

Southern Capital Perspective

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OUR FUNDS: "IN THE NEWS"

By Terry E. Nager

Two of the mutual funds in which we have significant positions, First Eagle Global and Turner Emerging Growth, were mentioned in the media during the last two weeks. When a mutual fund is reported in the media, it is usually performance-related or because there has been an occurrence specifically related to a particular fund. It seems that we have had one of each kind.

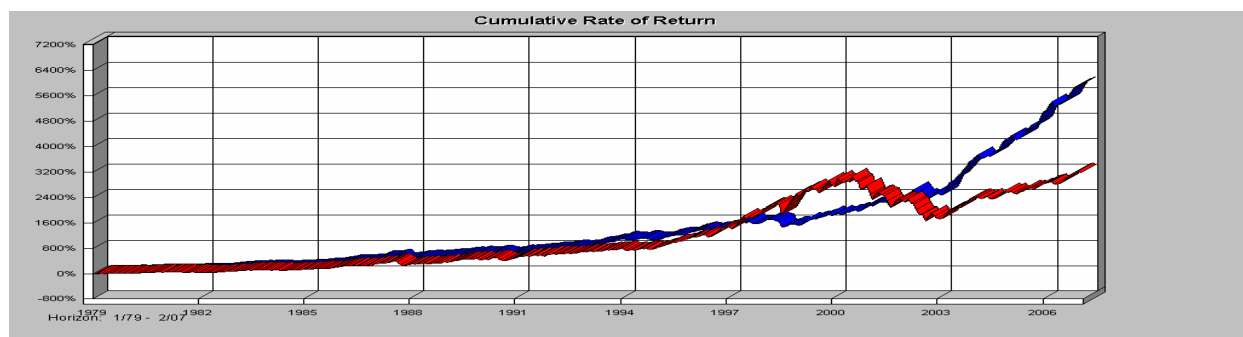
The first media mention came about as the result of something that was occurrence-related. The First Eagle Global Fund announced that Charles de Vault had abruptly resigned as manager. This type of news would ordinarily cause us at SCS to immediately start looking to begin redeploying assets to other funds in that category especially when it concerns such a significant holding. However, our concerns were allayed when we got a call from the fund telling us that Jean-Marie Eveillard was returning to take over management of the fund. Many of our long-term clients are familiar with Jean-Marie's outstanding achievements as fund manager, but for the benefit of our newer clients; he became the manager of the then Sogen International Fund (now called First Eagle Global) in 1979 and remained until 2004 when he turned the reins over to Charles de Vault who had worked with and trained under Jean-Marie for over 14 years. The incredible track record of this fund (see graph and table) was built primarily by Jean-Marie, therefore I feel very comfortable with him returning to the helm. Please note the long-term compounded annual rate of return on the graph and note on the table how well Jean-Marie plays defense (only two down years that combined total less than -2% also the fund made money all through the 2000 to 2002 bear market).

Now I wish that the story ended on that happy note, but the reality is that Jean-Marie retired in 2004 and realistically he probably will want to go back into retirement in the not too distant future. I will be traveling to New York in early May to attend a due diligence conference with the First Eagle management and Jean-Marie Eveillard so that I can get a

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Cumulative Rate of Return Comparison 1979 through February 2007

Name	Cumulative ROR	Annual ROR
First Eagle Global	5950.11%	15.73%
S&P 500 Composite	3181.54%	13.24%



Source: Advisory World Disclaimer: Past performance is no guarantee of future results.

Year by Year Comparison 1979 – 2007 Year to Date First Eagle Global Compared to S&P 500 Index (Annual % Return)

Fund/Year	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988
First Eagle	24.08	31.66	8.01	31.56	24.05	2.85	32.70	25.08	13.78	14.13
S&P 500	18.61	32.50	-4.93	21.55	22.56	6.27	31.73	18.67	5.25	16.61
Fund/Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
First Eagle	17.23	-1.31	17.92	8.40	26.15	2.54	15.24	13.66	8.52	-0.26
S&P 500	31.69	-3.10	30.46	7.63	10.07	1.32	37.58	22.96	33.36	28.58
Fund/Year	1999	2000	2001	2002	2003	2004	2005	2006	2007	
First Eagle	19.55	9.73	10.20	10.24	37.64	18.36	14.91	20.50	1.31	
S&P 500	21.04	-9.10	-11.89	-22.10	28.69	10.88	4.91	15.80	-0.47	

Source: Advisory World. Disclaimer: This table is for historical information only. Past performance is no guarantee of future results.

picture regarding the outlook for the fund. I have been told that I will have an opportunity to speak with the analysts of the fund (many that have been there for a number of years) from which Jean-Marie's ultimate successor will probably be chosen.

In the performance-related category, the Tumer Emerging Growth Fund was cited in the Mutual Funds section of the Wall Street Journal of April 3, 2007 on page R1. The article entitled, "An Elite Club's Fall from Grace" talked about various funds that had triple digit percentage gains in 1999 to March of 2000 and then had "crashed and burned". The article went on to describe how horrible the carnage had been and that many of those previous stellar performers were no longer in existence.

However, the article went on to say:

"There have been some results to cheer: Tumer Emerging Growth, which posted a 194.6% trailing 12-month return in March 2000, is up an average 9.6% a year over the past seven years. The fund has consistently been among the stars in its category, beating its benchmark index routinely.

With the benefit of hindsight, it is possible to draw lessons about the kinds of funds that have strategies able to stand the test of time."

Further down in the article there was a quote from Christine Benz, director of mutual fund analysis at Morningstar, that coincides with our philosophy of what to look for in a fund manager. "Funds that held up relatively better have been run by fund managers that pay attention to risk control."

It was gratifying to see recognition given to one of the fund management teams we utilize for the outstanding work that they have done.

We will see what the future holds but for the time being we are in good hands.

The first quarter of 2007 was moderately favorable but certainly not great. January started out weak but steadily improved and the month ended up slightly. February continued the upswing and through Feb. 26 tacked on some nice gains, but then the Chinese market swooned and the month ended up giving back all of its gains and finishing fractionally below January's close. The lesson to be learned from this market turbulence is that the markets and economies are truly global in nature and none are immune from problems anywhere in the world. Through March the market continued grinding upward and we ended the quarter up approximately 2%. However, as is always the case it is important to remember that past performance does not guarantee future performance.

Our outlook for the rest of the year is much the same as it was at the writing of our last newsletter, that is: a positive year because of a favorable global economy, however there will be increased volatility such as we experienced in February. The primary risks are the ever-present geo-political wild cards like Iran, North Korea, Al Qaeda, etc. and the possible but unlikely domino-effect of the sub-prime mortgage debacle (mortgages granted to less than creditworthy borrowers with escalating payments that could not be made) spreading to the rest of the real estate and mortgage market. I believe that the aforementioned scenario is unlikely because Chairman Bernanke and the FED would step in and drop interest rates and pump up the money supply to limit the damage to the economy.

THE BENEFITS OF BEING A SOUTHERN CAPITAL SERVICES CLIENT

By Eric Nager

There is more to Southern Capital Services than just quality portfolio management. Along with that comes an array of services that compliment our core business. From time to time we like to review those services for the benefit of our newer clients, and for those who might not be availing themselves of all we have to offer. What follows is an extensive sample of those services:

- Our primary custodian for client funds, Fiserv, is bonded, insured and their money market is FDIC insured. Their fees are very low, and through them we have trading economies of scale to keep transaction costs down, and access to some funds that are not available to individual investors, all on a no-load basis.
- Through Fiserv our clients have access to view their accounts online or get i-statements. To register for this, go to www.datalynx.com, and when you are forwarded to the home site, register as a new user at the upper right. (For more detail see our October 2006 newsletter archived at www.socapsrv.com. Their tech support number for this is 800-564-2436.)
- In addition to our quarterly print newsletter, our clients get an interim quarterly electronic newsletter via e-mail.
- At tax time our clients get reports showing the cost basis for all trades the previous year in their non-tax qualified accounts.
- For those clients participating in 401(k) plans not managed by Southern Capital, we will make recommendations for them from their current set of choices.
- In addition to monthly statements from the custodian, clients receive a quarterly position report from Southern Capital.
- For clients needing to take required minimum distributions (RMD) from their IRA accounts, we personally call them before the end of the year to make sure they have been taken and all penalties avoided.
- For existing clients who are thinking about consolidating their accounts, or for prospective clients, we offer a comprehensive portfolio analysis of accounts held elsewhere. This is a complimentary service and comes with no obligation.

We feel that these personal services set us apart from our competition. Our business is structured such that the main factors holding our clients with us are our performance and our service. If we fall down in either of these, our clients are free to leave at any time, yet we pride ourselves on our high client retention rate. If you would like more information on any of the above services, please do not hesitate to contact us. After all, the word "Services" in our name is plural!