Long Term Investment Fund

"Be fearful when others are greedy and greedy when others are fearful."

Warren Buffett

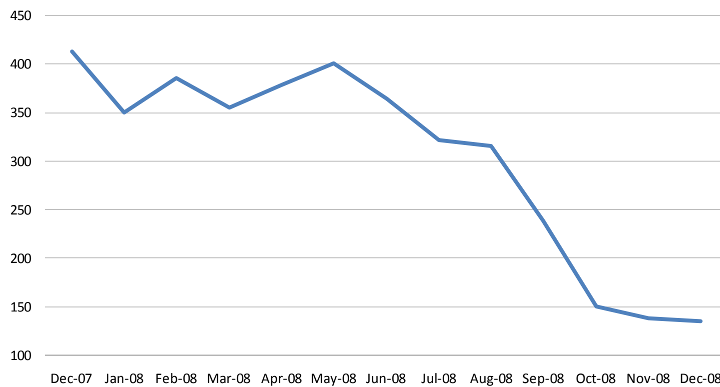
As figures 1 to 5 and table 1 show, 2008 was a very bad year for our Funds in terms of the market price of the shares that we own.

Table 1: Net Asset Value - Net assets under management in EUR

December 2008	NAV	Δ YTD	Δ 12m	Δ Inception	AUM (in mio)
LTIF Classic [EUR]	134.86	-67.35%	-67.35%	34.86%	396.29
LTIF Alpha [EUR]	104.24	-42.20%	-42.20%	4.24%	69.80
LTIF Global Energy Value [EUR]	55.84	-65.47%	-65.47%	-44.16%	12.92
LTIF Stability Series [CHF]	167.20	-27.15%	-27.15%	8.03%	53.10
Global Mining Value Fund [EUR]	28.00	-75.12%	-75.12%	-72.00%	18.03
MSCI World Index TR (GDDUWI) [EUR]	2'100.43	-37.25%	-37.25%		

More precisely, the last six months saw the big plunge in share prices, as shown in figure 6.

Figure 6
LTIF Classic year to date evolution



However, we have always called the ups and downs of our shares the funds' "superficial performance." What we consider the "real performance" – that which captures the long-term, intrinsic value of the investment – is better measured by the past and future earnings per share of the fund, i.e. the real money earned by the companies we own. Figure 7 shows the Classic fund's earnings per share since its inception, including our estimation (the books have not yet been closed) for 2008.

Figure 1
LTIF – Classic EUR

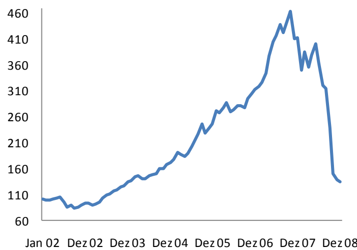


Figure 2
LTIF – Alpha EUR

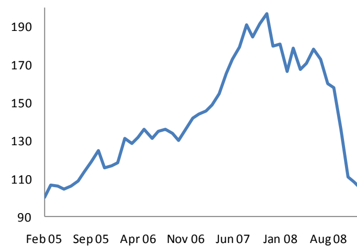


Figure 3
LTIF – Global Energy Value EUR

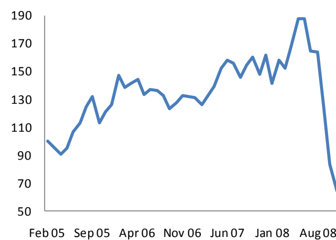


Figure 4
LTIF – Stability CHF

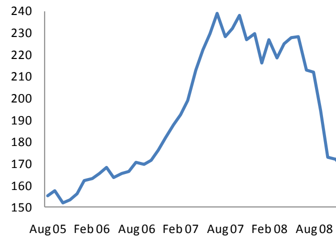


Figure 5
Global Mining Value Fund EUR

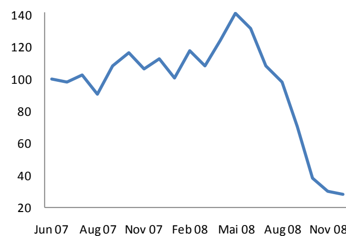


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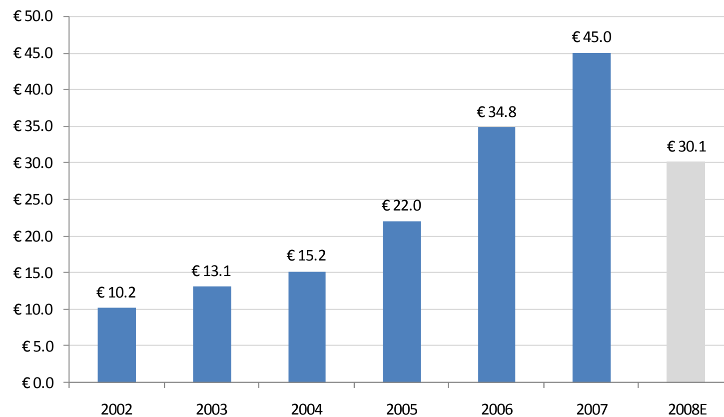
Figure 7
Fund's profits per share



As we see, the Fund grew its earnings by an annualized 30% in its first 6 years. Those earnings per share were lower by 33% in 2008 than in 2007. The key point is, however, that the Fund made money in 2008, and did not lose any. Somebody who bought the Fund (or just held it) on January 1, 2008 – when it traded just above €400 per share – has seen an annual return of 7.5% on his investment and that in a fairly difficult year for the world economy. It is essential that long-term investors who want to make money on the stock exchange define "making money" correctly. If they think like most people (i.e. "my shares are up, I am making money; my shares I down, I am losing money"), they will arrive at the typical investor's long-term profitability: extremely low or negative. This way of thinking almost inevitably leads to buying when the market is high (everybody seems to be "making money" with shares) and then selling when the market crashes, which it does every few years. It's only a profitable business's accumulation of earnings that creates wealth over time.

The "trading" strategy is, of course, theoretically very attractive: buy when shares are going to climb, sell before they crash, and don't worry too much about what's inside. But this rarely works: very few people can trade the ups and downs of the market *in advance*. Serious investors therefore have three choices: find one of those people who "know" what the market's going to do and trust this person with their money (while keeping their fingers crossed); abstain from investing in shares and give up one of the best long-term investments available; or invest in solid companies, bought at low prices, and simply ignore what the markets do. The last is obviously our approach.

However, past profits are just past profits, the future is what matters for investors. What can we expect from our companies? A year ago, we still expected earnings per share in the Classic fund to reach almost €60 in 2009. That's why we thought that, at €400 per share, the Fund was not expensive. Given the serious financial crisis of the last few months, which is affecting the real economy, we

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have had to adjust our expectations. We have reviewed, company by company, our expectations for 2009, and made very conservative assumptions. According to these, our earnings per share should be around €30 this year, way below what most analysts (or even the companies themselves) expect.

If these earnings are achieved, an investment in the Classic fund would yield about 20% at today's prices in 2009, which everybody agrees is going to be a very bad year, i.e. not representative of all future years. We regard this as an astonishing opportunity worthy of Warren Buffett's quote at the start of this Newsletter.

How can this profitability be available to investors in a transparent, non-leveraged, liquid fund like ours? The reason is simple: markets have adjusted to the crisis by selling some shares way below their real worth in any conceivable scenario short of a total end to the world's economy as we know it. Let's look at a few examples, some of which we have discussed in previous Newsletters.

- **Quadra Mining**. In our December 2007 Newsletter, we explained why we think that, on a long-term basis, copper cannot sell for much less than $3 per pound, given the costs of building mines and actually getting the mineral out. If prices fall below that level, opening new mines will simply not be profitable, and companies will stop doing it. This $3 price thus includes the recovery of the large capital inputs necessary to build mines. On a short-term basis, say a few months, it may not be necessary to open new mines, especially if demand weakens. In this case, companies with producing mines may be interested in selling below $3 per pound, as long as they cover what's called their "cash costs," i.e. the money they must pay, out of pocket, to mine and process the mineral. No company will sell its mineral below its "cash cost" for more than a few weeks, or a few months at most, as it would go bankrupt. If the current price is below a given mine's cash costs, it's much cheaper to close the mine for "care and maintenance" until prices recover. Maintenance costs very little, and the company can wait for better times. How long will it be before these better times arrive?

  Figure 8 shows an estimation of the world's copper producers' cash costs. It shows that a small percentage of the world demand can be produced very cheaply – mainly because these mines extract by-products such as gold, silver, or molybdenum, whose value they off-set against their copper costs. Nevertheless, most of the industry has costs well above $1 per pound, rising quickly to $2, and then, as we get to the more marginal mines, eventually to almost $4 per pound. Total demand is about 18 million tons per year. Thus, if demand reaches some 10 million tons per year, it can be served by mines with costs below $1.5/lb (the current price). Any mine with higher costs (i.e. 40% of the industry) will have to close if the price does not rise above that level. Demand for some 18 million tons (last year's) would, on a cash basis, push prices towards $2. As

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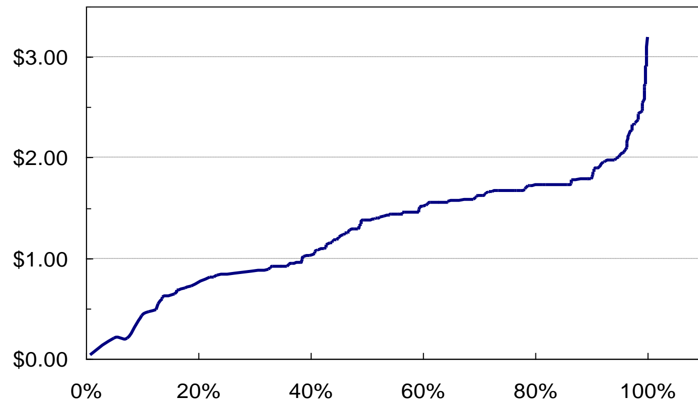
mines deplete, they must go above that just to satisfy static demand.

Figure 8
Copper cost curve



Source: BMO Capital Markets and Brook Hunt.

In the last quarter of 2008, there was an unprecedented drop in demand, due to two factors: a reduction in industrial production, which drives copper demand; and a process of destocking. Faced with credit difficulties and a deflationary environment, practically all holders of physical copper (traders, importers, exporters, industrial users) have tried to get rid of it by halting all purchases and depleting the inventories. This has, understandably, pushed prices below $1.5 per pound. However, at that price, no new mine makes economic sense, and even many currently operating mines lose money, as we've just explained.

The supply answer has been swift: practically all large companies have announced postponements of new mining projects, and an equivalent of 11% of current world mining capacity has been closed. If we consider that about 6% of annual production disappears every year through mine depletion (an exceptional 8% is expected in 2009), we see that in 2009 production will be much lower than in 2008. If and when copper demand stops dropping, as it must, prices will explode. Remember, demand does not have to grow for the price to rise: it's enough for it to drop by less than supply. This last will drop by 8% in 2009 because of depletion, plus possible closings. Never in history has demand dropped by more than 5%, and that only for a short time.

How does all this apply to our investment in Quadra Mining? We can speculate on what the price of copper is going to be in 2009, but we believe this is a futile exercise. First, nobody knows this; second, this is a short-term consideration when we consider an investment with a long life. Let's see whether we can think about it in a straightforward way that does not require heroic assumptions.

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Quadra owns and operates two mines in the United States with an annual production capacity of 1.8 million tons. Their cash cost is between $1 and $1.5 (closer to the former than the latter). In addition, it has some $150 million of net cash in its balance sheet. Building those mines would cost at least $1 billion today, and take between five and ten years. Thus, if we believe that the world is going to continue using copper in future and, given depletion (as well as, eventually, increased demand), the current supply will not be enough, it is obvious that someone will have to open mines like those owned by Quadra. Furthermore, the metal price will have to cover the costs, since these mines will not be built otherwise. In that case, copper will be scarce, and its price will soar, as it did over the last few years.

To say that Quadra is worth at least $1 billion is thus a reasonable valuation: anybody interested in opening mines would rather buy Quadra, whose mines are in operation and not hostage to an ever more complicated permitting process, than start mines anew at the same price.

Quadra's total market value is currently about $150, which is about the money it has in the bank. If the world economy does not disappear and mankind keeps using electricity, Quadra will be trading at about 7 to 10 times its current price within just a few years. The risk is low: there is cash in the bank, a positive cash flow, and resources based in the United States, while most new mines are in the Congo, Zambia or Ecuador (plus a huge possible development in Mongolia). A Chinese company, China Mining Resources Group, has bought shares in Quadra, and has announced its intention to keep buying them up to a price of $5.28, which is some 50% above current prices.

- **Biesse** is an Italian producer of sophisticated machines with which to treat wood and turn it into furniture. These machines automate most production phases, and are bought by furniture makers in quest of lower costs, such as IKEA. The company had earnings per share of €1.5 in 2007. 2008 will be a little less good, since clients started postponing orders in the fourth quarter due to the weakening of the construction industry in many countries and the overall economic uncertainty. Obviously, the company doesn't know how much money it will make in 2009. Its biggest problem is that many of its clients find it difficult to finance the company's very expensive machines. Usually, they get leasing financing from banks but, as everybody knows, this is difficult right now. Biesse itself has no financial problems, enjoying a strong net cash position.

  How can we value it? Again, we can obsess over this year's profits, which are honestly anybody's guess, or we can take a long-term approach. If Biesse earned €1.5 per share in 2007, there is no reason why it could not earn, say, €1 per share in two or three years' time, once the world economy stabilizes. After all, people will continue buying chairs, and chair manufacturers will continue trying to lower their costs through automation. It's not difficult to imagine that, in a recovering world

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economy, Biessse's shares would have a PE of 10 (historically, it's been much higher). That would mean a share price of €10 in two or three years' time. Recently, its shares traded at €3. By trebling in two or three years, they would be a very good investment.

- **Construcciones y Auxiliar del Ferrocarril (CAF)** is a Spanish company that makes light trains, such as metros, and parts of heavier units, such as high-speed trains. It has factories in Spain, Brazil, and the United States. It has a firm order book covering several years' worth of production, a growing maintenance business, and even a business running concessions. The PE is around 8, but the company has net cash that is equivalent to almost 40% of the market cap. The world is clearly urbanizing, and moving towards public transportation (it was the only economic segment in the US to show more than 20% growth last year, for instance). At current prices, a long-term profitability of more than 25% seems very reasonable.

- **Orient Overseas International** is a Hong-Kong-based shipping company with a real estate division that owns property in New York and Shanghai. We've been investing in the company for years, and have taken advantage of its shares' huge volatility, selling them when they were too high, and buying them when they fell again. We've visited the management in Hong-Kong twice, and are impressed by their quality. In an industry where market share and "filling capacity" seem to be the only goals, Orient's management is very profit oriented. In the last recession, they didn't lose any money, while many competitors went bankrupt. Their average return on equity over many years is 15%. Today, to build a new container ship costs about $15.000 per TEU (Twenty-foot equivalent unit, the basic unit in the container industry). If the vessel is now bought second hand, it costs $9.000 (nobody wants them, because business is very bad right now). If we calculate the value of the company, at the current share price we'd by paying out half of that price per ship. Again, if we believe that mankind will need container ships in the future, this looks like an excellent investment.

- We can also discuss **Canadian Natural Resources (CNQ)**, one of our oldest investments in the Fund. It's obvious that oil prices have collapsed in the last few months. But it's less obvious that this only applies to spot prices: as figure 9 indicates, the long-term price of oil – which is what matters when valuing a company with more than 40 years of reserves – did not move that much in 2008.

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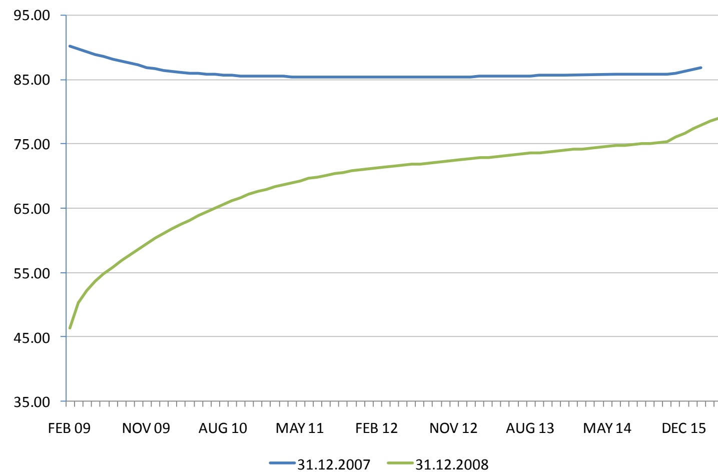
Figure 9
Evolution of the term structures of oil futures prices



- Again, we can value the company by obsessing over the weekly inventory reports in the US, or we can look at it from a long-term perspective. Even Saudi Arabia has now recognized that it can't justify investments in new oil fields at oil prices below $75. Many other areas require even higher prices. Depletion is running at more than 6% a year, which means that if demand does not drop every year by that much (in 2008 it was flat, in 2009 in may drop by 1% in a worst-case scenario), new fields will be necessary. Consequently, prices cannot stay below $75 for long. However, at those prices CNQ's share prices are an excellent investment, and one that will last for 40 years. We haven't found any analyst who thinks that oil will be trading for less than that in, say, five years' time, while there are many reasons to believe that once demand stabilizes (we're not talking about growing), prices will go much higher again.

And so on and so forth. We have an enormous collection of data and graphs showing the supply/demand situation of most of the companies we cover, and offering a detailed analysis of each of them. We'll be happy to share them with any of our investors, but we don't want to turn this Newsletter in to an unreadable "data dump." The point is clear: most of the shares we own are drastically undervalued on a long-term basis and under any reasonable assumptions. Why is that?

As we mentioned above, our shares more or less held their value until the middle of the year. They then started dropping fast, crashing in October – the Classic fund by -36.9% in that month. It's no secret that the collapse of Lehman Brothers sent a real shock through many markets. Commodity shipping, for instance, is undertaken by financing the transaction with letters of credit. Those simply disappeared in October and, with them, practically all dry bulk shipping activity. This is just an example. Biesse did not receive a single order for its machines in the first two weeks in Octo-

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ber, something that had never happened before – not even during the worst recessions in the past.

This situation provoked a strong selling panic in the markets that, as usual, fed on itself: ultimately, people sell because shares go down, and shares go down because people sell. It does not differ very much from what happened with the Nasdaq shares in 1998-2000, only in reverse. People don't buy (or sell) based on future profits, but simply on momentum. Many funds have been hit with redemption requests and had to liquidate whatever liquid assets they had, which, in most cases, means shares. It's important to understand that, sometimes, the market does not move on fundamentals, but on euphoria (or panic). Recognizing this and placing oneself on the other side of the trade is the essence of long-term profits for an investor, as the opening quote by Warren Buffett indicates.

This concerns a critical point that we have often underlined in the Newsletters: volatility and risk are not the same. Our shares have shown enormous volatility in the last year. As hard as it is to believe, there is practically no single trading day in which one or more of our shares don't go up or down by more than 10% – in some periods by more than 20%. But that does not mean they are risky. To return to our examples above: owning, in a politically safe country, copper mines that enjoy cash costs below very depressed prices, plus the possibility of temporarily closing the mines, does not look like a particularly risky proposition, particularly if the company also has net cash to see it through a long period. This applies equally to buying ships at less than half their price. It's a matter of long-term perspective.

Being long and being wrong

A few months ago, one of our investors asked us a pointed question: what's the difference between being long and being wrong? The answer is crucial, and we believe the difference lies in the investments' underlying profits. In 1999 buying tech companies with PEs in the hundreds (if they had any profits) was being wrong as 8 years later, those that survived trade at about 70% less on average. Buying many banks in 2007 was wrong: they have destroyed their equity base, and investors have been permanently diluted by new share issues.

But take other examples, where holding the shares in the face of "losses" is the right thing to do. As figure 10 shows, Berkshire Hathaway shares have enormously outperformed the markets, multiplying their value by more than 2,000 times in a few decades (that's 2,000 times, not 2,000%!). However, they've experienced huge drops: their price has been down 50% several times, the last one between mid-September and mid-November last year (that's even worse than our Classic fund!). But that does not mean they've lost their value. Warren Buffett, who likes to say "price is what you pay, value is what you get," did not consider himself poorer in these episodes. He kept looking at his company's profits, not at its share price. If those profits go up, so will the share price. Holding Berk-

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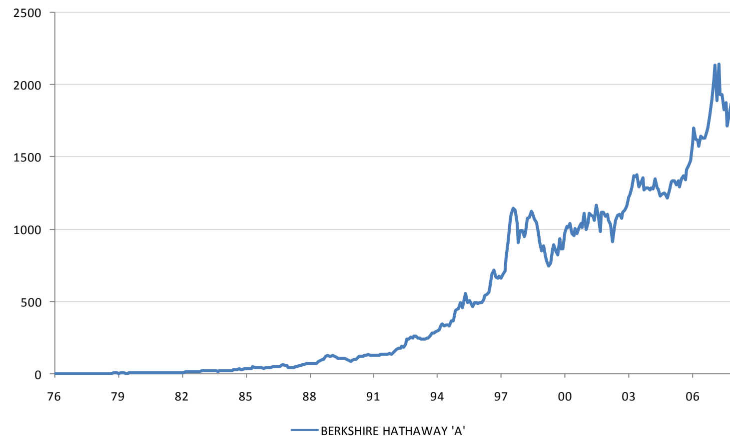
shire shares through those drops (or buying them) was being long, not being wrong.

Figure 10
Berkshire Hathaway "A"



What we have learned in this difficult year?

In our March Newsletter, we mentioned a couple of bad investments we had made, and the lessons we learned. They have become even more important after this year's crisis. These lessons are that companies cannot be leveraged if their profits are not absolutely sure (and whose are?); and that cyclical industries whose supply does not decrease automatically are very dangerous, because if there is excess capacity, it can take a very long time for demand to absorb it, especially if demand is weak. We saw this in the case of refineries, and it's probably true of much of the petrochemical industry. Cyclical industries such as mining or oil are better in that, as we saw, supply disappears automatically through depletion, which relatively quickly puts a floor under prices: they cannot be structurally unprofitable, as the paper industry has been for years.

But we have learned another important lesson, which has to do with the practical definition of value. Typically, value investors go for low PE companies, where return on the investment doesn't lie in a distant future. In general, it's a strategy that pays, because the future is full of (nasty) surprises. The key danger for a value investor is to fall into "value traps": a company with a PE of 5 is, of course, a good investment… as long as profits don't go down. When the market assigns such a low PE to a company, it tends to be for a good reason. It's important not to fall into those traps, at least not often. We believe that over the years we've made a decent job of avoiding those traps. We did make mistakes but, overall, the evolution of our earnings per share shows that we were more often right than wrong.

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There is, however, a problem with this approach: since true bargains are inevitably few, value investors end up fenced in within a few sectors. This is not too bad. After all, outstanding performance requires concentration. Nevertheless, it does add a great deal of volatility, which nobody really likes. The way out is to systematically recognize that growth is just another component of value: a company with a PE of 12 can be more valuable than one with a PE of 6 if the former has an outstanding profitability that it can defend for years, whereas the latter's position is slowly eroded.

Going for (somewhat) higher PEs is dangerous. The company needs outstanding profitability sustained over many years, which is difficult, for the investment to pay. For each Microsoft or Coca-Cola, there are literally hundreds of companies whose profitability has been driven down by competition. As we said before, entrusting one's fortune to the distant future is very dangerous, and this is what one does when buying high PE stocks. Nevertheless, if a reasonable compromise can be reached, times like these create wonderful opportunities. In this sense, we are now investing in some companies that are in very different fields than the ones we have, and that we expect to provide us with the same profitability over time.

In any case, we regard the current situation as an outstanding investment opportunity. Although we have no idea of what our share price will be in a few months, if the underlying profits are anywhere near what we expect, returns will be excellent over the long term.

Some comments on our funds

The most important development in our **Classic** portfolio is, as mentioned above, that we are carefully introducing some shares with higher PEs than our average, but with what we believe are outstanding future profits. An example is Sonova, a Swiss maker of hearing aids, Phonak being their best-known brand. The company is a world leader and, thanks to its unique technology, is increasing its market share every year. It now has about 20% of the world market. Its profitability is remarkable, with returns on equity above 30% over the past few years.

The company's shares have dropped more than 50% in 2008, because markets fear that, in a recessionary environment, people will postpone buying hearing aids. While this is likely to be largely true, its impact will be far less intense than people think. First, the typical customer is 70 years old (really!), and most people that age live on pensions that aren't much affected by the overall economy. Second, many countries' social security reimburse all or a large part of the cost, which again makes the purchase not very recession-sensitive. In any case, at the price we bought the shares, we believe the company can absorb one or two years of lower profits and still represent a great investment over the long term: mankind is not getting any younger, and the penetration rates of hearing aids usage are still very low, even in developed countries.

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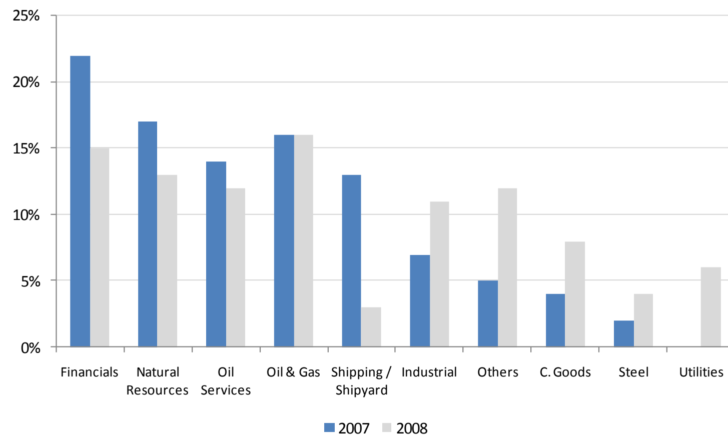
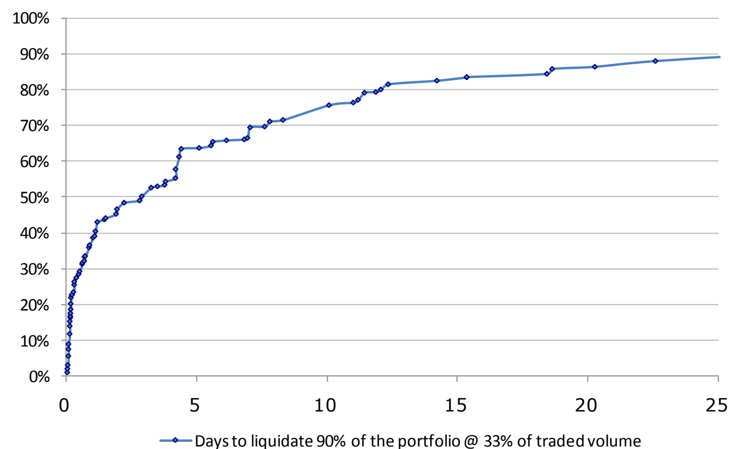
We are not shifting our approach. As figure 11 show, our industry allocation has not changed much. We are, however, trying to make all new investments in industries which are basically uncorrelated to the shares we already own.

Figure 11
Industry allocation



In terms of sales, we've concentrated on the less liquid positions. Since we have had to sell some shares, as we have had some 25% redemptions, we've decided to sell those shares that were less liquid than others. Right now, we have an extremely liquid portfolio that could be sold quickly in case of need, as figure 12 shows.

Figure 12
Liquidity



As can be seen, one of our largest sector position is insurance. In the past, we have mentioned that insurance shares have dropped as much as banking shares although the economic reality of the business is completely different. Insurance is a provider of capital right now, while banks are sucking it in. With PEs below 7 for world class franchises, and around 5 for smaller reinsurers, we believe the industry offers very good value – mostly unrelated to the cur-

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rent economic crisis – going forward. It's true that insurers with large balance sheets (such as life insurers) are affected by the drop in share prices, but they will benefit with their eventual rise. In any case, we invest mostly in re-insurers with extremely conservative assets portfolios.

Finally, we have a large position in industrial companies, from furniture machine makers to valve manufacturers to copper cable producers. They are all very cheap, will all probably suffer through the current economic crisis, but are well placed to enjoy solid profitability over the long term.

The **Alpha** fund has had a negative evolution, in spite of being hedged again market drops, for the simple reason that our shares have dropped more than the market. Our investments are based on fundamentals; we do not try to guess what the market is going to do next, but what the profits of the companies will be. When the whole market stops trading on fundamentals to trade on panic or momentum (or forced selling), our choices tend to do badly. Fortunately, fundamentals last while moods pass. In the past, we very regularly had an alpha of 20%. 2008 saw the opposite, but we certainly expect it to return to positive territory in 2009.

The **Stability** fund is similar to the Alpha fund, but tries to be less volatile, even if it costs a bit of performance. It has indeed done better (less badly), and its prospects for 2009 are similarly positive, in our opinion.

The **Energy** and **Mining** funds have seen a brutal correction since June. Above, where we discussed Canadian Natural Resources and Quadra, we explained why we believe these drops are unjustified, and why we think there is great value in these Funds. Two more points: drilling companies are selling for less than the value of their already signed contracts (with serious counter-parties); and a metallurgical coal-producing company such as Grande Cache, in which we are the largest shareholder, is of interest to steel producers who want to assure coal supply and are ready to pay four times the current price. Anecdotically, it's remarkable that the shares doubled in the first week of January (yes, 100% up), just to lose much of that increase in the following three days. Somebody out there has problems valuing the company. With markets as "irrational" as this, it should not be difficult to get excellent returns, although at the price of huge volatility.

SIA news

2008 has been an extremely important year for our company: we have built what we believe is a world-class research team that can serve our investors over the years. Markets have not helped, and we have seen a steep drop in Assets Under Management (AUM). We have had redemptions of about 25% of our shares, and, of course, seen a drop in the Net Asset Value of the Funds. Since we are paid a commission on the net asset value, we are receiving much less money than in the past. In fact, we are currently just covering the expenses generated by our extended team.

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In spite of this situation, we've decided to keep the team going, perhaps with some minor adjustments. It takes a long time to solidify a serious company, and we believe our funds should do well over time. SIA is very well capitalized, and can keep going like this for a long time. We have opened an office in Singapore, and even expect to make some opportunistic additions to the team now that many fund managers have to release personnel.

We don't think our confidence is unrealistic: our companies' value is there, and the markets will recognize this, perhaps quickly. In the first week of January, the Classic fund was up 15% (and the Mining, 35%), although it then corrected. We know that many of our clients like our approach, are tired of non-transparent, illiquid investments, and are simply waiting for a stabilization of the market to invest more in our Funds. All in all, we're fairly confident about the prospects of our company, which are intimately tied to our funds' prospects.

Investing in shares is subject to a double uncertainty. We honestly don't know how much money our companies will make, and we certainly don't know how the market will interpret those profits. We do, however, believe that we can ascertain profitable opportunities, and we know that markets recognize them over time. As we anticipated a year ago (recession in Western countries, lowered growth in emerging ones), a bad macro situation has clearly come to pass. But it will not destroy solid companies' long-term profits and offers a unique opportunity to buy such companies at very low prices. Since our Funds only charge performance fees when their NAV is above the high-water mark and we never reset this, an added bonus is that investors in the Funds will not pay performance fees until the Funds triple their money (in the Classic fund). Low fees are not, of course, a reason to invest, but they can be an added bonus in that they facilitate a faster recovery when it comes.

Besides, we remain convinced that our investment style is the right approach: long term and oblivious of volatility, except to take advantage of it. Avoiding volatility can only really be achieved by investing in very low performing short-term government bonds… or falling into real problems when chasing low volatility investments that promise big premiums over government bonds. We truly hope we'll be able to deliver our investors our expected annual 15% over time, even when experiencing negative periods like 2008. It is the urge not to disappoint the enormous confidence shown by our investors that keeps us going.

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Figures of the USD classes

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

December 2008	NAV	∆ YTD	∆ 12m	∆ Inception	AUM (in mio)
LTIF Classic [USD]	187.46	-68.96%	-68.96%	109.57%	550.87
LTIF Alpha [USD]	144.90	-45.05%	-45.05%	11.16%	97.02
LTIF Global Energy Value [USD]	77.62	-67.17%	-67.17%	-41.52%	17.95
Global Mining Value Fund [USD]	38.92	-76.35%	-76.35%	-70.95%	25.06
MSCI World Index TR (GDDUWI) [USD]	2'919.78	-40.33%	-40.33%		

Figure 13
LTIF – Classic USD

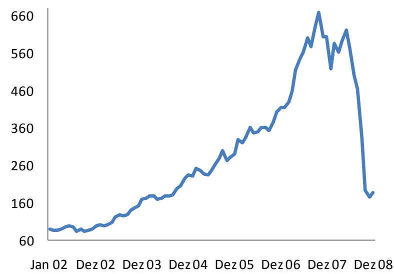


Figure 14
LTIF – Alpha USD

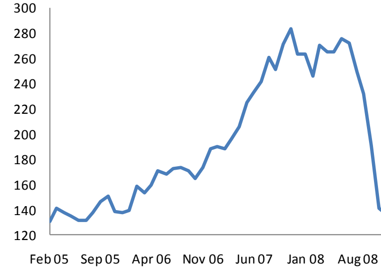


Figure 15
LTIF – Global Energy Value USD

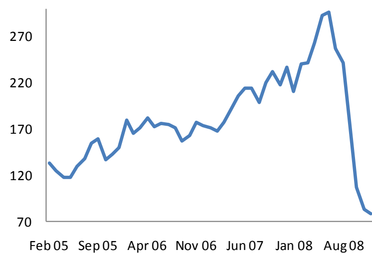
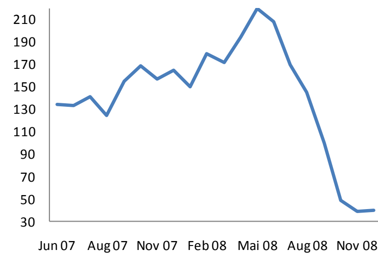


Figure 16
Global Mining Value Fund USD



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Figures of the CHF classes

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

December 2008	NAV	Δ YTD	Δ 12m	Δ Inception	AUM (in mio)
LTIF Classic [CHF]	199.53	-70.82%	-70.82%	34.77%	586.32
LTIF Alpha [CHF]	154.22	-48.34%	-48.34%	-0.43%	103.27
LTIF Global Energy Value [CHF]	82.62	-69.14%	-69.14%	-46.54%	19.11
Global Mining Value Fund [CHF]	41.43	-77.76%	-77.76%	-75.08%	26.68
MSCI World Index TR (GDDUWI) [CHF]	3'107.73	-43.90%	-43.90%		

Figure 17
LTIF – Classic CHF

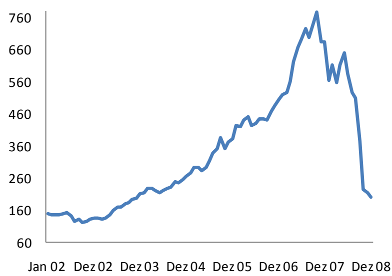


Figure 18
LTIF – Alpha CHF

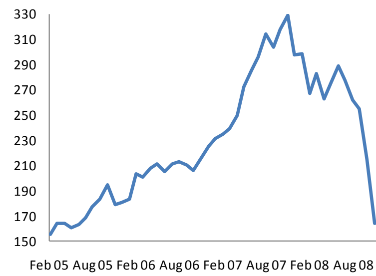


Figure 19
LTIF – Global Energy Value CHF

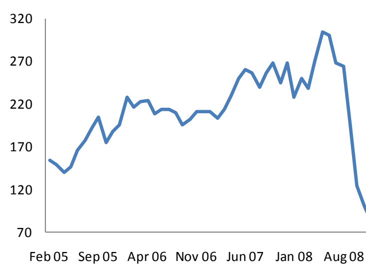
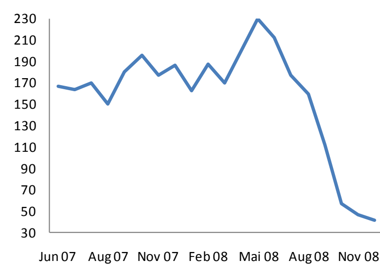


Figure 20
Global Mining Value Fund CHF



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Legal Notice - Luxembourg

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 is an open-ended investment company of the umbrella type organised 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 three active compartments, called "Classic", "Alpha", and "Energy", which fully resemble both the Long-Term Investment Fund in BVI (classes “Classic” and “Alpha”) and the Global Energy Value Fund 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: CH2432569
Bloomberg: LTIFCLA LX

LTIF – Classic USD
ISIN: LU0301247077
Telekurs: CH3101820
Bloomberg: LTIFCLU LX

LTIF – Classic CHF
ISIN: LU0301246772
Telekurs: CH3101817
Bloomberg: LTIFCLC LX

LTIF – Alpha EUR
ISIN: LU0244072178
Telekurs: CH2432573
Bloomberg: LTIFALP LX

LTIF – Alpha USD
ISIN: LU0301247150
Telekurs: CH3101828
Bloomberg: LTIFALU LX

LTIF – Alpha CHF
ISIN: LU0301246855
Telekurs: CH3101824
Bloomberg: LTIFALC LX

LTIF – Global Energy Value EUR
ISIN: LU0244072335
Telekurs: CH2432575
Bloomberg: LTIFGEV LX

LTIF – Global Energy Value USD
ISIN: LU0301247234
Telekurs: CH3101839
Bloomberg: LTIFGEU LX

LTIF – Global Energy Value CHF
ISIN: LU0301246939
Telekurs: CH3101836
Bloomberg: LTIFGEC LX

Global Mining Value Fund is a Luxembourg multiple compartment Investment Company organised as a "societe anonyme" incorporated on June 6, 2007 and subject to the Luxembourg law of February 13, 2007 relating to Specialized Investment Funds (SIF).

GMVF-Global Mining Value EUR
ISIN: LU0305469388
Telekurs: CH3183766
Bloomberg: GMVFEUR LX

GMVF-Global Mining Value USD
ISIN: LU0305469545
Telekurs: CH3183768
Bloomberg: GMVFUSD LX

GMVF-Global Mining Value CHF
ISIN: LU0305470048
Telekurs: CH3183771
Bloomberg: GMVFCHF LX

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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.

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Bloomberg: LTIFSTA SW

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