COMSTOCK®

Market Overview

Third Quarter 2011

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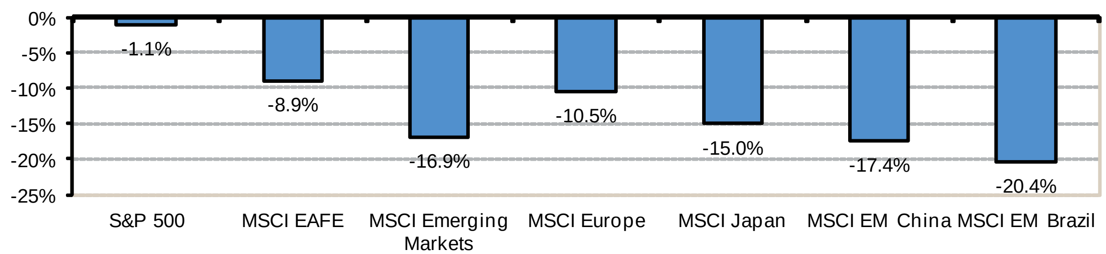
Index Performance
As of September 14, 2011

10/17/2011	As of Last Trading Day						
	Current P/E	Forward P/E	Dividend Yield (%)	Debt / Assets (%)	MTD Return	QTD Return	YTD Return
Consumer Discretionary	15.7	14.4	1.6	31.9	10.9%	10.9%	4.6%
Consumer Staples	15.4	14.7	3.1	29.1	3.9%	3.9%	7.4%
Energy	11.6	10.1	2.0	14.9	12.6%	12.6%	-0.3%
Financials	10.6	10.1	2.0	27.1	6.9%	6.9%	-19.9%
Healthcare	11.8	11.1	2.3	20.2	3.6%	3.6%	6.2%
Industrials	13.7	12.7	2.5	38.5	9.9%	9.9%	-6.2%
Information Technology	14.4	12.3	1.0	13.5	11.6%	11.6%	5.1%
Materials	12.4	11.4	2.4	25.6	14.3%	14.3%	-10.5%
Telecom	18.0	17.2	5.5	28.8	3.1%	3.1%	1.5%
Utilities	13.5	13.6	4.2	35.5	1.0%	1.0%	11.8%
S&P 500	**13.2**	**12.1**	**2.2**	**26.8**	**8.3%**	**8.3%**	**-1.1%**
MSCI EAFE	11.6	10.8	4.0	26.5	6.6%	6.6%	-8.9%
MSCI Emerging Markets	10.4	9.8	3.2	19.7	6.3%	6.3%	-16.9%
MSCI Europe	10.7	10.1	4.4	27.1	5.5%	5.5%	-10.5%
MSCI Japan	16.3	13.2	2.6	26.3	0.4%	0.4%	-15.0%
MSCI EM China	8.9	8.9	3.7	16.5	9.0%	9.0%	-17.4%
MSCI EM Brazil	8.4	8.9	4.0	22.9	10.9%	10.9%	-20.4%
Russell 1000	13.6	12.5	2.1	27.4	8.5%	8.5%	-1.6%
Russell 1000 Growth	16.0	14.2	1.6	25.4	9.4%	9.4%	1.5%
Russell 1000 Value	11.7	11.0	2.6	27.8	7.5%	7.5%	-4.6%
Russell 2000	32.3	20.3	3.4	27.3	10.7%	10.7%	-8.2%
Russell 2000 Growth	34.2	22.0	2.4	28.5	11.6%	11.6%	-5.8%
Russell 2000 Value	30.6	18.8	4.5	27.0	9.7%	9.7%	-10.6%



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The Third Quarter was Dominated by Fears over Europe

- The US economy looks like it will avoid a recession
  - Relatively positive employment and manufacturing data has calmed fears of a US recession
- The markets fear that the EU Sovereign Debt Crisis will become a continental banking crisis
  - European authorities are currently discussing a TARP-like program to which the markets have given a positive initial response
  - The EU remains committed to the Euro and making the necessary financial commitments to keep the monetary union in place
  - Risk is that events may move too quickly for the political process to cope
- Owning productive, quality assets remains the best way to invest long term
  - The stocks of high quality companies are approaching 2009 valuation levels
  - Dividend yields on the S&P 500 are now above ten year Treasury Bonds

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Risks are Concentrated on the Periphery of Europe

Table 1.1. Indebtedness and Leverage in Selected Advanced Economies[1]

(Percent of 2010 GDP, unless noted otherwise)

	United States	Japan	United Kingdom	Canada	Euro area	Belgium	France	Germany	Greece	Ireland	Italy	Portugal	Spain
Government gross debt, 2011[2]	100	229	83	84	87	97	88	80	152	114	120	91	64
Government net debt, 2011[2,3]	72	128	75	35	67	82	78	55	n.a.	95	101	86	53
Primary balance, 2011[2]	-9.0	-8.6	-5.5	-4.1	-1.7	-0.5	-3.5	-0.3	-0.9	-7.5	0.2	-1.6	-4.6
Households' gross debt[4]	91	74	107	93	72	55	69	62	68	129	50	103	90
Households' net debt[4,5]	-230	-231	-184	n.a.	-129	-204	-131	-130	-56	-60	-178	-126	-74
Nonfinancial corporates' gross debt[4]	76	138	128	n.a.	142	161	157	69	71	278	119	154	205
Nonfinancial corporates' debt over equity (percent)	105	176	89	72	106	43	76	105	218	113	135	145	152
Financial institutions' gross debt[4]	97	188	735	n.a.	148	139	148	95	21	664	99	65	113
Bank leverage[6]	13	23	24	18	26	30	26	32	17	18	20	17	19
Bank claims on public sector[4]	8	76	7	20	n.a.	22	19	25	27	28	32	16	22
Total economy gross external liabilities[4,7]	144	64	696	91	174	417	254	181	194	1,598	153	293	215
Total economy net external liabilities[4,7]	19	-52	14	7	13	-43	11	-39	99	102	20	106	90
Government debt held abroad[8]	32	7	27	20	29	68	64	53	61	59	47	57	50

Sources: Bank for International Settlements (BIS); Bloomberg, L.P.; EU Consolidated Banking Data; U.S. Federal Deposit Insurance Corporation; Haver Analytics; IMF, International Financial Statistics, Monetary and Financial Statistics, and World Economic Outlook databases; BIS-IMF-OECD-World Bank Joint External Debt Hub; and IMF staff estimates.

[1]Cells shaded in red indicate a value in the top 25 percent of a pooled sample of all countries shown in table from 1990 through 2009 (or longest sample available). Green shading indicates values in the bottom 50 percent, yellow in the 50th to 75th percentile. The sample for bank leverage data starts in 2008 only.

[2]World Economic Outlook projections for 2011.

[3]Net general government debt is calculated as gross debt minus financial assets corresponding to debt instruments.

[4]Most recent data divided by 2010 GDP.

[5]Household net debt is calculated using financial assets and liabilities from a country's flow of funds.

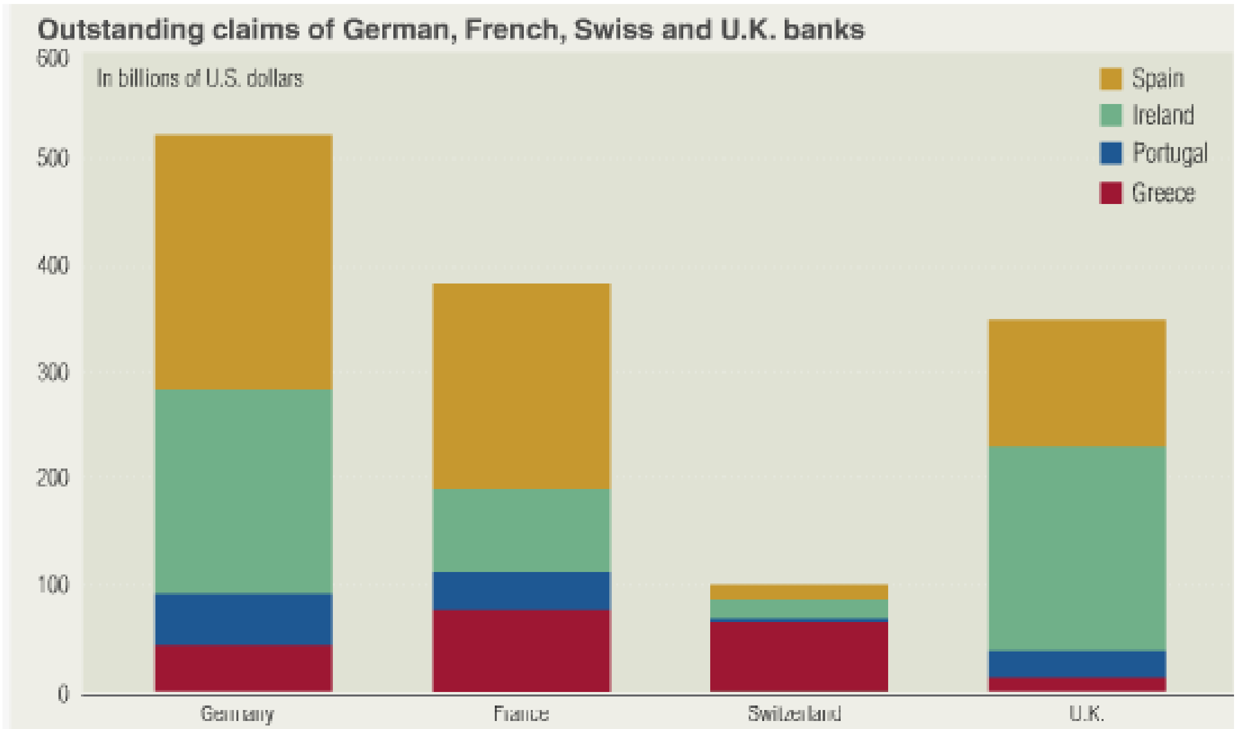
[6]Leverage is defined as tangible assets to tangible common equity for domestic banks.

[7]Calculated from assets and liabilities reported in a country's international investment position.

[8]Most recent data for externally held general government debt (from Joint External Debt Hub) divided by 2010 gross general government debt.

Source: IMF Global Financial Stability Report April 2011

European Banks are Exposed to PIGS Debt



source: "PIGS Exposure Explains 'Shotgun Greek Wedding': Chart of Day," Feb 11 2010

Bloomberg

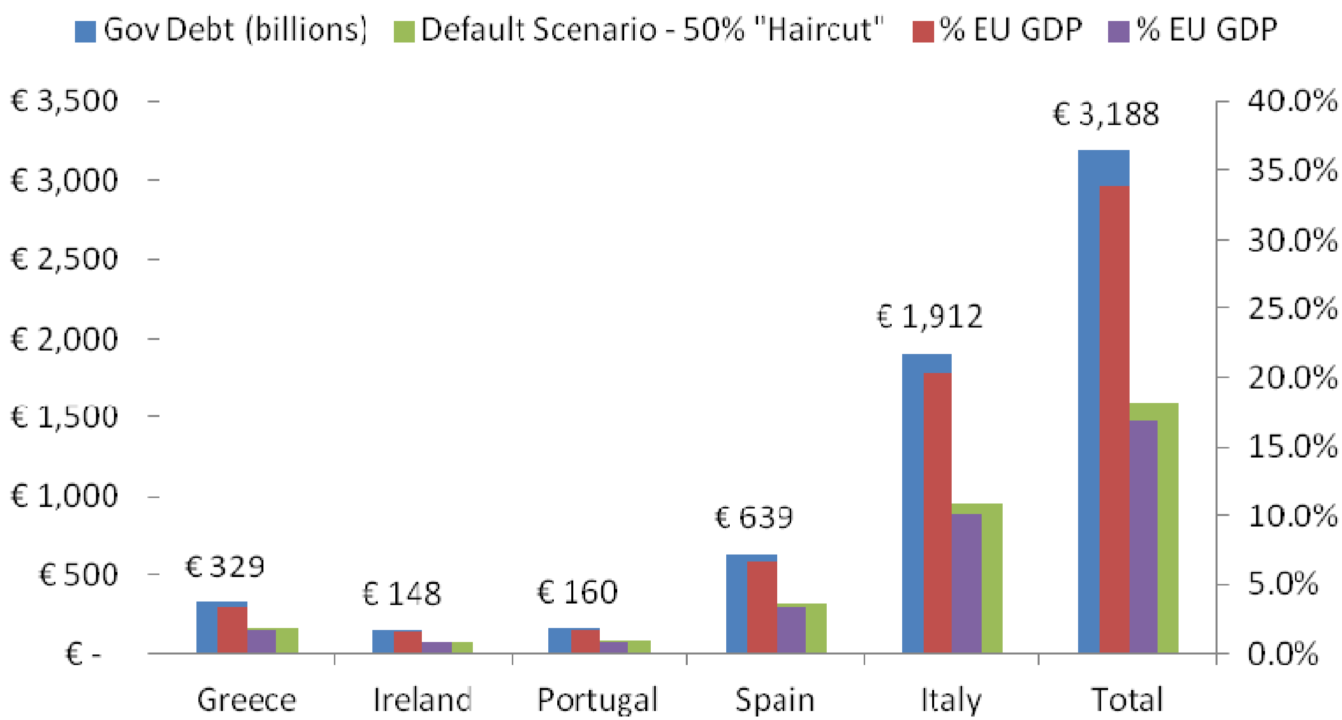
- Greek debt restructuring is inevitable, but contagion to Spain and Italy must be prevented in order to maintain the Euro

Spain and Italy Pose the Greatest Threat to the Euro

Cost of 5 Year Credit Default Swaps (Basis Points / Year)

- The probability of a breakup of the EU has increased with the recent rise in Spanish and Italian borrowing costs
- Italy and Spain represent 28% of the EU's GDP while Greece, Ireland and Portugal represent approximately 6%
- Italy has to refinance $1.1 trillion in debt over the next five years while Spain needs to refinance $534 billion over the same period

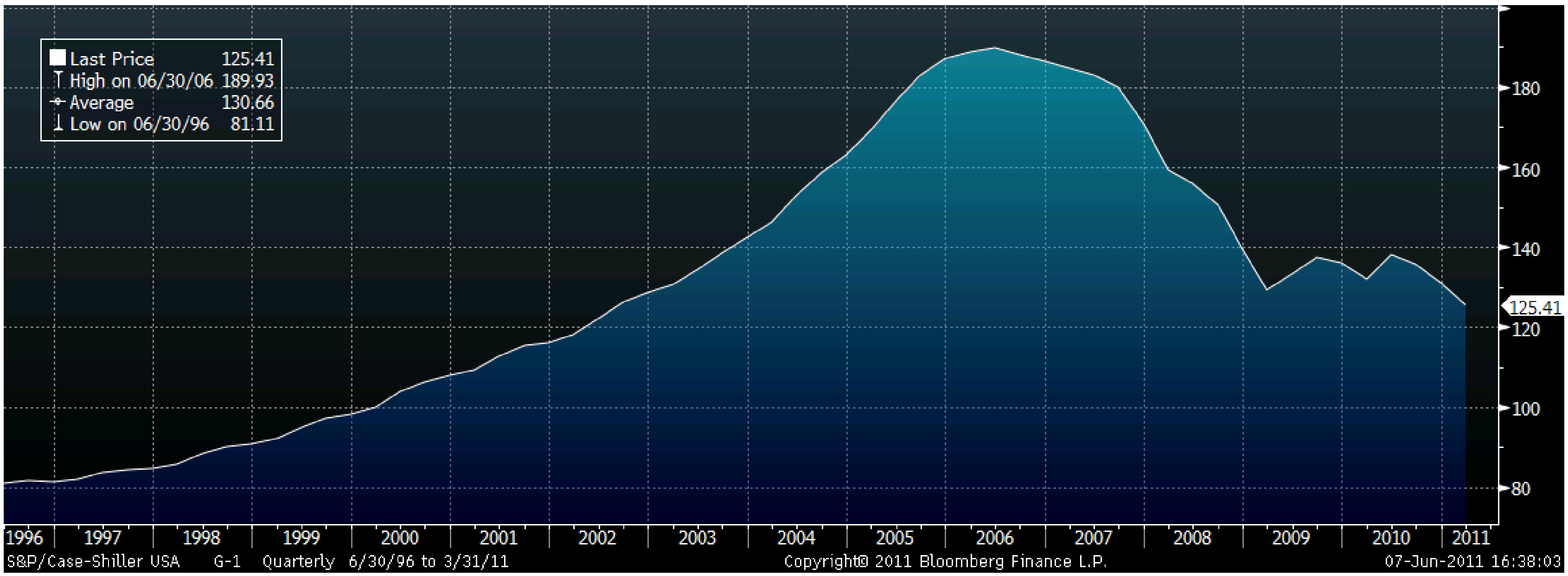
Scale of Potential EU Sovereign Debt Losses



- A worst case scenario where the PIIGS countries default on 50% of their outstanding government debt would create nearly €1.6 trillion in losses, a loss in magnitude in both relative and absolute terms to the losses from US mortgages in the 2007-2009 period
- Losses would be bourn by bondholders, primarily EU banks
  - Current discussions are focusing on a TARP-like program to recapitalize the banks

Housing Remains Depressed

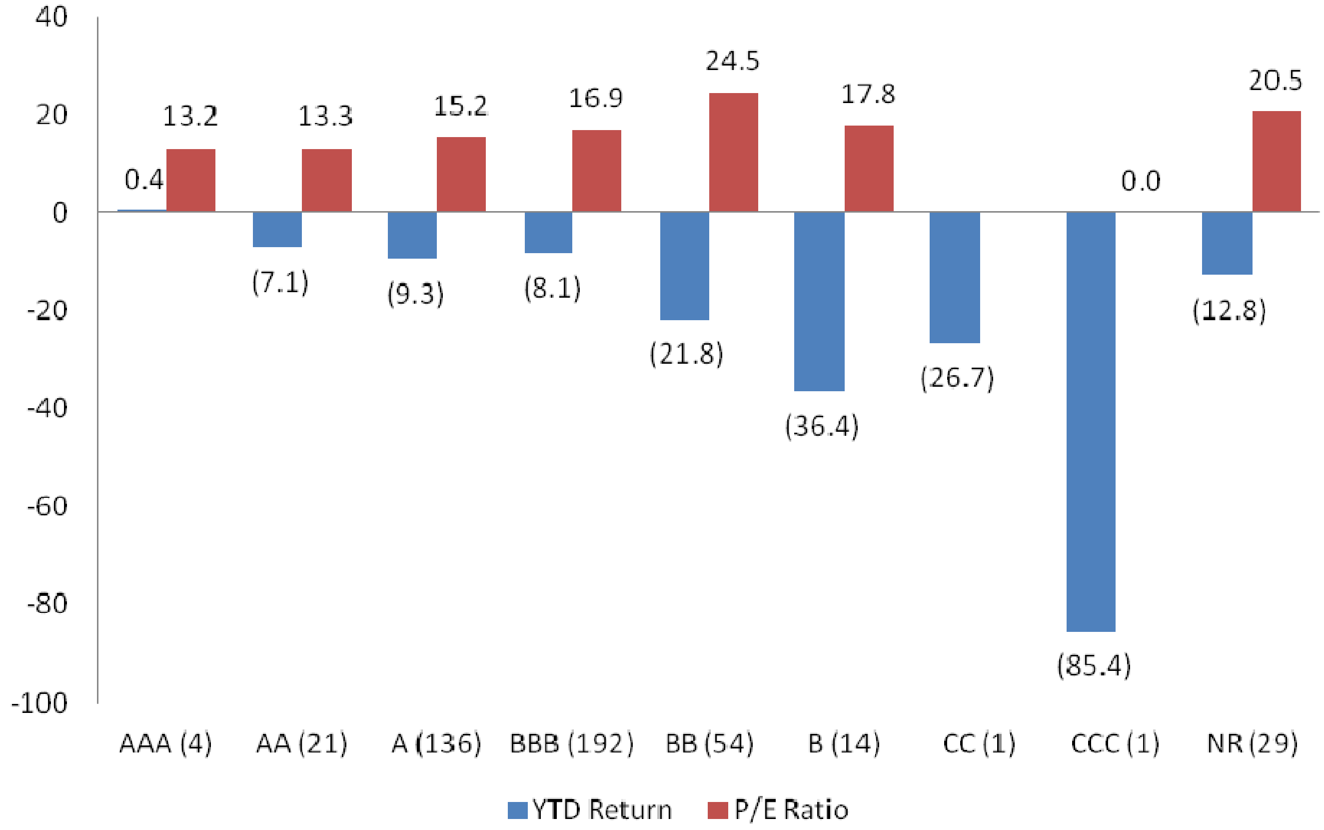
S&P / Case-Shiller US Home Price Index



- Homebuilding was responsible for a disproportionate amount of the job creation in the recovery after the 2001-2002 recession
- Employment will likely not recover until homebuilding and commercial real estate begin expanding again

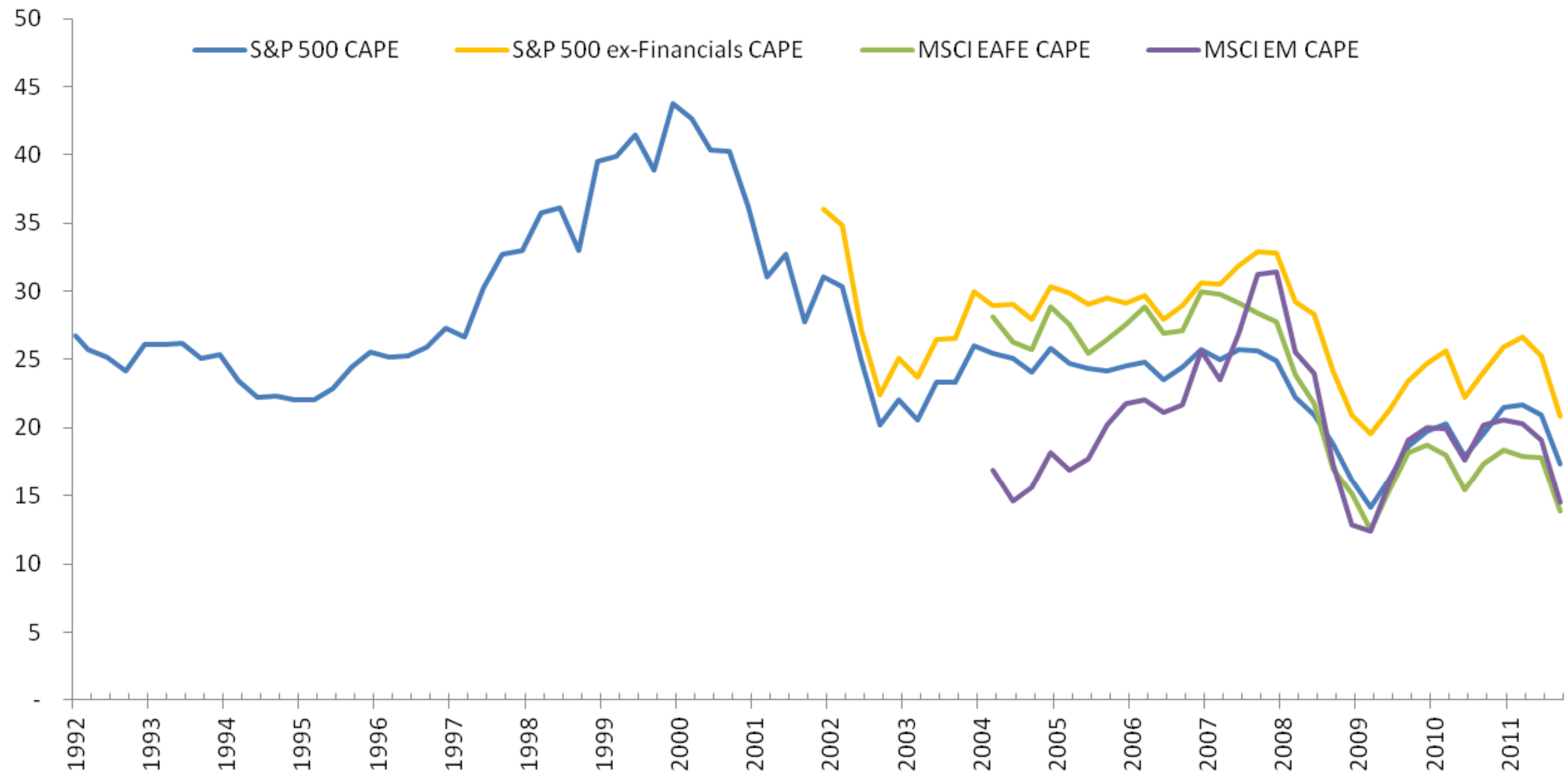
Higher Quality Stocks Outperformed

S&P 500 YTD Returns and P/E Ratios by Credit Rating



- High quality stocks generally outperformed during the market decline
- The dividend yields of these stocks are in many cases higher than that of Treasury bonds
    - Companies also have the potential to grow dividends at or above the rate of inflation

Valuations Approaching 2009 Levels



- CAPE – Cyclically Adjusted PE ratio utilizing average earnings over the past ten years, adjusted for inflation
  - Provides normalized earnings that smooth cyclical peaks and troughs

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5-6% Real Stock Returns are the Historic Norm

Global Real Market Returns 1900 to 2009 (in US dollars)

	Stocks	Bonds
World (19 Countries)	5.4%	1.7%
World ex-US	5.0%	1.2%
United States	6.2%	1.9%
Australia	7.5%	1.4%
Belgium	2.5%	-0.1%
Canada	5.8%	2.0%
Denmark	4.9%	3.0%
Finland	5.1%	-0.3%
France	3.1%	-0.2%
Germany	3.0%	-2.0%
Ireland	3.8%	1.1%
Italy	2.1%	-1.6%
Japan	3.8%	-1.2%
Netherlands	4.9%	1.4%
New Zealand	5.9%	2.0%
Norway	4.1%	1.7%
South Africa	7.2%	1.7%
Spain	3.8%	1.4%
Sweden	6.2%	2.5%
Switzerland	4.3%	2.1%
United Kingdom	5.3%	1.3%

Source: Dimson, Marsh & Staunton

- Negative real bond returns due to periods of inflation are relatively common
- In no case were long term bond returns higher than stocks
  - Catastrophic political situations such as the communist takeovers in Russia or China result in total losses for both the stock and bond markets

Comstock Investment Themes

- Focus on quality
  - High quality stocks have delivered excess returns without commiserate risk
  - While quality is a generally recognized concept, it resists simple quantification
  - Relative valuations today are attractive
  - Financial strength matters in the "New Normal"
- Emerging markets have the highest growth potential
  - Already discounted into valuations in many cases
  - Markets are mature enough to warrant multiple investment strategies
  - Avoid closet indexing
- "Rifle-shot" approaches to low-grade credit
  - An alternative to stocks, not investment grade bonds
  - Higher default rates and lower recoveries will likely be the new norm
- Hedge Fund Beta
  - Research shows most hedge fund returns represent "beta" (fair returns for risk taken) vs. "alpha" (unique skill of money manager)
    - Does not justify 2% management fees + 20% performance fees
  - Lower cost alternative to many hedge fund strategies are available in mutual funds
    - Strategies such as convertible and merger arbitrage have attractive risk / return characteristics at the lower fee levels and without the operational risk of limited partnerships or LLCs
- Quality Real Assets
  - A diversified portfolio of MLPs can yield 6%+ with 3-5% dividend growth
    - Core energy infrastructure with limited exposure to commodity prices
  - Timber & Core Real Estate represent other opportunities

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