



## **Transcript of Alpine Woods Capital Investors, LLC Quarterly Closed-End Webcast October 20, 2009**

### **Vcall**

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### **Participants**

Marc Rappaport, Senior Managing Director  
Samuel A. Lieber, President & Portfolio Manager  
Stephen A. Lieber, Chief Investment Officer  
Jill K. Evans, Portfolio Manager  
Kevin Shacknofsky, Portfolio Manager

### **Presentation**

#### **Operator**

Greetings, ladies and gentlemen, and welcome to the Alpine Quarterly Closed-End Fund Webcast. A brief question and answer session will follow the formal presentation. To ask a question, please click on the question link in the upper right hand corner of your console. As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host Mark Rappaport, Senior Managing Director of Alpine Woods Capital Investors.

#### **Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you. Good afternoon, everyone. This is Mark Rappaport, Senior Managing Director of Alpine Funds and host of today's call. We are committed to regularly keeping you informed of what our thinking and our strategy is at Alpine and that is the main purpose of this regular quarterly conference call. As we've stated before, good times or bad, we will be in front of our investors and advisors.

Our funds are unique and we believe the more one understands our differences and our thinking and how we manage capital, the more conviction one might have in our Global Dynamic Dividend strategies, built for high current income and long-term capital appreciation and Global Premier Property strategy for growth and current income. As a reminder of what these funds are not, these three funds, AGD, AOD and AWP, are highly diversified in over 85 companies each. The funds are global with exposure to over 16 countries each. And the funds are not using full-time leverage and the funds do not utilize covered call writing as part of their strategy.

Global Premier Property's fund does not invest directly in any real estate properties but rather in the listed securities of real estate related companies. The funds each pay a monthly distribution of income and have a blend of capital appreciation strategies depending on the funds, and dividend capture strategies.

We will be hearing comments from our Chief Investment Officer, Steve Lieber; our President and Head of the Real Estate Team, Sam Lieber; and the co-Portfolio Managers of our Dynamic Dividends Series, Jill K. Evans and Kevin Shacknofsky.



After hearing from our chief investment officer and portfolio managers we will respond to questions you present via the 'ask a question' link on the Webcast page.

Steve Lieber, as founder of the Evergreen Funds in 1971 and co-founder of Alpine has built teams of analysts and portfolio managers to navigate portfolios through periods of great challenge and opportunity. Steve has himself managed portfolio's for over four decades now including the country's first ever dividend income fund back in the 1970s. Here with us to start our call with his view on the current environment is Steve Lieber.

**Stephen A. Lieber – Alpine Woods Capital Investors – CIO**

Thank you, Mark. Welcome to all. I'd like to start by talking about the investment markets as they began the fourth quarter. The expectations at the beginning of the quarter after a very difficult previous 12 months are quite positive in a range. Economic statistics have in many countries shown positive upturns. Industrial production remains challenged in most countries with the major exceptions of Brazil, China, India and ...Singapore. Employment trends remain negative. With the U.S. unemployment rate now at 9.8% this remains a central concern. Recent U.S. economic activity data are moving from stabilized to mildly positive. It is widely noted that the positive are often a temporary result of stimulus factors and that basic challenges will remain so long as the unemployment rates are high and even moving higher.

But in the recent environment the equity markets show sustained strength. Notably, the Dow Jones Industrials returned to 10,000; a level first reached in 1998. This move in equities is a worldwide phenomenon led by the Chinese Index up 52.6%, India's BSE Index up 74.2% and Brazil's BBSP up 66.8%. Bond market yields remain low, however, reflecting the positive goal of the Federal Reserve in the U.S. and the European Central Banks among others. The bond environment has greatly improved, leaving fewer high yield alternatives to equity investments.

The central quandary of the economy as the fourth quarter begins is that of the building/rebuilding of demand. Strength and demand will require a rise in employment. Unemployment is still increasing; although, at an apparently ever slower rate. These pressures have led to expectations of further stimulus by the federal government. Illustratively, the Congress's program to subsidize new car buying had a positive effect and there is now pressure to renew it. Similarly, the \$8,000 tax credit for new home buyers is set to expire on December 1, but that too leads to pressures to renew it. It is widely feared that the original \$732 billion stimulus package had its major impact spread over too much time, which may result in less effectiveness when it was most needed. We expect these pressures for a stimulus expansion to increase if the economy fails to expand.

The demand will be particularly impacted by the calendar moving closer to the Congressional elections in November 2010. The Democrats could prove particularly vulnerable if unemployment remains high and shows little signs of receding. Therefore, their motivation has to be favorable towards sustained stimulus in the event of limited economic acceleration.

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Turning to the valuation of stocks, we see that they're generally returned to what is considered normal in terms of price earnings ratio, price to cash flow and price to ... But this normal is at recent lower levels of profitability, so the significant challenge to investors is to determine what the normal will be when and if the economy recovers. We would define recovery as "reduction of the unemployment rate to the 5% to 6% level." Clearly, this is a multi-year objective. But when it is achieved, corporate profits, particularly in the industrial segment of the economy, will significantly advance and normal will begin to reflect the levels of earned power seen in 2006 and 2007 and eventually exceed those.

So now, the new normal may well produce profits at levels above those seen in previous highs. In such a case, many cyclical stocks remain undervalued in terms of such a potential. This real undervaluation, however, will reflect a timing and a discounting. If it is two years, these stocks are under priced. If it is five years, they may not be. So let's turn now to one central element of this area of market valuation and performance, which we particularly focus on, dividend payments.

Dividend payments remain a particularly challenging part of the valuation of the investment opportunity today. The year 2009 saw many shocks to investor expectations in this area. Companies like General Electric and Pfizer, until 2009, were seen as consistent increasers of dividends. They could hardly have been expected to have been cut by 50% as they did this year. Similarly, major banking institutions had histories of rising dividends, though with the pressures of the time and the demand for capital strength, major banks eliminated their dividends, many going to...quarterly.

Overall Standard & Poor's reports that there were 113 dividend cuts and omissions in the third quarter. Now this was fueled in the 138 in the same period of 2008, but it is a significant multiple of the 21 cuts in the same quarter of 2007. There remained, however, a culture of dividend payments with 191 of the 7,000 publicly owned corporations surveyed by Standard & Poor's increasing their dividend distributions this year by increases, extras or redemptions. Buyback culture has also been impacted with recent quarterly evidence.

In June's quarter, the Standard & Poor's 500 companies spent only \$24.2 billion to repurchase their shares; down 72% from the same period in 2008. Standard & Poor's notes that companies spent 180% more on stock repurchases than they did on dividends in the whole of 2008, but now buyback spending is just half that of dividends. Prospects for recovery would suggest that if corporate balance sheets are reinforced with renewed earnings growth, dividends will return to a growth trend.

Management's are often embarrassed by the recognitions they've pumped corporate liquidity into retiring shares at prices often at least twice that at which they treasured just a few months later when the market declined. We think their focus is now likely to be on balance sheet strength than assuming that they can produce better per share earnings by reducing the number of shares. They may well want investors to be rewarded with dividends.

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We believe it important to emphasize that investor expectations about broad economic recovery are increasingly focused on the power and the growth of the Chinese economy. China's role as the growth factor in the world commodity markets, particularly energy and metals, has steadily grown. Its production as a low-cost exporter has overwhelmed the much industrial production in higher cost countries, such as ours. On the other hand, the rising standard of living of its population, the introduction of new technologies and its developing wealth make it a growing export market and a corporate investment market. Its huge accumulation of U.S. dollar obligations, notably treasuries, also makes them a major influence in the stability and health of our economy.

Now, I'd like to turn the discussion over to our portfolio manager, Sam.

**Samuel A. Lieber - Alpine Woods Capital Investors – President**

Greetings. Mark, if I could trouble you to advance to page four on the slides. Folks, you'll see that we've had a good year for the year-to-date for AWP, the Global Premier Properties Fund of almost 56% in NAV; a little bit more than that in terms of share price performance. That's in respect to the Citigroup World Property Index up 21% and the U.S. REIT Index up around 18%. So we're very pleased that the markets have gone our way that we've been able to outperform for the year-to-date. Certainly good one-year numbers as well. And we'd like to talk a little more about how we got there and where we see the markets going.

On page five, we show our comparative performance against the largest closed-end real estate funds and you can see the relative numbers there. And compliance tells us that we have to reveal the names of those who would otherwise remain innocent, but bottom line is we've had good relative performance over the past 12 months for these. And then certainly, going forward we're hoping to be able to continue.

Page six, we've got our NAV performance since inception at the end of April '07. And what's interesting on this is, as you can see, the relative dividends, discount or premiums. So basically we can see that we've actually traded at a larger discount over the last year as the NAV has been rising. We think that may, in part, reflect the fact that we made a decision to reduce the dividends in December of last year when we saw significant declines in markets around the world; we saw the significant declines in the dividend paying prospects of companies, and we saw that the prospect for re-equitization would force companies to de-lever and lower dividends as well.

All told, we saw a tough environment for total returns, including large dividends from real estate. However, we believe that that also opened up an environment where other markets that may have a lower dividend paying history or culture had greater upside potential. This is illustrated on page 7. We shifted the portfolio into countries such as Brazil. And you can see our weightings over the past year, 12.5% versus 7.5%, roughly; and China/Hong Kong 11% versus 6%; and clearly, the one other market which we increased, by the way, was the U.S., 31.5% up from 23%. We felt there was an opportunity here to take advantage of, again, the re-equitization of the markets.

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This was at the expense of Britain, where results, I'll recap, going on and in France we felt there were a lot of very solid markets, stable markets, but which frankly had performed better and we felt that we could shift into areas where there would be better upside. And Japan, where we're still concerned about the longer-term growth dynamic of that economy, even though the dividend yields are looking more interesting for the downtrodden REIT sector there.

Page eight illustrates the comparative returns in the U.S., Europe and Asia for stocks since roughly the peak period. These indices essentially peaked in January in the case of the U.S. and Europe, and then in terms of Asia they peaked in October of '07. So broadly speaking it's during that year when we came public, actually. And we saw considerable decline; typically 70% or 80% from the peak levels and then we've seen a good bounce since then. The highlight of that bounce since March '09, since the lows you can see the comparative returns on page 9 up 101% for REIT, 120% almost for the European stocks and 105% for Asia. Asia did turn the corner earlier; Chinese stocks in particular turning in October and November of '08. But again, this is from the broader market low of March 9, 2009.

Page ten elaborates a little more on this where we highlight the outperformance of the Chinese market that we define as a, we've got our own Chinese index in there, that is proprietary to Alpine, but we also have a Brazilian index and the Indian Bombay sensitive real estate index. You can see those are up 204% and 247% for the last two. Considerable returns. And we believe that the respective returns of these markets, notwithstanding the relative flat trend of China over the last couple of months, reflects longer-term growth dynamics available in these markets, which we think will continue to be evidenced in the share prices over the next couple of years.

Page 11, we contrast this performance with the performance of REITs. Again, up 101% since its lows, the U.K. REIT sector up 86% and the Aussie property sector up 85%. I want to highlight that all three of these sectors saw significant recapitalization going on. ...rights issues or spot issuance...has stabilized what were overly leveraged companies considering the decline in asset values, it did so at the cost of being somewhat dilutive to existing shareholders. We've increased our positions in some of these markets and then have brought a couple down since these events back in the springtime.

Now, regarding the valuations of prices, if you look at page 12, we show a chart here which combine this decade's performance for commercial and residential properties in the U.S., with Moody's national all property type index in compared to the case showing a composite 20C index. And you can see they're pretty similar. Despite the discussion of how housing got way out of whack, well, it happened both for housing and for commercial properties. It's just distinctive in that there's a lag effect with, according to the Schiller number, which by the way has a built-in lag into it of a couple of months, but Schiller's showing it peaking in early March. Our read is actually the market peaked at the end of '05 for housing. Not coincidentally, the same time with Katrina had a significant impact on the consumer psyche in our country. But more importantly, the commercial sector also peaked, notably after the tightening in '07 when commercial paper markets were hit and then ultimately as things unfolded in the

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U.S. through June and September of '08. And then precipitously since the fall of Lehman in '08.

Now this had a couple of effects. First of all, page 13, we can see how the decline in home prices has made the Schiller Index in terms of purchase, home purchase price relevant to owner equivalent rents extremely attractive again. We're now at a point where housing is as attractive as renting has been for a long time. And so the question, of course, is will we see inflation over time? That we may, but we still have a large foreclosure inventory to work through over the next year. We still have to see demand rise to at least historic 20 year levels, 20 year trend levels as opposed to just even the last 5. That, too, can happen, but it will take time for this clearing process to occur in our view. In the meantime, certainly housing is attractive to own and that will put pressure on rental income for apartments, we believe. Not much chance to really boost rents significantly over the next couple of years.

Page 14 illustrates another fact, which is very important, and that of the rapidity of decline of this sector, the commercial sector. And you can see that in the 1990s, which is the blue line here, '89 peaked onward, after the demise of the S&L and the RTC bailouts. But that took roughly 24 quarters to hit a bottom. In other words, six years. I'm not suggesting that this is going to be such a drawn out cycle, in part because we have taken the medicine very, very quickly, but that pain has brought us down considerably and I'm not suggesting that we're necessarily at the bottom yet. But again, as with housing, we do think we are approaching the bottom. We're certainly much closer to that than we were even a year ago. But you can see that this chart suggests that it may take a while for prices to clear and start to rise.

The same is true of page 15, which illustrates the different sectors of real estate and their vacancy rates. It shows you historically what the lag effect has been after a recession. This suggests, again, that typically you have to wait 12, 18, 24 months before a sector achieves peak vacancy levels following a decline. And as many of you know, real estate is a longer-term asset, longer-term leases, and that means that many companies may have leases with still a year, two, three years to run and they have more space than they need after this downturn. And unless we see a rapid recovery, they may not need to hire back and utilize that space efficiently. And, hence, that space will either come back to the market when they renew their new leases. Or, in the cases of very long-term leases – 5, 10 years or so – companies will try to sublet that space and achieve some value from it, so that could put pressure on the market for a period to come. Even though we've, again, most likely, hopefully, seen the bottom of this cycle a few months ago. So we think that the real estate cycle will continue to see rising vacancies.

Now this is particularly important in light of page 16, because we have a debt maturity profile ahead of us. Many in the marketplace were very concerned, and I remember many hedge funds being very focused on the fact last March when we were at conferences and other meetings just before the bottom of the equity cycle of this period, that we had all this debt coming due in 2010-2012. And while this doesn't represent the full portion of debt, it shows the CMVS portion, which is perhaps the stickiest. Banks eventually can liquidate or work through their problems or bring in someone else to assist, bring in another developer or owner to assist with working

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through their debt situation and clear some of that. The CMVS is going to be much more difficult to clear through and to clear out.

Right now, effectively, the servicers of this debt, or special servicers, if the case be necessary for them, can extend the maturity past 2010, 2011, 2012 on an annual basis for up to five years. So what we may see is that the amounts coming due in 2010-2012 actually get pushed back, and that suggests that we have a window, that we collectively in this country have a window when we can see perhaps the stabilization of income, the vacancy rates, a return to rising rents, which ultimately will lead to rising net operating income at the property level; albeit, again with a drag after the vacancy rate and rental rates go through the abyss; vacancies peak and rents bomb out. And then we'll start to see hopefully some inflation as well. And that, presumably, will lead to a scenario where we can start to cover some of the debts as we approach 2015-2017, because that may very well be the period when there's a true shakeout from this cycle. Not suggesting that there's not upside potential from now to then, but that that is a big hurdle that will have to be faced.

In the short-term, we refocused back on the equities on page 17 and we look at what the dividend cycle has looked like. And here we go back a few years, back to 1990. We have two charts: one showing the FUTSI nary all REIT Index that is including mortgage rates and you can see that dividend yields were 12% in 1990. Again, in '99 they were up around 9%. We went back to that at the end of '08. This chart is on an annual basis for the data points. The chart below is on a quarterly basis and it starts at 1995, but you can see that peak. And by the way, this is just for equity REITs, not all REITs. So you can see that in 1999, again, we've peaked around 9% and we had that spike back up in December of '08. But that's when share prices went into their decline and you can see the subsequent change afterwards. That reflected not just the appreciation as the yields on these stocks have dropped, but it also reflects the fact that some companies cut their dividends.

Page 18 shows the dividend yields across the number of different markets, major REIT markets. And you can see that we're relatively low yield in most of these markets right now. More specifically, we've focused on the U.S. dividend prospects. On the bottom end, you can see that the change in the REIT Index since March 31<sup>st</sup> was roughly 70% and that incorporating the dividends adjusted for the index points leads us to clearly a 20% decline in the dividend levels. Since that time the dividend yield is now 4.7%, down from 10% at the end of March. Payout ratios, though, have improved. Companies have de-levered and they have also proper dividend levels and are saving a little more cash flow, down 16%.

When we look into next year, we see that pay FFO yields, income levels approximately per share for REITs, are projected to decline about 8% or so, depending on which analyst you're talking to. And we think that the combination of a higher payout ratio, along with probably continued low interest rates for a conservable period of time, will enable companies to sustain their dividends, but that may be on a broad basis, not on a stock-by-stock basis. So we're going to all have to be careful at the different stocks that we're looking at. But we think that the question is then a matter of when does dividend income, or rather property level, NOI, increase? And what can companies do with their portfolios in terms of being acquirers in this sector

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to make accretive acquisitions. Will that opportunity really come about and over what time frame and that will be a major factor in terms of dividend growth going forward.

Finally, looking back on page 19, we show that the cumulative dividends paid out by the portfolio and we also have more detail on the portfolio level...on our fact sheets that are on page 20. And I will stop there and leave this open for questions later and turn it over to Jill and Kevin.

**Jill K. Evans – Alpine Woods Capital Investors – Portfolio Manager**

Thank you, Sam. And thank you to our investors for calling in today. Since our last call in June, we're happy to report that we've continued to achieve both of our investment objectives for AOD and AGD, which is high current dividend income and capital appreciation. Within our primary objective of dividend income, we've continued to work hard in the third quarter with the help of our analyst team to provide still an industry-leading dividend yield in the closed-end fund industry and maintain our attractive dividend payouts.

AOD's monthly dividend per share of \$0.12 results in a current annual dividend yield of 5.5% on its closing price yesterday and a 19.7% yield on an underlying NAV, while AGD's dividend of \$0.11 per month results in a 13% current annual dividend yield on its price and a 17.4% yield on NAV.

If you turn to the charts on page 22 and 24, you'll see that AOD has now distributed a total of \$5.77 dividend income since inception and AGD a total of \$6.01 in dividends. And as a reminder, these dividends need to be added back to our NAV when looking at historical return calculations.

Turning to our secondary objective of capital appreciation, if you look at the, actually, I've included numbers from both the period ending year-to-date 9/30 and actually more up-to-date numbers on 10/15. So if you turn to slide 27, we'll show you the year-to-date since Friday, October 15, AOD has appreciated about 75% in price versus the S&P 500 Index of about 23%, while the NAV has improved 24.5%. And slide 29 shows that AGD's prices appreciated about 66% year-to-date, while the NAV has improved close to 30%. Our NAV performance year-to-date has also outperformed relative to similar sized equity income closed-end funds and I would note that AOD and AGD's current dividend yield ranks among the highest in the equity income closed-end funds here.

At this point, I just wanted to take a minute to talk about the distinctions between AGD and AOD. It would help to explain the relative outperformance of AGD's NAV this year. If you turn to slide 30, we feel the primary difference being the asset size between AGD at about \$175 million in assets versus AOD at \$1.5 billion. This allows us to invest in more market cap ideas in AGD as illustrated by the average within market cap of the holdings in the fund on 9/30, which is about 40% smaller in AGD. And as you see, we highlighted at the bottom of the slide on the right that the Russell 2000, which is a proxy for smaller cap stocks, has outperformed the broader and larger cap S&P 500 year-to-date.

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We continue to focus both funds in global dividend opportunities as illustrated by our high international exposure, but AGD's size has allowed us to invest in more small cap emerging markets overseas, which has had strong performance in 2009. Last ...AOD were less restricted to generate qualified dividend incomes, which allows us to invest in non-tax qualified countries that are not restricted to a 60 day holding period, so we're able to generate a higher yield in AOD.

We're very happy, actually, with our performance of the NAV in both funds year-to-date, in that they've been able to exceed the broader S&P 500, and this is despite the fact that the dramatic rally off the marked lows in the S&P 500 has been driven by lower quality and relatively lower yielding stocks. Within this environment we've done our best to look for the best opportunities for our investors.

If you turn to slide 31, we thought it would be helpful if we showed the performance of the S&P 500 sector year-to-date through 9/30 as well as our weighting in these sectors and their average dividend yields. The best performing sector year-to-date is technology. And despite this being the lowest yielding sector in the S&P 500, we've had attractive opportunities to put close to 10% of AOD's assets into this sector. Our top performers in the tech sector have been MicroChip Technologies with a 5% dividend yield and is up over 40% year-to-date through 9/30, and we've stuck with the bellwethers of Microsoft with a 2% dividend yield and Intel with almost a 3% dividend yield, with each of those up over 35% through 9/30. These tech leaders actually have some of the highest quality balance sheets with strong earnings and cash flow growth outlooks in this global economic rebound, and we continue to like demand here.

And although there's still a fairly small dividend universe and ...that keeps us largely underweight relative to the S&P 500, we were able to go substantially overweight in the second best performing sector this year and that's been materials. We've been attracted to material stocks based on our belief of strong global demand as well as capacity constraints. One of our top performers year-to-date with over 50% capital creation has been the fertilizer maker Israel Chemicals with a 2.6% dividend yield and the diversified resource company BHT with a 2.2% dividend yield.

We just had our materials analyst, Brian Hennessey, return from an industry conference in London. And going forward, we like materials and commodities that are characterized by structural deficits and supplies where China is short and where demand is clearly improving, and we believe those sectors are copper, met coal, iron ore and platinum.

One of our current top holdings is Mitsubishi in Japan, which is an inexpensive way to participate in the met coal industry and we also still like the largest producer of iron ore in the U.S., that being Cleveland Cliffs.

The same investment thesis can be applied to the energy sector where we still like the equipment and services group, with the deep water drilling company Sea Drill being our best performer having doubled this year.

And in the context of this high data rally from the market lows, I'm sure it's not surprising that you know that the worst performing sectors year-to-date have been the

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more defensive sectors represented by telecom, utilities, healthcare and consumer staples. And, unfortunately, those also are some of the highest yielding sectors to participate and you see the yields on the right hand side of the slide. But we've also tried to be dynamic within these sectors and look for opportunities. For example, Avon Products being one of our top holdings and top performer this year in the consumer staples area; Avon has benefited from global growth in the global emerging consumers in countries like Latin America, Asia and Eastern Europe. Plus, it provides a 2.5% dividend yield. And one of our top holdings is the Spanish utility Endesa, which has been a top performer, which Kevin is going to talk about in more details in just a minute.

So I hope that we've given you a little bit of a sense of how there's been position in the portfolio to meet our objectives and provide attractive total returns to our investors. Going forward, we continue to have a positive outlook for equities, but we believe we need to be a little bit more selective here following the 60% rally off the March lows. We believe that quality is going to start outperforming as so many of the low quality names have moved very far, very fast. So we favor a global, large cap, high quality dividend payers at this point in the recovery.

As you saw, the market's ...loss a bit today as ...cases ran on the positive third quarter earnings releases. We think the next major positive catalyst is going to be the release of third quarter GDP numbers around the world towards the end of the month, which should be very strong. The U.S. is expected to post a 3% GDP growth number, which is the first positive growth in five quarters.

So we continue to see good support here for equities in the form of low interest rates, fiscal stimulus and inventory restocking as global economies improve. The obvious major risks in the market are any kind of material deterioration in global economic data or an accelerated unemployment rate, which our analyst team is closely monitoring. With that, I'm going to turn it over to Kevin.

**Kevin Shacknofsky – Alpine Woods Capital Investors – Portfolio Manager**

Thank you, Jill. On slide 32, you'll find the different country exposure for AOD. As you can see, the fund is highly diversified and it's invested in 27 countries. This is primarily as we are a stock picking fund and we focus on finding the best companies globally. So roughly 46% international as last year we have reduced our international exposure to 36% due to liquidity ...international markets. And now that the global financial crisis has stabilized, I would expect that our international expansion to increase over time.

We are now 9% in emerging markets, diversified between Brazil, China, South Africa and Russia, amongst others, and we expect this exposure to grow over time due to the higher growth rates of these markets.

On slide 33, you'll find a similar table for AGD, which is roughly 56% international, also up from around 36%. The main difference with AOD is being its higher investment in emerging markets with a 16% exposure. These are primarily emerging markets in ...that were too liquid for AOD to invest into as it is a much larger fund.

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AGD is invested in 26 countries. We also look to continue to grow our international exposure in AGD over time.

Our current outlook in general is also the rebound from the steep drop post Lehman, the developed world economy went into a period of low growth as it de-levers. In this environment dividend stocks will outperform as dividend yields will become a large portion of total returns. This will be especially true in the near future when dividend yields will be very attractive in a low interest rate environment.

2009 was a very challenging year to generate dividend yields. Large scale dividend cuts hindered our efforts. According to Goldman Sachs, our primary dividend market in Europe as represented by the Euro Stock 50, cut dividends by 36%. Currently, futures markets are predicting a further 12% drop next year. We believe this is a reasonable forecast as 2010 dividends are paid on 2009 earnings, which are...trough earnings.

The critical criteria for dividend growth in the future is with the financial sector to repair their balance sheets and to repay the government and then they will be able to review dividends.

One thing I'm pleased to report is that we are still having success with our special dividend strategy. On slide 34, you'll find an example of The Buckle; ...6% special dividend on September 21<sup>st</sup> of this year and by the time it went ex-dividend it traded ex-dividend when we sold it, it had generated a 21% return. Earnings dividends ...

Another example is on the next page, Endesa; a Spanish utility who announced a 20% special dividend in February. We helped this stock post ...as we believed it was a very good value and we still do expect it to pay further large special dividends. As of September 30<sup>th</sup> it had fully recovered the dividend and we are going to earn the special dividends for free.

With that, I'd like to pass the call back to Mark Rappaport to take questions.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you very much, everyone. If you want to ask a question, please click on the "Ask a Question" button and leave us your name, too. It's always nice in these calls to cite the questioner and keep the calls going with various questions here through a one hour call or so.

I guess the first question that comes is to you, Jill and Kevin, on the dividend fund. This is from Kevin Feldman. He wants to know, "What percentage of AOD dividend will be considered qualified?"

**Kevin Shacknofsky – Alpine Woods Capital Investors – Portfolio Manager**

Gee, I didn't have that data with me at the moment. I can tell you, though, it will be dramatically down from last year, because we had to increase the velocity of the capture strategy. And also because in volatile markets most of the capture is done in the periods around March, April, May, and the markets are so volatile that there was

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no clear direction and we did not want to risk the 51 day holding period. But I would expect a substantial drop from last year.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you. Sam, you said you think that interest rates will remain low next year. Why? There seems to be a lot of inflationary pressures out there and various opinions on that. How did you come up with that?

**Samuel A. Lieber - Alpine Woods Capital Investors – President**

Clearly, there are certain economies where there will be rising interest rates. We've already seen it in Australia as the second one that actually raises, probably expected for the next few months before Christmas. We're going to see Norway coming up soon, Brazil perhaps next year, several others. But many of these are commodity countries, commodity producers and many of them are in reasonably strong export positions given where their cheap currency and cheap labor position. India is another country that will probably raise as well. So we think that the stronger countries with higher employment levels ....level will find both the need to control inflation, but also those are the countries that are best positioned to because they don't have to facilitate growth through monetary stimulus. But whereas the countries which have offered significant monetary stimulus to sustain economic activity, we think may feel compelled to keep interest rates low.

And even if we do see an increase in the major developed G7 countries, say over the next year or two, we think that those increases will be modest. So we're seeing from a relative perspective, not necessary just vis-à-vis right now, but in a historic perspective that interest rates will remain relatively low for an extended period of time; quite possibly several years.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you. There's a lot of questions for the AOD team about the composition of the dividends. For example, Richard Rio asks, "Is the dividend that AOD paid an earned income dividend from equities?"

**Jill K. Evans – Alpine Woods Capital Investors – Portfolio Manager**

Yes. The answer to that is simply yes. Every penny we've paid out in the funds since inception has been an earned dividend income. So it's a very simple yes.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you. Sam, back to you; a couple of questions. One, the whole town here has talked about emerging markets in Brazil. Brazil has been in the news just recently. Does any of the new events of this week cause you to modify your view of Brazil going forward?

**Samuel A. Lieber - Alpine Woods Capital Investors – President**

Well, before I answer that question, I was going to say also that AWP has earned every penny that its paid out in dividends. And unlike most of us, many other funds out there does not have a high proportion of return to capital in the business.

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We think it's been very important for us to invest in these economies with a lot of growth opportunity, including Brazil, and that's where we have focused as a total return fund and been able to emphasize a higher proportion than we otherwise would have since they have relatively low dividends.

Our focus on these markets is still quite strong. I don't think the 2% tax, which was just announced last night, on equity investments, the IOF taxes, will have a dramatic effect. It will have short-term impact on stock prices today and the Brazilian reais, which was trading as low as 1.70 last week, back up to 1.72 yesterday, 1.75 today; a modest increase.

But I'll tell you, we have three analysts in Brazil right now, this week, and I was on the phone with two of them and texting back and forth with another one, and they were all excited about the prospects. By the way, we are in the smaller cities. We are not in Sao Palo or Rio. They're all checking out element activity on the ground in a number of secondary cities and the place is hopping. Lots of activity, robust economy, high spirits among many of the business people they've met. And really, a very dynamic environment. We've seen this in China as well and we've seen it in India, all of which have really rebounded very strongly over the last six months from what were, frankly, very troubling positions for everyone in the world, irrespective of whichever country they were in. But now that we've seen the growth being sustainable in these countries, I think there's a much greater conviction as to their prospects and we think they'll translate into higher share prices over time.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Wonderful. Sam, also to you, this is Thomas Poretty. Thomas writes, "Recent purchases of raw land in coastal Chinese cities have skyrocketed to \$5,000 per square meter. Is a bubble in China's real estate imminent?"

**Samuel A. Lieber - Alpine Woods Capital Investors – President**

I don't think so, but certainly we've seen prices at high levels. I think the nature of the real estate and where that's taking place, where the purchases are made is the interesting issue. And what are the implications then for those companies that are going to be developing those properties, let's say in Shanghai or Beijing, which is the most expensive in terms of development cycles.

Clearly, the days of 50% profit margin I think are past. But paying \$5,000 for a home, another depending on the nature of the project, \$3,000 to \$4,000 to \$5,000 for high end homes to be developed means that there's still room for 20% plus margin. That said, we will need to see economic growth over the next two to three years to see that take place, I think, and so it all depends on the particular project, the particular city, and the developer and their ability to execute. That is going to be a key consideration as to whether, in our determination, is really going to be looking at company by company in terms of the capability to execute in, frankly, a lower margin environment. That will really show, be a true test in separating out the capabilities of the different companies. But that said, we've also looked at other markets in central China where one could buy land, still, for \$1,500 a foot and have attractive margins. So it's not a monolithic market, by any means.

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**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you, Sam. Steve, this next question be asked to you since it's kind of a macro question about our closed-end funds, in particular the premium of AGD and AOD. This is the subject of many of the questions coming in. Mike Potay writes, "Is it a concern for investors, or from your standpoint, that AGD and AOD are trading at fairly high premiums?"

**Stephen A. Lieber – Alpine Woods Capital Investors – CIO**

Well, I don't simply think concern. It's a representation of investor attitude toward the net dividend yield and the security of the investment strategy. And it's obviously very positive, in a sense, a compliment to what we're accomplishing.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Wonderful. There's a question from Mark McKenzie regarding AWP. He wants to know your thoughts about increasing the dividend. He writes, "When will AWP increase the dividend? It's a great effort so far by the AOD team given the market."

**Samuel A. Lieber - Alpine Woods Capital Investors – President**

Well again, just to reiterate, AWP, when it was created was designed and frankly sold to the marketplace as a total return story whereas AOD and AGD have a focus primarily on dividends and on equity growth, capital appreciation as a secondary factor. We think that the fundamental strength of the real estate market is still going to be in economies which have left a dividend paying culture currently. That said, we have seen a movement towards recent India and China and the Philippines and Brazil, and this all can happen over the course of the next couple of years.

If we have the opportunity, as we look forward towards dividend paying prospects, even as soon as the next quarter or two, certainly we're going to take in any information that we receive and have a sense of the dividend paying power on a going forward basis. And we will continue to monitor that. And if we think that the prospects are good for raising the dividend, we would be delighted to do so. So we're monitoring it. But remember, the overall focus currently, I think, and opportunity is still in terms of total return will be on the side of growth more so than dividend paying, with regard to real estate, which as you can recall is a very capital intensive business and where the capital flows, frankly, are going to be going to the areas where there's more growth as opposed to the more established markets, which have to work through their debt problems first.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you, Sam. We probably have a couple of questions more here before we have to end the call. This one comes from Cicero Lindareah. Cicero writes, "Do you believe in a recovery of the banking in the U.S. given that the U.S. bank, regional banks, are now attractively priced? Also in view of their property holdings and high correlations to the REITs performance, do you think that after repayment of their TARP funds their stocks will take off and that the ones that cannot repay the TARP funds can, perhaps, continue to keep their tier one ratio solvent by selling some of the REITs as assets?"

**Stephen A. Lieber – Alpine Woods Capital Investors – CIO**

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Well, it's a very appropriate question after the experience we've had in the last couple of years. If you look at it in a historical context, every time we've had a major banking crisis, under financed banks carrying loans on their books which are overvalued, we've gone into a very prolonged period of correction and restructuring. That period had begun and we will see, I quite believe, a much healthier banking system emerging from this.

Last week there was a banking conference, it was interesting to note, that representatives, original banks, suggested that the number of mergers likely to ensue here will bring the size of the banking industry down to 5,000 U.S. banks from the recent 8,000 level. And this will be consistent. If one remembers, going back to the beginning of the Reagan Administration, we had 21,000 banks in the U.S. And in this case, weaker will tend to be absorbed; bigger banks will want deposits and strength will return.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you. Anybody else want to add to that before we move to the next question? No? Okay. Jill, this is for you and Kevin. This is from Tom Leonard. "Pharmaceutical companies have negotiated some favorable legislative language in the pending national healthcare bill being debated in Congress. In light of that, and given the low valuations and high dividend yields of stocks of such companies, why do you not have a higher weighting in that sector?"

**Jill K. Evans – Alpine Woods Capital Investors – Portfolio Manager**

That's an interesting question. The healthcare legislation, as you know, has been a changing story from day of the week to month. We had been underweight heading into this uncertainty and its been a good strategy. As you can see, the healthcare sector has underperformed. We have kept with the healthcare stocks that we think would be more immune in this legislative risk area. Some of the generic companies we think are going to do well, like Tampa Pharmaceuticals, we've kept with some of the kind of makers of products like ...or Baxter, which we think are going to do okay in this environment on an alcon, so we've avoided, actually, a lot of the large pharma stocks heading into this because of the risk.

But with that said, you're absolutely right that as we get a clearer idea of what's coming, we are looking for opportunities. For example, we recently added to our position Abbott that had pulled back. We sold Abbott towards the higher levels at the beginning of the year. It corrected nicely; it has what we saw as pretty good earnings last week and we actually added to Abbott at these levels. So you are correct in pointing it out that we have a very good pharmaceutical team here, a healthcare team that we're working with to look for opportunities as maybe these stocks have corrected more than enough to represent the legislative risks and we'll let you know.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you. The last question is for the dividend team. It's from Michael Braemer. Michael writes, "AOD's stated strategy is to look for the best dividend opportunities for investors. With the economy stabilizing and some companies beginning to show more profitability, these companies may be faced with a decision to increase dividends or to reinvest for capital improvement, especially in technology. The pace

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of technological innovation has not decreased during the recession and many companies have held off unnecessary technological upgrades. For AOD, would this strategy be to continue to invest in traditionally high dividend companies, even if these companies decide to do a substantial capital reinvestment and then look for long-term dividend gain or shift to investing in companies which expect to pay higher dividends?”

**Kevin Shacknofsky – Alpine Woods Capital Investors – Portfolio Manager**

In both of our funds we have three strategies. First is value with a dividend. These are lower PE companies with high yields. And second, we have growth with dividend, but a growing dividend. We are always looking for opportunities in both of these strategies. Our third strategy began doing cap strategy where you generate most of the yield. I would comment that most of the ideas that you have recommended do fit in our growth strategy, where we see lower yields, but definitely opportunity for capital appreciation, which is something we're definitely interested in.

**Mark Rappaport – Alpine Woods Capital Investors – Senior Managing Director**

Thank you, Kevin. And thank all of you for logging in here and joining us on our quarterly update and view of the markets here.

We will have this Webinar available for replay. We understand that the slides are not manipulated individually. The Webinar is formatted, but during the replay it will give you the opportunity to go to any of the slides that you care to for as long as you care to. That will be available on our Web site [alpinecef.com](http://alpinecef.com). In fact, a fact sheet and the toll free numbers for any kind of dialogue with our wonderful distribution support is available through the Alpine CEF Web site as well.

Thank you so much for joining us. We'll be back to you next quarter with another update.

**Operator**

Thank you. This concludes today's teleconference. Thank you for your participation.

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