

Newsletter

of March 2014

- *Overview of our funds* 2
- *News on our portfolios* 2
- *Perspectives* 7
- *Appendix* 8

Figure 1: LTIF Classic EUR vs. MSCI Daily TR Net World Index EUR

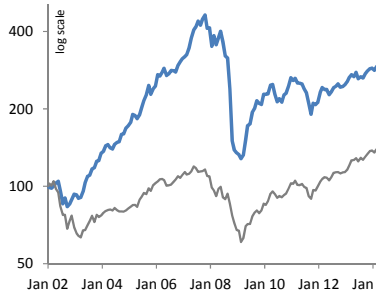


Figure 2: LTIF Alpha EUR vs. HFRX Global Hedge Fund Index EUR

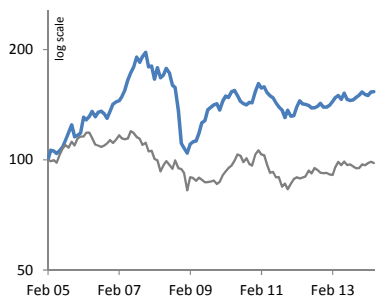


Figure 3: LTIF Natural Resources EUR vs. S&P Global Nat. Res. Net TR Index EUR

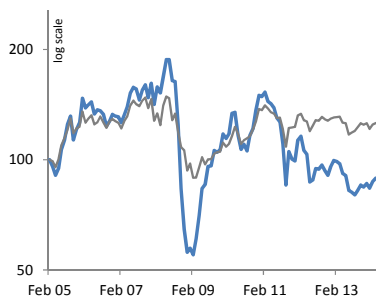
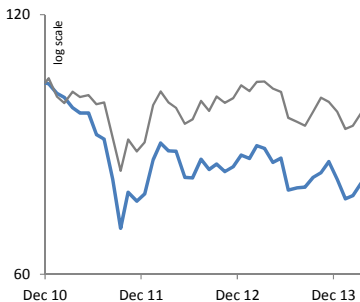


Figure 4: LTIF Emerging Market Value EUR vs. MSCI EM Daily Net TR Index EUR



Overview of our funds

Figures 1 through 6 and table 1 show the Net Asset Values of our different funds:

Table 1: Net Asset Value - Net assets under management of our funds

March 2014	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio) *combined Pool
LTIF Classic [EUR]	297.10	3.3%	3.3%	9.3%	202*
LTIF Alpha [EUR]	153.52	1.9%	1.9%	4.8%	202*
LTIF Natural Resources [EUR]	89.04	3.5%	3.5%	-1.3%	12
LTIF Emerging Market Value [EUR]	76.44	-1.1%	-1.1%	-23.6%	2
LTIF Stability Growth [CHF] (Total return, dividends included)	214.30	1.3%	1.3%	4.9%	22
LTIF Stability Income Plus [CHF] (Total return, dividends included)	198.70	1.3%	1.3%	9.3%	22

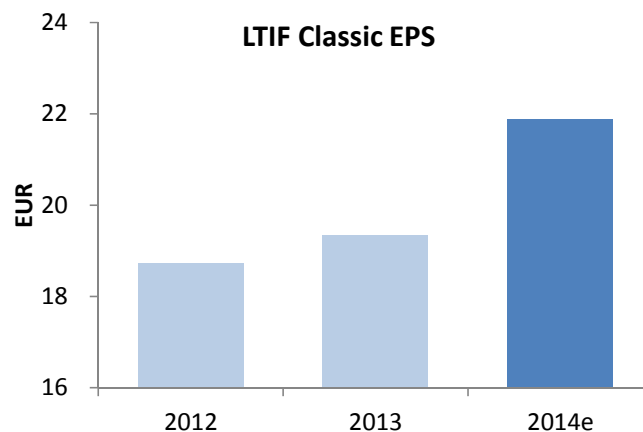
Source: SIA Group

The evolution of our funds' NAV has been fairly positive over the last three months, showing typical ups and downs. Economic news is mostly benign, and the slow recovery of the world economy seems to continue.

News on our portfolios

The following shows the development of the underlying profitability of our Classic fund's portfolio:

Figure 7: Earnings per share 2012, 2013 and 2014e



Source: SIA Group / Bloomberg

Figure 5: LTIF Stability Growth TR CHF vs. HFRX Global Hedge Fund Index CHF

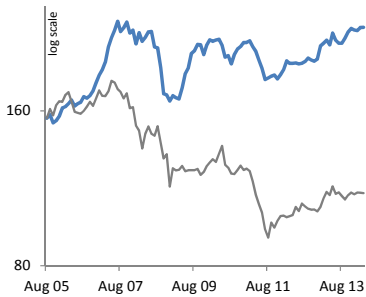


Figure 6: LTIF Stability Income Plus TR CHF vs. HFRX Global Hedge Fund Index CHF

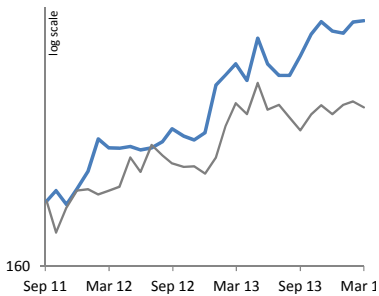


Figure 8: Dividends per share for 2012, 2013 and 2014e

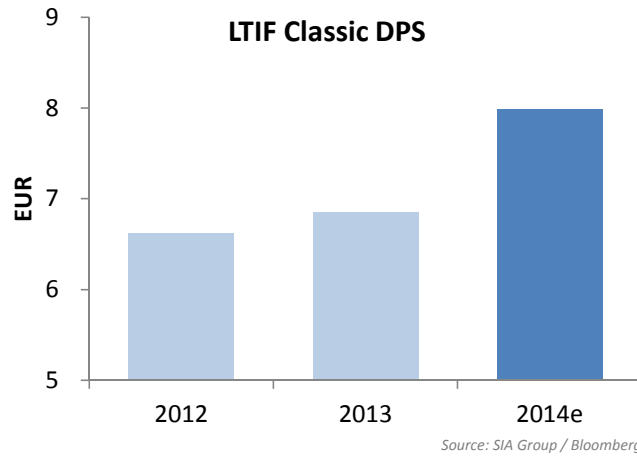
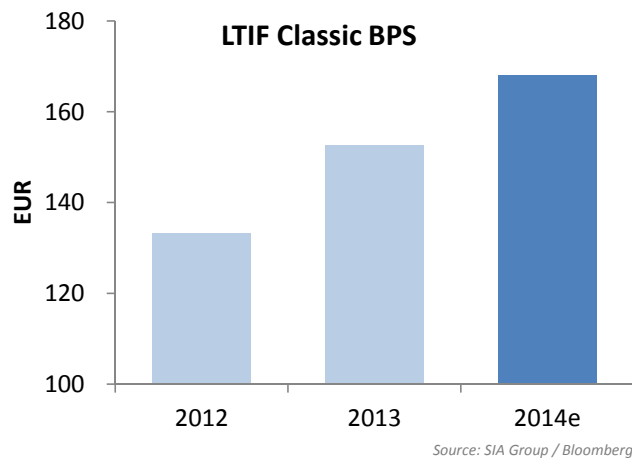


Figure 9: Book Value per share for 2012, 2013 and 2014e



We have introduced a few changes to our Classic fund:

We sold Marine Harvest, the world's largest salmon producer. We are still very keen on the industry and maintain our investments in other farmers. But the shares went up a lot last year, and the entire position amounted to 10% of our fund. Marine Harvest, which is the largest of all the quoted shares, is more expensive (it has a liquidity premium), we therefore sold it, but still maintain a bit more than 7% of the fund in this sector.

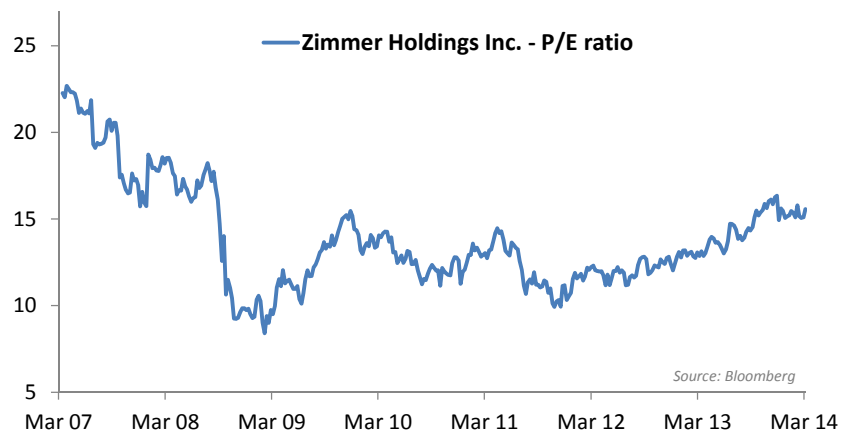
We sold Ryanair and bought easyJet. We like both companies, but feel Ryanair is clearly more expensive (PE 20 vs PE 15), while easyJet should give us a better long-term profitability. We entered Ryanair, because it had given a couple of profit warnings and we felt the shares were too low. These are two companies that should do well in almost any econo-

mic environment: when the economy does well, they profit from the increased demand; when it does badly, they are much better placed than their high-cost competitors. Over the years, they have built very strong positions, which means that other low-cost carriers now find it very difficult to enter the industry successfully. Nevertheless, they have only captured about 30% of the intra-European traffic, with the rest still in the hands of the high-cost carriers. We see this as a clear opportunity for these companies' long-term profitable growth. Their business model is very strong and, in our opinion, sustainable.

We have bought three more companies: Zimmer Holdings and two Turkish banks, Garanti and Halk.

Zimmer Holdings is a company we have followed for a long time. They are world market leaders in surgical orthopedic products: they manufacture artificial hips and knees used to replace those joints when they no longer work. Their very strong market position and the reality of ageing populations make the investment very attractive; further, the share has usually traded at high multiples. But the economic crisis, together with uncertainties about the health-care legal changes in the US, has depressed the share price (see figure 10). We believe that, at a current PE of 15, we are buying a top-quality business at a very reasonable price.

Figure 10: Zimmer Holdings Inc. Trailing PE, last 7 years

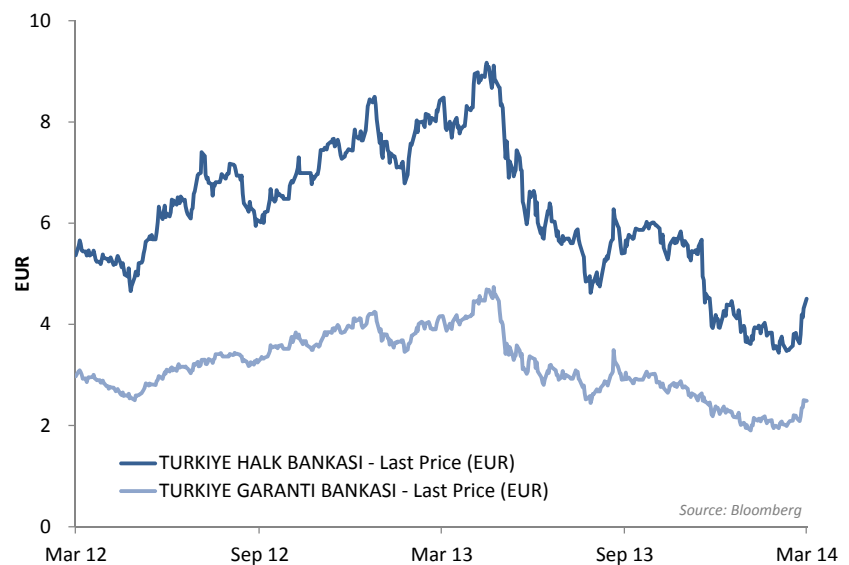


We have also followed the Turkish banks for a long time, and have been invested in Halk Bank in our Emerging Markets funds for a while. The attractiveness lies in retail banks being one of the best ways to profit from any economy accelerating from emerging market status to a wealthier one. These banks are well managed and their structural growth is very high.

Emerging markets are, of course, volatile and the last few months have been difficult for Turkey. It has a high external deficit and the central bank, under pressure from politicians, has kept interest rates too low. The eventual result was predictable: a big drop in the Turkish lira's value and runaway local demand. Fortunately, the central bank has not allowed the problems to get truly out of hand and has raised interest rates sharply, which has cooled the economy. The lira depreciation is also improving the external balance: imports are down and exports are up. Banks may take a short-term hit to their profits, but the economy is going the right way.

Bank shares have been very sensitive to these problems, as can be seen in figure 11:

Figure 11: Share price in euro of Halk and Garanti over the last two years

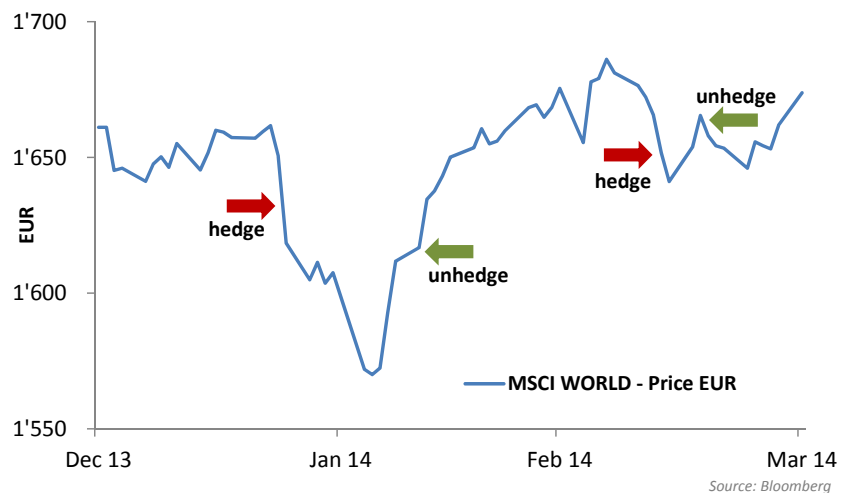


When an excellent bank's share, which is not expensive to start with, goes down by 50%, the country is either going bankrupt, or the share is a bargain. These banks don't have the toxic real-estate-related assets common to developed market banks. At a PE of less than 5, we believed

that we cannot lose too much money in the long term. Shares are rebounding strongly, although we cannot rule out fresh volatility. But we are convinced that we can double our investment within a very few years.

Our long-short funds, the Alpha and the Stability, have behaved as expected: their underlying portfolio is the same as the Classic, and they have “spent” a bit of money on downside protection: every time the markets dropped – first in January and then in March (see figure 12) – , they were fully hedged. If the markets had kept dropping, the performance of both funds would have been even more attractive.

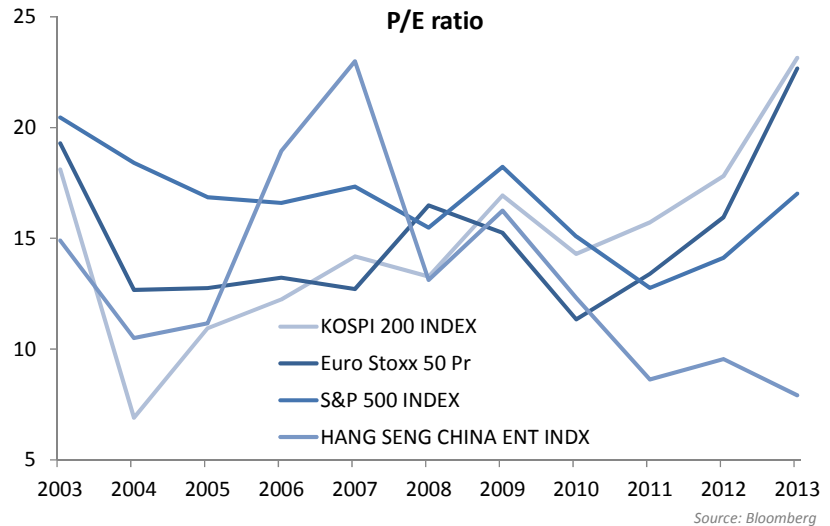
Figure 12: MSCI World in euro, year-to-date



Our Natural Resources fund is showing nice gains in salmon farmers and palm oil producers. Oil services are going strong, while the market is still very skeptical about mining stocks. As we have pointed out, our mining companies and oil producers are in a difficult part of the cycle, but should show very good profit growth in a few quarters.

Finally, the Emerging Markets fund is starting to recover from a largely excessive correction. In general, emerging markets are trading now at a deep discount to developed markets due to the current consensus that they have serious problems. Nevertheless, almost all emerging markets are going to grow faster this year (and in the coming years) than any developed market, and their multiples are now lower, as figure 13 shows. This is certainly not the time to sell these companies.

Figure 13: P/E ratio of S&P 500, Eurostoxx 50, China, Korea over the last 10 years



Perspectives

As usual, we don't foresee big changes to either the markets or our portfolios. As we said in our last Newsletter, markets are better valued than a year ago, but we see a good investment return at this point:

Table 2: Categories / Returns

Categories	Equities	Expected Return	Marginal Volatility
1	21.7%	10.0%	8.3%
2	22.1%	10.6%	11.3%
3	52.6%	12.4%	12.4%
4	3.6%	20.5%	17.9%
Overall	100.0%	11.8%	11.5%

Source: SIA Group

As we always insist, this return won't be in a straight line: some quarters will be up, others will be down. But we are convinced that our expectation of a low double-digit profitability from these portfolios over time is very reasonable.

Figures of the USD classes

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

March 2014	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio) <i>*combined Pool</i>
LTIF Classic [USD]	409.48	3.3%	3.3%	13.2%	278*
LTIF Alpha [USD]	211.58	1.9%	1.9%	5.4%	278*
LTIF Natural Resources [USD]	122.72	3.5%	3.5%	-0.9%	17
LTIF Emerging Market Value [USD]	105.35	-1.1%	-1.1%	-19.9%	3

Figure 14: LTIF Classic USD vs. MSCI Daily TR Net World Index USD

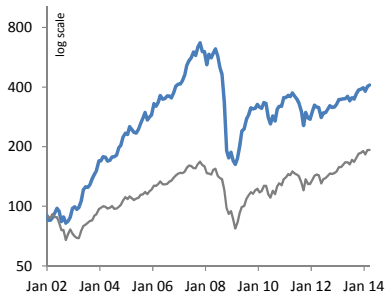


Figure 15: LTIF Alpha USD vs. HFRX Global Hedge Fund Index USD

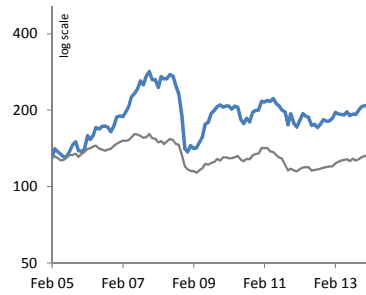


Figure 16: LTIF Natural Resources USD vs. S&P Global Nat. Res. Net TR Index USD

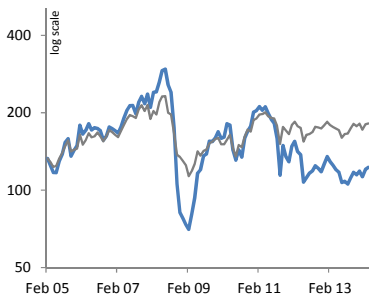
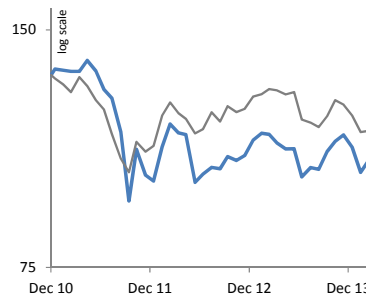


Figure 17: LTIF Emerging Market Value USD vs. MSCI EM Daily Net TR Index USD



Figures of the CHF classes

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

March 2014	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio) <i>*combined Pool</i>
LTIF Classic [CHF]	361.71	2.6%	2.6%	7.6%	246*
LTIF Alpha [CHF]	186.89	1.2%	1.2%	2.1%	246*
LTIF Natural Resources [CHF]	108.40	2.8%	2.8%	-3.8%	15
LTIF Emerging Market Value [CHF]	93.06	-1.8%	-1.8%	-27.1%	2
LTIF Stability Growth [CHF] <i>(Total return, dividends included)</i>	214.30	1.3%	1.3%	4.9%	22
LTIF Stability Income Plus [CHF] <i>(Total return, dividends included)</i>	198.70	1.3%	1.3%	9.3%	22

Figure 18: LTIF Classic CHF vs. MSCI Daily TR Net World Index CHF

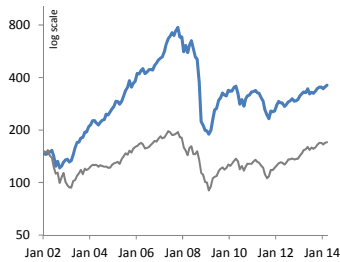


Figure 19: LTIF Alpha CHF vs. HFRX Global Hedge Fund Index CHF

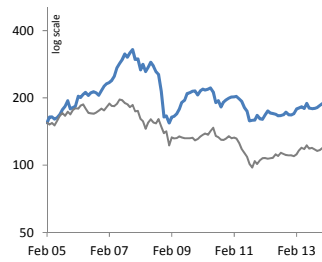


Figure 20: LTIF Natural Resources CHF vs. S&P Global Nat. Res. Net TR Index CHF

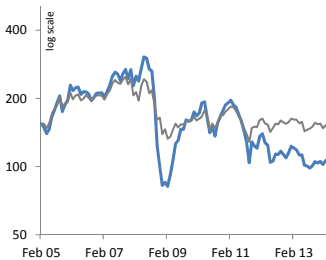


Figure 21: LTIF Emerging Market Value CHF vs. MSCI EM Daily Net TR Index CHF

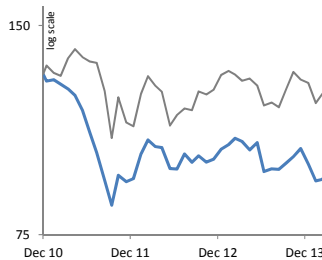


Figure 22: LTIF Stability Growth TR CHF vs. HFRX Global Hedge Fund Index CHF

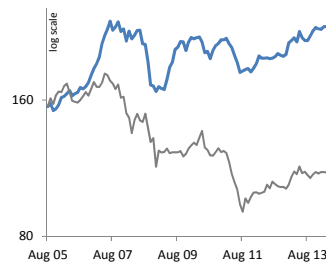
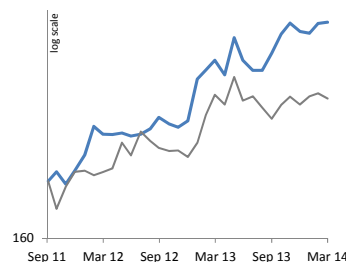


Figure 23: LTIF Stability Income Plus TR CHF vs. HFRX Global Hedge Fund Index CHF



Figures of the GBP classes

Table 5: Net Asset Value - Net assets under management in GBP

March 2014	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio) <i>*combined Pool</i>
LTIF Classic [GBP]	245.62	2.6%	2.6%	11.9%	167*
LTIF Alpha [GBP]	126.92	1.2%	1.2%	6.7%	167*
LTIF Natural Resources [GBP]	73.61	2.8%	2.8%	0.7%	10
LTIF Emerging Market Value [GBP]	63.19	-1.7%	-1.7%	-25.7%	2

Figure 24: LTIF Classic GBP vs. MSCI Daily TR Net World Index GBP

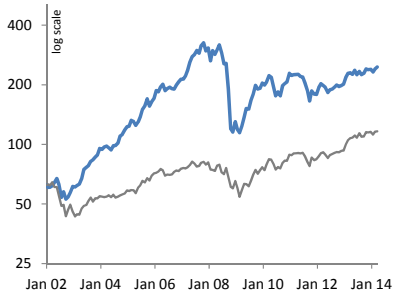


Figure 25: LTIF Alpha GBP vs. HFRX Global Hedge Fund Index GBP

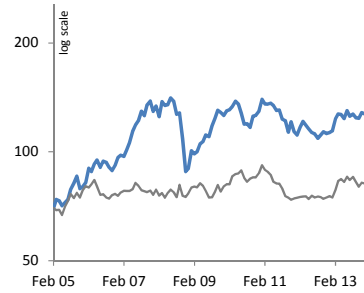


Figure 26: LTIF Natural Resources GBP vs. S&P Global Nat. Res. Net TR Index GBP

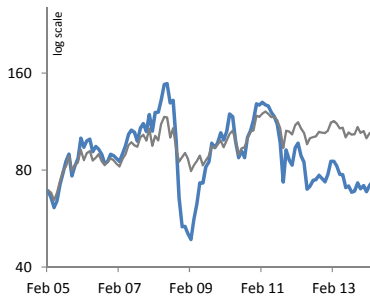
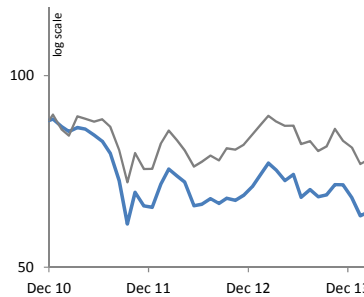


Figure 27: LTIF Emerging Market Value GBP vs. MSCI EM Daily Net TR Index GBP



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LTIF – Classic EUR

ISIN: LU0244071956
Telekurs: 2'432'569
Bloomberg: LTIFCLA LX

LTIF – Classic USD

ISIN: LU0301247077
Telekurs: 3'101'820
Bloomberg: LTIFCLU LX

LTIF – Classic CHF

ISIN: LU0301246772
Telekurs: 3'101'817
Bloomberg: LTIFCLC LX

LTIF – Classic GBP

ISIN: LU0750886714
Telekurs: 18'032'305
Bloomberg: LTIFCLS LX

LTIF – Alpha EUR

ISIN: LU0244072178
Telekurs: 2'432'573
Bloomberg: LTIFALP LX

LTIF – Alpha USD

ISIN: LU0301247150
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Bloomberg: LTIFALU LX

LTIF – Alpha CHF

ISIN: LU0301246855
Telekurs: 3'101'824
Bloomberg: LTIFALC LX

LTIF – Alpha GBP

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Telekurs: 18'032'344
Bloomberg: LTIFALS LX

LTIF – Natural Resources EUR

ISIN: LU0244072335
Telekurs: 2'432'575
Bloomberg: LTIFGEV LX

LTIF – Natural Resources USD

ISIN: LU0301247234
Telekurs: 3'101'839
Bloomberg: LTIFGEU LX

LTIF – Natural Resources CHF

ISIN: LU0301246939
Telekurs: 3'101'836
Bloomberg: LTIFGEC LX

LTIF – Natural Resources GBP

ISIN: LU0457696077
Telekurs: 10'638'983
Bloomberg: LTIFGEG LX

LTIF – Emerging Market Value EUR

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Telekurs: 11'901'448
Bloomberg: LTIFEME LX

LTIF – Emerging Market Value USD

ISIN: LU0553295592
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Bloomberg: LTIFEMU LX

LTIF – Emerging Market Value CHF

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LTIF – Emerging Market Value GBP

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LTIF – Stability Growth

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