Figure 1
LTIF – Classic EUR

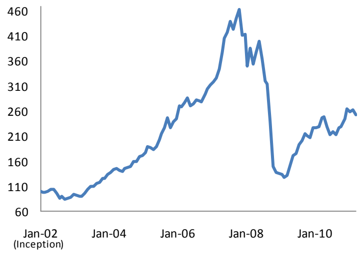


Figure 2
LTIF – Classic II EUR

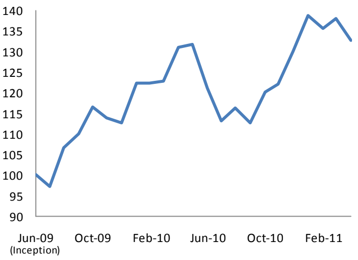


Figure 3
LTIF – Alpha EUR

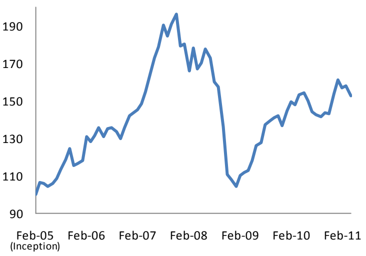
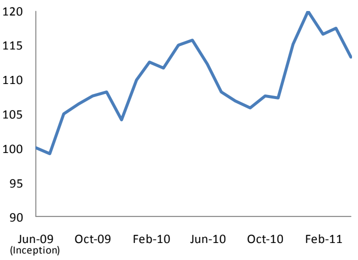


Figure 4
LTIF – Alpha II EUR



Long Term Investment Fund

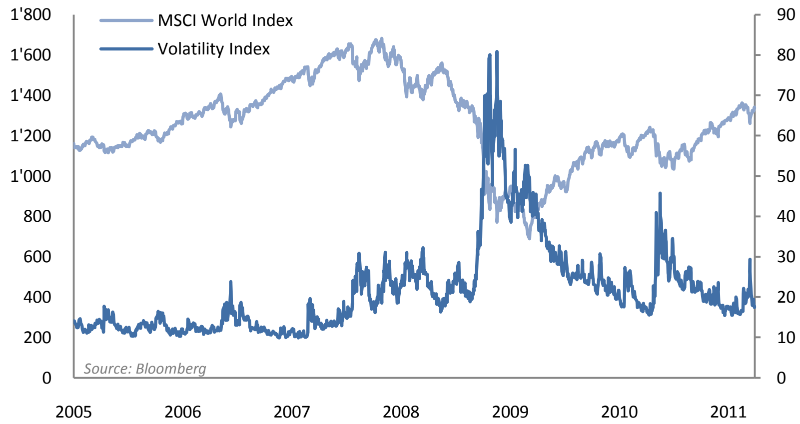
Figures 1 through 7 and table 1 show the evolution of our funds' Net Asset Value. As we'll discuss later in this newsletter, the business performance of most of our key positions is excellent and the share prices still low, so we should expect an attractive performance in the coming quarters. The NAV evolution is, logically, affected by the evolution of the euro vis a vis the currencies in which we are invested. The euro is up 6.16%, 4.11%, and 3.03% against the dollar, Swiss franc, and sterling pound, for instance, between the beginning of the year and March 31st. Over time, these movements cancel out, but they impact short-term performance (for a dollar-based investor, the funds are positive year to date, as can be seen in the Appendix at the end of this Newsletter).

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

March 2011	NAV	Δ YTD	Δ 12m	Ann. Return since Inception	AUM (in mio)
LTIF Classic [EUR]	252.22	-4.54%	2.07%	10.52%	463.39 *
LTIF Classic II [EUR]	132.70	-4.52%	1.12%	16.69%	** combined Classic & Classic II*
LTIF Alpha [EUR]	152.53	-5.55%	-0.62%	7.09%	69.44 **
LTIF Alpha II [EUR]	113.29	-5.53%	-1.56%	7.04%	*** combined Alpha & Alpha II*
LTIF Natural Resources [EUR] (former Global Energy Value Fund)	144.15	-3.80%	7.60%	6.20%	117.11
LTIF Emerging Market Value [EUR]	93.63	-6.13%	-	-17.92%	6.40
LTIF Stability Series [CHF] ***	201.20	-4.05%	-5.14%	4.81%	31.05
*** Total Return (incl. Dividend)	4.89	-1.77%			
MSCI World Index TR [EUR] (Bloomberg GDDUWI)	3'171.83	-1.18%	8.75%	0.43% ****	***** Inception date of Classic*

In our previous newsletter we forecast that business performance would be good, which is happening, and indicated that volatility would probably stay high. Well, it has indeed stayed high, as shown in figure 8.

Figure 8: **MSCI World and CBOE SPX Volatility Index (VIX) since 2005 (in USD)**



SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Figure 5

LTIF – Natural Resources EUR

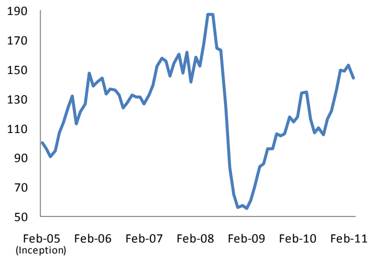


Figure 6

LTIF – Emerging Market Value

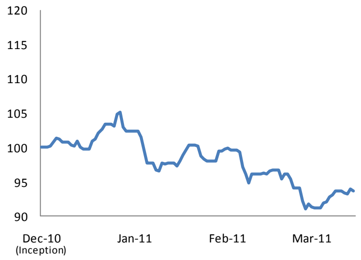
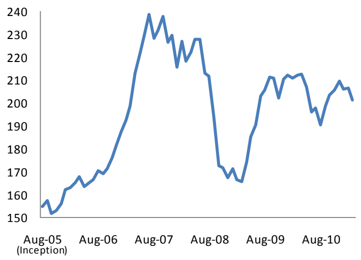


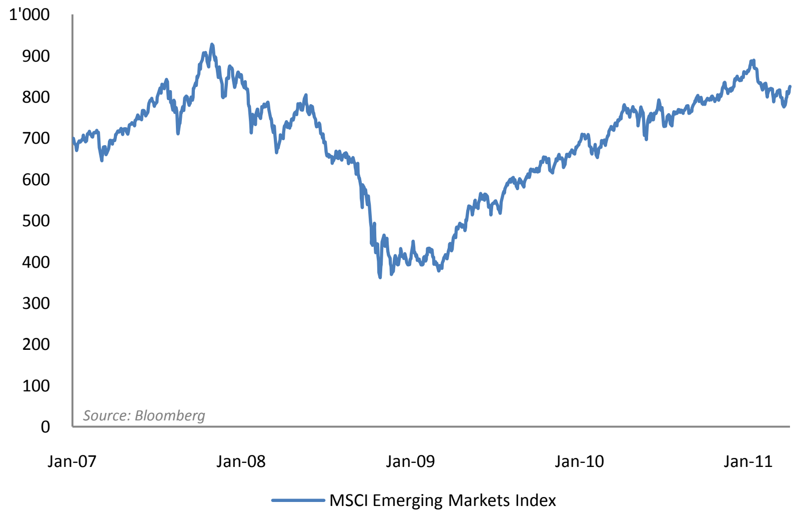
Figure 7

LTIF – Stability CHF



We even anticipated two sources of volatility for 2011: the tightening of Asia's main economies and the difficulties in the Eurozone. Both have indeed affected stocks negatively, and will probably continue doing so, although the problems are now pretty much "in the price".

Figure 9: **MSCI Emerging Markets Index since 2007 (in Euro)**



But, as it is only the norm, un-expected things have created even more volatility: the earthquake in Japan and the turmoil in several Arab countries. Terrible as the first is for all those affected, its impact on a diversified equity portfolio is minimal, including the problems with nuclear reactors. Even in a portfolio like ours, with a sizeable (almost 15%) position in re-insurers, the impact is very small, as we'll see momentarily. The second "event", the Arab turmoil, is much more important: it will accelerate the increase in oil prices that was already occurring because of supply and demand dynamics; and it may hasten the day when supply really has a problem to follow demand and prices climb seriously. This would obviously have an impact in many other industries. Let's discuss these developments in detail.

Comments on our portfolios

Property insurance and reinsurance (especially re-insurance, which carries the ultimate losses) is a very special business: demand is more or less stable, and supply is determined by industry equity: the more capital the reinsurers have, the more re-insurance they can write. After a few years without big disasters, two things happen: insurance companies are less keen on re-insuring their risks (because there is less primary demand for insurance); and re-insurance companies are flush with cash. So they typically try to put that cash to play, by re-insuring more. Since demand is fixed (or even weak, as pointed out), the only way re-insurers can in-

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

crease their business is by lowering prices. This is the well-known “re-insurance cycle”.

The cycle changes, of course, when there is a big accident (or a series of them in short succession). Re-insurers must pay, so they will have less equity going forward. This will lower their capacity and forces them to raise prices, just when insurers are keener on getting re-insurance. After a bad year, the following years tend to be good. It’s a truly self-regulating cycle. Table 2 shows a number of catastrophic events and the impact they had in the sector’s prices and the share prices of two companies we own:

Table 2: **US catastrophes impact on: Reinsurance rates, RoE, combined ratios, stock prices**

Company: Amlin — AML LN Equity — GLCRPCR Index

			Event Year		One year after the event			Stock price changes after the event		
Catastrophe	Loss (in $ mio)	Date	FY0 Combined Ratio	FYO ROE	Reinsurance Rates % 1y	FY1 Combined Ratio	FY1 ROE	Stock % 2m	Stock % 6m	Stock % 1y
Hurricane Katrina	41'100	23-ago-05	80%	23%	37%	64%	31%	9.4%	45.5%	52.9%
Hurricane Andrew	15'500	18-ago-92			65%					
World Trade Center Sep 2001	18'778	11-sep-01	112%	-39%	24%	86%	20%	-21.7%	-33.3%	-7.4%
Hurricane Ike	12'500	4-sep-08	76%	7%	8%	63%	32%	10.8%	28.5%	36.5%
Hurricane Charley & Ivan	14'585	13-ago-04	75%	22%	-8%	80%	23%	0.3%	7.7%	22.4%

Company: Renaissance Re — RNR US Equity — GLCRPCR Index

			Event Year		One year after the event			Stock price changes after the event		
Catastrophe	Loss (in $ mio)	Date	FY0 Combined Ratio	FYO ROE	Reinsurance Rates % 1y	FY1 Combined Ratio	FY1 ROE	Stock % 2m	Stock % 6m	Stock % 1y
Hurricane Katrina	41'100	23-ago-05	116%	-14%	37%	55%	36%	-10.6%	-2.3%	9.0%
Hurricane Andrew	15'500	18-ago-92			65%					
World Trade Center Sep 2001	18'778	11-sep-01	70%	19%	24%	57%	28%	32.5%	42.6%	48.8%
Hurricane Ike	12'500	4-sep-08	79%	-1%	8%	21%	30%	-12.5%	-13.6%	9.5%
Hurricane Charley & Ivan	14'585	13-ago-04	90%	6%	-8%	116%	-14%	-1.4%	-0.9%	-9.7%

Table 3: **Most costly US catastrophe losses (in million USD)**

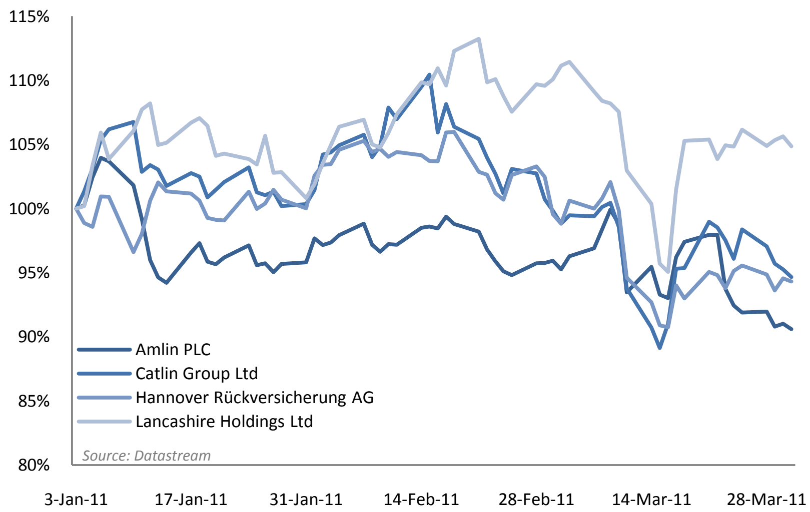
Rank	Date	Peril	Insured Loss when Occurred	In 2008 Dollars (1)
1	Aug. 2005	Hurricane Katrina	$41,100	$45,310
2	Aug. 1992	Hurricane Andrew	15,500	23,786
3	Sep. 2001	World Trade Center, Pentagon terrorist attacks	18,778	22,829
4	Jan. 1994	Northridge, CA earthquake	12,500	18,160
5	Sep. 2008	Hurricane Ike	12,500	12,500
6	Oct. 2005	Hurricane Wilma	10,300	11,355
7	Aug. 2004	Hurricane Charley	7,475	8,520
8	Sep. 2004	Hurricane Ivan	7,110	8,104
9	Sep. 1989	Hurricane Hugo	4,195	7,284
10	Sep. 2005	Hurricane Rita	$5,627	$6,204

Source: Insurance Information Institute and Insurance Services Office (ISO) and Property Claim Services unit. Data as of September 2009.
(1) Adjusted to 2008 dollars by the Insurance Information Institute. Note: Property coverage only. Does not include flood damage covered by the federally administered National Flood Insurance Program.

In fact, figure 10 shows the share price reaction of some of the re-insurers we own to the Japanese earthquake since the beginning of the year.

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Figure 10: **Share prices of Amlin, Catlin, Hannover RE and Lancashire (in Euro, YtD)**



Of course, we're not interested in the short-term share price reaction, but in the long term one. And as table 2 shows, catastrophes are actually the reality on which re-insurers build their business. Certainly, the human losses are irreplaceable, but they are at least somewhat mitigated by an extremely efficient industry that can in effect re-distribute worldwide the material losses, while earning a very decent return for its investors.

One of our large positions is in **copper-producing companies**, where we have invested another 15% of the Classic fund. In previous newsletters we've explained in detail why we believe this is a good investment. Nothing is changing our point of view, rather the opposite. In February this year copper reached its highest-ever price ($4.6375 per pound) and it has settled at $4.3075 at the end of the quarter. We foresee a long period of very strong prices, perhaps somewhat above the current ones, with the typical up and downs. At these prices, the companies we own make enormous profits: PEs are single digit (some, low single digit) and most of them have strong mine-enlargement plans that will materialize over the next few years. Demand remains very strong, driven by emerging markets' urbanization and electrification; and supply is difficult to expand: the best mines are past their prime production years, and the best unexploited deposits are in countries such as the Democratic Republic of Congo, Afghanistan, Pakistan, and Mongolia, where investments are difficult and risky.

Another large position in our funds (a bit less than 20%) is **oil and oil-related services**. Political instability in oil producing countries typically pushes oil prices up, first as speculation that supply may be compromised, and second as those supply difficulties actually materialize. Libya has been no exception: It produces about 1.5% of world oil consumption. Given how tight the supply/demand balance is, such an amount is enough to push up the oil price by some 15%. Libya's production will eventually

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

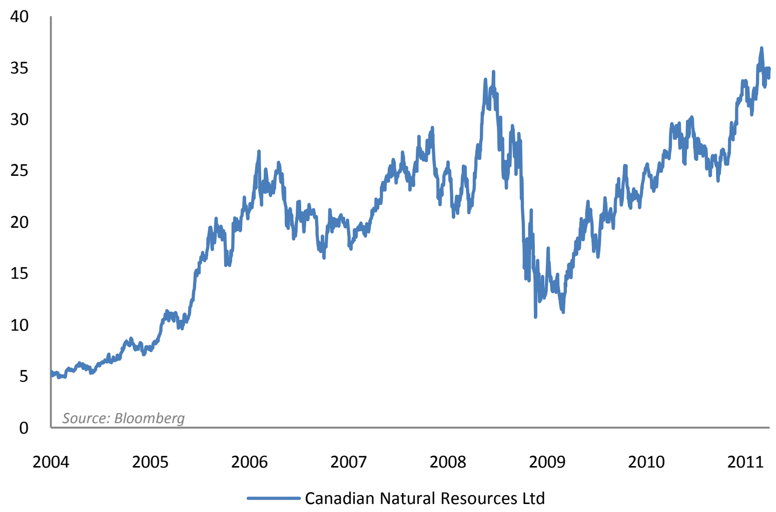
return to the market, of course (although it may take a few quarters). But, in the meantime, demand keeps increasing and supply has the usual difficulty to follow. We can therefore expect a very strong oil price for the foreseeable future (again with its typical up and downs, exacerbated by speculative buying on the way up and selling on the way down). This will be very profitable for our oil companies and for the oil-service companies, whose work is absolutely necessary to increase oil production. These high prices will continue to push the world in the direction it embarked years ago: to reduce consumption in Developed Markets so as to “leave” that oil to Emerging Markets, who need it much more. This is no big deal if we look at the world economy as a whole, but has clearly a negative impact on those industries in Developed Markets that rely on cheap oil, such as airlines, automobiles, etc.

Our Natural Resources fund is, of course, heavily invested in oil and copper: companies producing those commodities make up some 70% of the portfolio. The rest is widely diversified, including coal, iron ore, zinc, and, lately, paper pulp. We have added Suzano Papel e Celulose to our portfolio, the world’s largest producer of paper pulp for export markets. The company has the world’s lowest costs, thanks to the extremely high productivity of its Brazilian forests. In addition to paper pulp they’re integrated into papermaking for the Brazilian market and they’ve started a line to sell sustainably produced wood pellets to be used as fuel.

An important point: some of our investors have been surprised that the sharp rise in commodity prices they read about in the newspapers has not translated into an increase in the price of our Natural Resources fund. Of course, the reason is that our fund does not invest in those commodities, but in companies that produce the commodities. And those companies’ share prices are often influenced by overall market trends and do not follow directly the underlying commodities’ prices. But high commodity prices do translate into high profits for commodity producing companies, which do translate into higher share prices… eventually. (Remember also the rise of the euro: in dollars, which is how most commodities and resources funds are priced, our fund “looks better”, as can be seen in the Appendix, and the increase of commodity prices looks much smaller). We clearly see a very strong upside to these shares. Take, for illustration, the oldest commodity position in our portfolio: Canadian Natural Resource. As figure 11 shows, the price is up 7 times since we first bought the shares, but they’ve had sharp ups and downs. We expect something similar in the future for our fund: above average long-term returns, high volatility.

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

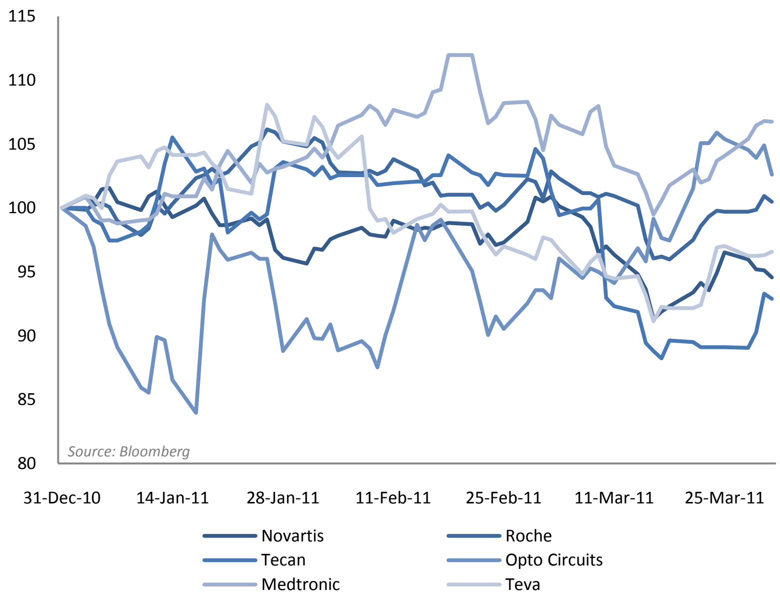
Figure 11: **Share prices of Canadian Natural Resources Ltd (CAD, 2004 – 2011)**



A bit more than 12% of our generalist funds is invested in **healthcare companies**. It's the only sector we own (together with copper-producing companies and emerging markets companies) where share prices are generally below those at the beginning of the year. Value investing implies, very often, to take a contrarian position: something is cheap because it has "headwinds", but the value investor believes that share prices have fallen too much and will eventually recover, once the value becomes evident to the market. Even if such investor is right, it's highly improbable that the investment will be made at the very bottom of the cycle, just before shares start going up. One has to be ready to wait a little bit. We believe our companies are very solid and will provide us with very good returns, and this regardless, to a large extent, of the economic cycle. But we must wait (the overall drop, taking dividends received into account is around 5% year-to-date), as can be seen in figure 12.

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

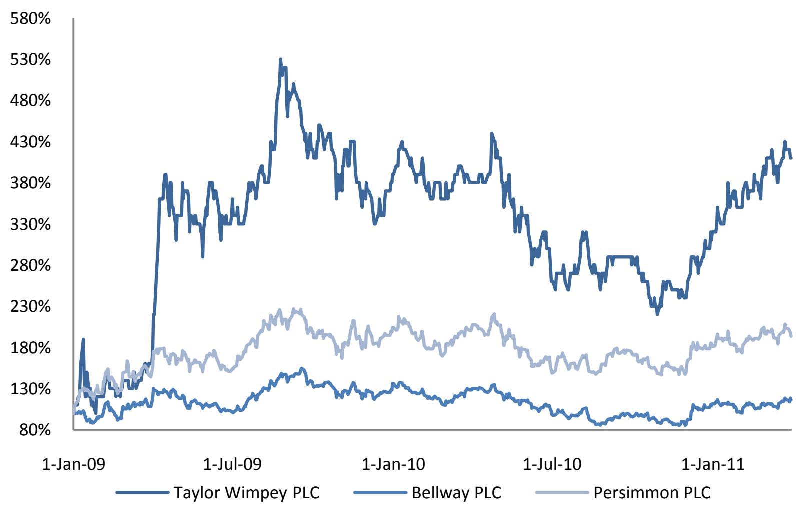
Figure 12: Year-to-date performance (dividends included) of Roche, Novartis, Medtronic, Teva, Tecan, Optocircuits



We have invested about 7% of our assets in three **UK homebuilders**. This has clearly been a non-consensus investment: everybody knows that the UK consumer is not doing well, and that obtaining financing has been difficult. But prices (and profits) don't depend only on demand, but also on supply. In 2010, the UK completed 129.000 homes, the lowest number since 1923 and less than half of what the Government thinks is the minimum supply to satisfy demand and prevent price rises. Our companies are doing very well, and their shares are, still, very inexpensive. They have profited from the current circumstances to build "land banks" at very low prices. And the companies' shares value those assets at a discount of 20%. We believe this is a good long-term investment, for the market has historically valued those assets with an average premium of 20%. Figure 13 shows how the share prices are starting to reflect this reality:

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Figure 13: **Share prices of TW, Bellway and Persimmon (in GBP, 2009 - 2011)**



Source: Bloomberg

Next in importance as an investment are the **Chinese toll roads**, where we have invested more than 5% of our portfolio in the Classic, Alpha, and Stability funds. The companies are doing extremely well, with earning increases of more than 15% last year. They pay nice dividends, between 5% and 7%.

Finally, we have been building positions in some companies, mainly in the **"consumer products" sector**, but also in others, that could be considered "traditional blue chips", such as Nestlé, Unilever, McDonald's, Coca-Cola, Inditex, 3M, IBM, etc. These are companies we never owned previously, not because we thought there was anything wrong with them (they are all excellent), but because they very fully valued. As we have argued many times, outstanding returns depend mostly on buying things at a discount, and those companies have traditionally traded at a premium.

But this is not the case now. As we discuss in detail below, we believe that, for the first time since we started managing our funds, many of those "blue chips" represent an opportunity for the value investor. Accordingly, we are gradually including them in our portfolios, as we develop a deeper understanding of each company.

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

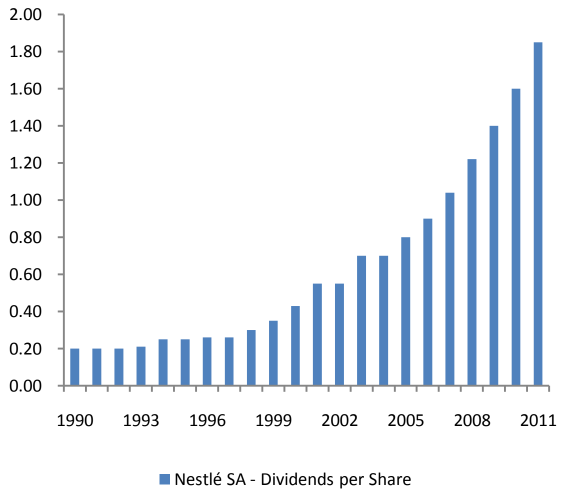
The case for blue chips

"My favorite investment is real estate. I own quite a few apartments in several cities. I know, of course, that the square meter price goes up and down, but I couldn't care less: all I really know is that every quarter I get my rental payments. I can sleep very well at night, ignoring all this horrible news you see every day in the papers. It does not affect me."

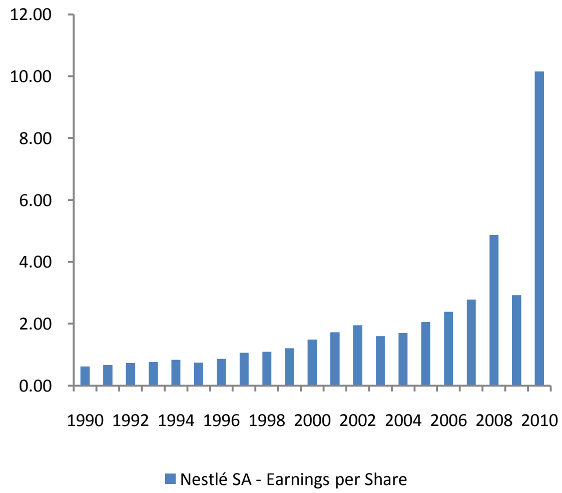
One of our investors made this point to us a few weeks ago. In fact, he went on to add that, when the price of apartments dropped substantially in any given city, he just took advantage to buy more, in the knowledge that his rental payments would be secure and that, long-term, even the apartments' prices would go up.

There is nothing in our view to contradict this argument. But our question was, "How is this different from investing in, say, Nestlé shares?" Figure 14 shows the cash dividends paid by each Nestlé share over the last 20 years. They are extremely steady, and have grown at an average 8.22% per year, in Swiss francs, a low-inflation currency. And the same could be said of many other shares. Figure 15 shows Nestlé's earnings per share since 1990. In fact, figure 16 shows the dividends paid by all the companies in the world, as measured by the MSCI World Index: we can appreciate in this case the deep crisis of 2008-2009, but the "rent" money keeps coming every quarter, and it has recovered its growth rate (which is, by the way, much better than that of rental income).

Figures 14 and 15: **Dividends and earnings per share by Nestlé SA (in CHF, since 1990)**



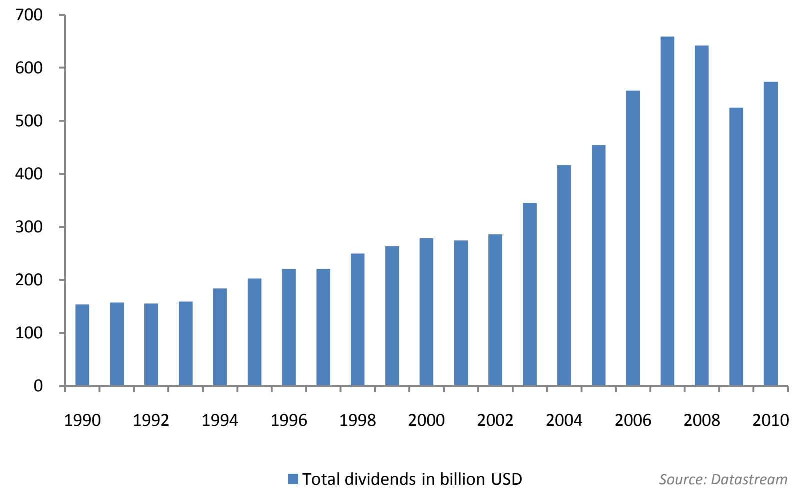
Source: Datastream



Source: Datastream

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Figure 16: **Dividends paid by all the companies in the world (measured by the MSCI World Index, in billion USD, last 20 years)**



So why is "real estate" considered a safe investment, while people insist that investors should only invest in "shares" the money they could afford to lose? The main difference, of course, is the definition of risk. In the case of an apartment, risk would be defined by the apartment permanently losing its capacity to earn income: either the apartment is destroyed, or nationalized; or the renters refuse to pay in a context in which the landlord cannot do much about it, or its neighborhood deteriorates significantly. Those instances are rare, especially if the investor is careful. As a consequence, the investment is rightly considered to be "low risk", because what matters is the rental payment, and that keeps coming, almost no matter what. But in the case of shares, investors define profitability not as the money they produce (the dividends, or "rental income"), but as the change in prices from day to day. As long as investors keep doing this, they'll lose money in the stock exchange. People have a big reluctance to sell their real estate holdings when prices are down, preferring to wait for better times, while collecting their rental. Yet they systematically sell their shares when they go down.

Investing in shares is probably better than investing in real estate, for many reasons:

1. First, and most importantly, shares pay a much better return. Over time, real estate has a total return, including inflation, well below 5%. Shares have typically yielded between 8% and 10%. Today, as we'll see later, outstanding shares can be bought that yield 12%. Over time, those differences are huge, as shown in figure 17.

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Figure 17: **MSCI World Index versus MSCI World Real Estate Index (indexed, since 1995)**

2. Second, it's much easier to diversify with shares. Few investors have the money to buy buildings of different sizes and quality in many different countries. This diversification is very easy to achieve for an equity investor, who can, literally, buy shares in *all* the companies of a certain size through a world index. And diversification is important. Certainly, some companies go bankrupt, which is bad for the equity investor. But some apartments also prove to be lousy investments, because more repairs are needed than expected, or the zone they're in which they are located declines, or a terrible tenant refuses to pay for a long time.

3. It's hard to find real bargains in real estate: sellers know what they are selling and, even if forced to sell by the bank, they can always find a buyer with a small discount. Of course, big real estate crashes happen (which, by the way, shows the asset is not as safe as typically assumed), but they are infrequent and happen in different countries each time. Yet some shares can be found almost every day at a very interesting price. The reason is simple: nobody sells a house without knowing how much it is worth, but people sell shares all the time without the slightest idea of their intrinsic value. Every time investors panic and sell their funds, for instance, they are selling participations in companies (shares) they didn't even know they owned, let alone how much they are reasonably worth. It's easier to make money taking the other side of the deal.

4. Finally, and this is the big irony, shares are also a superior investment because of their liquidity: one can always sell, at a moment's notice, if need be. And one can sell a small fraction or the totality. With houses, it's difficult to sell just a bit (unless one has a lot of houses), and transactions costs are high. All other

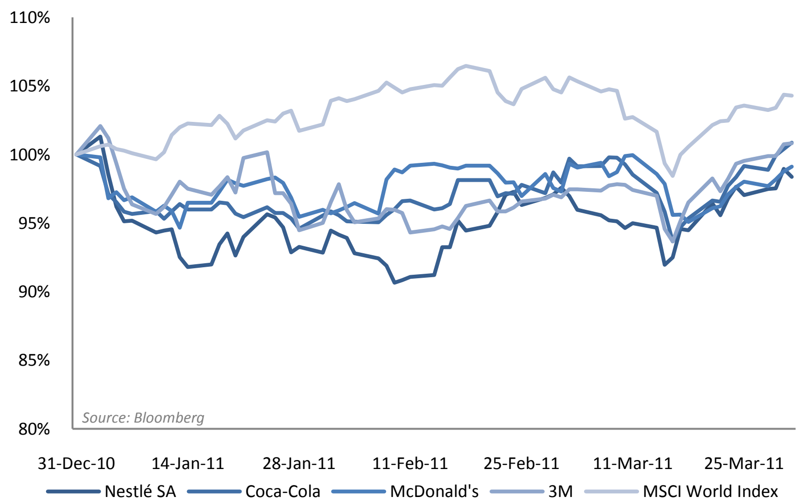
SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

> things being equal, a relatively illiquid investment, such as housing, should be more profitable than a liquid one. Yet the opposite happens: houses are, over the long-term, much less profitable than shares. But it is precisely the liquidity of shares that pushes investors to sell them at the wrong time, thus destroying all hopes of long-term profitability.

Do we find shares attractive now, after a doubling of the indices since the trough in early 2009 and all the uncertainty we face? Where do we find value now? Obviously, there is less value in shares now than when they were selling at half the price. But indices are averages, and we buy specific companies. In our opinion, a very interesting area at the moment is what we could call “blue chips”. We’ve mentioned this in previous newsletters, but the opportunities keep getting more and more interesting.

It is possible today to buy shares in some of the best companies in the world at prices that strongly suggest the long-term return will be well above 10%, with an extremely low risk. We would include in this category companies such as Nestlé, Coca-Cola, McDonald’s, 3M, Medtronic, Inditex, Unilever, and a very long etcetera. These are companies we could never buy for our funds (except for a brief period during the crash, when everything was a “buy”) with the expectation of a solid return. Of course, the low risk and long-term growth were already there, but it was incorporated in the price. But it is not any more. Figure 18 shows the evolution of the share prices of some companies compared to an overall index:

Figure 18: Share prices of Nestlé, Coca Cola, McDonald’s, 3M and Unilever versus MSCI World Index (in USD, YtD)



We are building, steadily, a portfolio of these companies that amounts now to more or less 25% of our overall portfolio. We started last year developing an in-depth understanding of some areas of the health care industry, which we’re now pushing to the consumer staples area. They pro-

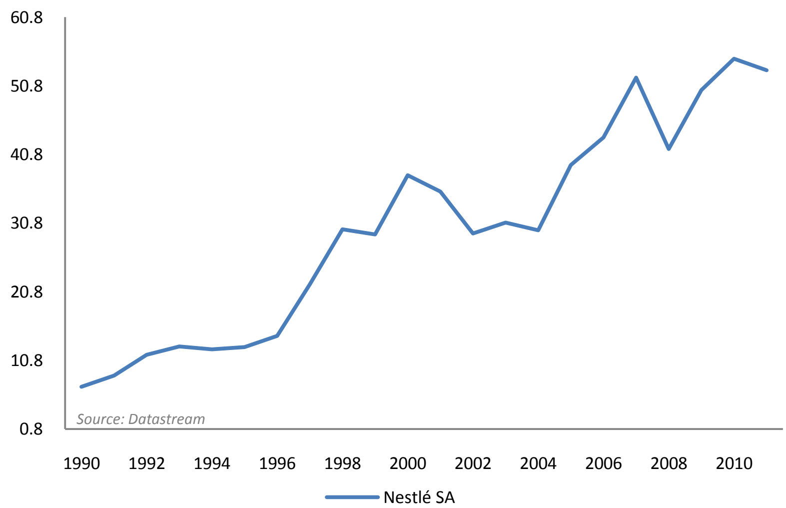
SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

vide our portfolio with a very welcome stability without sacrificing the value we always look for.

Simultaneously, we find that many "cyclical" companies are more than fully priced. It's as though the market were only interested in those companies that will improve a lot in the next two years, if everything goes well, without caring much for the long term. A comparison between two shares can illustrate this.

First, take an example we've used in the past: Nestlé. The company has a very steady Return on Equity of around 18%-20% every year. It pays half the profits it makes in dividends, and re-invests the rest. The dividend yield is currently 3.5%. This means that, as the owner of one Nestlé share, one is paid 3.5% of the current share price in cash (the dividend), while another 3.5% (the other half of the profits) is kept by the company, which re-invests it at an average Return on Equity of, say, 19%. This means the dividend can grow about 8%-10% per year. And this is what has actually happened over the last 20 years: figures 14 and 15 above show Nestlé's earnings and the dividends per share since 1990. If a given investment pays 3.5% cash and grows that payment by 8% per year, it's the equivalent of an investment paying 11.5% every year. And this is what Nestlé's share price appreciation, including dividends, has done over the last 20 years, as shown in figure 19.

Figure 19: Share price of Nestlé (in CHF, since 1990)



Of course, this is the past. Will the next 20 years be the same? We don't know, but we don't see big changes in Nestlé's business or the company's position in it. Many people seem very worried that there will be cost inflation and Nestlé will not be able to pass it through, thus becoming less profitable. But this is silly: over the period mentioned above, Swiss-franc inflation has been 1.60%, and Nestlé's profitability has remained the

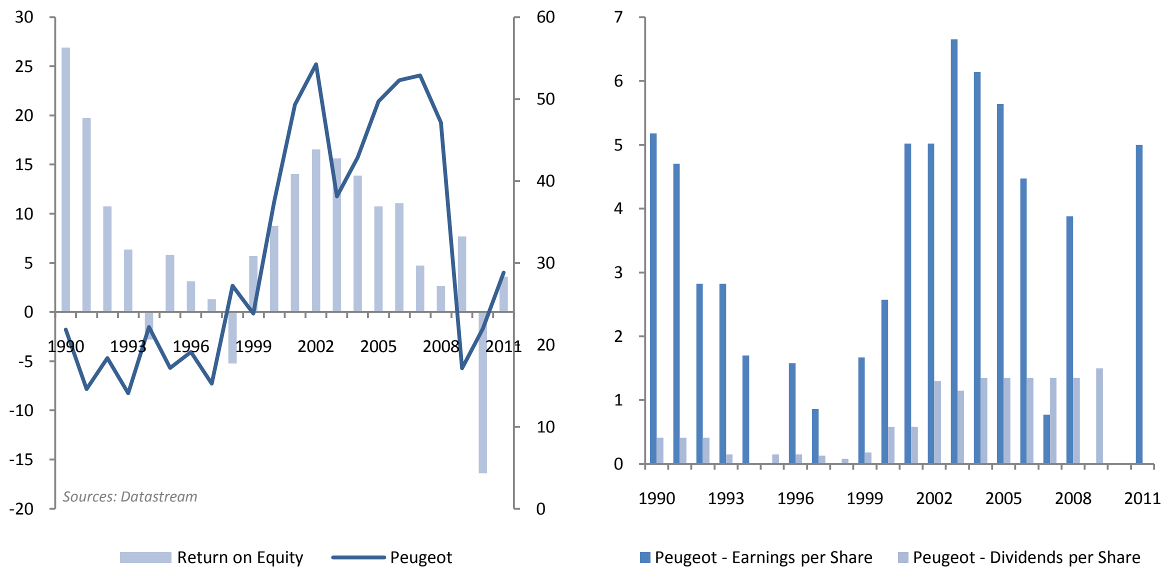
SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Source: Datastream

same. It is fair to assume then that they have passed those costs along. To think that inflation is a problem for a company that has been around very profitably for more than 100 years is not to understand how business works. If Nestlé's economic performance remains similar to that of the past, buying its shares should yield some 11.5% over the long term in Swiss Francs, which we believe is very good value for such a very low risk investment. And this, even though it has a PE of 15.

Take now a look at French carmaker Peugeot. Figures 20 and 21 show the Return of Equity achieved by the company over the last 20 years, as well as its earnings and dividends per share.

Figure 20 and 21: Share price and return on equity of Peugeot, earnings and dividends per share of Peugeot (in Euro, since 1990)



It has a PE of 5, and analysts expect it to pay a dividend of ¢9 in 2011, thus yielding some 3.5% over the share price, a bit less than Nestlé. But the big difference is that those ¢9 represent less than 20% of Peugeot's profits, the rest being re-invested in the business. But re-invested at what rate? What will be Peugeot's return on equity be in the future? The average for the past 20 years has been 7%. Maybe their business will be much better, but it's hard to see why: competition is not going down, demographics is not supportive, oil consumption will be constrained both by price and CO^2 emissions considerations. If we take as a starting point that the future won't be very different from the past, we would have a share that pays 3.5% in cash, then re-invest the rest of its profits (80%) at 7%, which would give a long-term return of 9%. Frankly, not very attractive for a business that cannot even pay dividends most of the years, even if the current PE is just 5.

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

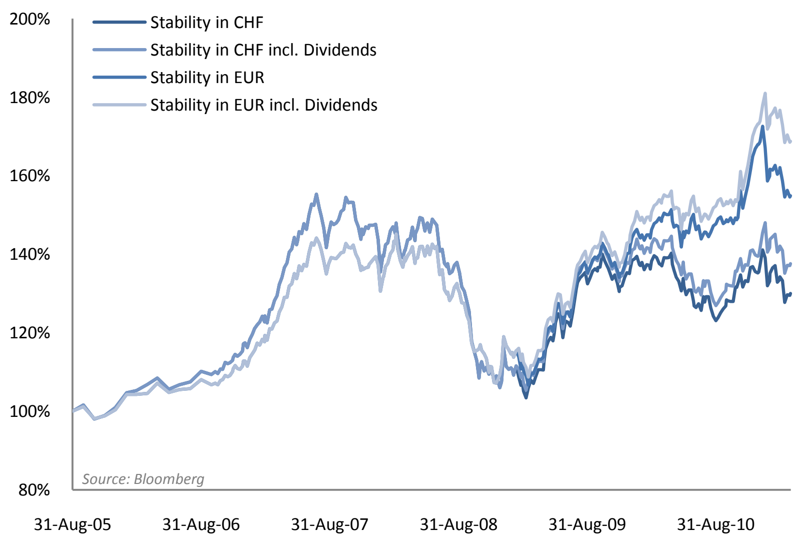
This does not mean that Peugeot's shares will not do better than Nestlé's. Unfortunately, we don't know that. But as long-term investors we do know where value is. And, as this example indicates, it's not necessarily and always with the low PEs. Sure, earnings per share may grow more at Peugeot than at Nestlé over the next couple of years. But when you buy a share, you buy it forever, even if you sell it later on: when you sell, its price will probably reflect the next few years of profits. Market timing can be very profitable, but it's not an easy strategy to follow consistently. It's certainly not what we try to do at SIA.

Of course, the previous analyses are fairly simplistic: many more things must be taken into consideration, from the debt level of the company to its corporate governance, to technological and regulatory changes… But it gives an idea of how we see these companies.

The LTIF-Stability Fund, income share class

In 2005 we launched the Stability fund. Like all our early funds (Classic, Alpha, and Energy) it was first incorporated as a British Virgin Islands entity, and moved to Switzerland in 2006 (the other funds moved to Luxembourg). It started life as a euro-denominated fund and became denominated in Swiss francs with the transfer. Of course, the currency is not that relevant. What matters is the evolution of the underlying assets, although we do some currency hedging. Figure 22 shows the track record since the fund started, both in euro and Swiss francs. The difference between the lines is the difference in evolution of the two currencies.

Figure 22: LTIF Stability in Swiss francs and Euro with/without dividends (since inception)



SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Figure 22 also includes dividends: although the strategy of the fund was to reinvest all dividends, Swiss regulations actually force us to pay some dividends when performance fees are not earned, which has been the case since the 2008, for the fund, in Swiss francs, has not reached its “high water mark” (it has in euro, but the fees are computed based on the Swiss franc performance). In any case, those dividends have not been too large, and only have been paid over the last two years. Our strategy is still to pay as little as possible, nothing if regulations permit. This is the preferred solution as indicated by most of our investors, and what we follow in all our other funds.

But a certain group of investors do like dividends. For them, we are launching a new share class in the Stability fund, called the “Income Plus” class. It will pay an annual dividend of between 3-4%, in Swiss francs. But, and this is the attractive part, that dividend will grow over time. In principle, we target an annual growth of 4% to 5% of the dividend, depending, of course, of how our companies do. This would represent a cash income of some 8% per annum, in Swiss Francs, over the long term, with an option of it being more. Investors in this class will see, as our friend investor in real estate, that no matter what happens in the world or in the stock market, their cash income keeps coming, even growing, every year.

A final word: there are uncertainties in the world. There have always been, there will always be. But the key components of our portfolio (blue chip consumer products, health care companies, insurers, basic resource producers…) will always be there, too. If the entry price is correct, as we try to make sure it always is, long-term profitability is almost assured. We strongly believe that something around the annual 12% we have realized since we started (10 to 15%) can very reasonably be expected going forward.

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

SIA news

We are holding presentations in Zurich and Geneva on May 5th and 6th. Please find below the invitation including the web form to confirm your attendance.

Presentation in Zurich on Thursday, May 5th 2011 at 5 pm

1. Introduction: Market situation and investment opportunities – J. Carlos Jarillo, Managing Partner, SIA Geneva
2. The Life Insurance Sector – Walter Scherk, Managing Partner, SIA Barcelona
3. General Comments on our Funds and our Fund Projects – Alex Rauchenstein, CEO SIA Funds AG

Venue: **Hotel Baur au Lac**. A cocktail will be offered after the Investment Workshop.

Presentation in Geneva on Friday, May 6th 2011 at 11.45 am

1. Introduction: Market situation and investment opportunities – J. Carlos Jarillo, Managing Partner, SIA Geneva
2. The Life Insurance Sector – Walter Scherk, Managing Partner, SIA Barcelona
3. General Comments on our Funds and our Fund Projects – Alex Rauchenstein, CEO SIA Funds AG

Venue: **Swissôtel Métropole.** A buffet lunch will be offered after the Investment Workshop.

After each presentation, an open discussion will be held on the ideas discussed. For further discussions, the speakers will be available after the presentation.

Please confirm your attendance by using this web form.

SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Figures of the USD classes

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

March 2011	NAV	Δ YTD	Δ 12m	Ann. Return since Inception	AUM (in mio)
LTIF Classic [USD]	357.92	0.98%	7.04%	16.17%	657.6 *
LTIF Classic II [USD]	188.31	1.00%	6.05%	16.84%	** combined Classic & Classic II*
LTIF Alpha [USD]	216.45	-0.09%	4.23%	8.57%	98.54 **
LTIF Alpha II [USD]	160.77	-0.07%	3.24%	7.18%	*** combined Alpha & Alpha II*
LTIF Natural Resources [USD] (former Global Energy Value Fund)	204.56	1.76%	12.84%	7.37%	166.19
LTIF Emerging Market Value [USD]	132.87	-0.70%	-	3.16%	9.08
MSCI World Index TR [USD] (Bloomberg GDDUWI)	4'500.83	4.91%	14.03%	5.57% ***	**** Inception date of Classic*

Figure 23
LTIF – Classic USD

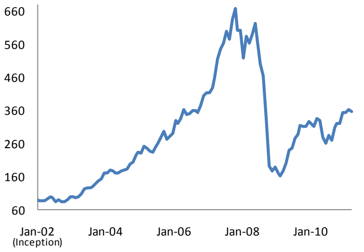


Figure 24
LTIF – Classic II USD

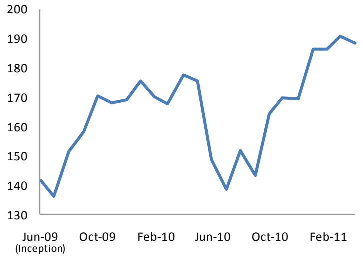


Figure 25
LTIF – Alpha USD

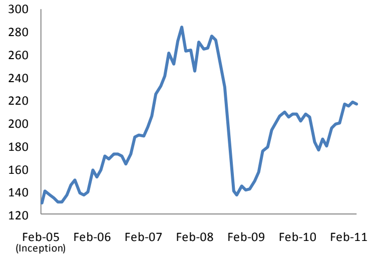


Figure 26
LTIF – Alpha II USD

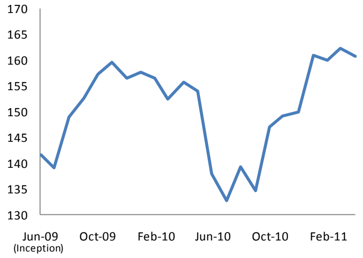


Figure 27
LTIF – Natural Resources USD

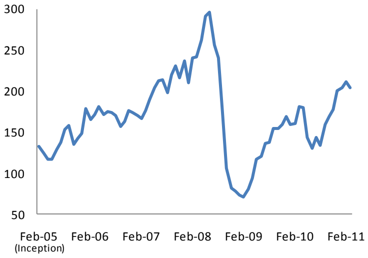
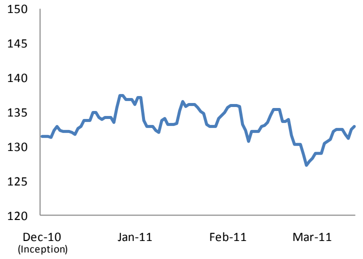


Figure 28
LTIF – Emerging Market Value USD



SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Figures of the CHF classes

Table 5: **Net Asset Value - Net assets under management in CHF**

March 2011	NAV	Δ YTD	Δ 12m	Ann. Return since Inception	AUM (in mio)
LTIF Classic [CHF]	327.45	-0.89%	-6.96%	8.96%	601.6 *
LTIF Classic II [CHF]	172.28	-0.87%	-7.82%	7.17%	** combined Classic & Classic II*
LTIF Alpha [CHF]	198.02	-1.94%	-9.41%	4.06%	90.15 **
LTIF Alpha II [CHF]	147.08	-1.92%	-10.27%	-1.69%	*** combined Alpha & Alpha II*
LTIF Natural Resources [CHF] (former Global Energy Value Fund)	187.14	-0.13%	-1.92%	3.20%	152.04
LTIF Emerging Market Value [CHF]	121.56	-2.53%	-	-13.78%	8.30
LTIF Stability Series [CHF] ***	201.20	-4.05%	-5.14%	4.81%	31.05
*** Total Return (incl. Dividend)	4.89	-1.77%			
MSCI World Index TR [CHF] (Bloomberg GDDUWI)	4'121.86	2.88%	-0.66%	-0.95% ***	**** Inception date of Classic*

Figure 29
LTIF – Classic CHF

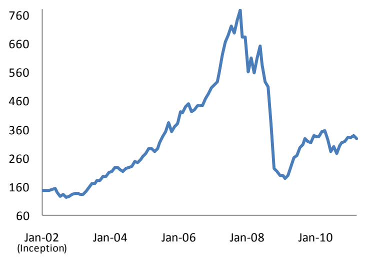


Figure 30
LTIF – Classic II CHF

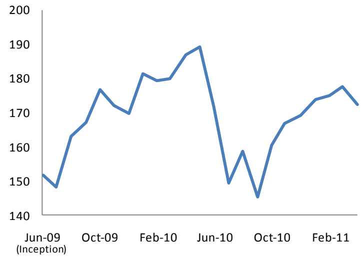


Figure 31
LTIF – Alpha CHF

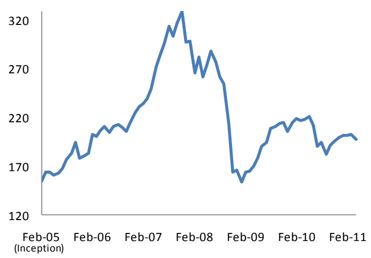


Figure 32
LTIF – Alpha II CHF

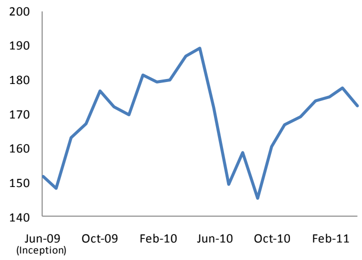


Figure 33
LTIF – Natural Resources CHF

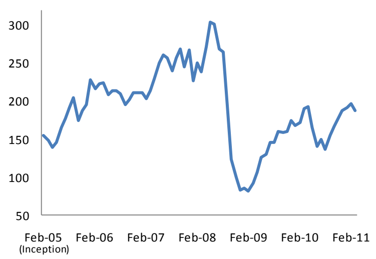


Figure 34
LTIF – Emerging Market Value CHF

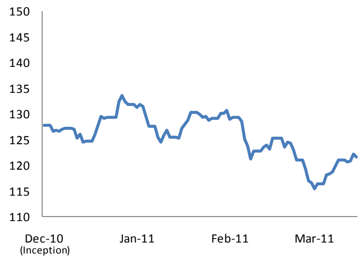
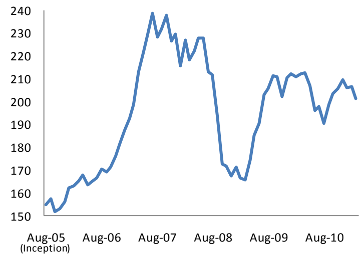


Figure 35
LTIF – Stability CHF



SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

Figures of the GBP classes

Table 6: **Net Asset Value - Net assets under management in GBP** *

March 2011	NAV	Δ YTD	Δ 12m	Ann. Return since Inception	AUM (in mio)
LTIF Classic II [GBP]	117.48	-1.35%	0.36%	18.41%	410.24 *(combined Classic & Classic II)*
LTIF Alpha II [GBP]	100.30	-2.39%	-2.30%	8.63%	61.47 *(combined Alpha & Alpha II)*
LTIF Natural Resources [GBP] (former Global Energy Value Fund)	127.62	-0.61%	6.79%	10.66%	103.68
LTIF Emerging Market Value [GBP]	82.89	-3.01%	-	-7.30%	5.66
MSCI World Index TR [GBP] (Bloomberg GDDUWI)	2'801.81	1.82%	7.84%	20.77% *	** Inception date of Classic II*

** Performance up to 05.11.2009 is converted on a simulation basis from EUR into GBP. NAVs from 01.06.2009 to 04.11.2009 are not official.*

Figure 36
LTIF – Classic II GBP

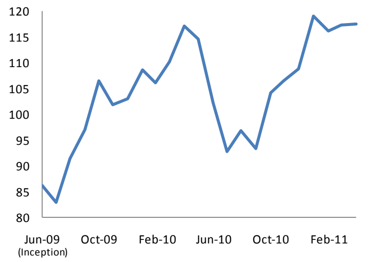


Figure 37
LTIF – Alpha II GBP

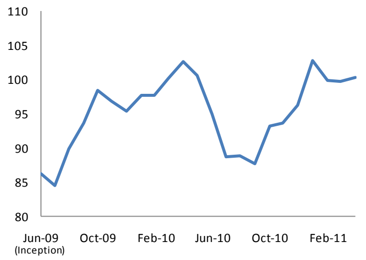


Figure 38
LTIF – Natural Resources GBP

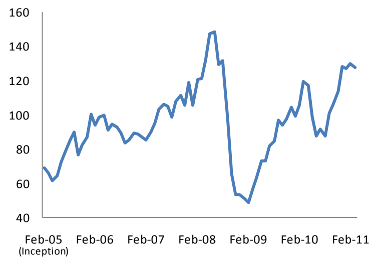
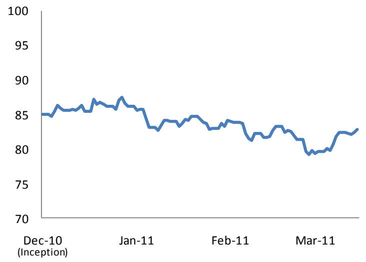


Figure 39
LTIF – Emerging Market Value GBP



SIA Funds AG Parkweg 1 8866 Ziegelbrücke Switzerland
tel : +41 55 617 28 70 fax : +41 55 617 28 71 info@s-i-a.ch www.s-i-a.ch

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 organized 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.

Fund	ISIN	Telekurs	Bloomberg
LTIF – Classic II EUR	LU0423699429	10'096'865	LTIFC2E LX
LTIF – Classic II USD	LU0423699692	10'096'889	LTIFC2U LX
LTIF – Classic II CHF	LU0423699775	10'096'893	LTIFC2C LX
LTIF – Classic II GBP	LU0457694296	10'638'930	LTIFC2G LX
LTIF – Alpha II EUR	LU0423699858	10'096'895	LTIFA2E LX
LTIF – Alpha II USD	LU0423699932	10'096'898	LTIFA2U LX
LTIF – Alpha II CHF	LU0423700029	10'097'000	LTIFA2C LX
LTIF – Alpha II GBP	LU0457693215	10'638'835	LTIFA2G LX
LTIF – Natural Resources EUR	LU0244072335	2'432'575	LTIFGEV LX
LTIF – Natural Resources USD	LU0301247234	3'101'839	LTIFGEU LX
LTIF – Natural Resources CHF	LU0301246939	3'101'836	LTIFGEC LX
LTIF – Natural Resources GBP	LU0457696077	10'638'983	LTIFGEG LX
LTIF – Emerging Market Value EUR	LU0553294868	11'901'448	LTIFEME LX
LTIF – Emerging Market Value USD	LU0553295592	11'901'450	LTIFEMU LX
LTIF – Emerging Market Value CHF	LU0553294785	11'901'447	LTIFEMC LX
LTIF – Emerging Market Value GBP	LU0553296053	11'901'451	LTIFEMG LX

Administrator:

Pictet & Cie (Europe) S.A.
1, Boulevard Royal
L-2449 Luxembourg
Luxembourg

Investment Manager:

SIA Funds AG
Parkweg 1
CH-8866 Ziegelbrücke
Switzerland

Custodian:

Pictet & Cie (Europe) S.A.
1, Boulevard Royal
L-2449 Luxembourg
Luxembourg

Registered Office:

1, Boulevard Royal
L-2449 Luxembourg
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 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
ISIN: CH0026389202
Telekurs: 2'638'920
Bloomberg: LTIFSTA SW

Administrator:

Pictet Funds S.A.
Route des Acacias 60
CH-1211 Geneva 73
Switzerland

Investment Manager:

SIA Funds AG
Parkweg 1
CH-8866 Ziegelbrücke
Switzerland

Custodian:

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