

Long-Term Investment Fund

Newsletter October 2003

As explained in the owner's manual, investors in LTIF should look at the results of our companies to gauge how we are doing, more than at the price of their shares (and the liquidation value of the fund, which is simply the sum of the price of the shares we own in a particular date). That's why we essentially talk about "intrinsic performance", more than the performance of the shares.

For a complete description of LTIF's investment philosophy, and its "user manual", that explains in detail our measurement concepts, such as "intrinsic value" and "fund's earnings per share", please refer to our internet site at www.ltif.com

You can also find there previous past letters, as well as detailed results for the fund since its inception.

For any inquiries, please write to info@ltif.com.

Results on our portfolio

The first half of 2003, for which we now have all the data, has seen an excellent progress in the profitability of the portfolio.

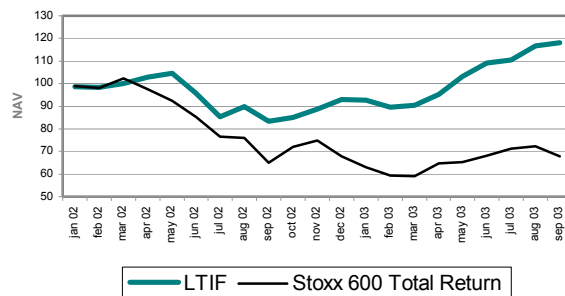
Excellent profits at practically all companies

Practically all companies have done well, many of them achieving record profits.

Liquidation value up more than 26% in the first nine months of the year

The liquidation value of the portfolio (the value that the market gives to the shares we own) has gone sharply up. Appreciation from January 1st exceeds 26%, net of all costs.

This appreciation (in euros) vastly exceeds the overall rise in stock markets since the beginning of the year.



LTIF Directory

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Results on our portfolio (cont.)

LTIF investors know that liquidation value is not a very good short term gauge of successful investing, though. Markets are now very expensive, and they may drop, taking all valuations with them. But, as long as our companies remain as profitable as they are, investors can rest assured that medium-term liquidation value will be up, given the clear undervaluation of our portfolio.

Portfolio news

Increased valuation and new investment have brought the total value of the Fund over €10.5 million.

We haven't sold any companies since the last newsletter in July. But we have had an important inflow of new funds, which we must invest wisely. We have therefore bought a number of new companies, and added to our position in some of those we already owned. The total value of the portfolio exceeds, as of September 30th, € 10.5 million, or more than twice the amount we started with last year.

We have added four new companies, and continue increasing our exposure to commodities.

We bought Canadian Natural Resource, Methanex, Industrias Bachoco, and Zschokke. Two of these companies (Canadian and Methanex) deal with commodities. They thus join Petroleum Development and Husky Energy in our portfolio.

We believe that, bought at the right price, well-managed commodities companies are a great investment. Their profits will necessarily fluctuate wildly with the underlying commodity price, but as long as a decent minimum level of profitability is maintained, and production increases regularly every year, it is simply a matter of time until the investment pays off. An example may be that of Petroleum Development, which we bought at \$6 a share, when natural gas prices were low. Share prices kept going down, but a surge in the natural gas price, combined with a steady increase in production, has brought the share price to \$12. We believe it is still undervalued at that price, and plan to keep it for the future.

- Industrias Bachoco is a Mexican company, leader in the production of chicken and eggs. It has a long record of profitability, and a very attractive price.
- Canadian Natural Resource operates in the natural gas and petroleum sector. It owns extensive fields in Canada, both on- and off-shore. It is on the brink of developing an enormous project to extract oil from tar sands. In our opinion, this is not included in the current price of the shares, and provides an excellent opportunity for long-term growth.
- Methanex produces 24% of the entire world's methane gas consumption. It is a highly focused company, bent on creating shareholder value. Its record of capacity increases is impressive, and it is the world's lowest cost producer. Methane is used in many different chemical processes, which gives demand some stability.
- Finally, Zschokke is a small (around 100 million euro by market capitalization) Swiss construction company. Its profits are stable within a growth trend, and it is consolidating the fragmented Swiss building sector.

Performance of our companies

Most of our companies have performed very well in the first half of 2003. In fact, a majority have attained record profits.

Particularly pleasant have been the results of Clinton Card (profits up by 24% over a record-breaking previous year), Depfa Bank (earnings up by 40%, after-tax return on equity above 30%), Husky Energy (profits up by 35%, special dividend of 6% declared), and Zehnder Group, whose profits went up by 35%.

Hunter Douglas, which has had two years of flat, disappointing results, had finally an increase of 8.5% in profits in comparable currencies. The dollar's drop against the euro flattens the results again, but we believe these results show that the company is firing on all cylinders again.

Teleplan has again disappointed, with a massive write-off. We have now serious doubts about its business model, but have decided to give it another quarter.

As usual, our web site, www.ltif.com has data on all our investments.

Liquidation value

The key statistics for the fund's liquidation value are as follows:

STATISTICS	As of September 30, 2003
· Month	1.12%
· Year-to-date	26.95%
· Since inception	18.19%
· 3 Months rolling	8.24%
· 6 Months rolling	30.71%
· 12 Months rolling	41.94%
<i>Statistical analysis</i> <i>(12 months rolling)</i>	
· Standard deviation	4.26%
· Std. dev. (annualized)	14.76%
· Sharpe ratio (annualized)	2.43