Figure 1
LTIF – Classic EUR

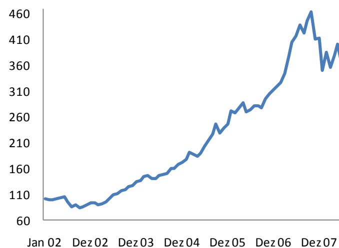


Figure 2
LTIF – Alpha EUR

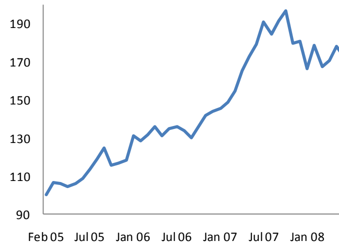


Figure 3
LTIF – Global Energy Value EUR

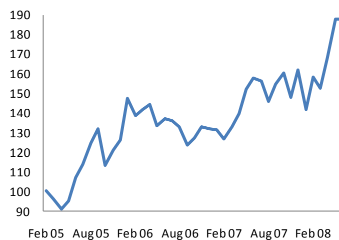


Figure 4
LTIF – Stability CHF

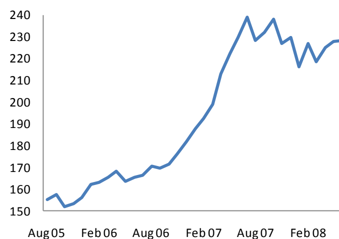
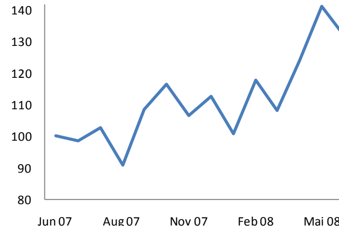


Figure 5
Global Mining Value Fund EUR



Long Term Investment Fund

"Over the short term, the market is a voting machine. Over the long term, it is a weighing machine."

Benjamin Graham, The Intelligent Investor, 1946

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

June 2008	NAV	Δ YTD	Δ 12m	Δ Inception	AUM (in mio)
LTIF Classic [EUR]	363.99	-11.88%	-12.66%	263.99%	1'318.80
LTIF Alpha [EUR]	172.84	-4.16%	-3.38%	72.84%	271.13
LTIF Global Energy Value [EUR]	187.57	15.98%	18.94%	87.57%	48.77
LTIF Stability Series [CHF]	228.10	-0.61%	-0.57%	47.38%	94.27
Global Mining Value Fund [EUR]	131.98	17.26%	34.10%	31.98%	99.14
MSCI World Index TR (GDDUWI) [EUR]	2'787.79	-16.71%	-23.00%		

This year's second quarter has shown the same volatility as the first: after two months in which our shares went up sharply, they corrected severely in June, and have continued to do so in July. The main reason is apparently concern about the worldwide deceleration in economic growth. Investors are voting that shares – ours included – are generally worth less than their current price.

We obviously disagree regarding our shares. Our expected profits per share of the funds are € 54.3 for 2008, which translates to a profitability of 14.9% at current prices. These profits are expected to rise to € 60.7 (16.7%) next year. It's important to note that these profits include, as far as possible, future economic developments in both the short and long term. Furthermore, half the year has already passed; therefore our forecast is becoming increasingly accurate. It's normal for some investors to feel scared when they see a sharp drop in the market value of their shares, as well as headlines proclaiming that it's different this time and that the world economy is going to collapse. This fear does not differ greatly from the even more dangerous feeling of greed when share prices are going up and the same headlines proclaim that this time it's different and a market with a PE of 30 is not really expensive. As usual, matters are both simpler, and more complicated: simpler, because investors make money over the long term from the cumulated profits of the companies they own, not by guessing what the world economy will do next; more complicated, because successful long-term investing requires correctly predicting those companies' profits, one company at a time. Being distracted by these "macro" considerations just leads to bad results. To illustrate this, let's take a medium-term look at some of the companies that we own.

We bought Canadian Natural Resources in September 2003, when it was trading at around CAD 13.5. We thought the company was a good investment, because the market did not value its oil sands developments, which were supposed to double the company's oil

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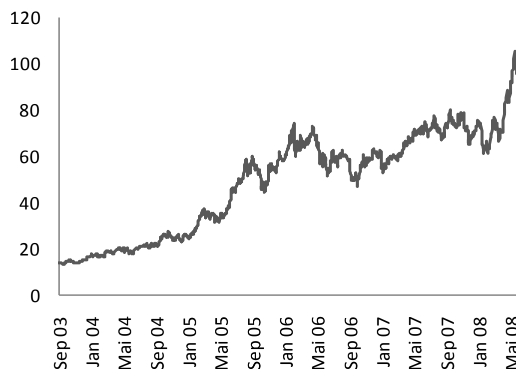
production by 2008. As a matter of fact, the “Horizon project”, which will lead the company to produce over 100,000 barrels of oil per day from oil sands mining, is expected to start producing next month. Figure 6 below shows what the share price has done:

Figure 6
CNQ’s share price in CAD from September 2003 to today

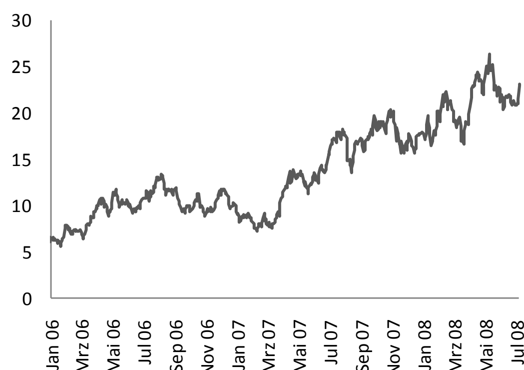


Earnings per share were $2.6 in 2003. We expect these earning to increase to more than $6 this year and more than $10 in 2009 when Horizon’s first phase is producing at full capacity.

During these five years, the share price has dropped by more than 20% six times, each time due to “concerns” that the “oil bubble” was about to burst. However, over five years, the share price (up more than six-fold the original price) doesn’t reflect that vote, but the weight of the increase in earnings per share. This is exactly what will happen over the next five years.

Something similar can be said of Quadra Mining. We bought it in January 2006 at a share price of around $6. We liked its low price, and the fact that the price didn’t seem to reflect that a new mine, Carlota, was scheduled to be opened in late 2008. Currently that mine is almost ready to go into production and earnings per share have gone from a small loss in 2005, to less than one dollar in 2006, to more than $3 in 2008 and an expectation of almost $4 in 2009, when the first full year of Carlota’s production will contribute to profits. The graph below shows the evolution of the share price:

Figure 7
Quadra’s share price in CAD from January 2006 to today



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As in the case of Canadian Natural Resources, the share price has collapsed by more than 20% several times, often at the same time as Canadian's share, although the supply/demand structure of the oil and copper industries are fairly unrelated. Investors clearly voted for both prices with the same "macro" concerns in mind. Again, the weight of the earnings per share imposed itself.

These two examples are presented here to underline that if the long-term fundamentals are correct, investments are very profitable precisely because mindless volatility offers excellent entry points. Short-term drops, even if they are steep, don't matter at all.

In our March newsletter, we gave a detailed explanation of the fundamentals of some of our investments. We showed why we believe oil prices will not drop by much, and copper will stay above $3/lb. In the last few weeks, we have had ups and downs in the prices of these commodities, but they are way above anything required for our companies to be extremely profitable, and we are convinced they will continue to increase. The weight of profits will win out.

Each case is, of course, unique. Nickel prices are weak, and zinc prices are extremely weak, because supply has exceeded demand to a point where high cost producers aren't making any money. Incidentally, demand for all three metals is about the same, and the reason copper remains profitable, nickel is "correct," and zinc doesn't make money is, of course, the different supply situations. However, coal, iron ore, and steel are very profitable, and will continue to be so, as will oil services, insurance companies, and many other investments that we own.

We have reviewed our assumptions, and they hold. We have talked extensively to our companies' managers, analysts, competitors, and industry experts. We are confident of the long-term profitability of most of our investments – the few exceptions are discussed below. We have companies now trading at PE09 below 4. In these cases, one of two things happens: either profits don't materialize, or the share price goes up sharply.

Unfortunately, it isn't always the second case. We have had two cases this year where shares prices have gone down because the underlying profitability has been bad – certainly worse than we expected. We'll discuss them in some detail: the oil refining sector, and a UK home builder, Barratt Development.

More than two years ago when we invested in oil refineries, our reasoning was simple: for regulatory reasons, adding new capacity is almost impossible, very expensive, and time consuming. Since demand goes up by a few percentage points every year, the then-high margins were expected to remain there. In addition, we knew that the US market has very unique environmental specifications for the gasoline that can be sold there, which protected the high margins of some US refineries especially well. Moreover, some refiners such as Valero could refine "heavy" oil much cheaper than

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standard, “light” oil to produce the same final product, thus capturing additional margin. The case seemed clear, and we even interviewed the top managers of some of the industry’s key players directly. Shares in these companies were trading at a very low price, way below what it would cost to build the refineries from scratch – if it were possible.

The investment did fairly well in 2006-2007, and we basically doubled our money. However, in January 2008, the share prices started dropping fast. We didn’t pay too much attention at first: as stated above, it’s long-term profits that drive investment profitability, not share price volatility, and all shares were dropping fast in January. But when it became evident that profits in the first quarter were going to be much lower than expected, we reviewed the situation.

We found a combination of factors that led us to believe that the industry will not sustainably return to its 2007 margins, especially in the US. First, demand for gasoline is down in the US, due to the country’s economic situation. This is not too serious, as it should be temporary. Nevertheless, Americans have realized that the cars (rather, trucks) that they drive are incompatible with current (and future) oil prices. Gasoline demand will therefore be restrained even after the current recession passes, as people will have switched to more fuel-efficient vehicles. Refineries do not only produce gasoline, but also a great deal of diesel, among other things. Diesel consumption is booming worldwide, because it is the fuel of commercial vehicles, which are less subject to economic cycles than private cars, as well as the fuel for electricity generators, which the world needs to compensate for the lack of sufficient conventional electricity production capacity. Since US refineries are optimized to produce gasoline, not diesel, and cannot easily switch back, world refiners are making money from diesel, and dumping their excess gasoline on the US market. There is a final, fairly definitive point: oil production is not growing, and it’s not going to grow for the next several years, if at all. Since there is some capacity addition at the margin every year (one or two new refineries in Asia or the Middle East, debottlenecking expansions in current refineries), the net result is a creeping excess capacity situation that can only lead to increasingly lower margins going forward. For all these reasons, we sold our refining shares, unfortunately after they had dropped by more than 20% in 2008.

The case of Barratt Development and the UK home building sector is, of course, different, but has also cost us money. As described in detail in our March newsletter, we thought that even if the market were to decline, Barratt could still be very profitable at the then share prices. We factored unprecedented decreases in prices of 5% for 2008 and a (another unprecedented) decrease in volume of 20%.

Reality has been much worse: prices have declined by 8%, and volumes by an amazing 35%. Frankly, we didn’t expect the UK banking industry to simply shut down the mortgages window. At

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these numbers, profits are very low, or inexistent, and companies must start thinking of writing off the value of some of the land they own. To compound problems, Barratt has a level of debt that, although seemingly acceptable twelve months ago, looks way too high now. If assets must be written off, and the level of debt is high, then the Net Asset Value of the company drops disproportionately. Share prices have collapsed, as the market fears that the company will be forced to issue new shares, thus diluting the value for current shareholders, who will not fully share in an eventual recovery. We sold half the position in April, at a heavy loss, and have not sold the rest of our shares – they have dropped so much that, at this stage, they simply represent an option on the industry surviving, which we believe will happen: as we explained in March, the UK is seriously undersupplied with new housing, unlike the US or other European markets, and the demand is clearly there. But it's extremely unlikely that we will recover all our money, let alone make a good return on it.

These two failures have taught us two general lessons. First: when investing in cyclical industries, such as refining, it's better to stick to industries where capacity disappears spontaneously. Mines are depleted, ships grow old and must be scrapped. If, at some point, there is excess capacity, it will disappear on its own. That does not, however, happen in the refining industry, or the chemical or paper industries: if there is excess capacity, only demand growth – that may be very slow in coming - or painful bankruptcies will deal with this.

The second lesson is that if investing in a company that is going to go through a bad patch, the company must be debt-free, just in case the patch happens to be worse than expected. If Barratt hadn't been burdened with its large debt, its situation today would have been bad, but not drastic: Britons will, however, continue living in houses, and Barratt will continue making them profitably.

There is a final comment on the Barratt story: since we detailed our investment in the company in March, some of our investors followed us by buying shares. We don't discuss investments in our Newsletters to tell investors what to buy, but to illustrate our investment methods. Any company we buy is added to a large portfolio, where its risks are diversified and its volatility monitored. Eventually, we sell these companies, either because the investment is less good than we thought, or because the shares have gone up substantially. We don't usually report these sales in our Newsletters, because that's not the purpose of the Newsletters. Investors may thus be left holding, on our advice, something we don't think they should hold. Much as we are honored by the trust represented by those purchases, we believe investors will be better off investing in the overall, diversified fund, whose investments we follow very closely every day.

Fortunately, the refiners and homebuilders are the exceptions. As discussed above, we are confident that the huge majority of our shares will turn out to be as good investments as Canadian Natural

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Resources has been over the years, even if current market volatility seems to be telling investors that they too will go the way of Barratt. In the end, real world investors don't make money by buying and selling, but by accumulating profits over the years. Of course, some times those profits don't come, and we are left looking fairly stupid: after all, everybody knew that the UK housing sector was one to avoid. This has, nevertheless, been said (and is now being said) of most of our investments, but careful analysis has shown that there was (and is) value in the end in most cases.

Confronted with these market gyrations, we can only do what we always do: review our analyses again, keep talking to managers, competitors, and industry experts to try to form as clear an idea as possible of future profits. It would be nice to know when to sell (before these shares drop) to buy cheaper later on, but that is a skill we don't have. We simply know that, in the end, it is the weight of our profits, not the results of short-term votes that drives our performance.

SIA news: new faces

We have rounded up the team with the employees below. In all, we are now more than 30 analysts following very closely the shares we own and looking for new opportunities, something that the current turmoil in the markets is facilitating.

Francisco Tajada, Equity Analyst
Strategic Investment Advisors (Suisse) S.A.

Born in Barcelona, Spain, Francisco Tajada holds an MBA from IESE in Barcelona and a Master of Science degree in Mechanical Engineering from the Centro Politecnico Superior at the University of Zaragoza (Spain).

In his previous position within ONEtoONE Capital Partners, he served for 3 years as a financial advisor in M&A transactions, with emphasis in company and asset valuation models. He was also an Assistant Professor in the Business School of the University of Zaragoza.

Prior to that he worked for 8 years as an interim manager in startup restructuring and turnaround projects, for a range of various clients, from small family business to government agencies.

Francisco's first 10 years of working experience were in multinational companies like adidas in Consumer Marketing or Philips in Operations Management.

He joined Strategic Investment Advisors Group as an Equity Analyst in June 2008.

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Alberto de Min, Equity Analyst
Strategic Investment Advisors (Suisse) S.A.

Alberto De Min was born in Milano (Italy). He holds a MS degree (with honors) in physics, a PhD degree in nuclear and sub-nuclear physics from the University of Milan and is finalizing EMBA studies at HEC-Lausanne.

Prior to joining S-I-A in July 2008 he was Professor in Experimental Physics at the Institute of Technology of Milan (Politecnico di Milano) and had held teaching positions in classical and nuclear physics at the University of Padua and at the Swiss Federal Institute of Technology in Lausanne.

For almost twenty years he has carried out research activity on particle physics for CERN (European Centre for Particle Physics) and INFN (Istituto Nazionale di Fisica Nucleare); he is author of more than two hundred publications and has given several invited talks at top-level international conferences in sub-nuclear physics and applied mathematics.

In recent years he has been consultant in technology for venture capital funds and other financial institutions. In particular his activity with Index Ventures, Geneva, in 2001 led to the founding of Sin-X Technologies, a startup developing breakthrough micro-fluidic applications for the pharmaceutical industry.

In 2002 he co-founded APM Technologies SA, a Geneva-based company developing management and optimization solutions for airlines based on cutting edge mathematics. In APM he acted as board member and optimization director until June 2008. Alberto De Min is also member of AGIFORS (Airline Group of the International Federation of Operations Research Societies).

Alberto Carrasco, Equity Analyst
Strategic Investment Advisors (España), SA

Born in Barcelona, Spain, Alberto Carrasco holds a Bachelor's Degree in Business Administration & Management and an MBA from ESADE.

Until June 2008, he was an analyst at Inversiones Hemisferio, a principal investment firm specialized in private equity and real estate. In this position he was responsible for the analysis and management of private equity investments.

Alberto started his career at Mercer Management Consulting (former DiamondCluster International), a strategy consultancy firm focusing in the telecom industry. After that he joined Riva y Garcia Private Equity, being responsible for the analysis of investments within a broad range of industries.

He joined Strategic Investment Advisors Group as an Equity Analyst in June 2008.

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Eduardo López, Equity Analyst
Strategic Investment Advisors (España), SA

Born in Barcelona, Spain, he holds a bachelor's degree and Master in Business Administration from ESADE Business School (95-00). In addition, he is a Chartered Financial Analyst (CFA) charterholder and member of CFA Spain.

Until June 2008 he was a senior analyst in the Financial Analysis department of Banco Sabadell. In this position, he worked in the analysis of the banking sector and participated in different corporate finance projects. Before joining Banco Sabadell in April 2006, he worked five years at the Barcelona office of Ahorro Corporación Financiera, where he held different Front Office roles covering equities, derivatives and structured products.

He joined SIA Team on June 2008.

Marco Illien, Equity Analyst
SIA Funds AG

Born in Chur, Switzerland, Marco holds a Mechanical Engineering Degree from the Swiss Federal Institute of Technology Zürich with master programs in automatic control and process engineering (transport processes and reaction laboratory) .

At present he is a canditate in the CFA program.

Until March 2008, he was a Quantitative Analyst at Atel Trading Ltd.

He joined SIA AG as Analyst in April 2008

Martin Rauchenstein, Risk Manager
SIA Funds AG

He has very solid experience in loan-back-office functions, having spent many years with private banks in Zurich and Vaduz where he was responsible for the settlement of overdrafts, margin requirements for FX-transactions, OTC-options, derivative products, margin calls, loan documentation and several projects in connection with Lombard Loans for the whole group.

Martin Rauchenstein joined SIA Funds AG, Pfäffikon as Risk Manager in June 2008.

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Steven Sauer, Head Trading Desk
SIA Funds AG

Born in Berne, Switzerland, Steven started his Banking career 1998 at UBS in Zurich. He worked in several Business Units like Wealth Management International at the Asia Quality Desk as an Client Advisor as well as in the Investment Bank as Derivative Trader for International Equities. In 2005 he joined Thomson Financial as an Account Director where he served Institutional Clients. He has strong trading Skills and broad knowledge in Financial Information systems.

Steven joined SIA Funds AG in April 2008 as Head Trading Desk.

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Figures of the USD classes

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

June 2008	NAV	∆ YTD	∆ 12m	∆ Inception	AUM (in mio)
LTIF Classic [USD]	573.49	-5.04%	1.89%	541.12%	2'077.84
LTIF Alpha [USD]	272.32	3.28%	12.72%	108.91%	427.18
LTIF Global Energy Value [USD]	295.53	24.99%	38.76%	122.64%	76.85
Global Mining Value Fund [USD]	207.94	26.37%	56.44%	55.20%	156.19
MSCI World Index TR (GDDUWI) [USD]	4'392.17	-10.25%	-10.18%		

Figure 8
LTIF – Classic USD

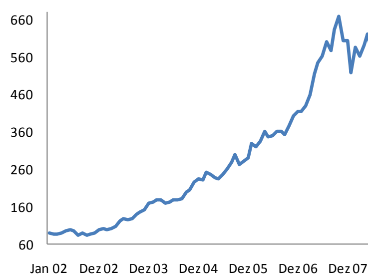


Figure 9
LTIF – Alpha USD

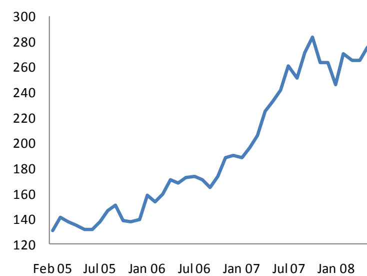


Figure 10
LTIF – Global Energy Value USD

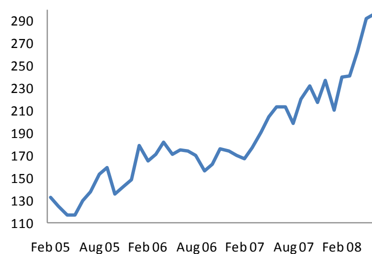
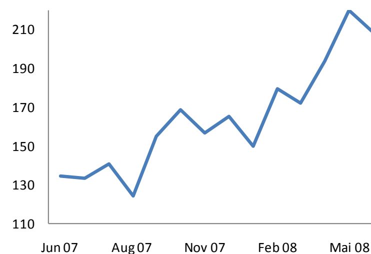


Figure 11
Global Mining Value Fund USD



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Figures of the CHF classes

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

June 2008	NAV	∆ YTD	∆ 12m	∆ Inception	AUM (in mio)
LTIF Classic [CHF]	584.15	-14.57%	-15.32%	294.56%	2'116.48
LTIF Alpha [CHF]	277.38	-7.08%	-6.32%	79.09%	435.13
LTIF Global Energy Value [CHF]	301.02	12.45%	15.32%	94.80%	78.28
Global Mining Value Fund [CHF]	211.81	13.69%	30.02%	27.42%	159.10
MSCI World Index TR (GDDUWI) [CHF]	4'473.83	-19.25%	-25.35%		

Figure 12
LTIF – Classic CHF

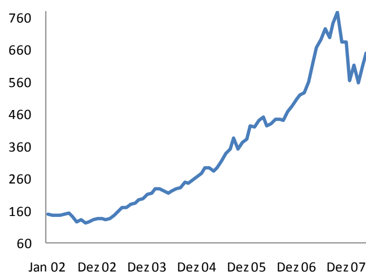


Figure 13
LTIF – Alpha CHF

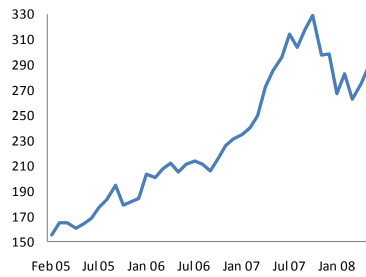


Figure 14
LTIF – Global Energy Value CHF

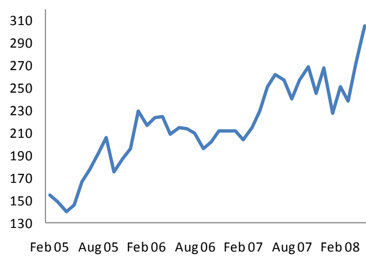
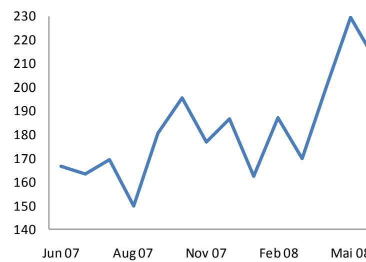


Figure 15
Global Mining Value Fund CHF



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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 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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