



FUTURIS - JANUARY 2011

Last month Futuris decreased in value by 1.06 per cent after fees. The 3-month German T-bill returned 0.03 per cent during the same period.

The table below shows Futuris' development, together with various market indices. Please note that Futuris' performance figures in the table are calculated for clients that have invested in the Fund throughout the years and that the figures are net of all fees.

%	Futuris ¹	German 3-month T-Bill (EUR) ²	MSCI Euro NDTR Index ³	SIX Return Index ⁴	OBX Index ⁵	MSCI World NDTR Index ⁶
January	-1.06	0.02	4.99	-1.17	-1.79	1.94
YTD	-1.06	0.02	4.99	-1.17	-1.79	1.94
Since Inception	532.47	34.29	9.77	115.91	207.39	16.02

MARKETS

The MSCI Euro Total Return index increased by 5 per cent in January. Insurance, Banks and Technology outperformed, while Food & Beverages, Personal & Household goods and Basic Resources underperformed. The Swedish SIX Return index, on the contrary, *fell* by 1.2 per cent and the Norwegian OBX decreased somewhat more - by 1.8 per cent. The outperformance of the European index occurred in connection with the about-face in currency markets, staged by the euro which in turn was linked to more confidence in banks with exposure to peripheral Europe.

The euro started the year on a very weak note and declined 3.6 per cent vs. the USD in the first trading week. Subsequently, however, it turned around completely, strengthening by 6.1 per cent from its January trough, for a total January gain of 2.3 per cent.

It was not for want of obstacles that European stocks climbed in the month. In fact, the extent of the headwinds as the year commenced was more than enough to form a looming wall of worry – one, however that European equity investors escalated with little effort. Among several negative factors, the head of the European central bank signaled increased awareness of inflationary tendencies, the US labour market took a turn for the worse, the UK announced falling GDP and higher inflation, while China stepped up its measures to curb house price inflation and, not least, unrest in northern Africa sent the Brent oil March contract above 100 USD per barrel (+7 per cent in January). In addition the Baltic dry index continued plumbing new depths, falling by 38 per cent in January.

¹ Both performance and fixed fee deducted.

² The hurdle rate, on which the performance fee is calculated.

³ Morgan Stanley Euro Net Div Total Return Index, local currencies.

⁴ SIX Return Index, Swedish Total Return Index, SEK

⁵ OBX Total Return Index, the 25 most traded stocks at the Oslo Stock Exchange, calculated in NOK.

⁶ Morgan Stanley World Net Div Total Return Index, local currencies.

INVESTMENT ACTIVITIES & RESULT

During January, the fund's net exposure has been reduced from cautiously long to slightly net short.

Oil and Oil services, Basic Resources, Capital Goods and Financials explain the bulk of the change. In addition the managers have bought a small amount of put options on the Eurostoxx50 index, as well as sold half of its software holdings and sold short some telecom stocks.

The best performing holdings for Futuris were Oil & Oil services, Capital Goods, Basic Resources, IT and Retail. Losses on index futures, put options and Consumer Non-durables, however, erased more than the gains on the former and dragged the monthly return down to a negative 1 per cent.

OUTLOOK & STRATEGY

The stock market, as well as the economy, is walking a fine line, beset by obstacles, with the outcome hanging in the balance. It's a tug-of-war between advocates of equities being the best asset class on the one hand and monetary skeptics, questioning the power of money printing, on the other.

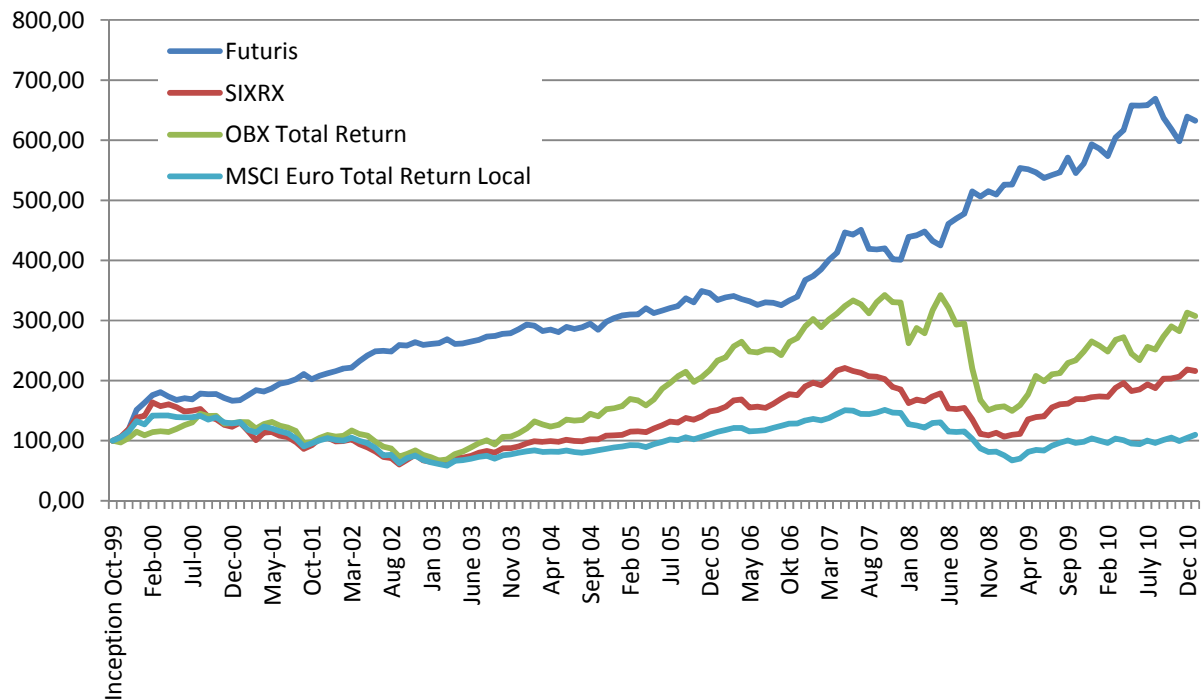
Futuris' managers are inclined to, just as they did in November and December, put their faith on an improving economic cycle, rising profits and a short term solution to the woes of overleveraged and underfunded European countries, which should propel equities upward. The case is not clear-cut though, as the path upward is fragile and fraught with dangers, due to extreme levels of sovereign debt and deficits. The latter renders the financial system inherently unstable and vulnerable to almost any exogenous shocks, which explains our cautious positioning.

Apart from minor positives, such as stronger business sentiment in Germany and a marginally *less dismal* US housing turnover, there were, in our view, few objective reasons for a rising equity market in January. Moderately low valuations are not enough, we think. Further, the portfolio managers are skeptical toward the sustainability of the recent strength for European banks and insurance companies, which were the main components behind the rise for European stock market averages. Hence, for now, Futuris is holding steady, in search of a better opportunity to take meaningful positions in the market.

OTHER INFORMATION

Starting with the March report, Futuris will publish a more specifically month-centric report, instead of the current quarter-focused issue by the end of each quarter. For you as a client the difference should be negligible. If anything the description of market actions and Futuris' investment activities during the last month should become more detailed and clearer in the March, June, September and December reports than previously.

Performance chart from October 1999, Futuris [EUR] compared to Swedish (SIX Total Return [SEK]), Norwegian (OBX TR [NOK]) and European (MSCI TR [EUR]) indices



Finally, I will be pleased to answer any questions that you may have.

Sincerely yours,

Stockholm, 4 February 2010

Karl-Mikael Syding
Managing Director