

Transcript of Alpine Funds

Alpine Quarterly Closed-End Funds Webcast June 15, 2009

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Participants

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

Presentation

Operator

Ladies and gentlemen, thank you for joining the Alpine Quarterly Closed-End Funds Webcast. At this time I would like to turn the conference over to Marc Rappaport, Senior Managing Director of Alpine. Thank you, you may now begin.

Marc Rappaport – Alpine Funds – Managing Director

Thank you Shea. Good afternoon everyone. This is Marc 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 strategy is at Alpine, and that's the main purpose of this regular quarterly conference call. As we have 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 here at Alpine 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 Properties strategy for growth and current income.

As a reminder of what these funds are and are not, these three funds are diversified in over 85 companies. The funds are global with exposure to over 16 countries. The funds are not using full time leverage and the funds do not utilize covered call writing as part of their core strategy. Global Premier Properties 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 strategy 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 Dividend 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 managers to navigate portfolios through periods of great challenge



and opportunity. Steve has himself managed portfolios for over four decades now including one of the country's first dividend income funds back in the 1970's. Here with us to start our call with his view is Steve Lieber.

Stephen A. Lieber – Alpine – CIO

Thank you Marc. I would like to speak about the role of dividends. The role of dividends has changed in this period of severe economic pressure and equity market declines. We all know that the number of dividend cuts this year has far exceeded the number of increases. We have seen the shock to the markets; from the 50% dividend cuts of General Electric and Pfizer and the reappraisal of financial institutions after years of consequently increasing their dividends to now having them reduce them to a nominal amount in many cases. This raises the question as to what is the role of dividends in any future market recovery. Each decline and in some cases elimination has certainly reduced investors' faith in profit outlooks of companies which cut their dividends. That faith is being tested broadly but as the economy recovers we believe that investors will judge the financial strength and profit health potential of companies based on their ability to sustain and even increase dividend payments.

For most of the last decade the focus of corporate managements has very much been on using excess earned capital to buy back stock. Over the last year they have found that as prices of stocks fell sharply, they often looked foolish for buying their own company stock at higher prices than the subsequent market levels. They often recognize that the prices of their shares would have held up better if they'd have had significant dividend support instead of just concentrating on buying stock back. Many are beginning to realize that the total return which investors look for consists both of dividends received and capital appreciation. The issue of a possible tax increase on dividends has to be taken into account, but it also should be realized that a large segment of the investing world consists of institutional investors such as endowments, foundations and philanthropies which have suffered greatly from a fall of their assets and who seek a steady flow of income to meet their operating needs. This too will be a pressure for sustained and rising dividends during the expected period of recovery. As economic strength rebuilds we believe that managements will want to demonstrate the strength of their companies through paying dividends and even increasing and ultimately accelerating dividends. Thank you.

Jill K. Evans – Alpine – Portfolio Manager

Okay great thank you Steve and thank you to our investors for calling in today. Since our last call at the end of March we're happy to report that we have been able to achieve both of our investment objectives for AOD and AGD which is high current dividend income and capital appreciation. I have included some performance charts in the presentation that you have but I just want to run through some numbers quickly and I will use some round numbers. Since the market closing low on March 9th through Thursday of last week when we had to submit these slides, both AOD and AGD have appreciated about 90% in price versus the S&P 500 index of about 41% and both NAV's have improved about 36%. For the year to date 2009, AOD's prices appreciated 40% and AGD's 22% versus the 6% increase in the S&P 500 and AOD's NAV has grown 9% and AGD's 7.5%. Again, these numbers are in the presentation packet.

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We are very pleased that our NAV has actually exceeded the year to date performance of the broader S&P 500 index. However NAV has lagged the rebound in the S&P 500 since the market bottom lows in March and that can really be attributed to the incredible rebound in the financials. The challenge we have been facing is that since so many of these companies had dramatically cut or eliminated their dividends it is pretty difficult to have participated fully in the financial rally. Just to kind of show you what's been happening in the past few months, if you look at page 9 in the slide package we have a sector breakdown performance for the S&P 500 and what's really remarkable is that the financial sector is actually up less than 1% year to date, however since the March lows they rallied over 100% and yet they are still down 63% from the peak.

In 2008 and early 2009 Kevin and I made what we believe was the right investment decision to avoid many of these financial stocks because of their rapidly deteriorating fundamentals and the threat of nationalization that took us to the March lows. But thanks to the aggressive policy actions taken by governments around the world, we may have put a floor in the bottom for the financial sector equity prices but now the dividends are much more difficult to find. If you turn to page 10 in the presentation, I tried to illustrate just how dramatically the US financial companies have changed in the past two years and this sector used to be one of our largest areas of global dividend capture and US pair trading strategy. This chart shows what was the top 20 members of the S&P Financial Index at the end of May 2007 just prior to the financial tsunami. As you see, seven of the top 20 firms either don't exist anymore or the government is the major shareholder and we have highlighted those names. But looking at the dividends available in this group, for example if we bought one share of all 20 of these stocks in 2007, we would have received a dividend of over \$28. Today that same basket of stocks would provide us a dividend of less than \$7, a decline of 76%, and the average of these 20 stocks that yielded close to 4% in 2007 are less than 1% today.

So within this financial sector we try to be creative and look for opportunities for investors which combine our search for dividends and total return and, for example, we have added some asset managers like the Man Group in London with a 10% dividend yield which should benefit from a rebound in asset values and money inflows. We recently bought a basket of Chinese banks with the yield averaging about 3% for our dividend capture trades and these stocks have provided us very good returns over the past month and we have held onto our US industry leaders and JP Morgan and Morgan Stanley.

Now turning to a discussion of our primary objective of dividend income, as the financial sector illustrates, we continue to be in an unprecedented time of dividend cuts. Within these challenging markets we are continuing to work hard to find the best dividend opportunities for our investors. We have now declared our current dividend income payment levels through August 2009 with AOD paying a monthly dividend per share of \$0.12 and AGD \$0.11 per month. These dividends still represent very attractive current dividend yields of about 19%. Now we have always stated that we have flexibility in allocating assets within our main sub strategies of dividend capture, value with a catalyst and growth and income and based on the current market conditions, we have intensified our dividend capture program in order to maintain our

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current dividend payout. Now if you look at charts 11 and 12 you will see that AOD has now distributed a total of \$5.22 in dividend income since inception and AGD a total of \$7.04 in dividends. And as a reminder these dividends need to be added back to our NAV when looking at historical return calculations.

So going forward how are we positioned in the portfolio? At this point we believe the outlook for the equity markets remains positive throughout the remainder of 2009, based on our view that this economic data is going to continue from depressed levels. However the markets have come pretty far pretty fast, so some of the rebounds may already be priced in, particularly in many of the lower quality stocks, so we may be entering a period of consolidation or more muted increases but we are still positive for the outlook based on some of these following catalysts. One is the rebound in auto production. Auto production is estimated to grow 50% from current levels through the end of the third quarter. This is going to drive demand for company's materials, energy and industrials. For example; I'll throw out a rough statistic that we used to use in the railroad sector; one carload of finished autos drives about 7 carloads of inputs that go into autos, like sand for glass, chemicals for plastics, coal for steel and steel finished product. So you can understand the multiplier effect that we expect from an increase in auto production from these very depressed levels. We also have the cash for clunker stimulus program coming, probably in the fourth quarter which will provide incentives to replace older cars with new fuel efficient cars. These programs have already been implemented in countries like China, Germany, India and Brazil and they've created very strong auto demand.

Another short- term catalyst is our emphasis on the global restocking theme. Now that we have seen the stabilization in many of the world economies, companies are beginning to rebuild their slim inventories and we are beginning to see a turn around in global industrial production. We also have the impact of the massive fiscal stimulus programs around the world which are beginning to kick in. Interestingly, the Obama administration has been providing and started to provide in April, weekly numbers on the amount of stimulus funds that are being paid out. This currently stands at \$44 billion at the end of May and this is expected to rise to over \$250 billion by the end of 2010.

And certainly another catalyst has been the global coordinated ease in interest rates as credit markets have stabilized and banks have started to increase their willingness to make loans. The result of all this, as we said, is we're starting to see a rebound in economic data, globally particularly in many of the emerging market economies and in China. Now we would balance these positives with certain things to keep an eye on, on the risk side, one is the recent rise in interest rates which has somewhat dampened the outlook for a housing rebound, but let's not forget, early in an economic recovery it's normal for rates to rise as money comes out of treasuries and into higher risk alternatives and positive yield curves have been a very strong predictor of future economic recoveries and that's what we have right now. Another negative is the recent rise in energy prices which increases costs for constrained businesses and consumers. Unemployment is a lagging indicator or likely be a drag until the fourth quarter but it is something to obviously keep an eye on. And we are going to continue to see households de-lever which could be a drag on personal consumption. The personal savings rate in the US rose to 5.7% in April which is the highest level since

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1995. Lastly, with equities having rising 40% off the low some of the valuations are less attractive and we are working very hard to find those values globally.

So in summary I want to quote the Nobel Prize winning economist Paul Krugman, who recently said “the oh my God, the world is ending phase of the economic downturn is likely over and global financial markets have stabilized”. Looking forward Kevin and I are going to continue to search the globe for companies with strong and sustainable earnings in cash-flow growth and where we believe we can capture attractive dividends and earn a positive total return and with that I will pass it on to Kevin to talk about the international markets.

Kevin Shacknofsky – Alpine – Portfolio Manager

Thank you Jill. When AGD and AOD initially started, we had a target of around 30% exposure in the US and 70% internationally. International exposure is mostly in Europe where obviously we found very attractive dividend yields. At the end of last year we changed the target exposure to approximately around 30% international and 70% in the US, as we believed that the European authorities were behind the curve in addressing the world financial crisis. Since March we have seen a change in direction in the European financial authorities and since we see an improved outlook in this region, we have increased our exposure to around 50% outside the US and obviously 50% back in the US.

Also as a result of the Chinese success in stimulating their economy we now have around 5% of the portfolio invested in Chinese stocks, listed in the Hong Kong market, where we are finding attractive growing yields. It is our belief that this recovery is dependent globally on government spending and China, who have the most dry powder to spend, looks like one of the most attractive markets to invest in. We expect to increase this exposure in the medium term. Dividend investing continues to be a challenging task. In the US according to the S&P, companies continue to cut dividends in historically record numbers. Through May 25th, dividends were cut or suspended in about 63 of the companies making up the S&P 500. This compares with the record 62 companies in the index that cut or suspended dividends during all of 2008, and with just 12 companies in the index that cut or suspended dividends in the whole of 2007.

Our experience in Europe has mirrored that in the US. Historically sacrosanct dividends have been reduced in importance to balance sheet strength and capital conservation. An internal study focused on our liquid higher yield dividend capture universe outside the US conducted last month found that on average companies cut dividends by 42%. The weakest important markets being Italy, France and Norway. Another head wind for our dividend capture strategy has been declining liquidity with our study showing liquidity in our target universe falling by an average of 29%. The majority of dividend reductions have been in the financial sector which probably has bottomed this year because you can't really cut below zero. However as dividends are paid on prior year earnings we expect sectors like industrials whose earnings will only bottom in 2009 will experience further dividend cuts in 2010.

To combat these head winds we have increased the velocity of our dividend capture strategy and we have reduced our average holding period. Thus the amounts or

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percentage of our dividend income which is qualified will fall. On the investment side our favorite investment theme is agriculture. We still see a structural imbalance between demand and supply created by emerging market organization. We continue to hold names which you held right through the downturn like Monsanto, Syngenta and fertilizer names like Israel Chemical and K&S. And with that I would like to conclude this summary and pass the call over to Sam Lieber.

Samuel A. Lieber – Alpine - CEO Ian Yeskoo

Thanks Kevin, You know from our perspective, the wonderful world of real estate has been one of the most capital intensive industries and as a result has been significantly impacted by this financial crisis, most notably since the collapse of Lehman Brothers back in September. One of the illustrations of this is the recent round of re-capitalizations of companies through secondary offerings. This has been a worldwide phenomenon but just to focus on what we've seen in the US, 50% of the secondaries issued have been for financial institutions, banks, insurance companies and other related industry players, 12% have been for REITs. By market cap REITs are far smaller than that proportion but it shows you the importance of companies as they rush to repair their balance sheets.

Now has allowed these companies not only to stabilize their operations but it has allowed many of these real estate companies to build a war chest or to begin to build a war chest for future opportunities. We are not there yet. However, it's our belief that the environment that we are entering into for the real estate companies is going to be similar to what we witnessed back in 1992 through '95 when the modern REIT era began. At that time equity REITs recapitalized the real estate sector after the S&L crisis depleted many companies and many of the finest real estate companies in the US became public players. We think that we're going to see this except not just on a US scale, we are going to see it on a global scale. However, the places where there is the greatest pressure in terms of real estate which is under capitalized has been primarily in the US, the UK and to a lesser degree Europe, because this is where we have seen the use of various financial technologies to enhance the profitability and returns of real estate over the last five years or so. So where we have seen commercial mortgage backed securities flourish is where we will see the most pain and this also will create much opportunity. However; this is going to take a period of time, certainly we have not seen many properties come forward from banks or from again the CMBS market, we think this will expand over the next 6-18 or 24 months, and this will be a period of opportunity. Until then we are focused on growth and where we find that growth, and as a result we are focused on China, India, Brazil and some of the smaller countries in the Middle East and Asia. And as a fact, last month we went to China and India to get a better up to date feel for what's going on the ground in the property sector.

Now, I should tell you that our portfolio as of April 30th, that's when it will be releasing these numbers shortly in our annual reports, so we can tell you detail, have increased their US exposure from 20% to 32%. Again, we were taking advantage of many of these recapitalizations and extremely depressed prices of US real estate stocks. Our Brazil exposure also increased from 6% to 8.5% and China grew from 1.3% last October to 6.4%. So clearly we have become more aggressive in our approach to these markets. India was around 4.5% and that was before the very favorable

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election results last month. Now, you can see on page 14 how the net asset value of AWP compared against its three major comparable players in the sector. We have been very pleased with that development but more explosively we've seen very good performance vis-à-vis the index which we use which is the S&P Citi Global Property Index and so we are pleased there that we have been able to put up good numbers year to date, up roughly 24.4% through Friday and that compares with the S&P index up 13.1%. So we've done well competitively and we think this reflects the broad rounding of the portfolio in 23 countries right now, as well as the rising exposure to where we see growth as well as the value opportunity that is still playing out.

There is also again more discussion on total returns, both comparing market price and NAV. We don't understand the near 20% discount given the growth that we have been able to generate in this portfolio and the value that we see in the portfolio. There is also discussion and chart on dividends as you can see but most importantly I would like to bring your attention to page 17 because that addresses some of the prospects for not only real estate but our whole investment operation globally. And this is longer term data, so it's not necessarily going to filter into the market immediately today but it will be a back drop for what we do and I think Jill and Kevin mentioned this in some of the stock selections that they have brought up in this call. And you can see basically data from the IMF showing GDP growth from 2008 through the current period and projected out 2010 to 2014 and clearly the advanced economies and the G7 developed countries are going to have a modest but relatively slow growth period. That will accelerate of course as we get into 2011 and recovery mode.

Meanwhile the emerging and developing economies will continue to grow and move further ahead and in fact developing Asia we think will grow even faster than we see in the IMF data here. So we see clear demand for goods, services, products and particularly for real estate, that's also supported by potential population growth and you'll see the chart below which shows G7 Europe, North America and the BIC population, BIC countries. You can see the pattern historically but more importantly the period 2009 through 2050 we are going to see modest G7 growth but breaking that down a little more Europe -5.6% growth will make it difficult to be less than significant driver of demand for good and services. North America will grow as we are again going to continue to, I think, be the beacon of hope for many people from other countries who want a better life. Of course Brazil, India and China will also grow and particularly so, Brazil and India. China's one child population rule will actually lead to slowing growth after 2020-2025, but this of course deals with a longer term picture.

Right now we think that these factors will play out but more importantly the short-term period is going to be a choppy one, contrasting the stability and growth, moderate growth in the emerging countries and the more difficult adjustment through deflation and deleveraging that has afflicted the developed markets. This will change but the markets as always, are forward looking, the markets have already priced in, we believe in some cases more than the damage that we are going to see, and we think that we can look forward to recapitalization not only of this sector but a rejuvenation of global economies over the next several years and we think that that is what other investors will be focused on. So hopefully this has been of some help and I would just like to turn this back to Marc Rappaport who will then open things up for questions.

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Marc Rappaport – Alpine Funds – Managing Director

Thank you very much and again if you were to just click your “ask a question” link we’ve already got some questions coming in even prior to the call starting. So we will take that one first it’s from Mike Hanlon, he has got several questions. I’ll highlight two, just in the interest of time and fairness to everyone.

Mike asks first of all, about portfolio turnover for AOD, Jill and Kevin. He said it looks to be increasing but hard to tell, not necessarily a bad thing in a dividend capture strategy but we noted that the core holdings didn’t change that much in 2007-2008. Do you see turnover moving higher?

Kevin Shacknofsky – Alpine – Portfolio Manager

In our last public balance sheet or accounts in October, I think the reported amount was around 300% turnover. Historically it had been around 200%, so you can see there was an increase, you know I think it will probably even increase from that level, although I don’t have data right now. And the second part of the question? Oh core holdings?

Jill and I, as you know, have three strategies in our portfolios, dividend capture, growth with a reasonable yield and value. And in the value and growth buckets we invest long-term and these are companies which have great management teams, good competitive advantage and in structural long-term attractive industries and our intention is to hold pet names like that for the long-term as they play out.

Marc Rappaport – Alpine Funds – Managing Director

Jill, Mr. Hanlon also asks overall market forecast for equities, what are you guys expecting over the next 12-24 months, recovery, further weakness? A penny for your thoughts!

Jill K Evans – Alpine – Portfolio Manager

Well thank you. I covered a little bit of that in our remarks that we think that at least in the short-term there are a number of levers that should be able to support at least the economic data which will then hopefully support the equity markets. As we mentioned, I mean just over the next couple of quarters, just the rebound in auto production, the inventory restocking, the fiscal stimulus, those things alone we are hoping to drive a nice turnaround in the data and as I said hopefully the equity markets. I think the question becomes once these stimulus packages are over what’s really going to happen beyond that, that kind of takes us into 2010 and I think we’re all in an agreement that we need to see employment pick up, we need to see these stimulus efforts translating into employment because in the end it comes down to people having jobs. And I think we are probably maybe a little bit more cautious about that in the US, but if Sam maybe can elaborate, in emerging markets, it’s very exciting about what’s going on. So I think we see a lot of opportunity there, to take advantage of some of those opportunities overseas for growth. But I think in the short term as I said there is definitely more risk coming in with interest rates backing up and fuel prices, but overall I think that the next couple of quarters could be pretty interesting for the equity markets. So I don’t know Sam if you want to elaborate on that at all.

Samuel A. Lieber – Alpine - CEO

No, just look our view is that companies have cut severely, many companies last fall cut at an unprecedented rate, their variable cost structure, anticipating perhaps even a far worse economic slide than we've experienced to date, so we think that come the third quarter, possibly even some hints of it in the second quarter data, but particularly third quarter we are going to see companies potentially having significant operating margin expansion, even if revenues are a bit soft. As Jill suggested we are going to want to see top line growth come through and that top line will probably wait until we start to see job creation return but hopefully, as the automobile sector starts to catch on and then as the housing sector bottoms over the next 12 months or so we would anticipate that sort of growth opportunity starting to come through and see top line growth but again it's a timing issue. Short-term margin expansion can fuel, for certain industries, some attractive returns we think.

Marc Rappaport – Alpine Funds – Managing Director

Sam this question is from Sanjay Mathur. He says regarding AWP, do you think that the cut in dividends has bottomed out? How do you expect the growth to continue in NAV for the next coming year? Do you expect to increase the holdings in emerging markets?

Samuel A. Lieber – Alpine - CEO

Well, I will take the last question first. We have already increased our exposure to emerging markets from what we've mentioned earlier and we think that there will be considerable growth opportunities in those economies. That said we are also looking for value and we are looking for yield, and some of the largest holdings in the portfolio are still high yielding REITs and so we would anticipate that especially given the fact that there's a balanced portfolio, a global portfolio that we will have to maintain at least 20% in the US. We think that there are some good growth opportunities here and some good values still to be had. Fundamentally, we think that there is potential for dividend growth, we don't know the exact timing of that and part of that will depend also on what the growth prospects are in different markets, so we see the cycle unfolding pretty much along the lines of traditional, economic recoveries and so this is going to be just one where it's an issue of timing as to what transpires not so much how it transpires.

Marc Rappaport – Alpine Funds – Managing Director

As a followup question he notes the AOD and AGD premiums are 13.9% and 13.2% as of Friday's close, respectively. AWP is at about a 20% discount and he asks how do you expect that that might narrow?

Samuel A. Lieber – Alpine - CEO

Well, it's a good question. Sanjay, as you may know, we have bought back shares not only for the fund's own account. The fund is holding these shares for appreciation now because we believe that the sector is undervalued and we believe that buying these shares at significant discounts will accrue very positively to shareholders, which we will hope to monetize and realize over time as the discount narrows and we think maybe a premium will come back when real estate becomes more in favor. That was certainly the pattern of other closed-end funds of the past and so it's a matter of I think favor smiling more broadly upon the markets. Meanwhile, we just hope to put up strong numbers and you know as I have mentioned we are up 25.5% year to date and

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so we are quite pleased with that and 63% just from March 12th, so the last three months. So we don't expect the portfolio to grow at that sort of pace but certainly we would expect to see some pretty strong appreciation potential over the next 12 months and that's really going to be our focus.

Marc Rappaport – Alpine Funds – Managing Director

Thank you Sam. You and Kevin could probably take this next one. This is from Robert Lambert. He asks can you give an example of how you captured dividend and do you hedge in any way?

Kevin Shacknofsky – Alpine – Portfolio Manager

We capture dividend by, well we first screen, we do daily screens on all declared dividends and we have as you can imagine a very large universe. We focus on a universe which has liquidity which meets the needs of our funds, which you know we generally focus on stocks that trade at least \$10 million a day. We prefer stocks obviously with high yields, get the most efficiency of our capital and then we try to look at the fundamentals of the stocks. Now as you can imagine every year generally it's the same stocks hitting our screen and we have been doing this for five years and we have generated institutional knowledge of most of the universe. So what we do is we get up to date on the names that generate the most attractive yields and then we monitor them and try to trade them at a most attractive price, so you know there has been a fair bit of volatility in prices over the last you know six months and we try to buy low and sell high. And that's essentially how we do dividend capture.

Marc Rappaport – Alpine Funds – Managing Director

Also I think a common misconception is that you sell out of a position on ex date.

Kevin Shacknofsky – Alpine – Portfolio Manager

It depends.

Marc Rappaport – Alpine Funds – Managing Director

There's some sensitivity there, isn't there?

Kevin Shacknofsky – Alpine – Portfolio Manager

It depends, you know obviously if you're getting an attractive price you don't mind doing that but generally we don't sell on ex date unless we believe it's the most effective price we can get.

Samuel A. Lieber – Alpine - CEO

Effectively, you know if the stock shoots up and it's above our cost and we've captured the dividend then we don't mind having to sell the stock and then move on. You know we don't have to wait for the share price to recover after going ex, but you know and we've seen that sort of volatility just in the last few weeks in the market and that's certainly very positive but the idea is to try and find a good time to buy. You know we've seen patterns over the years evolve on the best timing for making an acquisition on different stocks in different countries and then trying to optimize on the sell and to move on in a relatively expeditious fashion.

Marc Rappaport – Alpine Funds – Managing Director

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There was a subsequent question from Mr. Lambert. He says how do you check your Chinese companies and trust their accounting? Sam you have a lot of Chinese companies of late.

Samuel A. Lieber – Alpine - CEO

Sure. Well it's a good question and candidly Mr. Lambert, we have to do that for all of our companies, even in the US. You know fortunately there aren't too many Enron's out there, but there are a couple. In China it's a little bit tougher, but you know, many countries in fact are starting to move to IFRS accounting standards and so we are seeing better standards there. We in many cases look to see who the shareholders are in companies, both not only just other funds investing but actually to look to see who the major owners are. In some cases, they are institutional ownership, in China in many cases they are state owned enterprises. And the state owned enterprises tend to have high standards and as you know there have been instances where people have been caught in corruption scandals and in some of those corruption scandals in China, the fate of those people is capital punishment. So I think that we are careful in looking at not only the accounting that we can see but in doing some diligence and checking on the ground with other participants in industry, but also looking behind it to try and understand what sort of sponsorship these companies have.

Marc Rappaport – Alpine Funds – Managing Director

Thanks. I think this is a quick one, but Jill this is from Scott Alban. Please comment on how the amount of unrealized losses embedded in the funds might impact future growth in dividends.

Jill K Evans – Alpine – Portfolio Manager

Well you know the unrealized losses are basically an asset going forward as we can, really as Sam was saying, we can take gains in the dividend capture and offset it against those losses so certainly getting back to the question about turnover and being in a high dividend capture mode, that Kevin and I and Sam are all in, it's actually an asset because we can not be handcuffed into worrying about short-term capital gains, we can take the gains and offset them against the losses. So again we view it as an asset in our daily dividend capture strategy.

Marc Rappaport – Alpine Funds – Managing Director

Thanks. Sam, Sanjay asks this question regarding AWP. Can it also be considered as a declining dollar play, as two-thirds of our portfolio is invested internationally? Also he asks, when do you expect REIT stocks in the US to start outperforming.

Samuel A. Lieber – Alpine - CEO

Sanjay, the REIT stocks in the US actually have done pretty well. Maybe not quite on a level as some of the other stocks in the portfolio but again if you look at the last three months, REITs are up about 30% but there are some individual names that have actually doubled during that time. So one has to be selective as always; on a stock by stock basis. Broadly speaking, we think that there will be more news coming down the pike in REIT-land but I think that we've seen good initial returns; it's going to slow down a little bit for a little while. With regard to REITs globally, they have generally underperformed non-REIT companies over the past six months but that also reflects

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the fact that REITs held up a little better during the downturn last year, post Lehman Brothers. And so we've seen more of a bounce back, but also the market's looking for, starting to build in some economic recovery numbers and again REITs are very much dependent on leasing cash flows and leasing cash flow is going to be under a little pressure for the next two years. And companies which are not as much exposed to those lease numbers and those operating incomes are in fact performing better these days. So, candidly, many of those companies are outside the US and we have 70% of our portfolio outside the US and we are focusing on companies that own or develop, commercial and residential properties and that's where we see the greatest growth potential near term.

Marc Rappaport – Alpine Funds – Managing Director

Steve, do you share the concern that these global government stimulus programs are inflationary and maybe not so good for equities long-term?

Stephen A. Lieber – Alpine – CIO

No, I am firmly convinced that the world economies, which have the benefit of stimulus programs, are in great need of stimulus and that this is merely an accelerator to return to a normal type of economy.

Samuel A. Lieber – Alpine - CEO

If I can jump in, Marc, just based on what we've seen in China for example, there is significant stimulus in China. One must remember that a third of their GDP is export derived and that is down 26%, so currently they have to make up for a big chunk of their export oriented economy. And they've done that by stimulating not only infrastructure investments on a wide scale, in fact we've seen, particularly in the last year's earthquake hit zones in Western China, a 30%+ increase in fixed investments, a lot of that going into infrastructure. But we have also seen significant investments as they plan for the infrastructure built in a number of different cities and we see development leading up to certain events such as the Asian Games or the World Expo next year. So there's a lot of activity in China, they've also fueled investment in housing, made it easier for people to buy homes which of course is stimulating demand for white goods and in general car sales are also very strong in China. But China had to put forward stimulus packages. Fortunately they have the reserves to do so. India has the reserves to do so. Brazil has the reserves. We don't have the reserves but we are able to borrow because this is still the US and it's still the best credit out there. So we're taking advantage of that at this stage of the game. And I think that all countries are working globally to help fill the void left by this deleveraging process that we're seeing. And this will take place over the next couple of years and presumably will lead to an increased output. But the output gap on a global basis means that there is not going to be a lot of pressure, especially cost push pressure we think on prices over the longer term.

Marc Rappaport – Alpine Funds – Managing Director

Thank you. And Sam to you again, Neil Shire asks, AWP used to pay a much more robust dividend, when do you anticipate the dividend climbing?

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Samuel A. Lieber – Alpine - CEO

Neil, we lowered the dividend because we saw, before year end, that many REITs were under extreme pressure and we saw numbers starting to cut, particularly in Australia first. We anticipated there would be more activity like that in the US and in European markets and indeed that has happened. We think it is still in process that some of those dividends are going to be, or are currently being, cut further but we expect that to stabilize this year. We chose a level for the dividend that we felt would not be touched, a level that could be stabilized, even in a worst case scenario and I must tell you we are not necessarily in a worst case scenario. Thus, we are going to look at the dividend at year end and we will make an appraisal of what we think the dividend paying potential is as we go into 2010 and, obviously, we would hope that over time we have set the dividend at a base from which we can grow it and hopefully at an attractive level if the sector will permit.

Marc Rappaport – Alpine Funds – Managing Director

Thank you. Question, has there been insider buying in the three funds?

Samuel A. Lieber – Alpine - CEO

Again, I would just state that we have bought into the funds, in the past. We haven't made any filings in the last couple of months, but you know if the dividends are attractive, or rather discounts are attractive enough, given the prospect that we see for growth of these vehicles over time, you bet we will be in there buying it as insiders but also trying to buy them at attractive prices for investors as well via the funds.

Marc Rappaport – Alpine Funds – Managing Director

And I guess I'll wrap by asking everybody what kind of was raised on the cover of today's C section of the *Wall Street Journal* and that is, are we in a new bull market or is this an advance within a long-term bear market? Kevin to you...

Kevin Shacknofsky – Alpine – Portfolio Manager

I believe we're at the beginning of a new economic cycle. The performance of the stock market will depend on a lot of factors in that cycle. You know a lot of them depending on what happens with further interest rate policy and how inflation does play up, but historically I do believe you know investing at the beginning of a cycle should play out favorably over the long-term.

Marc Rappaport – Alpine Funds – Managing Director

Jill?

Jill K Evans – Alpine – Portfolio Manager

You know equity markets are supposed to predict future earnings and cash flow, discount them back and then look at those returns versus other vehicles like fixed income and you can say that the equity markets have been an incredible predictor of economic recoveries. If you look back, the beginning of this bear market was October 2007. This market started to go straight down and started in July 07 in Europe and Kevin and I will tell you, and I'm sure Sam and Steve and everybody here, how many companies back then were telling us everything is fine, our businesses are great, we've got great backlogs. The ECB then raised rates in April 2008 as this market was going down, down, down. So I would say that equity markets recently have done a

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very good job of predicting where we're going. So now here we are, we've rallied 40% off the lows. As, I said in my opening remarks, I think we've rallied off the, you know, nationalization/falling off a cliff outlook, I think from here, to Kevin's point, there's so much stimulus and so much money out there that I think in the next year or two that the equity markets will reflect the opportunities that are out there and I would agree with Kevin that there are a lot of opportunities to take advantage of.

Marc Rappaport – Alpine Funds – Managing Director

Sam?

Samuel A. Lieber – Alpine - CEO

Well I think that Jill and Kevin have said exactly how we view things, that we were in an economic slow down from the early summer of '07 and that in fact this was accelerated into a new level by the collapse of Lehman Brothers in September of last year. And so we move from simply a slow down mode into a crisis mode and near meltdown mode as many of us know now. We believe that the meltdown has been averted. And that we still have lingering imbalances in the financial structure globally. Those balances will gradually be addressed and those imbalances may prove an impediment for some countries or some markets more than others, however we think that investors with a 3-5 year view will absolutely make money from current levels. Yes one can argue that some easy money has been made over the last few months, but this is not going to be a unidirectional market, this is going to be a choppy market as good news and bad news intermix over the next 6-12 months and we think that they will provide opportunities for both the individual and professional investors to take advantage of some of that volatility and some of the opportunities that will be unearthed by that. That said there is still going to be risk in the markets but we think that that risk is going to be much, much reduced relative to where we were last year. We're not going to see levels of the VIX as we did in the fall and we think that over time many investors who in fact have shied away or temporarily abandoned the markets will come back, so we see actually a gradual development and improvement, not only in the underlying economies but of course in market conditions globally.

Marc Rappaport – Alpine Funds – Managing Director

Steve Lieber?

Stephen A. Lieber – Alpine – CIO

I would just add my general agreement with what we've heard but one of the important aspects of this set of economic developments is that it has tightened up the ship to use a nautical phrase. We, as a nation, and other nations too, recognize that the economies had been run in a loose and potentially risky fashion, whether it be families over-committing their earning power and their assets on a credit basis, or companies being excessively leveraged or even industries functioning in a dangerously unregulated fashion. All of this has been subject to review, to clean up, to alteration, out of it will come a much healthier economy and a better investment environment.

Samuel A. Lieber – Alpine - CEO

Here, here.

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Transcript:
Alpine Funds
Alpine Quarterly Closed-End Funds Webcast
May 15, 2009

Marc Rappaport – Alpine Funds – Managing Director

Thank you. Thank you all on your end for participating in this webcast. For more information on our closed-end funds, visit our website at www.alpinecef.com. Again, from all of us at Alpine, thanks for joining us on this quarterly conference call.

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