Long Term Investment Fund

Figure 1
LTIF – Classic EUR

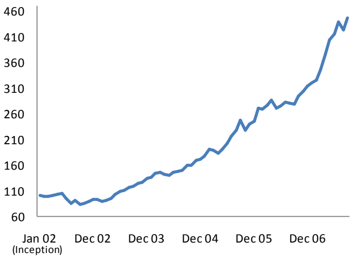

Figure 2
LTIF – Alpha EUR

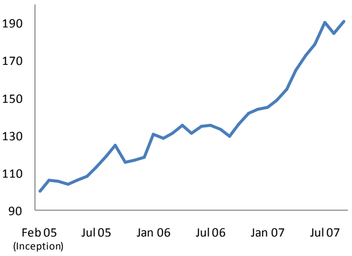

Figure 3
LTIF – Global Energy Value EUR

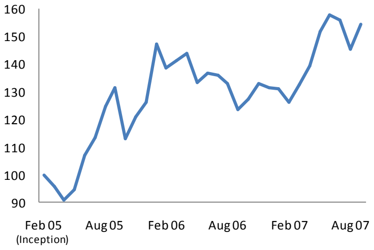

Figure 4
LTIF – Stability CHF

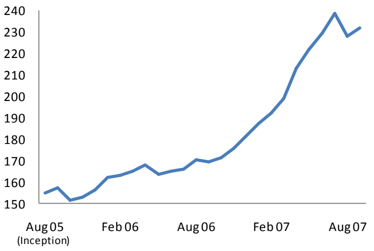

Figure 5
Global Mining Value Fund EUR

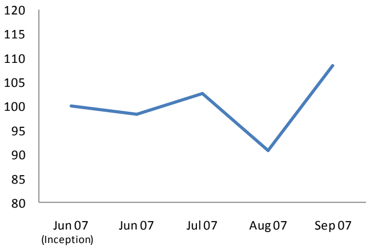

Table 1 and figures 1 through 4 show the evolution of our funds' net asset value per share during the last quarter, in euros. Readers can find the same data in US dollars and Swiss francs at the end of this newsletter.

Table 1: Net Asset Value - Net assets under management in EUR

September 2007	NAV	Δ YTD	Δ 12m	Δ Inception	AUM (in mio)
LTIF Classic [EUR]	446.29	42.49%	60.50%	346.29%	1,496.19
LTIF Alpha [EUR]	191.19	32.96%	47.33%	91.19%	223.91
LTIF Global Energy Value [EUR]	154.58	17.52%	25.17%	54.58%	37.49
LTIF Stability Series [CHF]	232.00	27.89%	37.05%	49.90%	90.96
Global Mining Value Fund [EUR]	108.51	8.51%	n.a	8.51%	42.64
MSCI World Index TR (GDDLWI) [EUR]	3,522.83	4.01%	8.38%		

Evolution of the funds

Again, this has been a quarter "full of sound and fury, signifying nothing" in the end. Granted, long-discussed excesses in the US housing market, coupled with unorthodox lending practices, have come to the fore. They were, however, well known and therefore have had a limited impact. Pushed by quantitative trading programs that, by definition, do not know what they are doing, markets went into free fall for a while. They all recovered pretty quickly. Will this be the pattern next time as well? We have no idea. All we know (or hope we know) is the financial health of our companies (not the overall market's) and their long-term profit expectations, which have not really changed. And they never will, for we adjust our portfolios when needed. Such adjustments are based on the fundamentals, not on the latest *hystérie du jour*…

In this sense, we are now readjusting our portfolios; basically, to accommodate the enormous rise in the price of some of our shares. Specifically, we are gradually exiting the dry bulk-shipping sector. Figure 6 shows the share price evolution of some of the companies we have owned this year. These continue to be excellent companies with extremely strong short-term profits guaranteed by the dramatic scarcity of transportation capacity for some of the world's key commodities. However, we know how many new vessels will be coming onto the market within the next few years, and the impact that growing capacity will have on prices. Investors seem to forget that by buying a shipping company's shares, one is actually becoming the owner of a number of vessels with a life span of some thirty years. It's nice to know profits on those vessels will be very strong for the next two or three years, but the investment's valuation has to take into account what follows. In our view, current prices are not justified if that is done.

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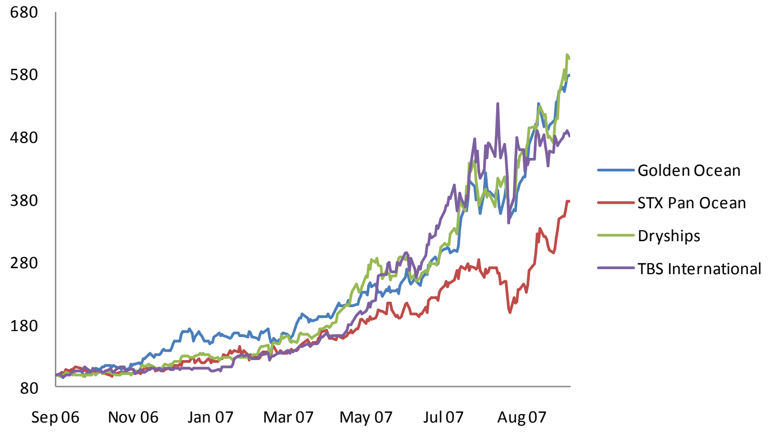
Figure 6
Share price evolution year-to-year (rebased in EUR)



We thus bought these companies when the market thought they were not very profitable, and are selling them when others are apparently convinced they will be making fortunes forever. The shares we are selling are likely to continue going up strongly for a while. Good for them!

We are also selling some of our investment in Chinese companies. Without exception, they are profitable companies with excellent prospects. We nevertheless feel that their long-term profitability and growth do not justify their current very high prices. In general, we are selling those shares at two to three times the amount that we paid for them a few years ago.

We will be redeploying that money in investments that, given their current prices, we believe will be profitable in the long-term. They range from a few blue chip insurance and re-insurance companies to oil drilling and seismic survey companies, which are necessary accessories to finding the oil that is dramatically scarce right now, as indicated by continually rising prices.

Figures 7 and 8 show our asset allocations per industry and per geographic location.

Figure 7
Breakdown by industry

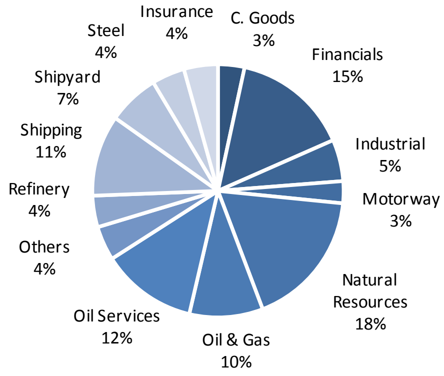
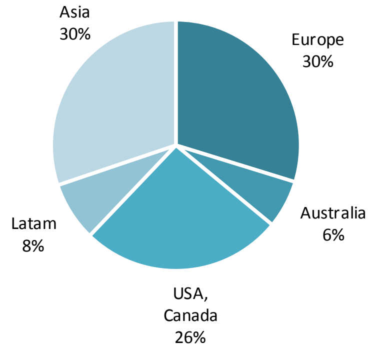


Figure 8
Breakdown by geographic area



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Comments on the individual funds

The most important development in the **Classic** and **Alpha** funds is the re-positioning of the portfolio away from some sectors, as mentioned above. This ensures that, in spite of our shares' strong appreciation, the intrinsic profitability remains close to our intended annual 15%. The weighted adjusted PE for 2008 is still below 8.

The **Stability** fund is especially affected by currency fluctuations as it is denominated in Swiss francs although it has very few assets in that currency. During the first part of the year, the franc went down, which artificially "boosted" the Fund's performance. During the August "crisis," the franc rose sharply, which made the Fund's performance look much less stable than desired. Currently, the franc is dropping again. All this simply means that for a long-term, unleveraged, equity investor, currency movements do not really matter. For some Swiss investors, steeped as they are in the tradition of an always-appreciating currency, this is hard to believe. However, once investors can no longer be "sure" of a long term trend, they're ultimately much better off by letting the market take care of the necessary adjustments, and saving themselves the enormous, very real cost of currency hedging. This creates a bit of short-term volatility… and a lot of long-term value (although bad news for banks, which, symmetrically, make a fortune by hedging one currency against another and back). Nevertheless, we do a moderate amount of currency hedging in the Stability fund, mostly when covering the market risk (we thus sell the indices and take the proceeds back to Swiss francs).

On the whole, we believe the Stability fund is well placed to deliver its long-term target of a 10% annual return with moderate volatility and no serious downside risk.

The companies owned by the **Energy** fund have been affected by two opposite, yet intimately related, events during this quarter. The first is the relentless rise in the price of oil. This is not going to change, although there will be ups and downs within that trend. The second is the increase in taxes and royalties that the Canadian authorities are planning. This is not going to change either: as oil prices rise and oil companies start contemplating windfall profits, investors can be sure that those profits will be expropriated by the government of the country that owns the resources. As citizens, we may appreciate the government's point of view. As investors, we are not attracted to the risk/reward equation: if oil is not found, or prices go down, the oil company does not make money and may even lose money. If oil is found and oil prices go up, the company is then granted an "acceptable return," as defined by the government, of course. Frankly, we have seen better investments (although we believe that, in this specific Canadian case, the Province of Alberta government will backtrack a little).

This is why we have been emphasizing investments in companies that *help* find and produce the oil. They range from drilling platforms operators to seismic surveyors. We believe that the world desperately needs to find more oil, but at the same time, many of the required tools are in short supply. By investing in those tools,

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we expect to capture much of the upside in this booming sector while protecting our profits from political backlash. We will, however, keep some exploration and production companies, but only those in which, in our view, the value proposition is very solid, and the political risk moderate.

We predicted that the **Mining Global Value Fund** would be volatile, but we didn't expect to be so accurate: as figure 5 above shows, its performance over its first three months has been 4.3%, -11.6%, and 19.6%. We don't think it's going to stay this wild, but it's certainly going to be volatile.

An important event for this Fund is that Mr. Alberto Lavandeira (see his CV below) has joined the SIA Group as the Global Director for Mining Research, after having spent 25 years in the industry, the last few as the CEO of a Toronto-listed gold, nickel, and copper producer. Based on Alberto's enormous experience and his excellent network of contacts within the industry, his key contribution will be to act as a "reality check" of the plans that the different mining companies put forward. By combining in-depth financial analysis with a thorough understanding of the geology and metallurgy of each project, we can sharply increase the returns on our investments.

These look good, by the way: the mining sector is very fragmented and, although many shares are up, we can still find very attractive opportunities. The underlying fundamentals are that many commodities are in scarce supply and that after decades of underinvesting, we do not foresee any short-term end to the situation. There will be some political pressures to capture some of the profits for the governments of some countries, but unlike in the case of oil, we don't expect these pressures to be as serious. After all, voters do not purchase metals daily; the price of many metals (unlike that of oil) will moderate over the years, or so we think, and the overall industry is much smaller and thus less visible than the energy industry.

There is another important trend, besides higher royalties and taxes: environmental protection. In the past, many mining companies have operated with a serious disregard for nature and local populations. Such behavior is no longer tolerated, which causes delays and adds to projects' costs. This "bureaucratic protection" is clearly right for local communities and the world in general, but it's also one of the reasons commodity prices will remain high for longer than most people expect, as it makes developing new resources slower and costlier than in the past. All things considered, we certainly believe in long-term annualized returns of between 15% and 20% for this Fund, although they will come with plenty of volatility.

A word on liquidity

Throughout this year, and especially in the last few months, our funds have experienced an important inflow of new money. This again prompts some investors to wonder whether they are now

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"too large" to maintain a good performance. We dealt with this issue in our July newsletter, but will discuss it again briefly.

From a rigorous point of view, our funds will be too large when one of three variables deteriorates:

1. Intrinsic return. This is, somewhat simplistically, captured by the fund's PE. If it goes up, it means that the companies we own are "less cheap" or, to put it differently, the future intrinsic returns to be expected from our investments are lower.

2. Relative volatility. If the PE stays low, but volatility goes up relative to that of the market, we would have an indication that the fund still owns highly profitable investments, but fewer of them, thus somewhat increasing its risk. It's important to underline that this is relative volatility: an increase in volatility – like that of the past summer when the entire market lost its bearings – has no meaning for the funds.

3. Liquidity. The fund could remain invested in many different, cheap companies, but this would be at the price of taking increasingly larger positions in each of them to the point where it would be unable to liquidate the investments without seriously moving prices if these companies' prospects deteriorate or investors want their money back.

Right now, these variables are in better shape than they were a few quarters ago. Granted, PE is a bit higher, but still below 8, and much of the increase can be attributed to three issues that have nothing to do with size:

1. We now calculate some of our companies' expected return in a slightly more conservative way.

2. We have invested in some companies that have PEs a bit above the average of the fund but that we believe will be excellent investments over the long term, given their growth potential and how well they diversify our portfolio.

3. We are approaching the end of the year. We report PE over next year's profits, but as we get close to the end of the year, the current share prices incorporate this year's profitability. This does not, however, make them less attractive – perhaps the opposite if it shows that plans are working. Nevertheless, as we change year and start using 2009 profits as the basis for our calculations, investors will see a drop in our expected PE, because we will report PE09, not PE08 (assuming that our companies will make more money on average in 2009 than in 2008, which we strongly believe will be the case). This PE09 will then gradually go up by about 1 point (say, from 7 to 8) as the year progresses.

As we said in July, we continually monitor these variables, and will not hesitate to close the funds if we believe that size can hurt per-

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formance. So far, that has not been the case, and we don't see this happening for the time being. As promised, investors will be informed in advance of any decisions we make in this respect.

A word on transparency

Although our investors know this well, some have asked us to repeat it, so we will: our funds' Net Asset Value that you see in Table 1 above, and every day in Bloomberg or any other financial information source, is calculated completely independent from us by Pictet & Cie. (Europe) SA. We recalculate it every day, using different price sources, to check that Pictet's calculation is correct. All our investments are traded daily and publicly in open stock exchanges around the world. There is therefore no need to "estimate" their value: this is public, and can be seen in Bloomberg, Reuters, Telekurs, etc. The only exceptions are some of the hedging instruments that we use for the Alpha and Stability funds, which are "tailor-made." They are, however, based on public stock indices according to fixed formulas, so their value can be computed minute by minute arriving at an irrefutable number. They also represent a small part of the funds' assets. All this is audited almost in real time by Deloitte SA in Luxembourg, PriceWaterhouseCoopers in Switzerland, and by Pictet's and our own Risk Management units. The Luxembourg-based funds are obviously under the supervision of that country's Commission pour la Surveillance du Système Financier, and the Stability fund and SIA Funds AG itself are supervised by the Swiss Federal Banking Commission.

By clicking *here*, you can access the independently audited latest Annual Report for our funds.

SIA News

Four new people have joined us during these last three months, strengthening the team in different and complementary ways:

Alberto Lavandeira, Director, Global Mining Research

Born in Orense, Spain, Alberto Lavandeira has over 27 years of experience in several fields of mining activity related to underground and open-pit mining, both in metallic and industrial minerals. As CEO and President of an important mining company, his experience ranged from positions of responsibility over mining production to preparation of economic and feasibility studies of new projects and basic and detailed engineering of mining and plant operations.

Alberto was also involved with all corporate aspects, with very strong commitment to corporate development, financing of projects and relations with investing community (both sell and buy side). He holds an advanced Mining Engineering degree from the University of Oviedo.

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Sarah Lombardi, Junior Equity Analyst, Strategic Investment Advisors (Suisse) S.A.

Born in Geneva, Switzerland, Sarah holds a Master of Science Degree in Business Administration from the HEC Faculty of University of Geneva. During her studies, she participated in the exchange program with the University of Sydney. Prior to joining Strategic Investment Advisors (Suisse), SA, she worked as Financial Analyst at Bordier & Cie for two years where she developed strong knowledge in Equity Analysis and Fund Selection. Sarah joined our team in August 2007.

Jean-Michel Courtois, Junior Equity Analyst, SIA Funds AG

Jean-Michel has joined Strategic Investment Advisors S.A. as a Junior Equity Analyst in October 2007. Originally from Geneva, he is a HEC graduate of the University of Geneva, where he developed strong analytical skills through several academic research papers.

His experience ranges from being an auditor to an important auditing firm, to being a Data Quality Analyst at a Financial Information Provider, where he was tasked with maintenance of the databases and financial modelization.

Sergio Tajada, Quantitative Analyst, Strategic Investment Advisors (España) S.A.

Sergio holds a mechanic engineering degree from the University of Zaragoza and has over fifteen years experience in the area of application technology.

His experience ranges from being responsible for analysing technical cable tv projects in Televisa (Mexico) to develop software applications for data centers monitoring.

With strong programming and data base managing skills, Sergio has investigated multivariate predictive models for the stock exchange.

A smaller piece of news is that SIA Funds AG has moved to larger offices in Pfäffikon, but remains within the same building, so there is no change in its postal address or phone number. Another piece of news is that our Classic, Alpha, and Energy funds are officially registered with the *Bundesanstalt für Finanzdienstleistungsaufsicht (Bafin)* for retail distribution in Germany. We hope to have the registration in France and Italy completed before the end of the year.

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Figures of the USD classes

Table 2: **Net Asset Value - Net assets under management in USD**

September 2007	NAV	∆ YTD	∆ 12m	∆ Inception	AUM (in mio)
LTIF Classic [USD]	634.69	53.67%	80.18%	612.81%	2'127.80
LTIF Alpha [USD]	271.90	43.39%	65.40%	108.59%	318.44
LTIF Global Energy Value [USD]	219.84	26.75%	40.52%	65.62%	53.31
Global Mining Value Fund [USD]	154.32	15.17%	n.a	15.17%	60.64
MSCI World Index TR (GDDLWI) [USD]	5'010.07	12.17%	21.68%		

Figure 9
LTIF – Classic USD

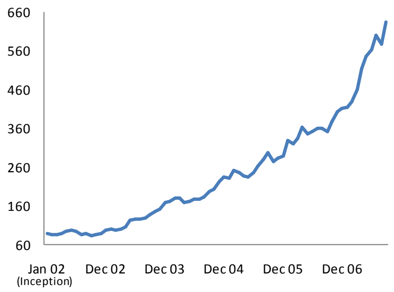


Figure 10
LTIF – Alpha USD

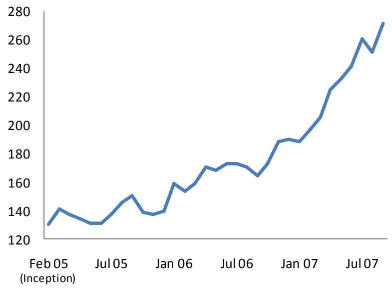


Figure 11
LTIF – Global Energy Value USD

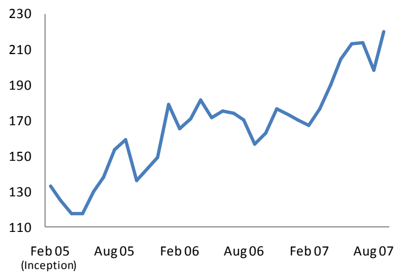
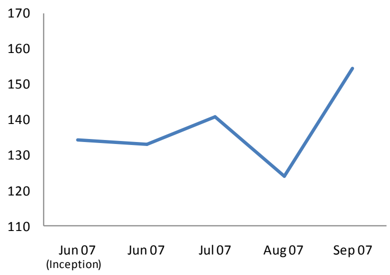


Figure 12
Global Mining Value Fund USD



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Figures of the CHF classes

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

September 2007	NAV	Δ YTD	Δ 12m	Δ Inception	AUM (in mio)
LTIF Classic [CHF]	741.44	47.27%	68.39%	401.48%	2'485.69
LTIF Alpha [CHF]	317.63	37.41%	54.58%	105.07%	372.00
LTIF Global Energy Value [CHF]	256.81	21.47%	31.32%	66.19%	62.28
Global Mining Value Fund [CHF]	180.27	8.45%	n.a	8.45%	70.84
MSCI World Index TR (GDDLWI) [CHF]	5'852.68	7.35%	13.36%		

Figure 13
LTIF – Classic CHF

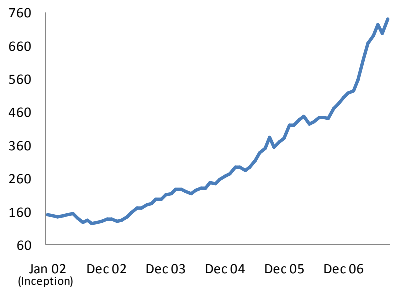


Figure 14
LTIF – Alpha CHF

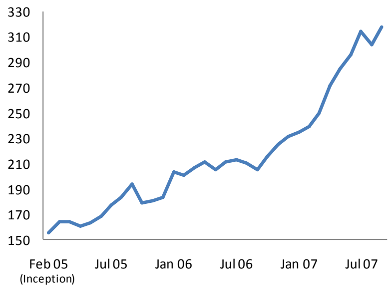


Figure 15
LTIF – Global Energy Value CHF

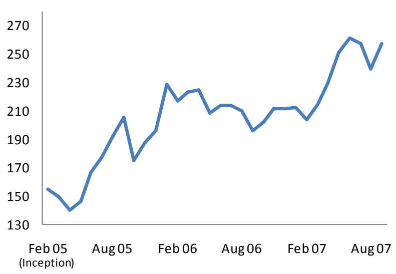
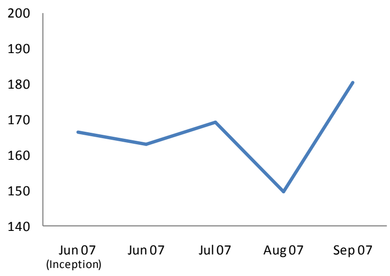


Figure 16
Global Mining Value Fund CHF



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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 organised as a “société anonyme” under the laws of the Grand Duchy of Luxembourg and qualifies as a Société d'Investissement à Capital Variable (“SICAV”) under Part I of the Luxembourg law of 20th December, 2002. It has three active compartments, called "Classic", "Alpha", and "Energy", which fully resemble both the Long-Term Investment Fund in BVI (classes “Classic” and “Alpha”) and the Global Energy Value Fund with regard to their investment objectives and operational structure. This newsletter is only addressed to qualified private investors who have expressed a desire to receive it, and by no means constitutes an offer to sell financial products that may not be suitable for its readers.

LTIF – Classic EUR
ISIN: LU0244071956
Telekurs: CH2432569
Bloomberg: LTIFCLA LX

LTIF – Classic USD
ISIN: LU0301247077
Telekurs: CH3101820
Bloomberg: LTIFCLU LX

LTIF – Classic CHF
ISIN: LU0301246772
Telekurs: CH3101817
Bloomberg: LTIFCLC LX

LTIF – Alpha EUR
ISIN: LU0244072178
Telekurs: CH2432573
Bloomberg: LTIFALP LX

LTIF – Alpha USD
ISIN: LU0301247150
Telekurs: CH3101828
Bloomberg: LTIFALU LX

LTIF – Alpha CHF
ISIN: LU0301246855
Telekurs: CH3101824
Bloomberg: LTIFALC LX

LTIF – Global Energy Value EUR
ISIN: LU0244072335
Telekurs: CH2432575
Bloomberg: LTIFGEV LX

LTIF – Global Energy Value USD
ISIN: LU0301247234
Telekurs: CH3101839
Bloomberg: LTIFGEU LX

LTIF – Global Energy Value CHF
ISIN: LU0301246939
Telekurs: CH3101836
Bloomberg: LTIFGEC LX

Global Mining Value Fund is a Luxembourg multiple compartment Investment Company organised as a "societe anonyme" incorporated on June 6, 2007 and subject to the Luxembourg law of February 13, 2007 relating to Specialized Investment Funds (SIF).

GMVF-Global Mining Value EUR
ISIN: LU0305469388
Telekurs: CH3183766
Bloomberg: GMVFEUR LX

GMVF-Global Mining Value USD
ISIN: LU0305469545
Telekurs: CH3183768
Bloomberg: GMVFUSD LX

GMVF-Global Mining Value CHF
ISIN: LU0305470048
Telekurs: CH3183771
Bloomberg: GMVFUSD LX

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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.

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