

# Long Term Investment Fund

## Status of the Funds

As of March 31st, the British Virgin Islands-registered funds had the following growth in NAV per share and net assets under management.

**Table 1: Monthly results - Net assets under management**

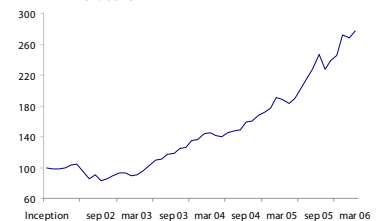
	NAV	Δ December	Δ 3 months	Δ 12 months	AUM (in mio)
<b>LTIF - Classic</b>	277.27	3.3%	13.0%	47.3%	120.2
<b>LTIF - Alpha</b>	131.30	2.2%	11.1%	24.3%	63.5
<b>LTIF - Stability</b>	104.53	0.3%	4.1%	n.a.	3.9
<b>GEVF</b>	141.24	2.0%	12.0%	47.4%	43.4
<b>AC MSCI World Index</b>	96.01	0.6%	4.3%	28.6%	

As can be seen from the graphs, the funds' shares appreciated strongly in January and a bit more in March. This is a relatively typical pattern of many of our shares, especially those of resources-producing companies: there's a spurt for some weeks, before they consolidate in a downward trend, although their bottom always seems to be higher than the previous one, so that the next move upwards takes them higher. Whatever the case may be, our companies' results are very strong. The exception is the poultry producers, which have been seriously affected by a decrease in consumption due to the current outbreak of avian flu. We have increased our position in those companies somewhat to take advantages of what we believe are the temporary heavily discounted prices. It is estimated, for instance, that some of our companies trade at less than 80% of their assets' replacement value. This means that when chicken consumption once again equals previous levels (which we believe is highly likely), somebody will have to produce the chickens, and, once the producers' current installations wear out, they will have to pay for at least the replacement value. With this exception, our companies have enjoyed a solidly profitable quarter.

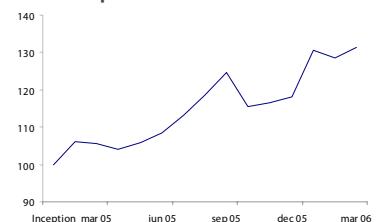
The last weeks of the previous quarter saw a strong upward move in the price of many commodities, which continued into April. Our investors know that we have invested in several commodities-producing companies over the last few years, starting with oil, which was followed by iron-ore, copper, and nickel, with zinc and lead being added recently.

It's important to note that we do not invest in commodities, but in commodities-producing companies. The difference is important, because to make money from an investment in commodities, their price must go up. However, for our investments in commodities-producing companies to be profitable, the price of the underlying commodity only needs to remain stable, or could even fall slightly,

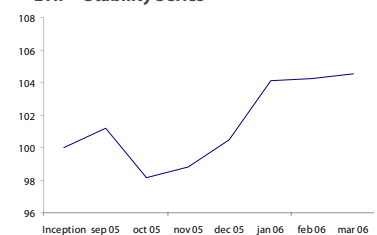
**Figure 1**  
LTIF - Classic



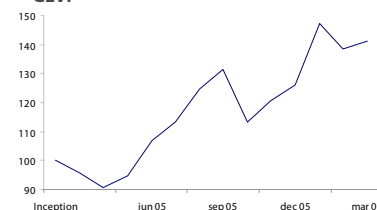
**Figure 2**  
LTIF - Alpha Series



**Figure 3**  
LTIF - Stability Series



**Figure 4**  
GEVF



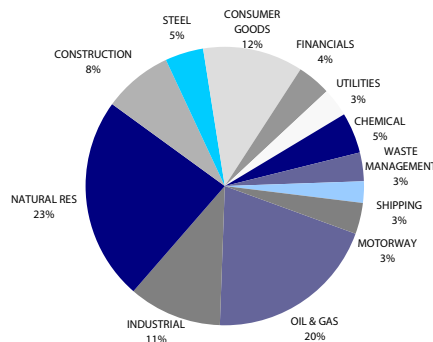
depending on the purchasing price of the company's shares. For instance, we have oil companies whose reserves are given an implicit value of slightly more than \$40. This means that as long as oil prices stay above that level, the investment is an excellent one. The discount to the current commodity price implicit in the mining companies' shares that we are buying is even larger. Again, it means that even if copper prices were to drop by 30% or 40%, our companies are still a very good investment indeed.

Needless to say, we don't expect the price of copper, nickel, or zinc to drop by 40% over the long term, much as we don't see the price of oil being maintained at \$40. The dynamics of supply and demand, plus the cost dynamics of producing the commodity will ensure this. If we are right (as we have been regarding oil), our investment in mining companies will turn out to have been truly outstanding.

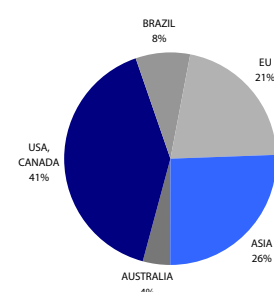
Having said this, it is entirely possible that commodity prices could drop temporarily, as oil prices do every six months or so. If that happens, it is also entirely possible (even likely) that our mining companies' share prices will fall (which happens to the Global Energy Value Fund from time to time). Once again, our investors should not be too concerned. As long as commodity prices do not collapse completely on the long term, intrinsic value will out, and the share prices will rebound, and then some (which also happens to the Global Energy Value Fund).

As usual, the following charts show our portfolio's industry and geographic breakdown:

**Figure 5**  
Breakdown by industry



**Figure 6**  
Breakdown by geographic area



### Transfer of the British Virgin Islands-registered funds to Luxembourg

In January 2002, we timidly started an adventure to see whether some long-standing strategic concepts could be applied to fund management. "Dry runs" in 2000 and 2001 had convinced us that they could indeed be useful, even in that period's very negative stock market context. We thus created the Long-Term Investment Fund. It started with only a few assets under management: five million euros, supplied by a closed group of private investors.

When a fund is as small as that, operating costs can kill it. This is why the simplest, cheapest possible legal structure was sought, even though Pictet et cie, the chosen custodian, was not inexpensive. We thus started operating the fund out of the British Virgin Islands, with no infrastructure whatsoever.

As you well know, the fund has grown over the years, now having more than €200 million in assets under management. A full structure had to be organized to advise it, and the Strategic Investment Advisors Group (SIA Group) was founded to do so. The fund is currently managed by Van Daalen International out of the Bahamas, advised by SIA Group, and listed on the Dublin Stock Exchange.

Over the last two years, however, we have received more and more requests from investors who would like to participate in the Funds (both LTIF and the Global Energy Value Fund), but who cannot do so because of their "off-shore" nature. Although our objective is not to increase the amount of assets under management, but rather to have our investments maintain their good performance, we believe that accommodating potential investors will be good for all our shareholders: a larger volume will mean lower operational costs for everybody and allow a better research infrastructure to be developed. For this reason, we decided to "move" the Funds to Luxembourg.

We have thus created a SICAV, Part-I, UCITS-III under Luxembourg laws. It has three active compartments, called "Classic", "Alpha", and "Energy", which fully resemble both the Long-Term Investment Fund (classes "Classic" and "Alpha") and the Global Energy Value Fund with regard to their investment objectives and operational structure.

The move will have immediate advantages for our investors:

- The liquidity of the Luxembourg funds is weekly rather than monthly, with no advance notice for redemptions: investors can buy and sell shares every week by simply notifying their intention before 5:00 pm (Central European Time) on Tuesdays.
- The Luxembourg-based LTIF-Energy has a performance fee of 15% compared to the Global Energy Value Fund's 20% performance fee. All other fees are the same or slightly lower (custody, administration).
- The minimum investment is now only 1 share, compared to the €100,000 for the LTIF and the €50,000 for the GEVF.
- The Luxembourg fund is governed by the laws of Luxembourg and subject to the regulation of that country's "Commission pour la Surveillance du Système Financier"
- The Luxembourg fund is being registered for retail distribution in the main European countries.

Of course, we cannot simply "move" a Fund: the current shareholders agreed to join a specific fund, and cannot be "sent" to another without their specific consent.

Within a few days, your depositary bank will receive a formal notification asking for your approval to transfer your investment from the BVI-based funds to the Luxembourg fund. Once you sign the agreement, your shares in the BVI-based funds will be exchanged for new shares in the Luxembourg fund - at the same price and the same number of shares. Please, don't hesitate to contact us if you have any questions on this important matter.

The BVI-based funds will be liquidated at the end of the summer. It is absolutely necessary then for investors who want to continue to participate in our investment philosophy to proceed to the transfer to Luxembourg.

It is important that you ask your bank to sign the documents and send them back to TMF, the current funds' administrator. Doing so will ensure that most of the assets are swiftly sent to the new fund, that operational matters can be forgotten and we can concentrate on what really creates value for all of us: finding outstanding companies at low prices. This is what we have done since we started that small adventure in the British Virgin Islands, and what we would like to continue doing in the new Luxembourg structure.

### **NOTE TO THE SHAREHOLDERS OF THE LONG-TERM INVESTMENT FUND (LUXEMBOURG)**

As you know your Fund is in some sort the continuation of the Long-Term Investment Fund and the Global Energy Value Fund, incorporated in the British Virgin Islands.

For reasons that have been explained above, it is the intention of the Strategic Investment Advisors Group to concentrate only on advising the Luxembourg fund. Investors in the BVI funds are being invited, therefore, to send their assets to your Luxembourg funds.

This is a very positive phenomenon for your fund, for it will grow in size: the total amount of assets in the BVI funds exceeds now €200 million, whereas the Luxembourg fund barely reach €10 million. This sudden growth (which was planned all along: the Luxembourg funds where started as a "destination" for the BVI funds) will imply lower operating costs for your fund. In a few months, the BVI funds will disappear.

Since the volume coming from the BVI is so much higher than the currently present in Luxembourg, the decision has been made to facilitate the transfer. For this reason, the price of the shares of the Luxembourg fund will be adjusted to coincide with the share price of the BVI funds as of May 31st, the time of the merger. As a result, you will see that the price of your shares jumps from approx. 100 to much more (depending on the Series), but of course the number of shares is adjusted so that you have exactly the same amount of capital invested as before. We believe that it is worth to go through this small change in order to facilitate the merger and thus end up with a much stronger investment vehicle.

We thank you for your continued support.

## Legal Notice - Luxembourg

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 (Luxembourg) - Directory

<b>Administrator:</b> Pictet & Cie (Europe) S.A. 1, Boulevard Royal L-2016 Luxembourg Luxembourg	<b>Investment Manager:</b> Pictet & Cie 29, boulevard Georges Favon CH-1204 Geneva Switzerland	<b>Registered Office:</b> 1, Boulevard Royal L-2016 Luxembourg Luxembourg	<b>Custodian:</b> Pictet & Cie (Europe) S.A. 1, Boulevard Royal L-2016 Luxembourg Luxembourg	<b>Investment Advisor:</b> SIA Funds AG 3, Seedammstrasse CH-8808 Pfäffikon Switzerland
<b>LTIF - Classic</b> ISIN: LU0244071956 Telekurs: CH2432569 Bloomberg: FMLGCLA LX	<b>LTIF - Alpha</b> ISIN: LU0244072178 Telekurs: CH2432573 Bloomberg: FMLGALA LX	<b>LTIF - Global Energy Value</b> ISIN: LU024072335 Telekurs: CH2432575 Bloomberg: FMLGLEV LX		

## Legal Notice - British Virgin Islands

The British Virgin Islands-registered Long-Term Investment Fund (series A, B, and C) is authorized for distribution in Ireland to qualified investors (and officially quoted in the Dublin Stock Exchange), but has not been registered for public distribution in Switzerland, the European Union or the United States. The Global Energy Value Fund has not been registered in any jurisdiction except the British Virgin Islands. 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 (British Virgin Islands) - Directory

<b>Administrator:</b> TMF Fund Administrators BV Westblaak 89 P.O.Box 25121 3001 HC Rotterdam The Netherlands	<b>Investment Manager:</b> Van Daalen International Ltd Kings Court, Bay Street P.O.Box N-1417 Nassau, Bahamas	<b>Registered Office:</b> Mill Mall, P.O.Box 964 Road Town, Tortola British Virgin Islands	<b>Custodian:</b> Pictet & Cie 29, Boulevard Georges Favon 1204 Geneva Switzerland	<b>Investment Advisor:</b> Strategic Investment Advisors (Suisse) SA 11 Cours de Rive 1204 Geneva Switzerland
<b>LTIF - Classic</b> ISIN: VGG5634P1009 Telekurs: 1341036 Bloomberg: LONGTRM VI	<b>LTIF - Alpha</b> ISIN: VGG5634P1181 Telekurs: 2048550 Bloomberg: LONGTRB VI	<b>LTIF - Stability</b> ISIN: VGG5634P1264 Telekurs: 2207914 Bloomberg: LONGTRC VI	<b>GEVF</b> ISIN: VGG396891076 Telekurs: 2053248 Bloomberg: GLOBENV VI	