SIA
Strategic Investment Advisors Group

Long Term Investment Funds

Newsletter

of March 2012

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Figure 1

LTIF – Classic EUR

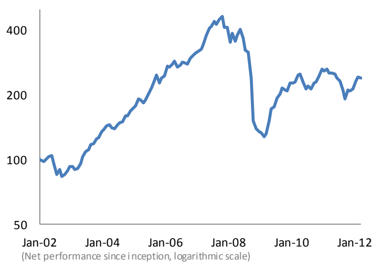


Figure 2

LTIF – Alpha EUR

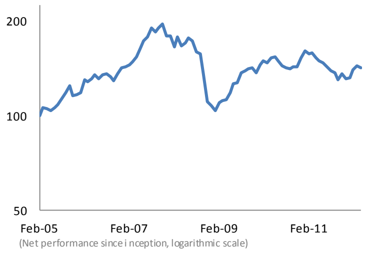


Figure 3

LTIF – Natural Resources EUR

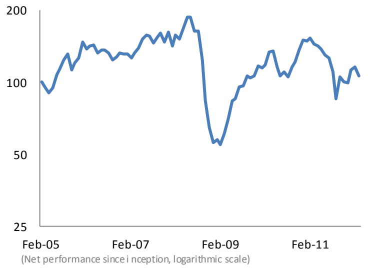
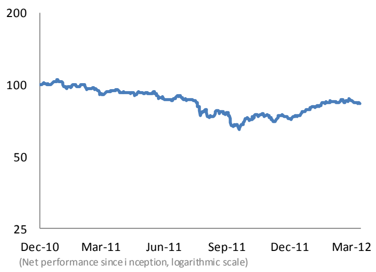


Figure 4

LTIF – Emerging Market Value EUR



Comments about our funds

Table 1 and figures 1 to 6 show the evolution of our funds' Net Asset Value for this first quarter of 2012. They are broadly positive, surpassing their reference indices. This is not surprising, considering the comments we made in the previous Newsletter: much of the drop in our shares' value in 2011 was not fundamentally justified; in these cases the correction tends to be swift.

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

March 2012	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio)
LTIF Classic [EUR]	237.90	12.16%	12.16%	8.82%	255.30
LTIF Alpha [EUR]	142.12	7.63%	7.63%	5.03%	33.16
LTIF Natural Resources [EUR]	106.04	6.82%	6.82%	0.83%	56.10
LTIF Emerging Market Value [EUR]	83.42	12.20%	12.20%	-16.58%	5.35
LTIF Stability Growth [CHF] *Total return (dividends included)*	185.10	5.23%	5.23%	3.83%	22.86
LTIF Stability Income Plus [CHF]	185.10	5.23%	5.23%	-	1.63
MSCI World Index TR [EUR] *(Bloomberg GDDUWI)*	3'414.49	8.60%	8.60%	1.11% *	** Inception date of Classic*

Having said this, there is no guarantee whatsoever that our share prices may not once again deviate strongly from the fundamentals. In spite of the somewhat calming of the markets, they are still trading far more on "macro" news rather than on a careful analysis of individual companies' future value.

This is perfectly understandable. If 2008 showed that the most important pillar of the world economy – its banking system – could implode, 2011 showed that the demise of the German Federal Republic's currency was conceivable. This type of "environmental" risk has not been experienced for the last 50 years, which has made investors very fearful.

We continue to believe that these "macro" problems don't really affect companies' profitability that much. Germans will continue eating at McDonald's regardless of the currency they use to pay, as will Greeks, not to mention Malays, Mexicans or Koreans. But we'll see continued volatility in the markets even though the world economy does seem to be mending.

This volatility will happen because much still needs to be fixed in Europe, and politicians only fix things that require taking unpopular measures when they really have no other option. Only when interest rates on their sovereign debt became unsustainable, threatening their very ability to import required commodities did the Spanish and Italian governments start de-regulating their labor markets. Only when a disorderly Greek bankruptcy threatened the French and German banking systems did politicians act. Don't expect a change to this pattern: many of the unre-

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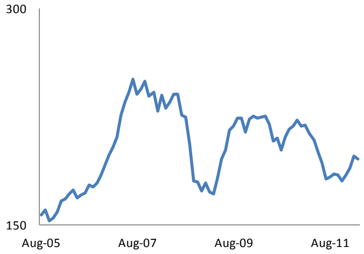
Figure 5

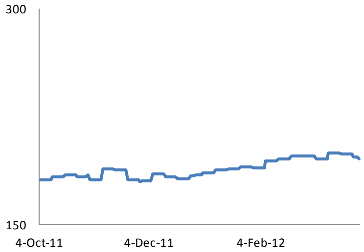
LTIF – Stability Growth CHF



(Net performance since inception, logarithmic scale)

Figure 6

LTIF – Stability Income Plus CHF



(Net performance since inception, logarithmic scale)

solved problems will resurface and politicians will procrastinate until the markets panic. And only then will they act. There is not a single economic problem in Europe that cannot be solved with enough political will. However, this will is only summoned when action becomes unavoidable. The chances of Greece eventually leaving the Euro are high. Whether it actually happens or not is irrelevant for markets (except for the Greek one, of course), but the whole process will be accompanied by market anxiety. Therefore, expect periods of despair when disaster looms, and euphoria when partial solutions are implemented. Neither sentiment should drive investing: both are useless over the medium and long term. But Greece, together with Portugal, Ireland, and Spain (at least) will keep providing plenty of exciting headlines.

The first quarter has been a relatively “euphoric” period. The European Central Bank’s liquidity injection has contributed to lower sovereign risk spreads; the US economy is doing better than expected; and China is seen as relaxing its policies aimed at curbing inflation (although the last few weeks have again stirred fears of too low growth). As a result, markets have generally risen (Spain being an exception for obvious reasons). As mentioned above, this has facilitated the “catch-up” of valuations in all our funds. Let’s take a look at their main developments.

Classic / Alpha

We group these two funds in these comments since their portfolios are identical. In general, shares are up, some of them strongly so, resulting in the Classic producing a performance above that of most indices. The dynamic hedging of the Alpha fund has worked reasonably well, offering protection in market downdrafts while allowing it to capture much of the upside.

As usual, we have not changed the portfolio much (seen in figure 7). We have sold a couple of stocks where we thought the share price had gone up enough: Inditex and Persimmon. It’s no surprise that Inditex is an outstanding company, whose latest set of results is excellent. But we feel that with a PE of 22 we have safer options… and will probably be able to buy these at a lower price. Over the last three years, we have bought and sold Inditex three times, always at a nice profit, while running a very low risk: nobody should fear losing money over time by owning Inditex.

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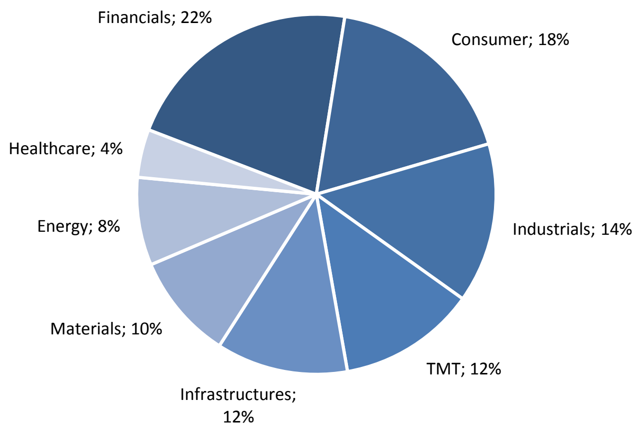
Figure 7: **Breakdown by industry of LTIF Classic and LTIF Alpha, as per 30th March 2012**



Persimmon is a UK homebuilder. We've had an important position in the sector for the last few years. This position has increased as a percentage of our assets because we have systematically bought when the shares have gone down; and they have gone up quite a bit lately. In fact, they've doubled since we last added to the positions about a year and a half ago. Persimmon was the first of three investments in the sector (Taylor Wimpey and Bellway being the other two) that reached what we consider (very conservatively) to be a full price. We still maintain about 7% invested in the sector.

The main addition we've made to our portfolio is a well-known company: Colgate-Palmolive. The company has a 40% market share worldwide in oral hygiene, very high profitability, very stable profits, and nice growth. We fully expect this investment, with extremely low risk, to give us a long-term return above 12%. Figure 8 shows its earnings per share since 1989, together with the estimations for 2012 and 2013. The earnings have grown at a compound rate above 12% for more than 20 years. Figure 9 shows the dividends paid, with an annualized growth of 12% over more than 10 years. The current dividend yield is above 2.5%.

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Figure 8: **Earning per share of Colgate, last 20 years, in USD**

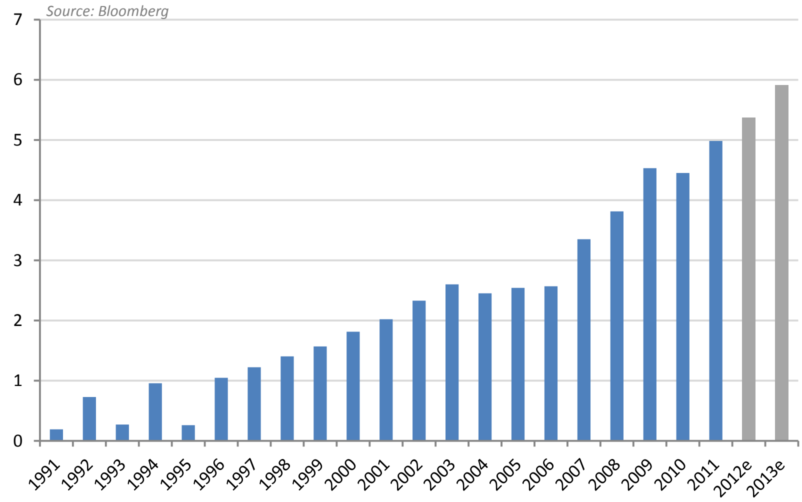
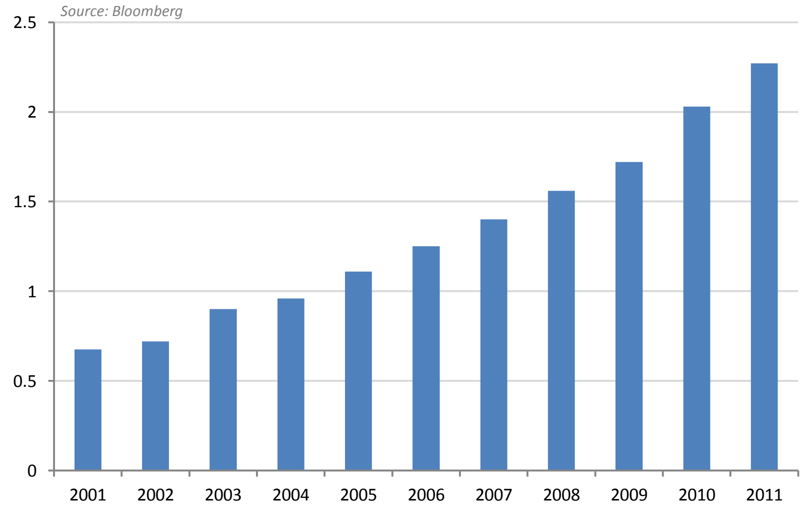


Figure 9: **Dividend per share of Colgate, last 10 years, in USD**



Stability

As usual, this fund has shown less volatility than the other two, particularly now that the Swiss Franc seems to be trading in a tight range against the Euro (although it has still gained almost 1% this year. The performance of the Stability fund should therefore be increased by that much to make it comparable to the Alpha fund, which is also hedged).

The main changes to the portfolio are the same as for the previous funds, plus a gradual exit, somewhat profitable, from the Telecom sector. Like many investors, we were attracted by this sector's high dividend yield

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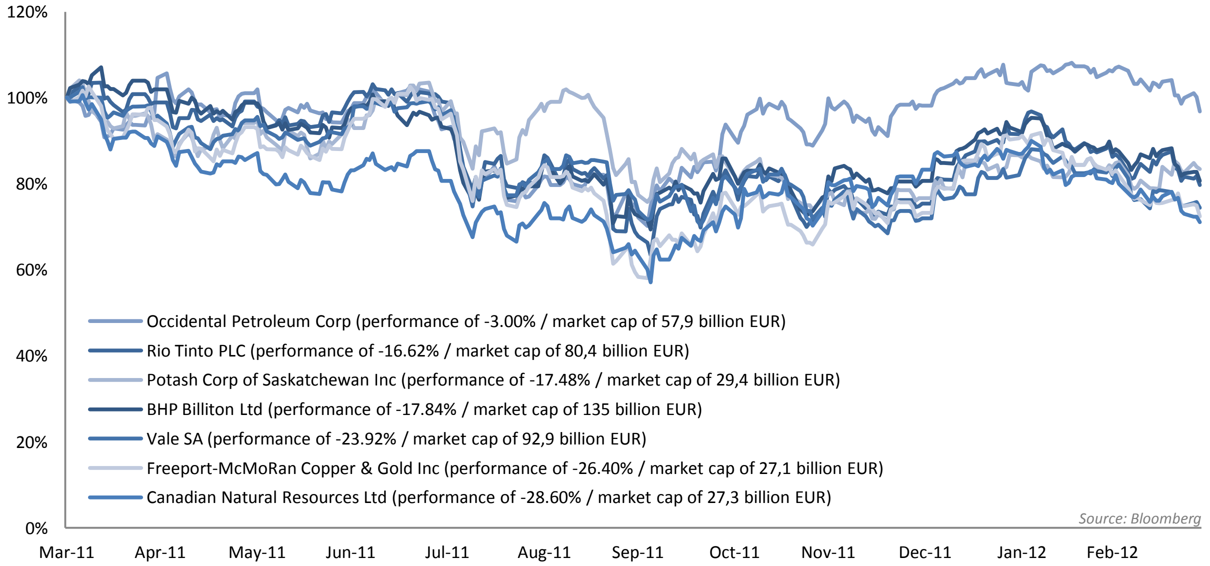
and stable (non-cyclical) nature. But we must confess that some of the misgivings we had when we invested have proven to be worse than expected: governments changing regulations to extract more money from the companies, ever-increasing investment needs to keep up with technology, and market saturation. Although many of the companies are fine, and will maintain interesting dividends, we see those as not growing and, in some cases, declining. We believe we have better options.

Natural Resources

There are a few sectors where investments take a long time before delivering, but where the returns last even longer. A mine, an oil field, and a palm oil plantation easily need more than 10 years between the planning stage and the first production, which then lasts for decades. The business is very stable: there are no new products, technological innovations are rare, there is no advertising or fashion changes… To some extent, we expect it to be a boring, low-volatility sector, not unlike that of utilities. Commodity prices change more often than utility fees of course, but they tend to converge over time to their production costs, which are not so difficult to estimate. Shares should then be relatively stable.

However, markets will have none of this. Shares in companies whose true economic worth will be played out over the next 30 years can drop by 20% in a couple of weeks because of fears that China's GDP may grow this year by 7% instead of 8% (seen in figure 10). Furthermore, these are big companies, not fragile start-ups:

Figure 10: Share price of BHP Billiton, Rio Tinto, Vale, Canadian Natural Resources, Occidental Petroleum, Potash and Freeport-McMoRan Copper & Gold, last 12 months, in EUR, indexed



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Our fund's portfolio is now roughly divided into three areas: oil and energy; mining; and agriculture. The last part includes palm oil plantations, a new addition to the fund, as well as salmon farmers and fertilizer producers. In the first two parts we include a good proportion of service and engineering companies. These companies have an excellent cycle ahead of them: if one tabulates all the mines and oil fields that are planned for development in the next 5 years, one realizes pretty quickly that there is not enough engineering capacity in the world. This will mean delays, higher commodity prices than expected and outstanding profits for well-positioned engineering companies. In addition, engineering and service companies avoid a typical commodity producer problem: the irresistible attraction that their profits have for the host government. Governments can expropriate natural resources (or tax them as they please, for they are not mobile), but they can't expropriate the engineers.

All in all, we have a well-balanced portfolio, made up of companies that own scarce resources in politically safe places; and companies with the necessary know-how to exploit these resources. Unless mankind's economic development goes permanently into reverse, these are very safe investments, with good long-term prospects.

But, as mentioned before, the shares (not the business) will be very volatile. Every time "macro" funds feel China may disappoint, there is a huge sell-off of these stocks. The opposite is also true, of course. Investors, who "own" real assets crucial for world development, and the related know-how, will do well over time. But they must accept frequent drops in the share prices. If this is something they can't sustain, they should not invest in this fund. On the other hand, we believe a mid-double digit (15%) return is perfectly achievable over the long term and is inflation-protected. Such an investment can have a place in a diversified portfolio.

Emerging Markets Value

Like our other funds, the EMV is "playing catch-up" in these first months of 2012. We see strong growth in these markets, led of course by China. Much has been said about this country's slowing rate of growth, but 7% of its current GDP is more, in absolute terms, than 10% of its 2007 GDP. And many other countries, such as Korea, Indonesia, Mexico, Brazil, and Turkey, are adding enormous economic growth to the world. We believe we have a portfolio that will profit from that growth. This portfolio is made up of companies in the three stages of development: exporters of basic consumer products or commodities to advanced economies; purveyors of goods and services for internal consumption, in some cases substituting imports; and companies exporting increasingly sophisticated goods to the rest of the world. It's interesting that the fastest growing car brand in developed markets is Hyundai/KIA; so far, the sole remaining competitor for Apple is Samsung (in addition to being the almost exclusive supplier of Apple iPad's excellent screens); and companies like Sany Heavy are little by little making inroads into large construction equipment

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market, which was the preserve of the US Caterpillar or Japan's Komatsu in the past. A few, well-selected, retail banks are set to profit from the overall economic development of these countries.

The way forward

As mentioned above, we believe our portfolios have the profitability in them to deliver more than 10% annual appreciation over the coming years, with very little business risk. They won't go up by more than 10% per quarter, of course, which means there will be ups and downs. But we see the world economy continuing to grow, and many companies very well positioned to profit from this growth (indeed, to cause it) regardless of the short-term, "macro" turmoil.

SIA news

Ed Yau has decided to leave SIA to pursue full time opportunities in his native Hong-Kong or, possibly, Beijing. We wish him all the best.

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Figures of the USD classes

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

March 2012	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio)
LTIF Classic [USD]	316.81	15.06%	15.06%	13.13%	339.98
LTIF Alpha [USD]	189.26	10.41%	10.41%	5.34%	44.16
LTIF Natural Resources [USD]	141.21	9.58%	9.58%	0.88%	74.71
LTIF Emerging Market Value [USD]	111.09	15.10%	15.10%	-15.52%	7.13
MSCI World Index TR [USD] *(Bloomberg GDDUWI)*	4'552.20	11.72%	11.72%	5.14% *	** Inception date of Classic*

Figure 11
LTIF – Classic USD

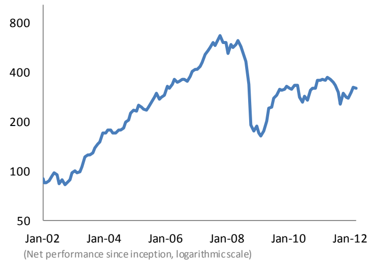

Figure 12
LTIF – Alpha USD

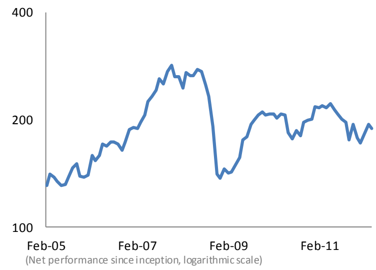

Figure 13
LTIF – Natural Resources USD

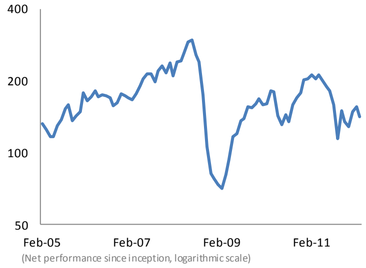

Figure 14
LTIF – Emerging Market Value USD

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Figures of the CHF classes

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

March 2012	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio)
LTIF Classic [CHF]	286.35	11.21%	11.21%	6.65%	307.29
LTIF Alpha [CHF]	171.06	6.73%	6.73%	1.40%	39.92
LTIF Natural Resources [CHF]	127.64	5.93%	5.93%	-2.66%	67.53
LTIF Emerging Market Value [CHF]	100.41	11.26%	11.26%	-21.38%	6.44
LTIF Stability Growth [CHF] *Total return (dividends included)*	185.10	5.23%	5.23%	3.83%	22.86
LTIF Stability Income Plus [CHF]	185.10	5.23%	5.23%	-	1.63
MSCI World Index TR [CHF] *(Bloomberg GDDUWI)*	4'110.18	7.45%	7.45%	-0.88% *	** Inception date of Classic*

Figure 15
LTIF – Classic CHF

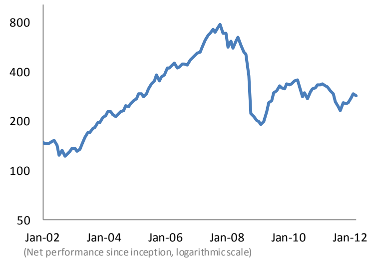


Figure 17
LTIF – Natural Resources CHF

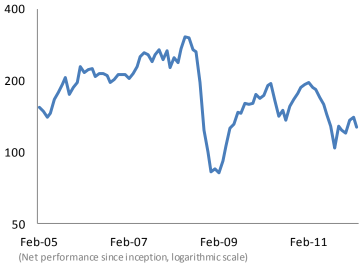


Figure 19
LTIF – Stability Growth CHF

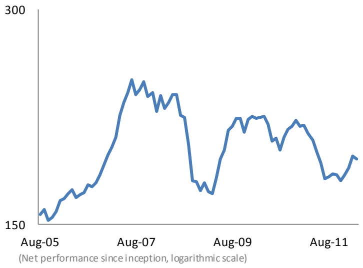


Figure 16
LTIF – Alpha CHF

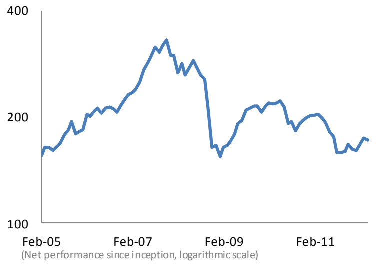


Figure 18
LTIF – Emerging Market Value CHF

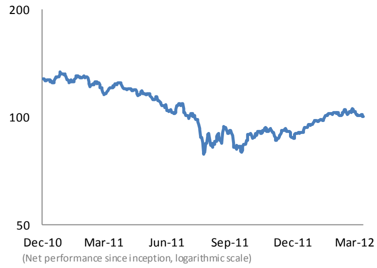
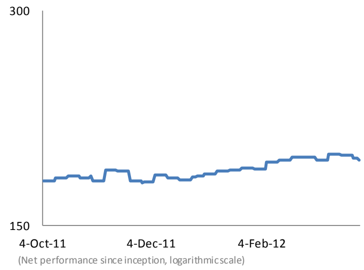


Figure 20
LTIF – Stability Income Plus CHF



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Figures of the GBP classes

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

March 2012	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio)
LTIF Classic [GBP]	198.29	10.90%	10.90%	11.97%	212.78
LTIF Alpha [GBP]	118.48	6.45%	6.45%	7.65%	27.64
LTIF Natural Resources [GBP]	88.38	6.58%	6.58%	3.57%	46.76
LTIF Emerging Market Value [GBP]	69.53	11.96%	11.96%	-18.21%	4.46
MSCI World Index TR [GBP] *(Bloomberg GDDUWI)*	2'846.73	8.35%	8.35%	4.29% *	** Inception date of Classic*

Figure 21
LTIF – Classic GBP

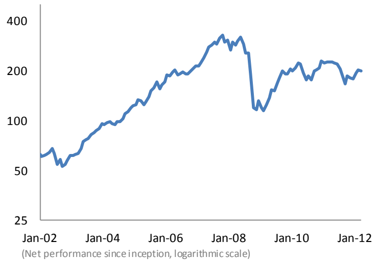


Figure 22
LTIF – Alpha GBP

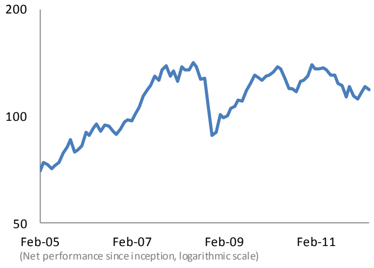


Figure 23
LTIF – Natural Resources GBP

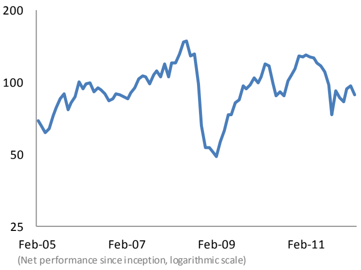
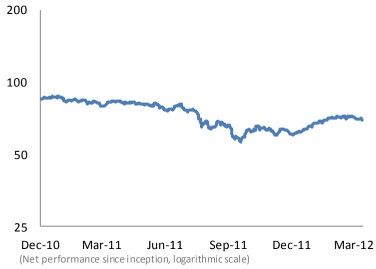


Figure 24
LTIF – Emerging Market Value GBP



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Performance up to 31.05.06 is that of the BVI-based LTIF, of which the LTIF Luxembourg is an identical successor. Previous performance is audited by Ernst & Young. Reports are available from SIA Funds AG. Past performance is no guarantee of future trends. Long Term Investment Fund (LTIF) is an open-ended investment company of the umbrella type organized as a "société anonyme" under the laws of the Grand Duchy of Luxembourg and qualifies as a Société d'Investissement à Capital Variable ("SICAV") under Part I of the Luxembourg law of 20th December, 2002. It has four active compartments, called "Classic", "Alpha", "Natural Resources" and "Emerging Market Value", which fully resemble both the Long Term Investment Fund in BVI (classes "Classic" and "Alpha") and the Natural Resources and Emerging Market Value with regard to their investment objectives and operational structure. This Newsletter is only addressed to qualified private investors who have expressed a desire to receive it, and by no means constitutes an offer to sell financial products that may not be suitable for its readers.

LTIF – Classic EUR
ISIN: LU0244071956
Telekurs: 2'432'569
Bloomberg: LTIFCLA LX

LTIF – Classic USD
ISIN: LU0301247077
Telekurs: 3'101'820
Bloomberg: LTIFCLU LX

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
ISIN: LU0244072178
Telekurs: 2'432'573
Bloomberg: LTIFALP LX

LTIF – Alpha USD
ISIN: LU0301247150
Telekurs: 3'101'828
Bloomberg: LTIFALU LX

LTIF – Alpha CHF
ISIN: LU0301246855
Telekurs: 3'101'824
Bloomberg: LTIFALC LX

LTIF – Alpha GBP
ISIN: LU0750887282
Telekurs: 18'032'344
Bloomberg: LTIFALS LX

LTIF – Natural Resources EUR
ISIN: LU0244072335
Telekurs: 2'432'575
Bloomberg: LTIFGEV LX

LTIF – Natural Resources USD
ISIN: LU0301247234
Telekurs: 3'101'839
Bloomberg: LTIFGEU LX

LTIF – Natural Resources CHF
ISIN: LU0301246939
Telekurs: 3'101'836
Bloomberg: LTIFGEC LX

LTIF – Natural Resources GBP
ISIN: LU0457696077
Telekurs: 10'638'983
Bloomberg: LTIFGEG LX

LTIF – Emerging Market Value EUR
ISIN: LU0553294868
Telekurs: 11'901'448
Bloomberg: LTIFEME LX

LTIF – Emerging Market Value USD
ISIN: LU0553295592
Telekurs: 11'901'450
Bloomberg: LTIFEMU LX

LTIF – Emerging Market Value CHF
ISIN: LU0553294785
Telekurs: 11'901'447
Bloomberg: LTIFEMC LX

LTIF – Emerging Market Value GBP
ISIN: LU0553296053
Telekurs: 11'901'451
Bloomberg: LTIFEMG LX

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Luxembourg

Legal Notice – Switzerland

Performance up to 30.09.06 is that of the LTIF BVI Fund, restated in CHF, of which the LTIF Stability is an identical successor. Previous performance is audited by Ernst & Young. Reports are available from SIA Group. Past performance is no guarantee of future trends. Long Term Investment Fund Stability (SIA Funds) was approved by the Swiss Banking Commission on July 13, 2006. The fund started trading denominated in Swiss Francs as of October 1st, 2006. This Newsletter is only addressed to qualified private investors who have expressed a desire to receive it, and by no means constitutes an offer to sell financial products that may not be suitable for its readers.

LTIF – Stability Growth
ISIN: CH0026389202
Telekurs: 2'638'920
Bloomberg: LTIFSTA SW

LTIF Stability Income Plus
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