

# Newsletter

of June 2014

▪ <i>Overview of our funds</i>	2
▪ <i>News on our portfolios</i>	2
▪ <i>Comments on the Natural Resources fund</i>	6
▪ <i>The Alpha and Stability funds</i>	7
▪ <i>Going forward</i>	8
▪ <i>SIA news</i>	8
▪ <i>Appendix</i>	9

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

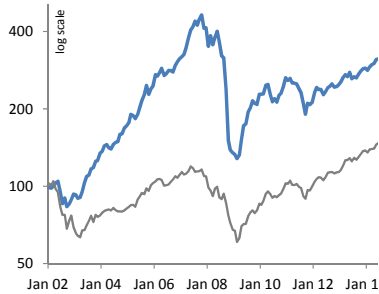


Figure 2: LTIF Alpha EUR vs. HFRX Global Hedge Fund Index EUR

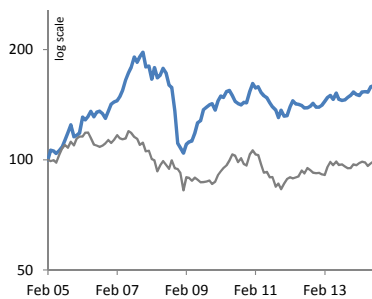


Figure 3: LTIF Natural Resources EUR vs. S&P Global Nat. Res. Net TR Index EUR

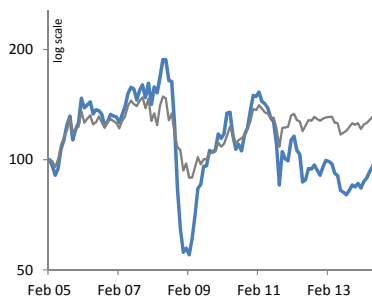
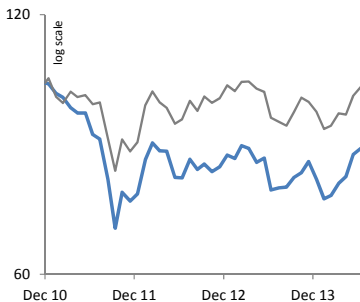


Figure 4: LTIF Emerging Market Value EUR vs. MSCI EM Daily Net TR Index EUR



### 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

June 2014	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio) *combined Pool
LTIF Classic [EUR]	313.32	5.5%	8.9%	9.6%	206*
LTIF Alpha [EUR]	159.27	3.7%	5.7%	5.1%	206*
LTIF Natural Resources [EUR]	100.31	12.7%	16.6%	0.0%	13
LTIF Emerging Market Value [EUR]	83.92	9.8%	8.6%	-16.1%	2
LTIF Stability Growth [CHF] (Total return, dividends included)	219.90	2.6%	3.9%	5.0%	22
LTIF Stability Income Plus [CHF] (Total return, dividends included)	204.20	2.8%	4.1%	9.5%	22

Source: SIA Group

The evolution has been fairly positive – it’s better for most of the funds than the long-term average for one quarter should be. One of the key characteristics of the stock markets is that they never progress smoothly “on average”.

### News on our portfolios

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

Table 2: LTIF Classic - Profitability for 2012, 2013 and 2014e

Year	EPS	Growth	PE	Prof. %	MSCI World PE	MSCI World Prof. %
2012	18.7		13.3	7.5%		
2013	19.3	3.2%	14.9	6.7%		
2014e	22.3	15.4%	14.0	7.1%	17.5	5.7%

Source: SIA Group / Datastream

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

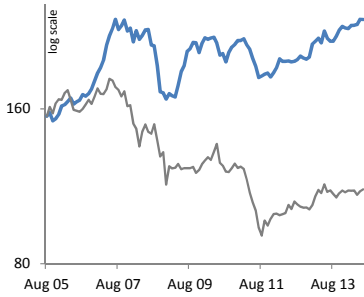


Figure 6: LTIF Stability Income Plus TR CHF vs. HFRX Global Hedge Fund Index CHF

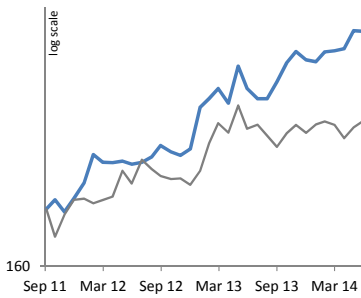


Figure 7: Earnings per share for 2012, 2013 and 2014e

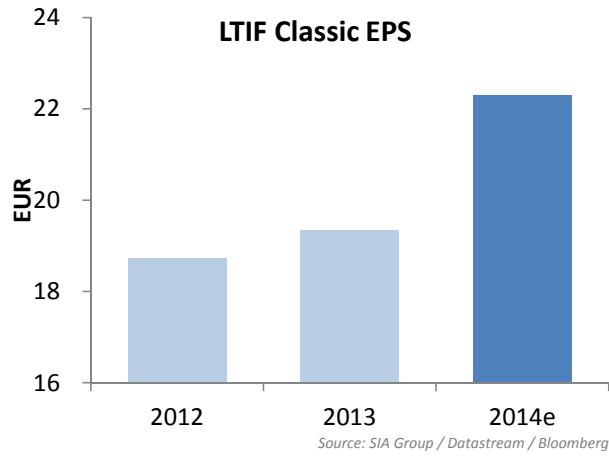


Table 3: LTIF Classic - Dividends per share and yield for 2012, 2013 and 2014e

Year	DPS	Yield	
2012	6.6	2.7%	MSCI World DY
2013	6.9	2.4%	
2014e	8.2	2.6%	2.5%

Source: SIA Group / Datastream

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

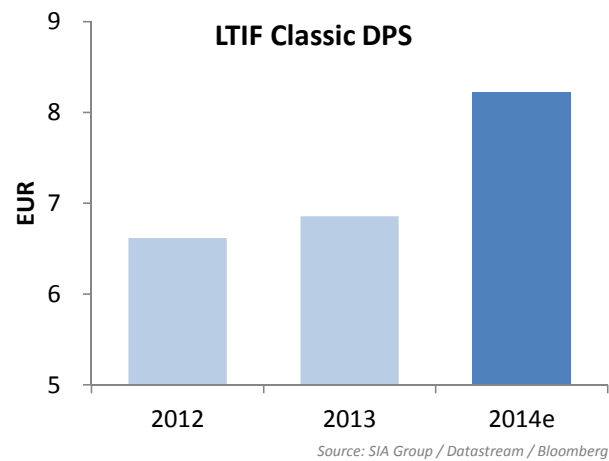
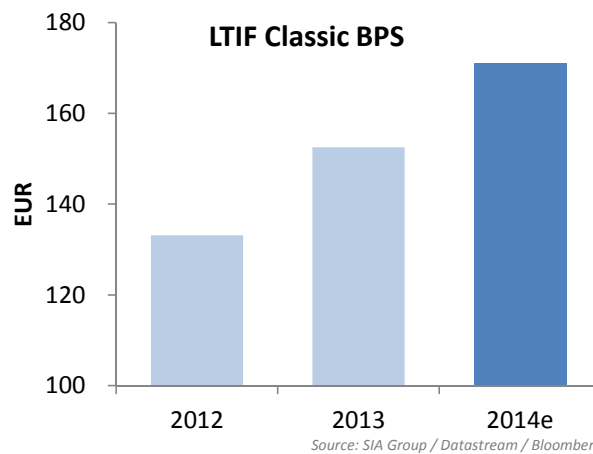


Table 4: LTIF Classic - Book value per share and price to book for 2012, 2013 and 2014e

Year	BPS	Growth	P/B	
2012	133.1		1.9	MSCI World P/B
2013	152.5	14.6%	1.9	
2014e	171.2	12.2%	1.8	2.1

Source: SIA Group / Datastream

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



Since stock prices have kept climbing, we've sold some shares that we thought were fully priced in order to buy others we consider to be clearly cheaper. We therefore sold Cummins, Accenture, and Wells Fargo. We believe all three companies are excellent and not bad long-term investments, even at the current prices. But it is our job to keep looking for great opportunities and, when found, we must make room for them in the portfolio by selling those shares where we see a lower future return. In the case of the three mentioned companies, the modest return we forecast is not due to a problem in their business, but rather to a share price that already fully reflects the companies' quality.

To replace them, we bought Tata Motors, Blackstone Group, and Zurich Insurance Group. The process comes down to selling companies with PEs close to 20 and buying other with PEs below 10, but with a risk level that we believe makes the trade attractive.

The **Tata Motors Group** (TTMT) is a holding company with two main businesses: Jaguar Land Rover (JLR) and Tata Motors Vehicles India (TTV). Our analysis focused on the last four years, as Jaguar Land Rover was only bought in 2008, and the deep recessionary 2008-2009 years can be seen as outliers.

JLR is a wholly owned subsidiary purchased from Ford in March 2008. JLR sells Jaguar, Land Rover, and Range Rover passenger vehicles. JLR represented 83% of Tata Motors' sales in the FY14. Sales have increased by almost 5 times since the FY09, when JLR was first consolidated. Part of this growth has to do with a low reference point in the FY09 due to the recession. However, more importantly, the growth mainly reflects the success of the new design strategy in the portfolio, as new models have been introduced for Jaguar (XF, XJ) and Land Rover (Discovery, Evoque, RR Sport). The EBIT margin went from negative in the FY09 (-4.5%) to 11.0% in the FY12, when the turnaround was already evident. It has ranged between 10.9% and 12.9% ever since. Currently, the EBIT margin is at 12.9%, representing 103% of the whole group's EBIT.

TTV mainly sells commercial and passenger vehicles under the Tata brand in India. TTV was only 18% of the group sales in the FY14. However, given India's recession, sales are down 31% since their recent peak in the FY12, when sales were 36% of the total group (and JLR has continued to grow briskly). Given JLR's growth, even a return to the peak means sales would increase to only 21% of the group. More importantly, the current market condition in India has resulted in a negative EBIT margin of -2.3% in the FY14. This is in sharp contrast with the average margin of 7.1% over the past 10 years, with an upper limit of 11% (in the FY04). TTV is more cyclical, as it is mainly geared to commercial vehicles and trucks (70% of all its units). Although the current conditions are widely seen as the trough of the cycle, there is not much agreement on the speed of the recovery. A full recovery could add as much as 25% to JLR's EBIT contribution (whereas it is currently subtracting...). This is an attractive option value for, say, three years from now, as long as not too much capital is devoted to the business (which seems to be the case).

We believe JLR can continue to deliver. As mentioned, new models are being introduced, and its capacity is expanding. Although the brands fall into the luxury category, they are small in absolute terms; fast growth should therefore be possible, even in a subdued overall auto market.

In fact, from a fleet age perspective, JLR is in a sweet spot: Jaguar's average fleet age is set to decline to 1-2 years (the launch of XE and new XF) and Land Rover's average age to 2-2.5 years (the new Freelander, possibly a convertible Evoque, and a "small" RR Sport). The next milestones are the Jaguar XE and an even newer Freelander (the latter to be repositioned in terms of pricing, and to possibly be rebranded as the Discovery Sport). An important point is that these new launches cover new market spaces (the XE and small RR Sport), rather than just being replacements. The model pipeline is as follows:

- FY15: The new Freelander (1Q-2Q), F-type coupe (early 1Q), XE (late 3Q/ early 4Q)
- FY16: Crossover on the XE platform, 2QFY16 – new XF replacement, 2HFY16 – Evoque convertible

- FY17: The new XJ replacement, Discovery replacement, new small Range Rover (positioned between the Evoque and the RR Sport)
- FY18: The new Evoque

China represents around 25% of JLR sales, with the main market (about 40% of sales) being Europe (including the UK). The UK alone is also important, being responsible for around 20% of sales.

We had a chance to start buying the shares at a very low PE of 4. They are up 60% per year to date, but we still see a PE below 6 for next year.

**The Blackstone Group** is one of the largest private equity groups in the world. In addition to private equity funds, they have diversified into fixed income, real estate, hedge funds, and generally any financial product for which they think there is a market. The business has historically been fantastically profitable (the founders of all the main private equity houses are well-known billionaires), and there is a solid demand for their products. It's possible that they may not achieve the same stellar returns now that they are much larger, but it's also clear that many institutional investors prefer to play the "alternative investment space" with the leading players. We started buying when the shares showed a PE of 9, compared to traditional fund management companies', such as Blackrock's, PEs of more than 16. Although we see some reasons for the market perhaps preferring the traditional players' simpler business model, we thought the discount was excessive: Blackstone has a dividend of 6% and growing. In fact, the shares have started closing the gap since we purchased them.

Finally, the **Zurich Insurance Group** is an old acquaintance of ours – we've owned it for a long time. Some quarters ago we sold it due to a combination of its rapid share appreciation and internal problems that we didn't understand well. In the meantime, the valuation is more in line and we're satisfied that the company is following the right strategy. It also has a dividend yield of more than 6%.

#### Comments on the Natural Resources fund

January 2011 marked a sharp peak for almost all things related to natural resources. Since then, share prices have, for two years, declined in a straight line. In the last few quarters, we have seen a turnaround, starting with oil services companies, the oil producers themselves, and currently in some mining stocks.

More than ever, generalizing is not a good idea: The future of copper and iron ore, for instance, will be very different, because one is scarce and the other extremely abundant. Something similar applies to oil producers: Some have huge reserves that they simply have to exploit, while others must find and develop increasing amounts of new reserves just to main-

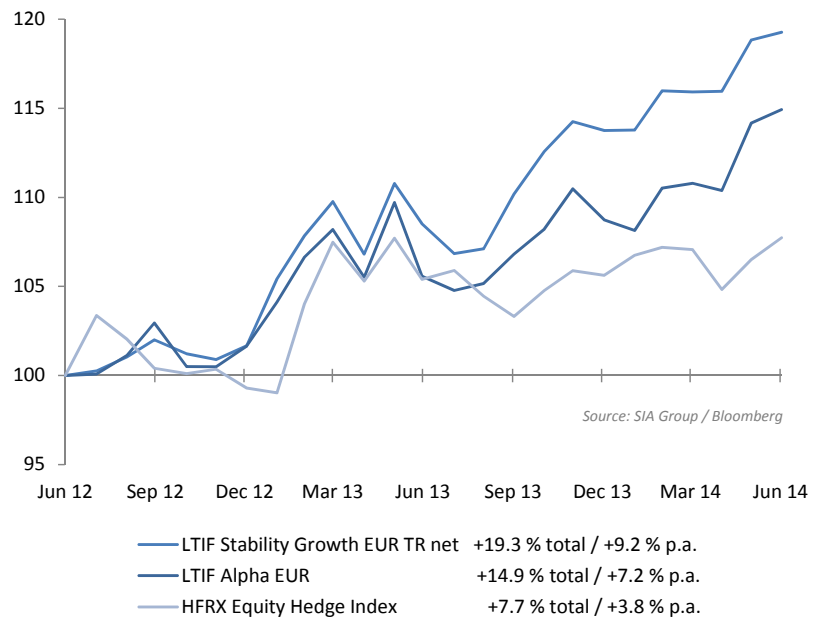
tain what they have. Further, each new discovery comes at a much higher cost than the preceding one. We are very selective in our investments and many of the shares – from Bankers Petroleum (+65% per year to date) to Baker Huges International (+35%) – are recovering well this year.

But a key factor in the sharp appreciation of the overall fund has been our large position in salmon farmers, whose shares are up by an average of 30% this year. We still see this investment as very profitable, even after the strong share price appreciation: Since we started investing, a bit more than two years ago, some shares have more than trebled in price. The forward PEs are still around 8-9, and the dividend payments around 6 to 8%. The demand is very solid, while biological and geographical realities constrain the supply. Many other sources of proteins (mostly meat) have seen increasing prices, which makes salmon even more attractive. We plan on keeping this position for some time longer, unless the share prices really shoot up.

**The Alpha and Stability funds**

Our “protected” funds continue to show a very good performance, both in absolute terms and, particularly, when compared to hedge fund indices, as shown in Figure 10.

Figure 10: 2 years returns in EUR of Hedge Fund Equity Index, LTIF Alpha & LTIF Stability



We believe that these returns, obtained while insuring the portfolio against deep market drops, make these funds attractive for investors who

don't want to experience stock markets' volatility, but still wish to profit from their long-term appreciation.

### Going forward

It's clear that the markets have been increasing, with only short corrections, for almost three years. Consequently, in keeping with their nature, we will see a more meaningful correction sooner or later. But from a fundamental, long-term point of view, we believe there is value in our portfolios. Our goal of a low double-digit annualized return should be easily attainable, even after the increases we have seen, because, among other things, we keep substituting the more fully priced shares with new, inexpensive ones. However, after this long streak of positive quarters, it is important that investors are not carried away by their expectations: With structurally very low interest rates, a 10% return on a solid investment is, in our view, fantastic value. Shooting for much more would be courting risk. But settling for less for fear of short-term volatility is not necessary either.

### SIA news

During the last quarter we have closed the Geneva office and moved all the research and fund management work to Ziegelbrücke. It's a move that made sense for regulatory reasons (the regulator wants to see a strong team working together) and, less important but also relevant, for economic reasons. Prof. Jarillo will continue seeing the Geneva clients (as well as all others, of course) regularly.

From the point of view of the firms' development, the last quarter has been good, with net inflows to our funds. After a long period in which many of our investors liquidated all their positions in Switzerland, we see now increasing interest from many several European countries, including of course Switzerland itself. This has completely changed the tendency and has implied the increase of our funds under management by more than 10 million. As always, we are very grateful for our investors' trust and hope to be able, through hard work, to provide them with good long-term returns.



**Figures of the USD classes**

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

June 2014	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio) <i>*combined Pool</i>
LTIF Classic [USD]	428.98	4.8%	8.2%	13.4%	282*
LTIF Alpha [USD]	218.06	3.1%	5.0%	5.6%	282*
LTIF Natural Resources [USD]	137.34	11.9%	15.8%	0.4%	18
LTIF Emerging Market Value [USD]	114.90	9.1%	7.9%	-12.6%	3

Figure 11: LTIF Classic USD vs. MSCI Daily TR Net World Index USD

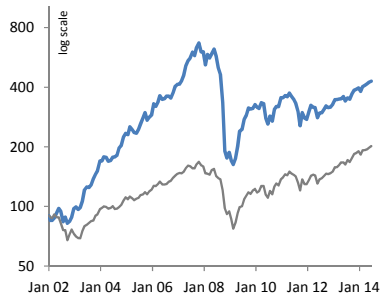


Figure 12: LTIF Alpha USD vs. HFRX Global Hedge Fund Index USD

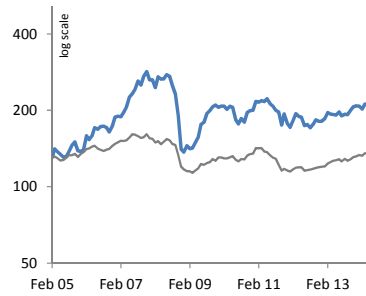


Figure 13: LTIF Natural Resources USD vs. S&P Global Nat. Res. Net TR Index USD

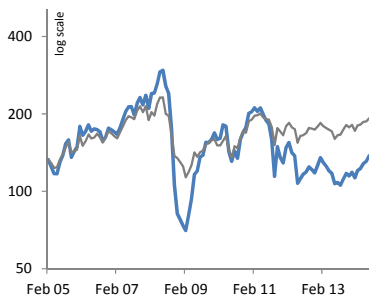
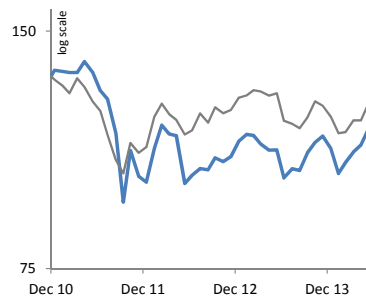


Figure 14: LTIF Emerging Market Value USD vs. MSCI EM Daily Net TR Index USD



**Figures of the CHF classes**

Table 6: Net Asset Value - Net assets under management in CHF

June 2014	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio) <i>*combined Pool</i>
LTIF Classic [CHF]	380.42	5.2%	7.9%	7.8%	250*
LTIF Alpha [CHF]	193.38	3.5%	4.7%	2.4%	250*
LTIF Natural Resources [CHF]	121.79	12.4%	15.5%	-2.5%	16
LTIF Emerging Market Value [CHF]	101.89	9.5%	7.6%	-20.2%	3
LTIF Stability Growth [CHF] <i>(Total return, dividends included)</i>	219.90	2.6%	3.9%	5.0%	22
LTIF Stability Income Plus [CHF] <i>(Total return, dividends included)</i>	204.20	2.8%	4.1%	9.5%	22

Figure 15: LTIF Classic CHF vs. MSCI Daily TR Net World Index CHF

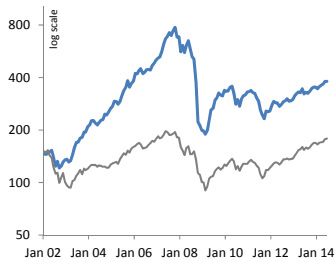


Figure 16: LTIF Alpha CHF vs. HFRX Global Hedge Fund Index CHF

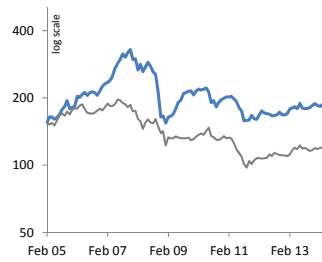


Figure 17: LTIF Natural Resources CHF vs. S&P Global Nat. Res. Net TR Index CHF

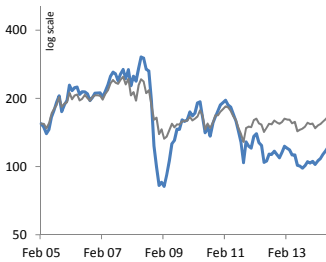


Figure 18: LTIF Emerging Market Value CHF vs. MSCI EM Daily Net TR Index CHF

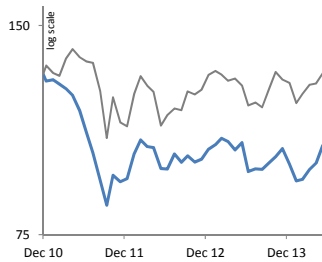


Figure 19: LTIF Stability Growth TR CHF vs. HFRX Global Hedge Fund Index CHF

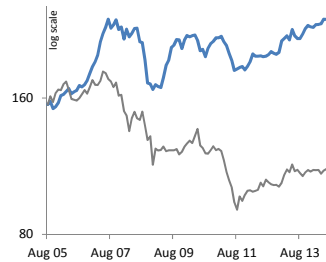
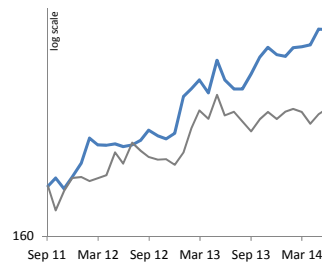


Figure 20: LTIF Stability Income Plus TR CHF vs. HFRX Global Hedge Fund Index CHF



**Figures of the GBP classes**

Table 7: Net Asset Value - Net assets under management in GBP

June 2014	NAV	Δ 3m	Δ YTD	Annualized Return since Inception	AUM (in mio) <i>*combined Pool</i>
LTIF Classic [GBP]	250.90	2.1%	4.8%	11.8%	165*
LTIF Alpha [GBP]	127.54	0.5%	1.7%	6.6%	165*
LTIF Natural Resources [GBP]	80.32	9.1%	12.2%	1.7%	10
LTIF Emerging Market Value [GBP]	67.20	6.3%	4.5%	-21.0%	2

Figure 21: LTIF Classic GBP vs. MSCI Daily TR Net World Index GBP

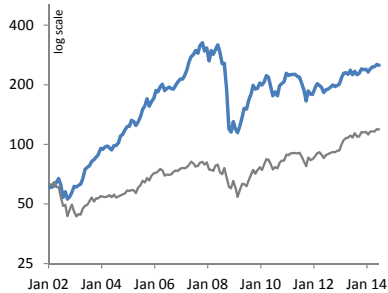


Figure 22: LTIF Alpha GBP vs. HFRX Global Hedge Fund Index GBP

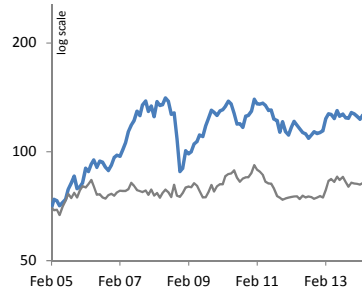


Figure 23: LTIF Natural Resources GBP vs. S&P Global Nat. Res. Net TR Index GBP

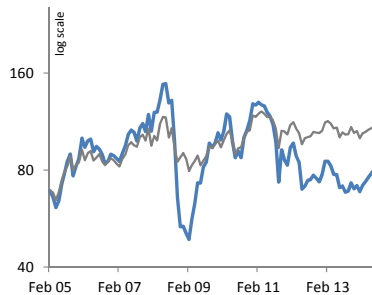
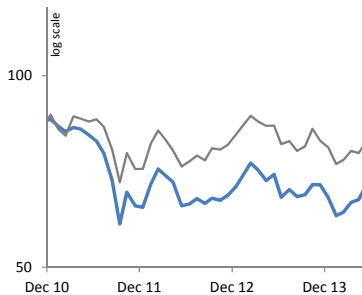


Figure 24: LTIF Emerging Market Value GBP vs. MSCI EM Daily Net TR Index GBP



## 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. Past performance is neither a guarantee nor a reliable indicator of future results. Performance data does not include the commissions and fees charged at the time of subscribing for or redeeming shares. This information has been furnished to you upon request and solely for your information and may not be reproduced or redistributed to any other person. It is not intended as an offer or solicitation with respect to the purchase or sale of shares of the Sicav. Neither the Central Administration Agent nor the Investment Manager assume any liability in the case of incorrectly reported or incomplete information. Please be aware that investment funds involve investment risks, including the possible loss of the principal amount invested. For a detailed description of the risks in relation to each share in the investment fund, please see the latest version of the prospectus, simplified prospectus, annual and semi-annual reports, which may solely be relied upon as the basis for investment decisions; these documents are available on [www.s-i-a.ch](http://www.s-i-a.ch) or from the Central Administration Agent FundPartner Solutions (Europe) S.A. at 15, avenue J.F. Kennedy, L - 1855 Luxembourg. LTIF Classic EUR was approved for distribution in and from Switzerland by the Swiss Financial Market Supervisory Authority (FINMA) according to Art. 19 al. 1 of the Collective Investment Schemes Act, paying agent is Pictet & Cie., 60, route des Acacias, 1211 Genf 73; notified to the Austrian Finanzmarktaufsicht according to §36 of the Investment Funds Act; authorised in France by the Autorité des Marchés Financiers (AMF) pursuant to Art. 411-58 of the AMF General Regulation; authorised by the German Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) according to §132 of the Investment Act; authorised in Italy by the Bank of Italy and the CONSOB according to Article 42 of Legislative Decree no. 58 of 24 February 1998; registered in the register of foreign collective investment schemes commercialized in Spain by the Comisión Nacional del Mercado de Valores (CNMV) pursuant to Art. 15 of the Law on Collective Investment Vehicles; recognised in the United Kingdom by the Financial Services Authority (FSA) as a recognised scheme within the meaning of Section 264 of the Financial Services and Markets Act 2000; entered into the List of Restricted Schemes by the Monetary Authority of Singapore under paragraph 2(3) of the Sixth Schedule to the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2009.

### 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  
Telekurs: 3'101'828  
Bloomberg: LTIFALU LX

### LTIF – Alpha CHF

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

### LTIF – Alpha GBP

ISIN: LU0750887282  
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

ISIN: LU0553294868  
Telekurs: 11'901'448  
Bloomberg: LTIFEME LX

### LTIF – Emerging Market Value USD

ISIN: LU0553295592  
Telekurs: 11'901'450  
Bloomberg: LTIFEMU LX

### LTIF – Emerging Market Value CHF

ISIN: LU0553294785  
Telekurs: 11'901'447  
Bloomberg: LTIFEMC LX

### LTIF – Emerging Market Value GBP

ISIN: LU0553296053  
Telekurs: 11'901'451  
Bloomberg: LTIFEMG LX

### Central Administration Agent:

FundPartner Solutions (Europe) SA  
15 avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand-Duchy of Luxembourg

### Investment Manager:

SIA Funds AG  
Parkweg 1  
CH-8866 Ziegelbrücke  
Switzerland

### Custodian:

Pictet & Cie (Europe) SA  
15A avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand-Duchy of Luxembourg

### Registered Office:

15 avenue J.F. Kennedy  
L-1855 Luxembourg  
Grand-Duchy of Luxembourg

---

## 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 neither a guarantee nor a reliable indicator of future results. Performance data does not include the commissions and fees charged at the time of subscribing for or redeeming shares. This information has been furnished to you upon request and solely for your information and may not be reproduced or redistributed to any other person. It is not intended as an offer or solicitation with respect to the purchase or sale of shares of the Sicav. Neither the Central Administration Agent nor the Investment Manager assume any liability in the case of incorrectly reported or incomplete information. Please be aware that investment funds involve investment risks, including the possible loss of the principal amount invested. For a detailed description of the risks in relation to each share in the investment fund, please see the latest version of the prospectus, simplified prospectus, annual and semi-annual reports, which may solely be relied upon as the basis for investment decisions; these documents are available from the fund management company SIA Funds AG, Parkweg 1, CH-8866 Ziegelbrücke ([www.s-i-a.ch](http://www.s-i-a.ch)).

### *LTIF – Stability Growth*

*ISIN:* CH0026389202  
*Telekurs:* 2'638'920  
*Bloomberg:* LTIFSTA SW

### *LTIF – Stability Income Plus*

*ISIN:* CH0135996012  
*Telekurs:* 13'599'601  
*Bloomberg:* LTIFSIP SW

### *Administrator:*

FundPartner Solutions (Suisse) SA  
Route des Acacias 60  
CH-1211 Geneva 73  
Switzerland

### *Investment Manager:*

SIA Funds AG  
Parkweg 1  
CH-8866 Ziegelbrücke  
Switzerland

### *Custodian:*

Banque Pictet & Cie SA  
Route des Acacias 60  
CH-1211 Geneva 73  
Switzerland