



FUTURIS - NOVEMBER 2011

Last month Futuris decreased in value by 2.51 per cent after fees. The 3-month German T-bill returned 0.01 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	0.03	4.99	-1.17	-1.79	1.94
February	-0.29	0.03	1.87	-1.61	3.83	2.92
March	9.01	0.03	-2.95	2.27	0.04	-1.27
Q1	7.54	0.08	3.79	-0.55	2.02	3.58
April	1.97	0.06	3.95	4.02	1.20	2.27
May	-3.44	0.07	-2.61	-0.53	-1.79	-1.27
June	-4.76	0.06	-0.58	-3.50	-4.76	-1.59
Q2	-6.23	0.19	0.65	-0.16	-5.34	-0.63
July	-1.89	0.08	-5.45	-4.69	-0.79	-2.73
August	-2.77	0.09	-13.28	-10.48	-8.84	-6.77
September	-0.94	0.08	-5.23	-5.89	-7.65	-6.06
Q3	-5.51	0.25	-22.30	-19.70	-16.48	-14.80
October	6.71	0.01	9.09	8.83	10.53	8.55
November	-2.51	0.01	-2.17	-1.41	-0.82	-1.28
YTD	-0.87	0.54	-13.37	-14.46	-11.58	-6.04
Since Inception	533.65	35.05	-9.43	86.88	176.73	6.94

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.

Markets

The stock market in November was largely driven by news about the European debt crisis and various attempts at remedies. Unnerved by the escalating troubles European stocks fell by 13 per cent from peak to trough in the month. Then, in the final four days, a 14 per cent, central bank-induced, rally all but erased the heavy losses up until then.

Volatility was extreme; European stocks fell by more than 5 per cent on the first trading day, then recovered most of that in a couple of days, only to fall dramatically from there (interrupted by a couple of 5-6 per cent counter rallies) and finally surged strongly in the final few days of the month.

The overarching market moving news in the month, whether positive or negative, had to do with the euro crisis in one way or another. Every day brought forward new angles on the ECB, the EFSF, governments in Greece, Italy and Spain, changes to the EU treaty, European bond auctions, bank and country downgrades by credit agencies and downward revisions to European growth forecasts. The failure of the US super committee to reach a budget agreement was, despite its importance, but a small sideshow to the grand European performance of dysfunction.

The worst performing sectors in the Euro Stoxx 600 index were Banks, Autos & Autoparts, Insurance and Construction & Materials. The best performing sectors were Food & Beverages, Media, Retail and Healthcare, manifesting a defensive-leaning stance in the markets.

German 10 year bond yields troughed around 1.7 per cent in early November and then surged 60 basis points to 2.3 per cent in the second half of the month. The upward move countered earlier flight-to-safety trends and was interpreted as worries that even Germany's balance sheet could become adversely affected by the euro zone's debt crisis.

Also symptomatic of the ongoing crisis, Greek, Spanish, Portuguese and Italian long bond yields rose alarmingly, as did financial CDS spreads and the cost of swapping EUR for USD (despite the concerted central bank swap measures in the last few days of the month).

Macroeconomic data improved in November and, e.g., Citigroup's US economic surprise index increased from +18 to +62 during the course of the month. The European surprise index, albeit still negative, also improved considerably from -51 to -22. In China, however, both the final October PMI and the flash November PMI (later confirmed by the official PMI) disappointed.

Investment activities & result

The portfolio managers repositioned the fund from significantly net long to substantially net short on the 9th of November. At that point the fund was approximately break-even on the month. The change was achieved by selling index futures, capital goods, oil & oil services, financials, retail and software stocks.

Consumer Non-durables and Basic Industries contributed the most positively to the month's performance, whereas index futures, Oil & Oil services and Pharmaceuticals contributed the most negatively.

The largest sectors at the turn of the month were short futures, short capital goods, long software, long oil & oil services, short financials, long consumer non-durables, long retail and long telecom services shares.

As a final note on the dangers of volatility and the unpredictability of politics, the managers note that on Monday morning, November 28, the Futuris fund was still up by 1-2 per cent on the month and more than 3 per cent year to date. When the decision to supply unlimited USD swaps at a reduced cost was taken on Monday and the news announced on Wednesday, stock markets rallied by more than 10 per cent and Futuris' gains on the month and the year were turned into losses.

Outlook & Strategy

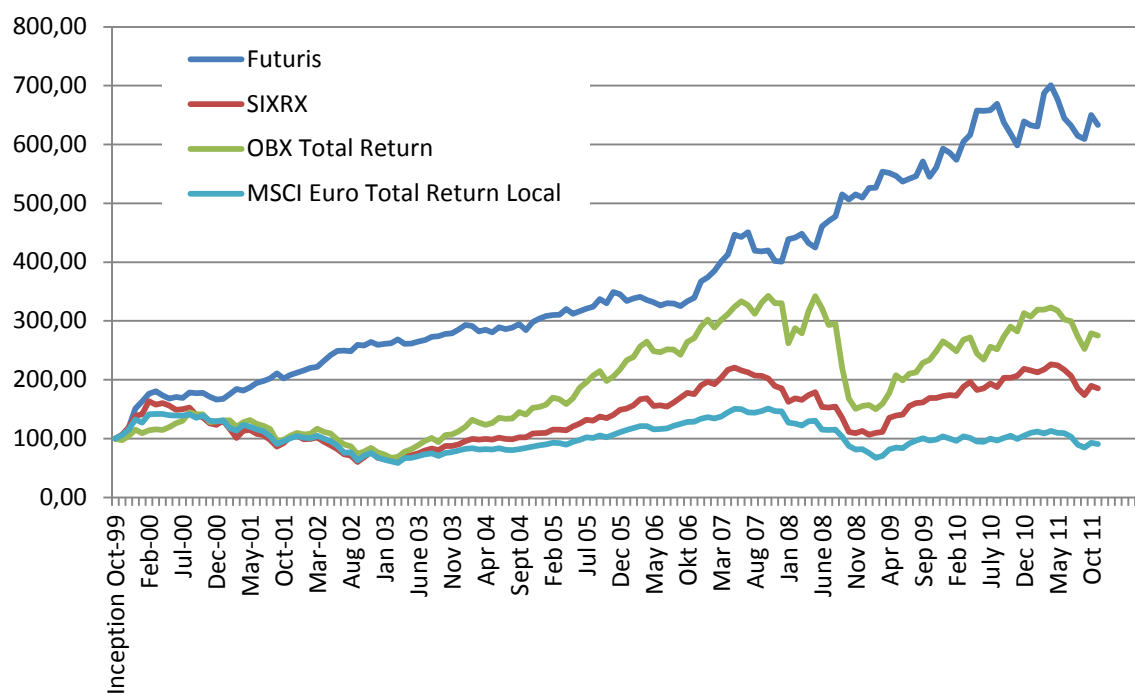
Bond markets keep signaling distress, while the stock market is clinging to hopes of a financial bazooka to be delivered by the ECB or other EU institutions. Meanwhile, growth prospects for 2012 are being revised downward, due to inaction and uncertainty as well as realization of how debt arithmetics work (debt and deficits call for austerity which leads to lower growth and tax income and thus exacerbates the debts and deficits).

The ECB has so far rejected outright money-printing and Germany has rejected the idea of eurobonds (EZ member guaranteed bonds that in effect would put German taxpayer money in the line of fire of the PIIGS).

Equity investors, however, still hope for both “bazookas” above, even claiming they are the *only* solution, based on the argument that the alternative simply is too negative to consider. Currently there is a debate regarding how to circumvent ECB rules against money-printing and how to finance a bond guarantee scheme without going directly to Germany. In the short term, such measures probably would propel markets upward by enough to make any net short investor run for cover, even if the logical and rational long term view still would be at least as poor as today.

Facing these issues, markets and politics alike are turning more and more volatile, with November being a case in point. The PMs of Futuris do not think that ECB and EU leaders will be able to agree on strong enough measures to forestall a significant stock market correction. Rather, both short and medium term growth prospects, in the shadow of debt burdens and austerity, point to lower profit forecasts and low valuation multiples. However, even if we are right we won't get there in a straight line, not least demonstrated in November when a last minute emergency measure by several central banks turned a good month into a bad one for Futuris in just three days.

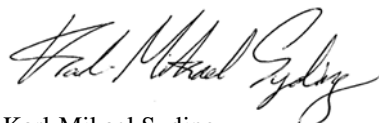
Performance chart from October 1999, Futuris [EUR] compared to Swedish (SIX Total Return [SEK]), Norwegian (OBX TR [NOK]) and European (MSCI TR [EUR]) indices



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

Sincerely yours,

Stockholm, 2 December 2011

A handwritten signature in black ink, reading "Karl-Mikael Syding". The signature is written in a cursive style with a large, stylized initial 'K'.

Karl-Mikael Syding
Managing Director