Long Term Investment Fund

"The market, like the Lord, helps those who help themselves. But, unlike the Lord, the market does not forgive those who know not what they do."

Warren Buffett, 1982 Annual Letter

These words, sent to us by an early investor in our funds (and a good friend) are an appropriate opening to a Newsletter written at a time when so many people don't know what they're doing. When share prices move up to 10% in a day, and up and down for several days in a row, as some of our shares have done, one is forced to admit that lots of people don't really know what the real price of those shares is. This is no time to panic but, rather, to profit.

Ben Graham, the "father" of value investing, wrote in his famous "The Intelligent Investor" about Mr. Market. We believe it's worth repeating the parable.

Imagine that in some private business you own a small share, which cost you $1,000. One of your partners, named Mr. Market, is very obliging indeed. Every day he tells you what the thinks your interest is worth and furthermore offers either to buy you out or to sell you an additional interest on that basis. Sometimes his idea of value appears plausible and justified by business developments and prospects as you know them. Often, On the other hand, Mr. Market lets his enthusiasm or his fears run away with him, and the value he proposes seems to you a little short of silly.

If you are a prudent investor or a sensible businessman, will you let Mr. Market's daily communication determine your view as the value of your $1,000 interest in the enterprise? Only in case you agree with him, or in case you want to trade with him. You may be happy to sell out to him when he quotes you a ridiculously high price, and equally happy to buy from him when his price is low. But the rest of the time you will be wiser to form your own ideas of the value of your holdings, based on full reports from the company about its operations and financial position.

The true investor is in that very position when he owns a listed common stock. He can take advantage of the daily market price or leave it alone, as dictated by his own judgment and inclination. He must take cognizance of important price movements, (… but) in our view such signals are misleading at least as often as they are helpful. Basically, price fluctuations have only one significant meaning for the true investor. They provide him with an opportunity to buy wisely when prices fall sharply and to sell wisely when they advance a great deal. At other times, he will do better if he forgets about the stock market and pays attention to his dividend returns and to the operating results of his companies.

Benjamin Graham, The Intelligent Investor (1949), p.42.

As long as people take their cue from Mr. Market ("an unstable fellow", in Warren Buffett's words), instead of taking advantage of

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Figure 1
LTIF – Classic EUR

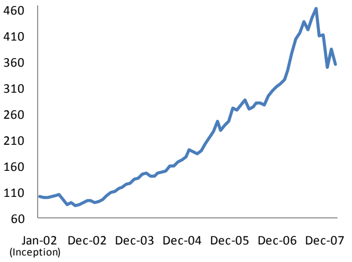


Figure 2
LTIF – Alpha EUR

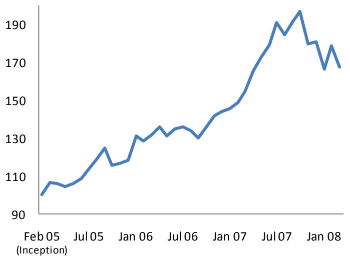


Figure 3
LTIF – Global Energy Value EUR

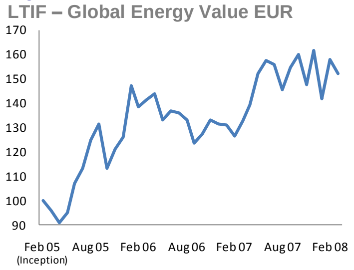


Figure 4
LTIF – Stability CHF

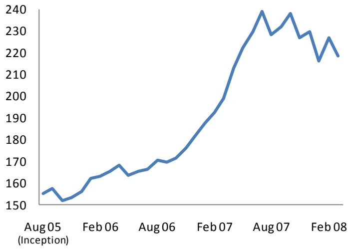
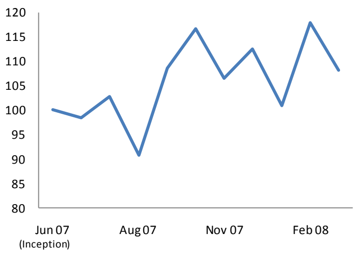


Figure 5
Global Mining Value Fund EUR



him, they'll be condemned to lose their money, again and again. They will buy expensive, fashionable things, such as tech shares in the late nineties, or sophisticated high-yielding "AAA" bonds lately (and the hedge funds based thereon)… only to have to sell those when they prove to be worthless. They may, equally bad, panic and sell perfectly good assets at ridiculous prices, thus losing all chances of making money in the long term. As we'll see later, selling many of our shares at current prices is tantamount to selling assets yielding much more than 10% *after inflation* for ever.

The results of our funds during the past three months have been remarkably volatile: we have had two of the "worst" months ever… and the "best" one. (See table 1 and figures 1 through 5). Although our investors know full well that short-term movements in prices don't mean much (that's why we put "worst" and "best" in quotation marks), it's important to understand what is happening.

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

March 2008	NAV	Δ YTD	Δ 12m	Δ Inception	AUM (in mio)
LTIF Classic [EUR]	355.00	-14.06%	2.87%	255.00%	1'234.49
LTIF Alpha [EUR]	167.38	-7.19%	8.26%	67.38%	253.82
LTIF Global Energy Value [EUR]	152.13	-5.93%	14.72%	52.13%	39.50
LTIF Stability Series [CHF]	218.30	-4.88%	9.75%	41.04%	86.55
Global Mining Value Fund [EUR]	108.20	-3.86%	n.a	8.20%	79.19
MSCI World Index TR (GDDUWI) [EUR]	2'812.06	-15.99%	-18.31%		

A characteristic of our funds, which will probably continue, is that our shares drop more than the market when panic selling occurs. We have noticed this phenomenon over the past years: in spite of having a much faster price appreciation than the overall market (more than 25% a year), in periods of turmoil our shares do "worse." You can see this in the following table:

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

Date	MSCI World TR EUR	LTIF Classic
31.05.2006	-5.19%	-6.03%
2006 YTD	**7.93%**	**27.61%**
30.11.2007	-5.42%	-11.23%
2007 YTD	**-1.18%**	**31.88%**
31.01.2008	-8.78%	-15.21%
31.03.2008	-5.07%	-7.86%
2008 YTD	**-15.99%**	**-14.06%**

This "extra drop" has a technical consequence: the Alpha Fund, which is hedged, and is therefore not expected to go down with the market, does go down in these months, because our shares drop more than the market, thus making the "insurance" insufficient.

The funds behave this way because we, almost by definition, buy shares that people don't like or they wouldn't be cheap. We

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succeed when we buy from among the entire world's cheap shares those that don't deserve their low price. As our track record indicates, we have been right more often than not in the past. But this strategy leads us to buy shares in emerging markets, in medium cap companies, in commodity producers… things that are considered "risky" and that get sold off when there is a panic. If the fundamentals are good, their shares more than recover when the market returns to its senses (hence our good historical performance), although a certain amount of "dumping" at times of stress is to be expected. In itself, this has no consequence whatsoever, except to provide our investors, who know us well, with good entry points periodically. These drops are only bad if they push somebody to sell, and thus to give away excellent prospects.

We are, of course, investors ourselves: the principals and employees of the Strategic Investment Advisors Group have most of our net worth invested in our funds, and we are probably the largest "individual" investors – "probably" as the funds are registered under Luxemburg and Swiss laws, which, with their tight banking secrecy regulations, don't allow us to know who the final shareholders are. As investors, we have an automatic reaction when confronted within these turbulent times: we look at our portfolio and we re-do all future profits estimations for all our companies again and again. This reassures us of our investments' quality and helps us ignore the surrounding noise. Just because some of our shares fall 30% in a few weeks this does not mean that we are going to make less money, as company owners, in the future. Mr. Market is just panicking and perhaps giving us an excellent opportunity to make even more money than expected.

In this relatively long Newsletter we would like to give all our investors the opportunity to go through this "reality check" by reviewing some of our main investments in detail. We have always tried to give our investors insight into what they are actually buying by providing them, for example, with the overall fund's PE, or its dividend yield. But now we want to give them the rationale behind each of these investments, and how we estimate their future profits. This is, obviously, the only serious way to invest.

Some "macro" considerations

First, however, an unavoidable word on the current "macro" conditions. Anybody who reads the financial press or, worse, watches financial TV, is constantly bombarded with extremely superficial arguments. An example: "given the financial crisis, the US consumer, who represents 70% of America's GDP, will no longer be able to consume and this will have a knock-off effect on China, which won't be able to export to the US, which will have a knock-off effect on commodities prices, which are at bubble highs anyway." Few reports remember to mention Europe, which has a slightly larger economy that the US and is not as consumer-oriented. At most, these reports just mention that Europe cannot do well if the US does not (the opposite, however, has apparently never appeared problematic to American commentators).

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All this is, of course, nonsense. First, consumption is not part of GDP, which happens to mean Gross Domestic Product. Consumption is something that one can do with whatever has been produced (the other main action is saving/investment which, contrary to apparent popular belief, is not illegal in the US). Second, the US is 25% of the world's economy, and only about 15% of its economy is internationally traded, so that its imports represent a bit more than 3% of the total world economy. The remaining 85% of the US economy is local production for local consumption, such as all the federal, state, and municipal employees, who produce/consume about 40% of the entire GDP, and who are not going anywhere; or restaurants; or health care. Most of what is internationally traded is done so unavoidably, either because there is no alternative (oil) or because it is intra-company trade: IBM, or Caterpillar, import foreign-made parts for the machines they assemble in the US. They cannot stop importing those parts without disrupting the whole company. In the past, the impact of a US recession on world trade has been found to be fairly small. The reason is simple: a recession in the US means, say, a 1% drop in America's GDP in a year. That translates to a 0.25% drop in the world's GDP, which will then grow, say, 3.75% instead of 4% for the year. This does not seem so terrible to a business investor.

The impact is in fact even more limited for most global companies, as very few concentrate their business in the most affected parts of the US economy. Most emerging markets' trade is, for instance, with other emerging markets. Moreover, the fastest growing emerging markets, such as China, Russia or India, have embarked on huge internal investment programs to give their people the communications, roads, and housing they want. This is thoroughly unaffected by what happens in the US. China, for instance, which has more than a trillion dollars in foreign reserves, could well drop all exports and concentrate on building itself, paying for its necessary commodity imports from its huge, accumulated surplus. Indeed, this is what is gradually happening.

The macro picture is, in fact, relatively simple: the US has been consuming for years much more than it produced, hence its trade deficit. This was matched by much of the rest of the world's trade surplus, i.e., the Chinese (and the Swiss!) were producing much more than they consumed. Now, as demanded by policy makers everywhere for years, this permanent imbalance is correcting itself.
The problem is that this does not look like correcting an imbalance to the US citizens: it looks like hell, because they have to consume less, pay their enormous debts, and let those Chinese and Swiss (and Japanese, and French…) producers enjoy more of what they produce. Worse, to make up for years of over-consumption, the US has to send those foreigners something more valuable than subprime based CDOs and shares in Blackstone or Carlyle Capital, taking that "something" out of their current consumption. They feel horrible, and it shows. They will talk about recession for years to come… But it will not look like that to the rest of the world. It will pretty much look like business as usual, with the unavoidable fluc-

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tuations in the economy. After all, both Japan and Germany, the world's second and third largest economies (together as large as about 2/3 of the US), spent much of the last 10 years growing very little if at all, and the rest of the world (especially the US) did pretty well. But few people talk about the current economic boom in Germany, where unemployment keeps dropping (as it does in France). In a couple of recent trips to Shanghai and Hong-Kong, where we have met more than fifty companies, we have had the chance to verify firsthand how little most of them are affected by these "macro" issues.

A big shock, comprising two characteristics, was needed to correct the chronic imbalance: American consumers finally being denied credit; and the dollar dropping. Both these events would force and facilitate the gradual unwinding of America's debtor position towards that of a balanced country that compensates for its imports with equivalent exports. And this is what is happening right now: lenders have realized that they have lent money to unworthy borrowers, and the US dollar is going down against almost all currencies.

Naturally, if a meaningful part of the world grows more slowly, or not at all, the world as a whole grows more slowly. But what does all this mean for an investor? Not much, actually. Over time, good companies are not seriously affected by these events. First, because the real impact is small: as we mentioned in a previous Newsletter, the difference between a fantastic year and a horrible year for the world economy is about 2% less growth. Second, because if external conditions become markedly different, good companies adapt. Most hedge their currency exposure, produce and sell in many different countries, and try to design their products for those countries where demand is most intense. Over the years, profits are made if a company is good and well run, regardless of what the economy does. To pick up our previous examples, both IBM and Caterpillar have gone through many recessions in the US and other parts of the world, and they keep producing excellent returns year after year. When they've run into difficulties, it's been due to company-specific strategic or operational problems, not due to "macro" issues.

What matters to investors is the quality of the companies they buy (their future profits) and the price they pay for them. Dividing the first by the second gives the long-term profitability of the investment. However, we have bad news here. Even after all the drops in the last few months, the US market, which is usually regarded as a bell-wether, is very expensive. Believe it or not, the 2007 PE for the totality of S&P 500 companies is 18. Nobody expects their profits to grow much on average in 2008, so 18 is also the 2008 PE. Now, buying with a PE of 18 condemns the buyer to a life-long profitability of 5%... unless profits go up very fast, or a "bigger fool" is promptly found, who is ready to pay an even higher price for the shares.

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But we don't buy at those prices. Our average PE for 2008 is around 7. This means, if our profit forecast is correct, that, as company owners, we'll earn 15% this year, regardless of what the markets do. Believe it or not, it is in the interest of those people seeking to increase their investment over time that shares go down, not up, much as it is in the interest of real estate buyers to find bargains and not purchase at peak prices.

A final "macro" point before we get into the details of our investments. Our funds are basically quoted in euros, although we have series in US dollars and Swiss francs. The euro has been the world's strongest currency for a while (with the Swiss franc improving on it lately). This means that the prices of our shares, bought in world markets, look even cheaper than they are in their own currency when translated into euros. We don't hedge the currencies because it is a very expensive exercise that destroys value over time. However it would, of course, from time to time be useful to do so (much like buying the right lottery ticket: very profitable, but only if it's the right one). The current strength in the euro will eventually wane, and then our "performance" will look much better. It does not matter.

Comments on our main investments

Barratt Development is a UK homebuilder. It's one of the largest in the country, having built and sold 18,000 homes last year. It is well known that the UK real estate sector is in trouble for two basic reasons that reinforce each other: house prices have gone up too fast, making affordability low; and the current turmoil in the credit markets diminishes people's ability to obtain mortgages. Without financing, homebuilders cannot sell as few people can pay cash for their home.

We obviously do take these factors into account. Specifically, our valuation includes a 20% drop in the volume of houses sold in 2008 over 2007, something unprecedented, as well as a 5% drop in prices, which is also unprecedented (we understand that at the end of March prices of new homes had not dropped at all). We then assume a very slow recovery in volumes and static prices which, after inflation, means a 3% to 5% drop in real terms per year. We believe volumes will recover because, unlike the US or some European markets such as Ireland or Spain, the UK has a chronic shortage of housing. Only 170,000 new homes were built last year against a Government-estimated demand for 250,000 (for reference, 400,000 were built in France, with a similar market size, and 700,000 in Spain).

With these assumptions, we believe Barratt should earn about 50 cents per share in 2008, 60 in 2009 and 70 in 2010. With a share price of 420 cents, this yields a net profit to the investor of some 15% over time. Much of it comes in cash: the expected dividend yield for 2008 is more than 8%, which is fairly well covered. Barratt has become very inexpensive because they bought Wilson Bowden at the market's peak, and went into debt to pay for it, consequently, investors fear for the company. Homebuilders don't have

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short-term cash problems, however: they have a big land bank, which they can shrink by simply not buying for a while. Since land prices are going down (bad news for Barratt, but buying that expensive land was a past error), homebuilders are not buying land right now, so they have plenty of cash. As a result, we don't think the company will have any financial problems. Any write-offs, if they come, will simply recognize that the company destroyed value by buying Wilson. But that's in the past. What matters now is what the company will earn in the future, and what we have to pay for it. At these prices, we believe it's a good deal. About 2% of the Classic and Alpha fund is invested in the company.

European industrial companies

The sharp drops in share prices during January allowed us to buy some very interesting companies at excellent prices. One of them was **Biesse**. It is the world's second-largest producer of woodworking machinery (the largest one is **Homag**, which we also bought). It is based in Italy, had 2007 sales of €466 million, its profits reaching €38.74 million. We found the company early last year and went to visit them in their factory in Pesaro. Although the stock was not as cheap as we like them, we bought a few shares, as the story was really compelling. Shares were trading at €18 at the time. They went up pretty quickly, and we sold in May, three months later, at €22: the story was excellent, but we felt we could make more money elsewhere. In January 2008, we found the company in one of our regular "screens," its shares selling for €12. We had a long conference call with the management, during which we checked that everything they had said in February 2007 had more or less happened, and the story was unchanged. We bought at those prices. We expect profits per share of €1.6 for this year, with a nice uptrend, which would give us a long-term adjusted return of 19%. Similar stories are Homag, Biesse's main competitor, and **KSB AG**, both based in Germany. We believe their shares have sold off because investors think that, since there is a recession in the US, the world will not buy their products. But that is silly: these companies sell worldwide to very stable customers. In the last 10 years, the worst year was 2002, at the depth of the last recession, when sales went down by 1%. Every other year for the past 15 years has seen growth in sales, averaging 2.7% per annum since 1991. Right now, none of these companies has an important part of their sales in the US and, even if they did, they would not go to zero: a recession in the US does not mean the country disappears in the ocean, it means its GDP will be around flat or slightly negative for the year. These companies are very resilient. For instance, a crucial customer of KSB, which is a world leader in precision pumps, is the energy industry, which, as we'll see below, is booming. Some of their pumps are installed in nuclear plants, which must replace them regularly and, by law, must buy them from the original supplier. This group of companies makes up about 7% of our portfolio.

European steel distributors

We own three European steel distributors: **IMS**, **Kloeckner**, and **Jacquet Metals**. Superficially, they can be put in a common

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basket, but are really very different companies that don't compete with one another. IMS (International Metal Services) is a Paris-headquartered company, active in the distribution of specialty steels. They are basically a wholesaler, placed between the steel producer and the myriad small companies using steel for their products (such as the companies discussed in the previous paragraph, for instance). They have thousands of clients across Europe and their typical invoice is €2,000.

Their business is not very complicated, but requires excellent logistics and, above all, perfect control over inventories. Sophisticated IT systems give IMS a clear advantage over their competitors, which are, for the most part, "mom and pop" local operations. In fact, the whole industry is gradually being restructured and concentrated. IMS, as a key concentrator, has a long-term rate of growth of 15%, of which 6% is organic (taking market share away from the small ones) and 9% through acquisitions of small companies, usually when the founder retires. Thus, the rate of growth is very attractive, even if the overall market only grows at a (very regular) 3% per year. We expect the company to earn close to €3.8 per share this year, which gives us a long-term expected profitability of 19% (shares are trading around €25). We would buy more of this company's shares if it were any bigger, but we don't want to have illiquid positions in our funds. We've met the management repeatedly and are convinced of their excellence and integrity. Kloeckner and Jacquet Metals are in different segments, but have a similar approach. The first, which is much larger, trades common steel; the second, much smaller, specializes in stainless steel plate. All three companies will make more money than expected this year because steel prices are going up fast, and that gives them one-off inventory gains. We don't count on those profits, for they are not permanent, but they're welcome, nonetheless. These three companies make up a bit less than 6% of our Classic and Alpha funds. Jacquet Metals has just published its final results for 2007. Its PE, both for that year and expected for 2008, is below 5.

Shipyards

We have about 4% of our portfolio invested in Korean shipyards. It was more last year, but we sold some of them, as they had appreciated sharply. These companies have excellent sales visibility: their order book is completely full for the next three or four years, and they have been increasing their prices. Unfortunately, steel and other costs are also going up, so their margins will probably be a bit lower than we expected. But a company like Hyundai Mipo Dockyard has a 2008 PE of 6.2, when adjusted by cross-shareholdings in other Hyundai Group companies. The shares sold off by 30% in the first few weeks of 2008, for no fundamental reason save the generalized liquidation of Korean positions by foreign funds. We have had the chance to discuss business with the management several times, and see no particular problem with our forecasts. The company is expanding a shipyard they have in Vietnam, where costs are lower than in China, as an avenue for future growth and competitiveness.

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Oil producing companies

In a 2005 Newsletter (click here to retrieve it), we argued that estimating the future price of oil was not very difficult. All we needed to know was future demand, future supply, and the elasticity of demand to oil price. All three numbers are relatively easy to predict within a five-year horizon since growth is fairly constant, between 1% and 3% a year, on the demand side. Supply is very easy to know: developing a new oil field takes more than five years, so we know now how much oil will come on-line in the next five years (at most, for there are delays). Demand's elasticity (how much it weakens when the price rises) has been estimated by many agencies. You need only add a final point, depletion – i.e. how much production goes down every year because some of the currently producing fields run dry – and you have all the elements to estimate prices for the next five years. Those are, of course, rough estimates: the exact growth in demand will vary per year; not all new projects will come on stream; demand elasticity is only an estimation; and depletion is hard to calculate precisely as some key producers keep it secret. By using sensible numbers, we came to the conclusion that oil prices (although then at the amazing level of $50 per barrel) were not going down.

If we repeat our calculations now, we reach the same conclusion: it's difficult to see how prices can come down when demand keeps increasing worldwide (even if there is a recession in the US, more than 1,000 net new cars enter the streets of Beijing every day), and supply cannot keep up. In fact, the world has been producing "flat out" for the last few years, with very little excess capacity left in the system. This means that there is not enough oil for everybody, and the price must go up to convince some people to stop burning it; and to convince other people that exploring for it is a good idea. It's hard to see how these simple facts are going to change any time soon.

Commentators have been saying for years that according to "fundamentals," oil is overpriced and that high prices are due to "speculation" or a "terror premium," or both. Well, maybe. But to us, "fundamentals" means supply and demand, and those are very clear and easy to track. Oil is above $100, and its long-term trend, punctuated by ups and downs, is higher still.
In this context, it should be easy to make money investing in oil companies. It's not. To start with, many oil companies don't have that much oil: they must replace what they sell every year by finding new sources. And those are difficult to find and, when found, much more expensive to exploit than in the past. Add to this the increased bite taken by local governments that, in the end, own the resources, and the net result is that oil companies can have modest returns even with these prices.

For these reasons, we invest in companies that have important proven reserves in stable countries, such as the Canadian oil sands producers, or are very active in discoveries in attractive areas with stable economic conditions, such as off-shore production off West Africa. These oil and gas producers make up 9% of

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the Classic and Alpha funds. They represent 35% of the Energy fund, where they are complemented by the oil services companies, as well as coal producers (see below).

Drilling companies

Exploring for oil and then extracting it once it's been found requires drilling holes in the ground, either on land or under water, sometimes thousands of meters deep. This is normally done by "drilling rigs", owned and operated by specialized companies that lease them on medium to long-term contracts to oil companies. Some of these rigs are fairly impressive offshore structures, costing more than $700 million dollars to build. A typical delivery lag is now about three to four years. They are being rented at daily rates of up to $600,000 per day.

As in many other businesses in which we invest, visibility is fairly good: given the need to find new sources of oil as explained in the previous paragraphs demand can easily be assumed to grow steadily in future. Supply is also known: we know how many rigs there are in the world, how many are under construction, and how many have been ordered but are not yet being built. We thus know for a fact that unless mankind looses interest in oil, this is going to be a solid business. Today's high rates are of course attracting more capacity and, unlike oil itself, that capacity can be built, but it will take time. We value these companies assuming a gradual easing of rates over the next five years as more capacity joins the industry. Nevertheless, despite the eventual decreasing margins, at the current share prices we still estimate returns over the cycle that are well above 15%. Drilling companies, based in Norway and the US, constitute about 9% of our Classic and Alpha funds and 25% of our Energy fund.

Seismic companies

For the reasons pointed out above, exploring for oil is becoming ever more expensive. Thus, oil companies are very interested in obtaining as much help as they can to minimize "dry holes." Seismic surveys, which try to "show" what's underground, especially off-shore (which is under-ground and under-water), contribute to their understanding of where it's reasonable to drill and where it's probably not worth the while. To give you an idea of how important avoiding dry holes is: the only hole that Petrobras drilled to test its huge oil discovery off Brazil cost $280 million.

Seismic companies fit vessels with very specialized equipment to be towed over the area to be analyzed. They emit sounds that are reflected back and picked up by sensors, providing a sort of "internal scan" of what is under the ground below the water. Recently, ultrasounds have been complemented by electromagnetic signals, which help produce a more accurate description of the layers.

These are complex technologies, and require specialized vessels and equipment, as well as computing power to process the data gathered out at sea. The results are sold to all companies interest-

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ed in bidding for licenses in the area, and that need to "know" how promising the area is; or they are sold exclusively to a company that already holds the license. In the second case, the study is done under contract, and there is no risk for the seismic company.

These companies' services are in enormous demand now, and the rates (and profits) are consequently high. As usual, supply cannot keep up: new ships take a long time to deliver, the equipment is highly specialized, and experienced personnel are scarce. The market fears a downturn is profits, as it is still shocked by the complete collapse of demand ten years ago when oil prices dropped to $10 per barrel and all companies cancelled all exploration. But, as we discussed before, that's not going to happen again, and we believe profits will be solid for many years to come: what's lost in the lower margins as competitors enter the market will be recovered in volume. Right now, these companies (**Wavefield**, **TGS**, **PGS**, **Seabird**…) have PEs of roughly 8, with growth rates above 20% per annum. They are based in Norway, having developed their expertise in the North Sea oil fields, and we've had a chance to visit them several times.

Mining companies

As a block, mining represents the most important position in the Classic fund, comprising more than 15%. As we'll argue, it's probably not a good idea to look at it as a homogeneous block, but that's the way it is classified. Mining is also the core of our specialized Mining fund.

Valuing a producing mining company is not very difficult: in general, reserves can be ascertained fairly precisely, and there is no doubt that the product will be sold at market prices as it is a commodity. Besides possible technical problems, the only real source of uncertainty is the future price of the commodity. Since mines last between 10 and 20 years on average, a very long-term forecast is needed to arrive at a sensible valuation.

Is such a long-term forecast possible? Certainly not, if one looks at the stock prices of mining companies: the can go up or down by more than 20% in a couple of weeks. However, the prices of the commodities themselves don't change that much. What's going on?

In our opinion, something similar to what happens with oil companies. Markets don't seem to have a clear idea of how to value mining companies, and are moved both up and down by speculative impulses. Yet, as in the case of oil, arriving at a workable long-term price for commodities that makes sense is not that difficult. Let's look at copper.

Historically, copper prices exploded in the seventies, only to go through a long depression that lasted almost thirty years. A few years ago they started rising and, with up and downs, are now close to historic highs (see figure 6).

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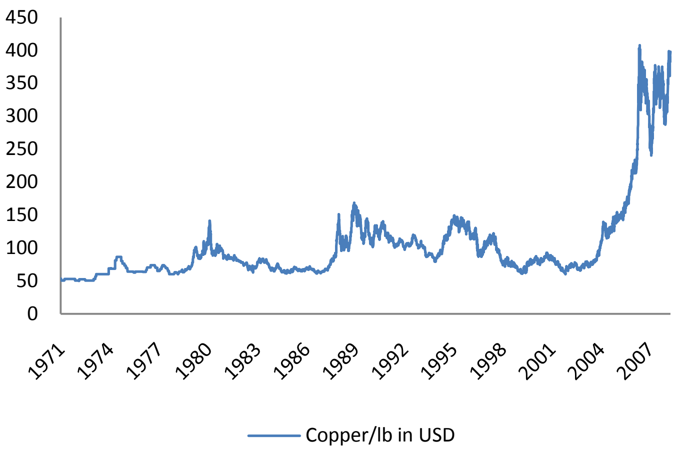
Figure 6
Copper price evolution



Over the last few years, analysts and commentators have assumed that the high prices were just a temporary blip caused by some sort of "speculation," taking for granted that prices would revert to some sort of "historical average" of slightly below $1/lb. Consequently, they didn't recommend copper producing companies because they regarded their high profits as just temporary. In fact, they convinced many copper producing companies (which had experienced a horrible twenty years!) that they should take advantage of the amazingly high prices ($1.5/lb!) to hedge their production at those prices for the next few years. Phelps Dodge, then America's largest copper producer, did so.

Copper prices refused to go down, however. This had a strange effect on hedged companies: as spot prices went above their agreed-upon prices, they had to recognize an accounting loss. Phelps Dodge thus managed to lose money at a time when copper prices were much higher than anybody had expected. The company was eventually bought by Freeport McMoran, currently the world's largest copper producer.

Un-hedged companies obviously started making serious amounts of money, especially those with relatively high costs. Take a company like Quadra Mining, which we own. It has production costs of about $1.5/lb. If the selling price is $2, they barely make money. If it is $3, they make $1.5 per pound which, multiplied by 130 million pounds, which they produce every year, is $195 million earnings before depreciation and taxes. At a price of $3.5, (16% higher), their Ebitda goes to $260 million, 33% higher.

Again, analysts and commentators refused to believe that prices would stay high, so shares continued to trade at relatively low prices. We took a different tack: we asked ourselves what the fundamental long-term price of copper would be.

Over the long-term, the price of anything in general must be such that producing the thing is profitable, but not too much so. If it is not profitable, people will stop producing it, so prices will go up because of lack of supply. If it is too profitable, then more companies will start producing it, and its price will fall. There are obviously special instances where competition cannot easily enter (try selling operating systems for personal computers against Microsoft, or selling a drug patented by somebody else), but in the case of commodities, competition can appear. To know the future price of copper, we need to know what price would provide a “reasonable” amount of profit for the “marginal producer,” i.e. the one with the highest costs, as this is the first to stop producing if the price is too low and the first to start if it is too high.

Simplifying, a copper producer has two kinds of costs: capital expenditures (“capex”) and operational expenses (“opex”). Capex is the amount needed to build the mine and all its accessory facilities, which include the processing plant and, often, energy generators, roads (or even railways), etc. In many cases, mines are far from everything, and all the transport infrastructure has to be provided. Opex is, of course, the current costs of extracting, processing and transporting the mineral to the final processor (the “smelter”), which will actually make the copper. Some mines make their own final product, but often they simply sell the intermediate product (the “concentrate”) to the smelter, which can be on the other side of the world.

Obviously, both capex and opex vary a lot from mine to mine. There are, however, some rough possible generalizations. Today, it’s almost impossible to set up a producing mine for less than the equivalent of $5 per pound of production per year. This means that, say, setting up a mine able to produce 100 million pounds of copper per year costs $500 million. A mine like this may normally last 15 years.

Opex can also vary a lot, and they are strongly influenced by by-products. Copper mines usually also produce other metals such as gold, silver, cobalt or molybdenum in small amounts. These metals are very valuable and contribute to “lowering” the operating costs, because they are considered a “minus cost.” In fact, some copper mines produce so many by-products that their cost is zero, or even negative. These are, however, exceptions. An average copper mine will have costs between $1 and $1.5/lb.

Now, what copper price would provide a “fair” return? It certainly must be above opex, so $1.5 would seem the very minimum, which is the price that many analysts currently accept. But that is silly: nobody is going to open a mine, spending $500 million, to merely recover cash costs, leaving the $500 million unrecovered. Mines

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are being exhausted every year, and demand is growing, which means that new mines must be opened every year. If the copper price after opex does not provide a margin to justify the investment, it will not be made.

The next question is how large that margin must be to justify the investment. Different investors may have different expectations, but we ask our readers what return they would demand on an investment in which they put up the cash, wait for five years at least (this is what it takes to develop a mine) and then, if everything goes according to plan, start profiting for 15 years. Those profits will of course depend on the price of copper over the next 20 years, which most analysts will tell you will either be very low or completely impossible to estimate. At the end, there is nothing left except the final expense of cleaning up the site. By the way, the mining may be in Guatemala, Ecuador or the Democratic Republic of Congo, and will be contested all the way by several anti-globalization, pro-environment NGOs, so most permits will be denied in first instance, and only granted after lengthy review processes. Another point: if you're lucky and the price of copper goes up more than expected, you can be sure that the local government will waste no time rising your taxes and royalties.

When we actually ask investors how much they would demand from such an investment, we get a unanimous response: silence. Nobody seems to be interested in such a deal at any price. Fortunately, miners are used to these circumstances to be scared off, but they still need to raise money from investors. We submit that few people would willingly invest in such a scheme if the project's net return (IRR) were not at least 20%.

To obtain a 20% return on something that only starts paying 5 years into the future and lasts for only 15 years, you need an annual profit during those 15 years of about $160 million if the initial investment is €500 million. This represents $1.6 per pound produced per year (remember, our mine produces 100 million pounds per year). Consequently, to obtain their 20% return, investors in this hypothetical mine would need a stable copper price of $3.1/lb over the life of the project, as this would cover the $1.5 opex and leave the necessary margin.

The numbers we have used in this example are hypothetical, but not arbitrary: they can be found in many real-life projects under consideration. Some of the latest ones being discussed have even higher capital expenditures, and costs are exploding overall, both in capex and in opex. Add to this the very difficult negotiations with environmentalists and the ever-increasing demands of host governments for royalties, all of which eat directly into profits, and it's extremely difficult to imagine how the world is going to be supplied with copper if prices go below $3/lb. We use $2.8/lb in our company valuations, knowing that this is probably a very conservative estimation: prices are currently close to $4/lb and, as in the case of oil, we don't know of any huge projects coming on stream that would tilt the supply/demand balance. It is rather the opposite: for

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all kinds of reasons, from energy shortages to labor unrest to the lack of basic spare parts, companies are experiencing serious problems maintaining production, let alone increasing it.

Before moving on, a question needs to be answered: if $3/lb is probably going to be the minimum copper price in future, why was it so low for so long? For a number of economic, strategic, and technological reasons, mining companies wildly overinvested in the early seventies. When there is extra capacity in already built mines, miners, desperate for cash flow are willing to lower their price below full-cost, as long as they cover their opex. But that extra capacity is now gone: many large mines are exhausted, and demand has been growing at a fairly constant rate all these years. The situation has changed, and, given the paucity of large projects being developed, it will be a long time before we again see excess capacity.

This situation could, by the way, occur. If many mines open because the price of copper seems to justify them, it is conceivable that the industry could find itself with more production capacity that demand. In that case, prices would quickly drop towards the cash cost of the highest cost producer, and nobody would obtain their sought-after 20% return. However, new mines need to be opened every year, because old ones go out of business, so the adjustment would be relatively fast: if no new mines were opened for a few years, this would immediately absorb the hypothetical excess capacity. This process is not immediate, and that’s why variations in copper prices take some years to adjust. Investors can be sure that, over the long term, the price of copper will be close to the one originating from our analysis.

Readers will perhaps have noticed that we have discussed the price of a key commodity without making the slightest reference to US recessions, Chinese exports, hedge fund activity and other distractions. As our little example has shown, developing new supply takes between five and ten years, and investment decisions must be made with a twenty to thirty year horizon. Whatever happens to the US economy next year is totally irrelevant in determining the value of copper producing companies with mine lives above 15 years. Unless mankind finds a way of functioning without electricity, copper is going to be in demand as long as it can be mined.

We have undertaken a similar analysis of other commodities. As you would expect, we have found different results. Some commodities, such as zinc, seem to be in ample supply, and the prices are fairly low, making life very difficult for the high cost producers, which will probably have to leave the industry. In any case, no high cost producer is currently opening a mine. Other metals, such as nickel, are in a position in which many current producers are highly profitable because new, large projects coming on line have been seriously delayed and are above budget. Yet other commodities are booming due to very serious supply problems: coal from Australia has to be exported to China through a number of ports that are completely saturated. Thus, even if there were enough mines (which there aren’t as yet, although there will be in a few years’

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time), they could not dispatch the coal, so that which is actually shipped fetches very high prices: the price of coking coal, used for steel making has trebled in the last twelve months.

We constantly have to put up with comments attributing the rise in commodity prices to "hedge funds" and "speculators." This is not surprising: even before the Crash of 1929, unnamed speculators were routinely blamed for whatever journalists didn't like, whether it was oil prices going up or stock prices going down (those sinister short-sellers!). But it's interesting to note that those commodities that speculators cannot buy because there is no futures markets for them, such as iron ore or coal, have gone up in price more than those with which one can play speculative games. In fact, unlike shares, commodities are actually consumed. One can, of course, play speculative games buying or selling futures in commodities. However copper is used every day, wheat is eaten, oil is refined and burned. That is real, not speculative activity. Current prices are simply those needed to match supply and demand. The fact that physical stocks of many commodities are at historical lows shows to what extent high prices simply reflect strong demand.

To summarize, we don't "play commodities," we just look for fundamentally undervalued companies whether they produce oil, copper, wood-working machines or life insurance. Today we find enormous value in many metal-producing companies.

Financials

After mining companies, we have a large position in financial services companies, which comprise about 14% of the Classic and Alpha funds. Before discussing them, we must make a first distinction between banks and insurance companies. When the big sell-off of financial companies started last summer, we bought banks that we thought excessively discounted. We sold them not much later at a (relatively small) loss, as we have come to believe that banks, unlike insurance companies (see below), not only face a short-term crisis, but a long-term deterioration of their business model.

In the opening pages of this Newsletter, we insist that a US recession alone does not have to affect companies' profits too negatively. There are, however, some exceptions and the banking industry is one. In a recession, bad debts rise sharply, typically multiplying the "average" proportion by several times. By construction, banks are highly leveraged entities. This means that if bad debts go from 0.8% to 4% (something very normal in a recession), banks profits can drop more than 40% and remain depressed for several years. In itself, this would demand a much lower entry price than usual: what looks like a PE of 7 may actually be a forward PE of 11 and stay there for a while.

That happens to banks in all recessions. However, the current economic weakness in some markets is really centered in the banking industry: large write-offs of unsound investments are creating big short-term losses well beyond the typical bad debts of typi-

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cal recessions. If a bank were to sustain losses equal to one year's profits, that would push its PE up by 1 point (from 11 to 12, in our previous example). Worse, if losses are important, the bank must issue new equity to shore up its solvency. That tends to dilute the current shareholders, which lowers the PE by, say, another point. We're now at 13. Finally, some banks that relied a lot on wholesale funding will probably have to pay more in future (thus obtaining lower margins), and many businesses, such as securitization, will take a long time to return to their recent level.
All this makes banks less attractive in future than their historical valuations imply. This does not make them a bad investment: a solid franchise at a PE of 13 (at worst) at its bottom is probably a better investment that the market in general, but it is not as good as we would like for our funds.

Insurance companies, on the other hand, don't have these problems. Many of the sector's shares have dropped sharply, mostly due to fears of bad investments. Some companies, although not all by any means, have indeed made some bad investments. However, these are truly one-off events: the insurance industry cycle is not really affected by recessions, and the current funding problems are actually opportunities for these companies, rich in cash, more than a source of problems. We can buy such insurance companies at about the same PEs as banks, but without the inherent problems of the latter. We consequently believe that the *forward* PEs of our insurance and reinsurance companies are indeed between 6 and 8, with relatively good visibility. We obviously don't discard the possibility of buying back into some banks, should their prices drop more and thus become attractive. As we've said, we are not concerned with the quality of their franchises in future (at least, in many cases), but with where to determine a realistic level of profits for the next four to five years.

These are some of our key investments. They are diversified by industry and sector, as figures 7 & 8 indicate. There is, of course, a bias towards those sectors that actually need money, for they tend to pay their investors better. We also end up owning misunderstood, cyclical companies, where simplistic assumptions may lead the market to underprice their shares. But we don't buy "themes", or engage in "asset allocation." We analyze each company on its own merits, trying to understand what the drivers of its future profitability are. However, if the world were to stop using oil, copper, and ships, and not insure its risks, our portfolio would suffer. But we can see no scenario, short of a complete breakdown of the world economy, where that would happen. Furthermore, if it came to that, we can't think of many investments that would do well.

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Figure 7
Breakdown by industry

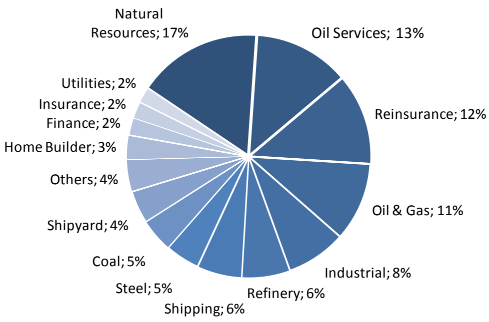
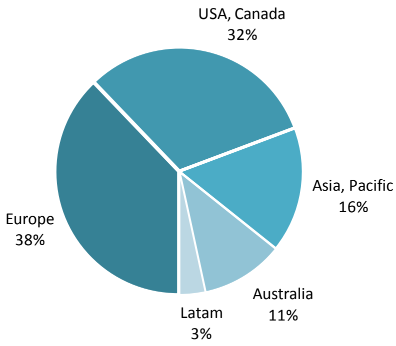


Figure 8
Breakdown by geographic area



Current market turmoil has a clear US origin, and a strong financial epicenter. Since the US dominates the financial media, it's not surprising that the news is consistently alarmist. The fact that the US market is expensive does not help: it deserves to fall. But this is not the whole story, not even the most interesting one. Investors will do well to think independently, keep calm and try to know what they're doing. Selling at these distressed levels may seem prudent ("we like to play it safe, and keep a lot of cash at times like these"), but they are simply selling low and denying themselves future profits (they will eventually buy high). That is not the way to great long-term returns.

SIA news

The most important news over the last quarter is that we now have our team in place. A number of new appointees with whom we negotiated at the end of last year have now joined us. We have made a big effort to create a world-class research team to ensure that we analyze and follow our investments with the absolute best attention possible. With the exception of a few additions to the staff, we don't expect another large increase

The new members are:

Xavier Brun, Junior Equity Analyst
Strategic Investment Advisors (España), SA

Born in Barcelona, Xavier Brun studied Business Administration at the Universitat Pompeu Fabra having gone, afterwards, through a Master degree in Banking and Finance at the IDEC – UPF.

Currently, he is a PhD candidate in Economics in the Universitat de Barcelona being his thesis subject Risk Source in Hedge Funds. He is also an adjunct teacher at Universitat Pompeu Fabra and coordinator for the Master in Financial Markets at IDEC-UPF.

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Before joined in SIA, he has been in charge of middle office at Gesiuris, SGIIC (Barcelona), during five years.

Alejandro Scherk, Senior Equity Analyst
Strategic Investment Advisors (España), SA

Born in Barcelona, Spain, Alejandro Scherk holds an MBA degree from ESADE (Spain) and a degree in Medicine from the Autonomous University of Barcelona.

Until December 2007, he was Investment Director of Qrenta AV, a Spanish investment manager headquartered in Barcelona. In this position, he developed the Fundamental Analysis Unit and managed a Stock Fund.

Previously, Alejandro has worked as investment manager in Winterthur, a leading swiss insurance company, and in two investment managers in Barcelona. He is the main founding partner and chairman of a small investment & analysis firm.

He is a lecturer in the IEF Business School in Barcelona and collaborates regularly with a well known Spanish economic magazine.

He formally joined SIA SA as a senior analyst in January 2008.

Joan Borràs, Senior Equity Analyst
Strategic Investment Advisors (España), SA

Born in Barcelona, Spain, Joan Borràs holds an Executive MBA from Instituto de Empresa (Spain), a Doctorate in Electrical and Computer Engineering from Rutgers University (USA), and a Master of Science degree in Telecommunications Engineering from Technical University of Catalonia (Spain).

Until December 2007, he was Director of Business Development and Strategic Planning at Tempos 21, Mobile Applications Innovation, S.A., in Barcelona. In this position he was responsible for product definition (coordinating a team of product managers), business plans and marketing strategies, and the consulting practice. Before joining Tempos 21 in 2002, he was with Telcordia Technologies (USA) as a Research Scientist, and previously with Technical University of Catalonia as an Assistant Professor.

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

Karin Ruettimann, Assistant to the CEO
SIA Funds AG

Karin Ruettimann joined SIA Funds AG as Assistant to the CEO in January 2008.

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Karin has very solid experience, having worked as Assistant to the CEO of Von Roll for many years. Prior to that, she held various jobs as senior administrative assistant at Dow Chemical.

Ramon Alfonso, Senior Equity Analyst
Strategic Investment Advisors (España), SA

He started his professional experience as auditor in Arthur Andersen in 1987. Between 1990 and 1993 he was appointed as financial controller in the British group Shandwick. In 1994 he joined the Banco Sabadell's Treasury Department as a financial analyst and in 1997 he was part of GesCaixa, the fund management company of "la Caixa". In 1999 he was appointed Investment Director at Gesfibanc. Between the years 2000 and 2004 he was Chief Investment Officer at Credit Andorra.

After 2004 he worked as an investment and financial consultant for several family offices. Since 1995, he has given many lectures and courses in several business schools, such as Esade, University of Barcelona, IdEC-University Pompeu Fabra, IEF and many in-company trainings to financial institutions. He was born in Barcelona, and studied at the Universidad Autonoma de Barcelona.

Jordi Costa, Junior Equity Analyst
Strategic Investment Advisors (Suisse), SA

Born in Toronto, Canada, Jordi Costa holds a Bachelor's degree in Engineering Physics from Queen's University (Canada), a graduate degree in Aerospace Engineering from SUPAERO/ENSAE (France), and an MBA from IESE Business School (Spain).

Until January 2008, Jordi held the position of Overseas Program Director at Nissan Motor Ltd. in Barcelona where he was responsible for overall profitability of three vehicles in all European markets and essentially maintaining a balance between customer value (market presence) and cost. In his previous role as Economic Analyst in Paris, he developed advanced models to identify and evaluate risks & opportunities and improve the profitability of Nissan's Light Commercial Vehicles Business Unit. Prior to joining Nissan in 2004, Jordi held positions at Renault SA as Group Manager and Project Manager in the company's Engineering Department.

Jordi joined Strategic Investment Advisors Group in February 2008.

Marcos Hernandez Aguado, Senior Equity Analyst
Strategic Investment Advisors (Suisse), SA

Born in Madrid, Spain, Marcos Hernández holds an Economics Degree from the Universidad Pontificia Comillas (ICADE E-2). Until February 2008, he was a Director of SIG (Strategic Investment

Group) an internal asset management division of Merrill Lynch Europe, based in London. In this position, he has been running a portfolio of equities specialized in industrials, being also a member of the SIG Investment Committee.

Marcos has 13 years experience in Sell-Side Research having covered many different industries, such as construction, real estate, media, utilities, leisure or food. Before joining SIG, he was a senior analyst in Merrill Lynch Europe, within the Construction and Building Materials team, consistently ranked top 3 in the Institutional Investors annual survey. Marcos was also the top rated analyst in Spanish construction in 2001 and 2002 (according to the Greenwich Survey) and the n.1 ranked All-Europe Small Cap rated analyst according to Reuters Survey in 2002.

He joined SIA SA as Senior Analyst in March 2008.

Josep Sumoy, Junior Equity Analyst
Strategic Investment Advisors (Suisse), SA

Born in Tarragona, Josep holds a MBA (with Honors) from the University of Cambridge (UK), a MSc. in Petrochemicals, Polymers and Plastics from IFP School (France), and a MSc. in Chemical Engineering (with Honors) from Rovira i Virgili University (Spain). He has also studied at McGill University (Canada) and INP Toulouse (France).

Prior to joining SIA in February 2008, Josep held diverse process engineering and project management positions at Dow Chemical Ibérica (Spain).

Gosia Eggimann, Senior Equity Analyst
Strategic Investment Advisors (Suisse), SA

Born in Warsaw, Poland, Gosia Eggimann holds an MBA from HEC Paris and degrees from Hotel Management School (EHL) in Lausanne - Switzerland and from the University of Warsaw.

In her previous position within private investment company in Geneva, she served as financial expert supporting private equity transactions for the account of ultra high net worth individuals.

Prior to that, as M&A Manager for Michelin, the French automotive multinational, Gosia managed cross-border transactions including acquisitions and joint ventures in Europe, United States and Asia. During her 10-year experience within this company she earned also particular expertise in transfer pricing and broad knowledge of corporate finance.

She joined SIA in February 2008.

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Borja Costa, IT Assistant
Strategic Investment Advisors (España), SA

Born in Barcelona Borja holds a Bachelors degree in computer engineering from the Polytecnic University of Catalunya. During his studies he took part in the exchange program with the University of Padova in Italy and is currently studying the CEFA/CIIA program at the Institute of Financial Studies in Barcelona.

Borja has been involved in project work regarding decision-making models and joined our team in February 2008.

Jennifer Goodman, Research Assistant
Strategic Investment Advisors (España), SA

Originally from the UK, Jennifer has been living in Barcelona since 2002 where she has been involved in training and managing professional language and business communication courses.

As well as her teaching qualifications she holds a Bachelors degree in International Business with French from the University of Plymouth, a Diplôme de Commerce Internationale from EPSCI (Groupe ESSEC), and is currently studying a Masters of Business Administration with Warwick Business School.

Her teaching career, international studies and experience of living in France, Mexico and Spain have enabled her to develop a variety of skills which she brings with her, joining our team in February 2008.

Cristian Busquets, Junior Equity Analyst
Strategic Investment Advisors (España), SA

Born in Barcelona, Cristian attended the Lycée Français de Barcelone, being French his third language (after Catalan and Spanish). During his schooling, he also studied for a year in Switzerland in an English school (Aiglon College in Villars). He holds a Bachelor's Degree in Business Administration & Management from ESADE (2000-04) and a Finance MBA from McGill's University (Canada) in 2005.

While taking his degree, he did a one year internship in Morgan Stanley (Private Wealth) as an assistant to an executive manager (2003-04). In 2003, he met Walter Scherk, for whom he worked for three consecutive summers, building value stock portfolios (2003-05). When he finished his MBA, he joined the Spanish Law Firm Garrigues where he worked for more than 2 years as a Tax Advisor.

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In February 2008, he joined SIA as a Junior Equity Analyst.

Figures of the USD classes

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

March 2008	NAV	∆ YTD	∆ 12m	∆ Inception	AUM (in mio)
LTIF Classic [USD]	562.52	-6.86%	22.46%	528.86%	1'956.11
LTIF Alpha [USD]	265.22	0.58%	28.87%	103.46%	402.18
LTIF Global Energy Value [USD]	241.06	1.95%	36.56%	81.61%	62.59
Global Mining Value Fund [USD]	171.45	4.19%	n.a	27.96%	125.48
MSCI World Index TR (GDDUWI) [USD]	4'455.80	-8.95%	-2.77%		

Figure 9
LTIF – Classic USD

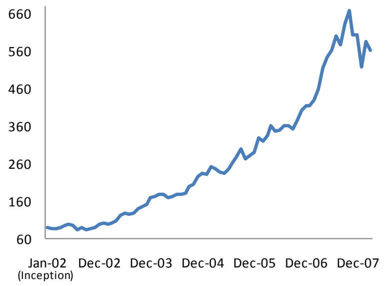


Figure 10
LTIF – Alpha USD

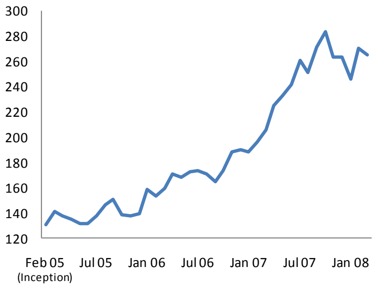


Figure 11
LTIF – Global Energy Value USD

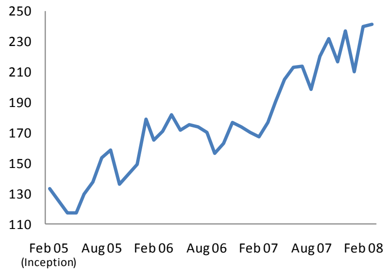
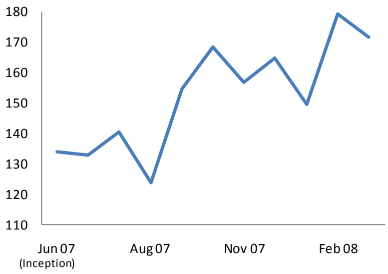


Figure 12
Global Mining Value Fund USD



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Figures of the CHF classes

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

March 2008	NAV	∆ YTD	∆ 12m	∆ Inception	AUM (in mio)
LTIF Classic [CHF]	556.36	-18.63%	-0.79%	275.79%	1'934.69
LTIF Alpha [CHF]	262.32	-12.13%	4.99%	69.36%	397.78
LTIF Global Energy Value [CHF]	238.42	-10.93%	11.26%	54.29%	61.90
Global Mining Value Fund [CHF]	169.57	-8.98%	n.a	2.01%	124.11
MSCI World Index TR (GDDUWI) [CHF]	4'407.15	-20.45%	-21.22%		

Figure 13
LTIF – Classic CHF

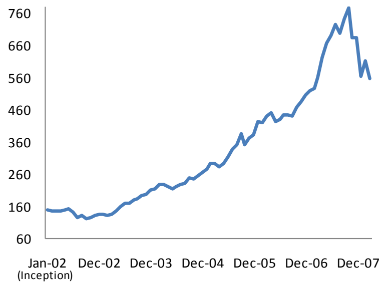


Figure 14
LTIF – Alpha CHF

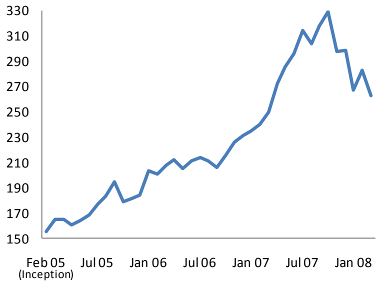


Figure 15
LTIF – Global Energy Value CHF

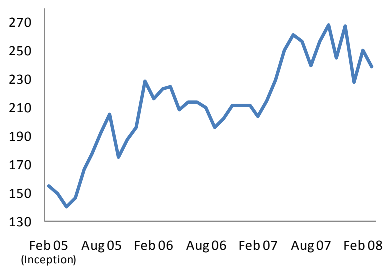
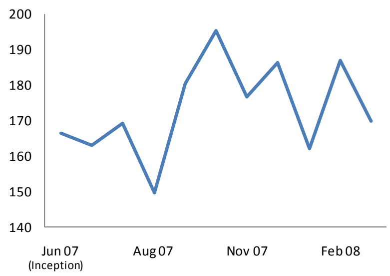


Figure 16
Global Mining Value Fund CHF



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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.

LTIF – Stability
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