as we expect a big correction sometime in the latter half of the year we maintain those positions as protection against that correction.

As well our shorts suffered as they have been doing all year but again we hold on to them for protection against the next correction. With all the problems in Europe with the Mediterranean and Eastern European countries going broke, and the larger countries all getting themselves way over their heads in debt, we expect bond markets to take a big hit from lack of investor confidence which in turn should demand a big share market correction. We hold only New Zealand, Australian and German bonds in the Income fund.

Accordingly, the Income Unit Trust dropped .78% in March.

We made few changes in the portfolio. We sold the last small holding of PGG Wrightsons as they're no longer paying the great dividend they were when we bought them. We also bought the following: Royal Gold, Carbo Ceramics, and Macquarie Power and Infrastructure Income Royalty Trust. Royal Gold holds royalty interests in several gold mines and we bought it when the price of gold had gone down for a while [<http://www.royalgold.com/>]. They get a share of the profits most of which they pass on monthly to us. Carbo Ceramics controls the technology for inserting, under pressure, carbon ceramic balls into shale oil and gas fields to break apart the layers of shale, thus letting much more of the oil and gas escape [<http://www.carboceramics.com/>]. This technology is revolutionising old oil and gas fields which we expect to invest more in over the next few months. Macquarie is a Canadian royalty trust that owns power generating and other assets and pays a dividend of over 9%. This is not only a good income stream but also gives us more exposure to green power generation. [<http://www.macquarie.com/mpt/>] Let me know [[charles@cdrace.co.nz](mailto:charles@cdrace.co.nz)] if you find info about our new investments interesting and, if so, I will make them a part of all future monthly commentaries.