

Newsletter

of September 2013

- *Overview of our funds* 2
- *Our investments* 3
- *Stability fund dividends* 6
- *Outlook* 6
- *Appendix* 7

Figure 1: LTIF Classic EUR vs. MSCI Daily TR Net World Index EUR

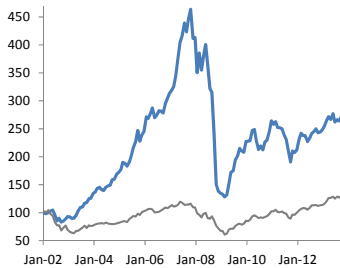


Figure 2: LTIF Alpha EUR vs. HFRX Global Hedge Fund Index EUR

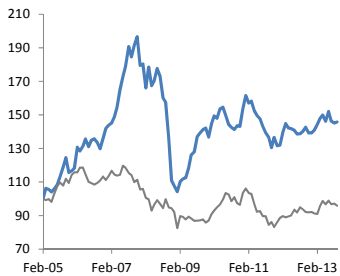


Figure 3: LTIF Natural Resources EUR vs. S&P Global Nat. Res. Net TR Index EUR

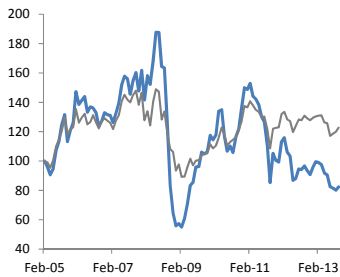
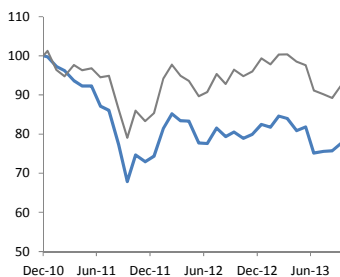


Figure 4: LTIF Emerging Market Value EUR vs. MSCI EM Daily Net TR Index EUR



Overview of our funds

Table 1 and figures 1 through 6 show the evolution of our funds' Net Asset Values.

Table 1: Net Asset Value - Net assets under management of our funds

September 2013	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio)
LTIF Classic [EUR]	273.34	4.29%	10.05%	8.93%	213.90
LTIF Alpha [EUR]	148.01	1.18%	5.08%	4.63%	213.90
LTIF Natural Resources [EUR]	82.39	-0.01%	-13.89%	-2.23%	18.60
LTIF Emerging Market Value [EUR]	77.70	3.41%	-5.78%	-8.52%	2.71
LTIF Stability Growth [CHF] <i>(Total return, dividends included)</i>	205.70	0.98%	9.88%	4.54%	22.00
LTIF Stability Income Plus [CHF] <i>(Total return, dividends included)</i>	198.50	0.97%	9.91%	9.36%	22.00

As can be seen, it was clearly positive, thus following the overall trend in the markets. The gradual recovery of the world economy, together with fewer worries about the euro zone situation, is pushing share prices up.

Are they now too expensive? European indices currently have a dividend yield of just below 4% (see figure 7).

If we assume a world economic growth of 5%, including inflation, which is lower than that of the previous decades, an investment in those indices would yield some 9% per year. American indices are a bit more expensive (offering a slightly lower future return), and most Asian indices are rather cheaper. This, of course, assumes that companies will maintain their dividends, which is rather more doubtful in respect of European indices, as many utilities and telecoms are having problems generating enough cash. Whatever the case, we believe that these future returns could be attractive to many investors. We expect our funds to do a bit better, so we certainly believe we can deliver, starting with today's prices, our long-term goal of more than 10% annualized returns, net of all expenses, with a very low fundamental risk. It is, obviously, up to each investor to decide whether this is attractive or not, keeping all other alternatives in mind. But it is worth pointing out the well-known fact that compounding at 10% a year means doubling your investment in seven years, and quadrupling it in fourteen.

Figure 5: LTIF Stability Growth TR CHF vs. HFRX Global Hedge Fund Index CHF

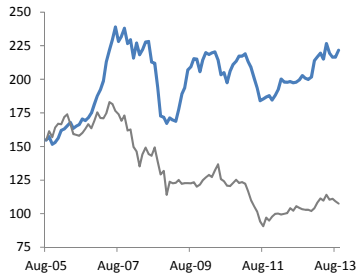


Figure 6: LTIF Stability Income Plus TR CHF vs. HFRX Global Hedge Fund Index CHF

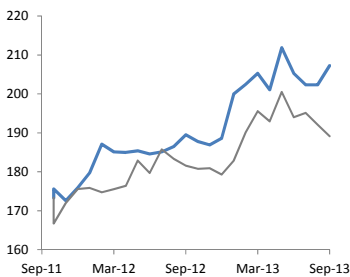
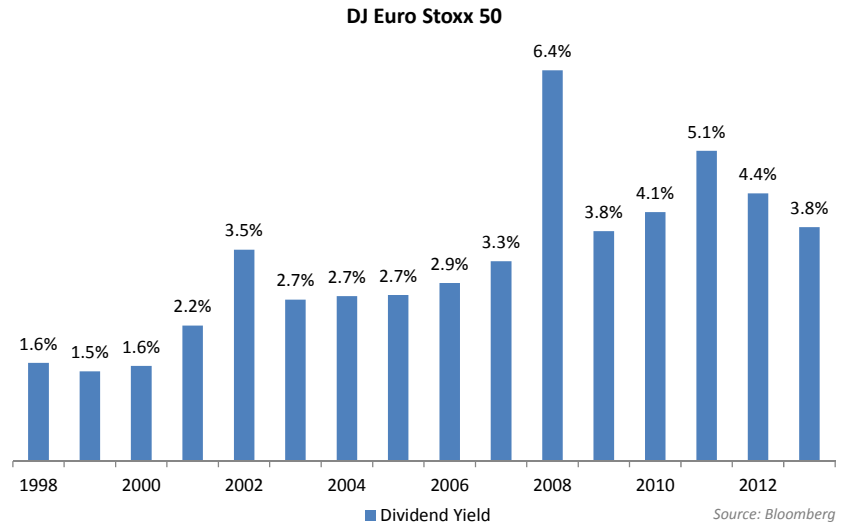


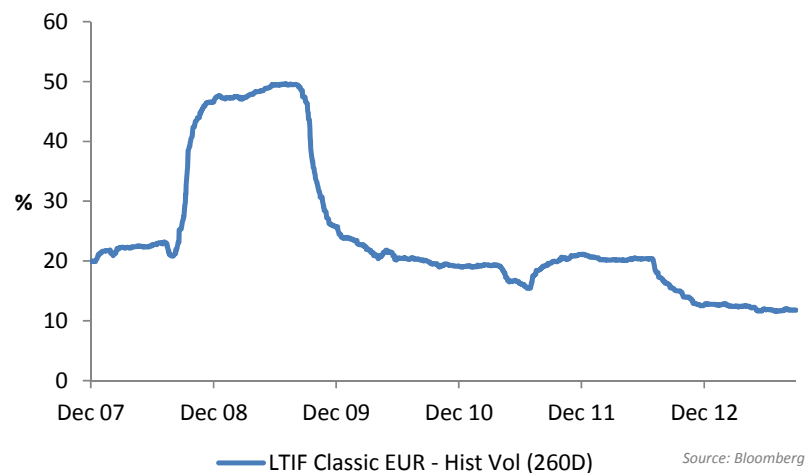
Figure 7: DJ Euro Stoxx 50, dividend yield, gross, annual, last 16 years



Our investments

We continue our policy of carrying a balanced portfolio comprising a combination of stable and cyclical companies, and of looking for attractive opportunities in all segments. This balance can be seen in our funds' low volatility, as seen in figure 8.

Figure 8: LTIF Classic EUR Historical Volatility (Dec 2007 – Sep 2013)

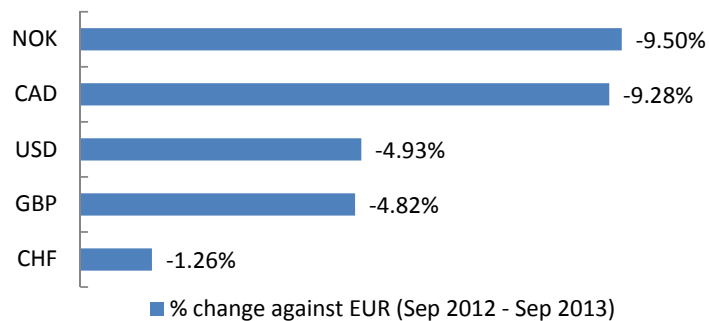


Annualized volatility is not, in our opinion, a very important criterion when choosing a fund, but it does give an idea of how diversified it is – not just in terms of number of stocks, or industries, or countries, but also

in how the market sees their different prospects: portfolio volatility is low when stocks in it move in opposite directions on a daily basis.

The behavior of the euro against many currencies has had a short-term impact on the market value of many of the shares we own (see figure 9). We have shares denominated in US dollars, Norwegian kroner, and many other currencies. The euro has been up against them, which means that, when translated into euros, our investments are worth less. We have no reason for believing that this depreciation is permanent (rather the opposite, in the case of the US dollar), so this should be a short-term phenomenon that reverses itself.

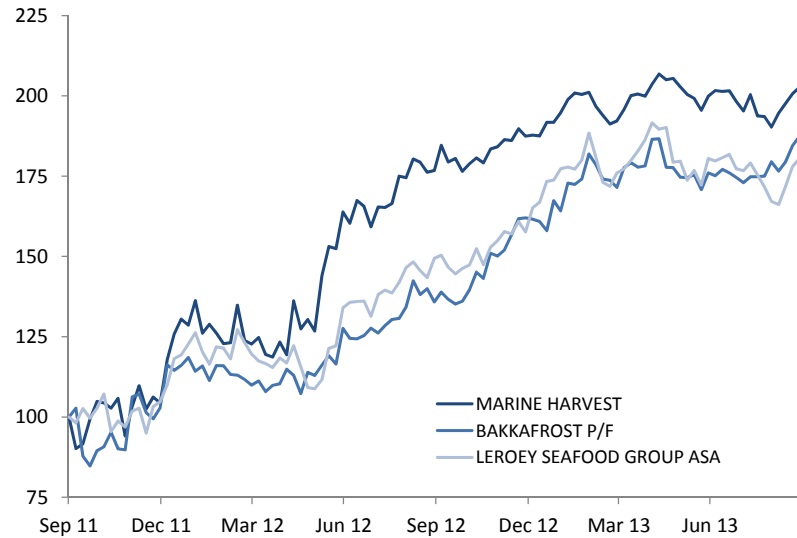
Figure 9: depreciation of the US\$, NOK, CHF, CAD\$, GBP against EUR



Source: Bloomberg

Our largest position, if we consider the different companies as a whole, is in salmon farmers. This position represents a bit more than 8% of the Classic Fund's portfolio. The stocks have had a great run since we started buying them in late 2011 (see figure 10), but we still think they are good investments. Salmon is one of the cheapest ways to produce high-quality protein: it is very efficient at transforming feed into muscle compared to beef, pork, and even poultry. As mankind progresses and increases its protein demand, salmon is very well positioned to deliver. It is considered a tasty and very healthy food. But what makes the investment very attractive is that natural constraints limit supply increases: salmon must grow in very protected waters with an average temperature of 8° C. This basically means Norway and Chile, with a few suitable locations in Northern Scotland, the Faroe Islands, and Canada. The imbalance between constrained supply and increasing demand has produced, as expected, very attractive prices and margins, which we believe are fairly sustainable. PEs are single digit, and cash dividends around 8% per year.

Figure 10: share price of Marine Harvest, Leroy Seafood and Bakkafrost since October 2011 (rebased and EUR adjusted)

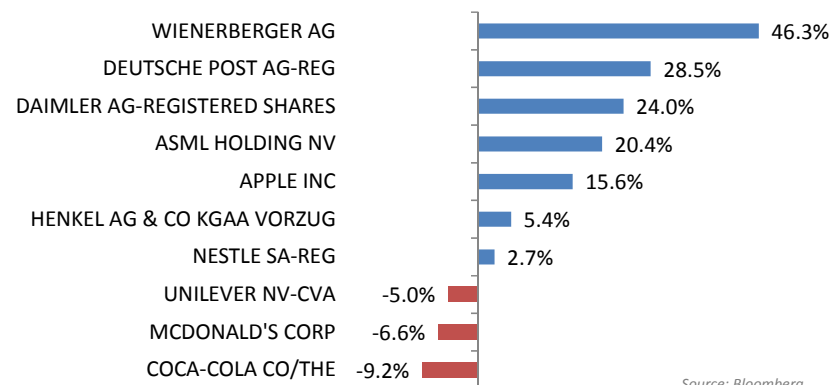


Source: Bloomberg

Over this last quarter, the best performing stocks have generally been industrial companies, whereas the more stable companies' shares have been flat. Evidently, investors are now betting more on an economic recovery, and are losing interest in defensive stocks, as can be seen in figure 11, which shows the share price change in this quarter of some of the companies we own.

Figure 11: share price change of Deutsche Post, Daimler, Wienerberger, ASML, Apple, Nestle, Unilever, Henkel, Coke, McDonald's for the third quarter 2013, in EUR

Q3 2013 % change (EUR adjusted)



Source: Bloomberg

We have introduced a number of stocks to our portfolio, such as Balfour Beatty, a UK construction company, Lloyd's, a UK bank, and RHI. This latter company is a world leader in refractory linings for high-temperature

ovens, such as those used in steel and glass production. As everybody knows, the steel industry is in bad shape, and the company's shares are therefore cheap (PE for 2013 is 8 times). But the business is very stable: steel ovens must change their lining every two or three months, so even if there is no growth in production, their business continues as usual. We believe the current price would be barely justified in a scenario where economic growth never returns, but it is very attractive if one considers that the world economy is healing slowly.

Stability fund dividends

Last year, our Stability fund paid CHF 8 per share in dividends. We are increasing this to CHF 8.5 this year, which is an increase of 6.25%. The dividend itself represents a yield of 4.25% over the current share price. It will be paid in a few weeks, once the auditors officially certify the fund's accounts.

Outlook

As indicated at the beginning, markets have been going up this year. They are up by much more than profits are up, which means that part of the rise is due to "multiple expansion": investors are willing to pay more for future profits, because they feel more confident that those profits will indeed arrive.

Obviously, multiple expansion has its limits: if multiples keep going up, stocks become less and less attractive as long-term investments (eventually the bubble bursts, as in 2000). Since multiples are now more or less at historical averages, we should not expect a very strong rise. This means that stock prices will in the coming years move more with profits than with expectations: companies that can deliver a good profit growth should see their share prices increase. We believe that our portfolio has a good combination of profit growth, controlled risk, and low multiples to deliver a good long-term return.

Figures of the USD classes

Table 2: Net Asset Value - Net assets under management in USD

September 2013	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio)
LTIF Classic [USD]	370.01	8.61%	13.00%	12.84%	289.55
LTIF Alpha [USD]	200.35	5.36%	7.88%	5.08%	289.55
LTIF Natural Resources [USD]	111.53	4.13%	-11.58%	-2.01%	25.18
LTIF Emerging Market Value [USD]	105.18	7.69%	-3.26%	-7.58%	3.67

Figure 12: LTIF Classic USD vs. MSCI Daily TR Net World Index USD

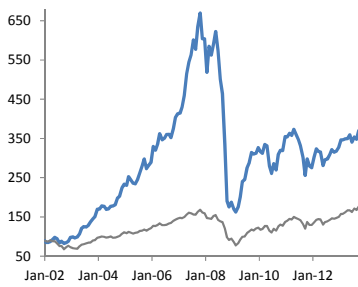


Figure 13: LTIF Alpha USD vs. HFRX Global Hedge Fund Index USD

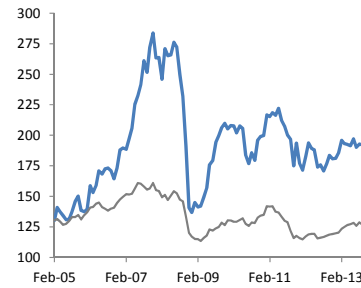


Figure 14: LTIF Natural Resources USD vs. S&P Global Nat. Res. Net TR Index USD

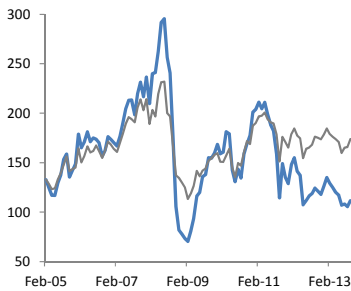
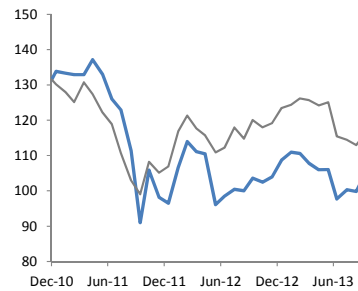


Figure 15: LTIF Emerging Market Value USD vs. MSCI EM Daily Net TR Index USD



Figures of the CHF classes

Table 3: Net Asset Value - Net assets under management in CHF

September 2013	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio)
LTIF Classic [CHF]	334.58	3.80%	11.63%	7.19%	261.82
LTIF Alpha [CHF]	181.17	0.70%	6.58%	1.83%	261.82
LTIF Natural Resources [CHF]	100.85	-0.48%	-12.66%	-4.85%	22.77
LTIF Emerging Market Value [CHF]	95.11	2.92%	-4.43%	-9.88%	3.32
LTIF Stability Growth [CHF] <i>(Total return, dividends included)</i>	205.70	0.98%	9.88%	4.54%	22.00
LTIF Stability Income Plus [CHF] <i>(Total return, dividends included)</i>	198.50	0.97%	9.91%	9.36%	22.00

Figure 16: LTIF Classic CHF vs. MSCI Daily TR Net World Index CHF

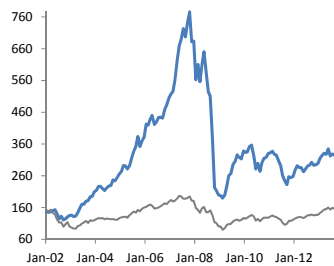


Figure 17: LTIF Alpha CHF vs. HFRX Global Hedge Fund Index CHF

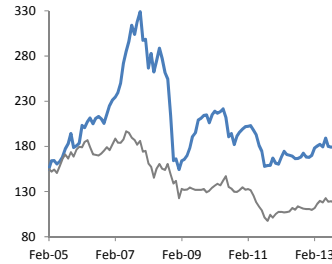


Figure 18: LTIF Natural Resources CHF vs. S&P Global Nat. Res. Net TR Index CHF

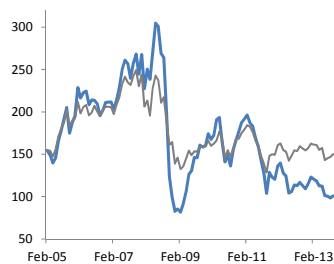


Figure 19: LTIF Emerging Market Value CHF vs. MSCI EM Daily Net TR Index CHF

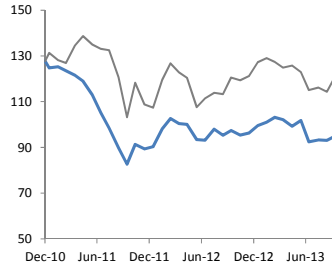


Figure 20: LTIF Stability Growth TR CHF vs. HFRX Global Hedge Fund Index CHF

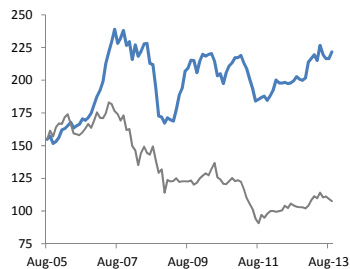
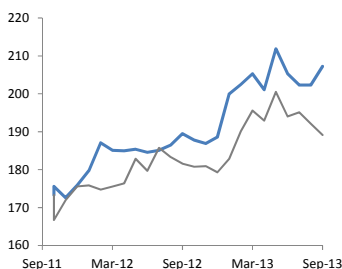


Figure 21: LTIF Stability Income Plus TR CHF vs. HFRX Global Hedge Fund Index CHF



Figures of the GBP classes

Table 4: Net Asset Value - Net assets under management in GBP

September 2013	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio)
LTIF Classic [GBP]	228.48	1.71%	13.42%	11.70%	178.80
LTIF Alpha [GBP]	123.71	-1.33%	8.28%	6.81%	178.80
LTIF Natural Resources [GBP]	68.87	-2.48%	-11.25%	-0.01%	15.55
LTIF Emerging Market Value [GBP]	64.95	0.85%	-2.90%	-9.06%	2.27

Figure 22: LTIF Classic GBP vs. MSCI Daily TR Net World Index GBP

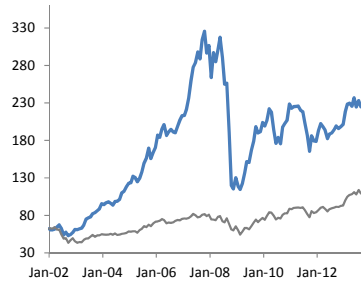


Figure 23: LTIF Alpha GBP vs. HFRX Global Hedge Fund Index GBP

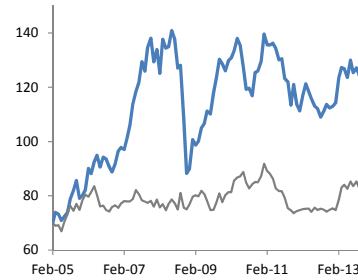


Figure 24: LTIF Natural Resources GBP vs. S&P Global Nat. Res. Net TR Index GBP

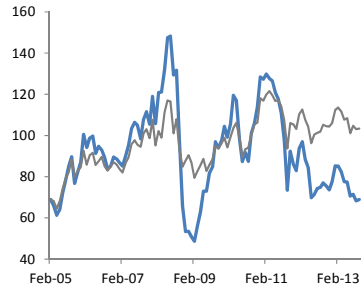
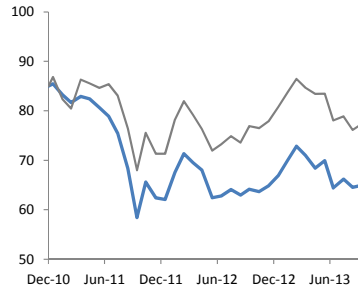


Figure 25: LTIF Emerging Market Value GBP vs. MSCI EM Daily Net TR Index GBP



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LTIF – Classic USD

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LTIF – Classic CHF

ISIN: LU0301246772
Telekurs: 3'101'817
Bloomberg: LTIFCLC LX

LTIF – Classic GBP

ISIN: LU0750886714
Telekurs: 18'032'305
Bloomberg: LTIFCLS LX

LTIF – Alpha EUR

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LTIF – Alpha GBP

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LTIF – Natural Resources USD

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Bloomberg: LTIFGEU LX

LTIF – Natural Resources CHF

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LTIF – Natural Resources GBP

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