



## FUTURIS - OCTOBER 2011

Last month Futuris increased in value by 6.71 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 <sup>1</sup>	German 3-month T-Bill (EUR) <sup>2</sup>	MSCI Euro NDTR Index <sup>3</sup>	SIX Return Index <sup>4</sup>	OBX Index <sup>5</sup>	MSCI World NDTR Index <sup>6</sup>
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
Aug	-2.77	0.09	-13.28	-10.48	-8.84	-6.77
Sept	-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
YTD	1.68	0.53	-11.45	-13.23	-10.86	-4.82
Since Inception	549.96	35.04	-7.42	89.56	179.00	8.33

## Markets

The MSCI Euro Total Return index increased by 9 per cent, slightly lagging the German Dax index (+11.6 per cent) and the US S&P 500 index (+10.8 per cent). Despite the strong showing, volatility

<sup>1</sup> Both performance and fixed fee deducted.

<sup>2</sup> The hurdle rate, on which the performance fee is calculated.

<sup>3</sup> Morgan Stanley Euro Net Div Total Return Index, local currencies.

<sup>4</sup> SIX Return Index, Swedish Total Return Index, SEK

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

<sup>6</sup> Morgan Stanley World Net Div Total Return Index, local currencies.

was almost as extreme as in August and September and there were actually more down days than up days in October.

The best performing sectors in the Stoxx Europe 600 index were cyclical sectors; Autos, Basic resources, Oil & Gas, Chemicals and Construction. The laggards were typically defensives; Utilities, Healthcare and Food & Beverages.

The euro bounced 3.5 per cent vs. the USD after the sharp drop in the previous months. Long bond yields in Germany and the US increased in a similar fashion. Better macroeconomic data (e.g., PMI surveys and US payrolls), strong third quarter earnings reports and hopes of a resolution to the Eurozone crisis boosted the “risk on” trade, pulling the VIX and VDAX indices lower by a third, while propelling prices of oil and copper higher. On the final day of the month, the positive development was partially reversed when Greece announced it will hold a referendum on whether to accept its bailout package.

### Investment activities & result

During the month, Futuris reduced its net long exposure through selling oil and oil services stocks and index futures. The largest sector positions at the end of month are still, however, index futures and oil-related stocks, with software and retail shares as runner-ups.

Index futures and oil-related stocks were also the best contributors to the month’s return, albeit capital goods, retail, software and basic resources shares too added significantly to the month’s performance.

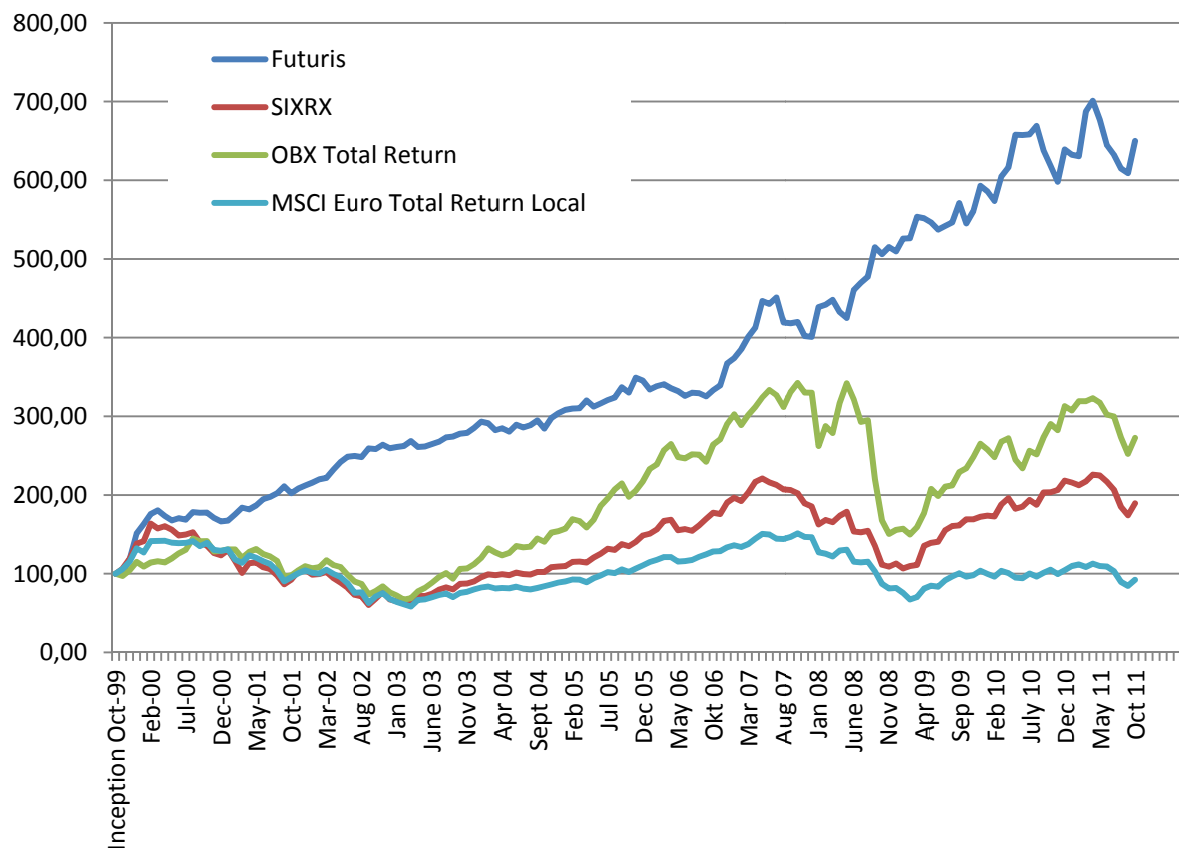
### Outlook & Strategy

Compared to a month ago, fundamentals have improved significantly. E.g., Citigroup’s macro surprise indices for Europe and the US have improved markedly and the latter has even entered positive territory. In addition, corporate earnings in Q3 proved resilient and EU leaders finally agreed on measures to stem the eurozone crisis. On the other hand, equity markets surged strongly over the last month, making shares less attractive, and on the last day of October the eurozone package was again put in doubt due to the announcement of a Greek bailout referendum.

European stocks have exhibited unusual volatility the last three months, with a daily return standard deviation of 2.5-3 per cent, or 40-50 per cent annualized, which qualifies among the top three periods of elevated and prolonged volatility since the fund was incepted in 1999. Considering the uncertainties regarding global growth, in the shadow of high debts and all but mandatory austerity measures, the market’s uneasiness is understandable. However, in a low return world, with plenty of money on the market’s sidelines and swelling corporate cash balances it is no easy call establishing short positions. All in all, Futuris’ managers think that there is still a relevant upside left in equities short-term unless Greece’s referendum turns into a full-blown crisis and fuels fears of a break-up of the euro. Improving macro numbers and earnings and less eurozone urgency should be enough to lift markets before attention returns to the unresolved long-term matter of public debts and deficits in most of the western world and Japan. The latter story, however could be very important for next year.

At the turn of the month the Futuris fund was still long, albeit somewhat more cautiously so than in the beginning of October.

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, 1 November 2011

Karl-Mikael Syding  
Managing Director