FUTURIS

FUTURIS - SEPTEMBER 2011

Last month Futuris decreased in value by 0.94 per cent after fees. The 3-month German T-bill returned 0.08 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
Q1	-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
YTD	-4.71	0.52	-18.83	-20.27	-19.35	-12.31
Since Inception	509.12	35.02	-15.14	74.17	152.42	-0.20

Markets

World equity markets fell heavily in September, with European, Scandinavian and World indices falling between 5 and 8 per cent. Not only were the falls steep, volatility was extreme as well; E.g., the Euro Stoxx 50 index initially plunged 16 per cent, recovered 12.5 per cent, then again dropped 12 per cent to a new month low before rallying 15 per cent.

[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.

Expanding a little bit on that theme, the Euro Stoxx 50 index had a daily return standard deviation of more than three per cent, or annualized 49 per cent. Futuris' standard deviation was a third of that during the same period. Only four trading days exhibited smaller changes than +/-1 per cent, but on those days the intraday movements nevertheless were larger than 2 per cent each. Except for during the months after Lehman brothers' default and the terrorist attacks on September 11, 2001, the only comparable months since Futuris' inception 12 years ago occurred around the flash crash in May 2010 and during fall 2002.

The worst performing sector indices in Europe were Basic Resources (-18 per cent), Autos (-13 per cent), Financial services (-10 per cent) and Construction (-9 per cent). The best performing indices were the traditionally defensive sectors Utilities (+1.9 per cent), Telecom (+0.9 per cent) and Healthcare (+0.8 per cent).

There was no shortage of reasons for the downfall; Investor sentiment was hammered by weak PMI surveys, a very weak US payroll (zero), rising PIGS and financial CDS spreads as well as a 7 per cent drop in the euro vs. the USD. Several market based indicators flashed red, e.g., the oil price, copper price (-24 per cent), corporate BBB bond spreads and the VIX index (up by more than a third from an already elevated level). Unsurprisingly equity funds exhibited record outflows. The positive signs were few and far between and some, like the sharp drop in the gold price, were ambivalent at best. However, Citigroup's macroeconomic surprise index improved (from very negative to just negative), the Baltic Dry index rose strongly from a depressed level and after a couple of truly dismal months, the senior unsecured bank bond market opened up with two issues in the final days of September.

The volatility was boosted by overlapping debates and public statements on how to save Greece, ring fence it or handle an orderly default as well as weekend meetings by various authorities including the IMF, the ECB, the US Fed, and the euro zone's financial ministers. The crisis and futile debates exposed just how dysfunctional the EU is and only added to market worries. On top of it all the Swiss central bank, the SNB, pegged its currency to the euro and the US Fed announced yet an unconventional monetary tool named "Operation Twist". The UK ICB proposed ring fencing retail banks from their wholesale operations while demanding 17-20% equity and a European financials transaction tax was proposed, which fuelled regulatory fears.

Investment activities & result

After a couple of months with very low net exposure, Futuris increased its market directional risk during September. Both the net and gross exposures, however, are still low in a historical perspective, albeit more normal considering the extreme market volatility.

During September, the portfolio managers bought oil related stocks, retail shares and index futures. We also added some long positions in Basic industries, Capital Goods and Financials. The largest exposure is Euro Stoxx 50 futures, followed by Oil & Oil services. We also have relatively large exposures to Retail and Software and smaller long positions in Capital Goods, Basic Resources, Consumer, Financials, Shipping and Telecom.

During the month, Futuris made a substantial gain on hedges (Euro Stoxx 50 futures) which however was neutralized mainly by losses in Oil & Oil services and Basic Industries. In addition, the fund experienced inconsequential losses in most other industries.

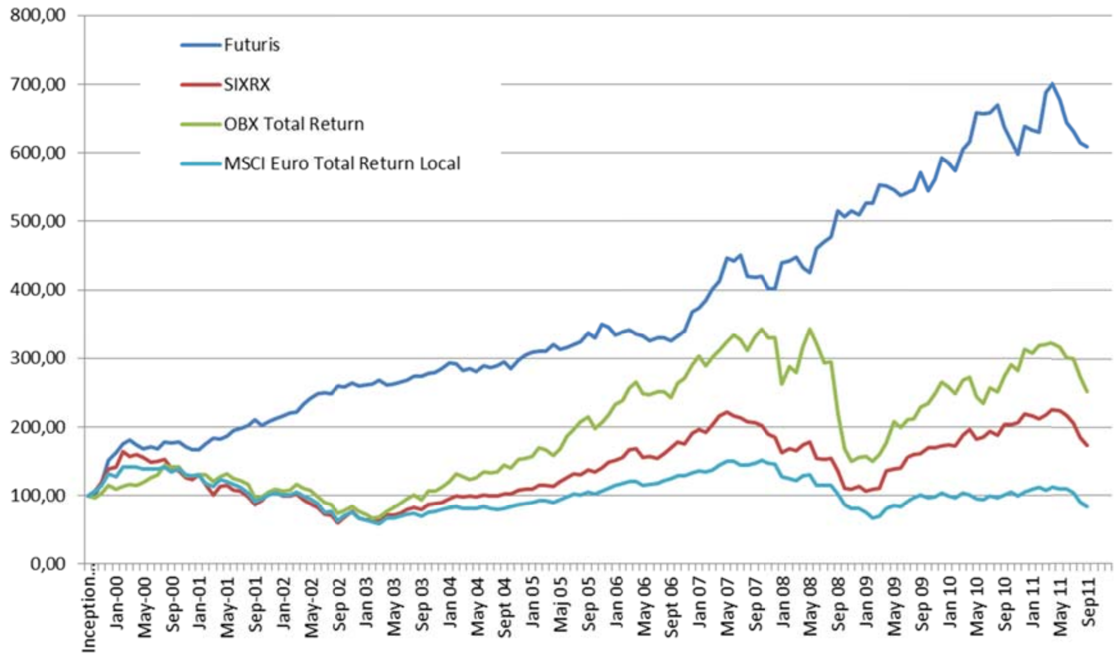
Outlook & Strategy

Equities are very depressed compared to earlier and recent levels; European stocks (MSCI dividend adjusted index) have fallen some thirty per cent since their February highs, fifty per cent since July 2007, and sixty per cent since their all-time high in March 2000, and they are only 25 per cent above the March 2009 nadir in the aftermath of Lehman Brothers' default. European stocks actually trade at the same level today as they did already back in May 1996, over fifteen years ago.

Not only have prices fallen, earnings multiples based on consensus earnings have compressed significantly as well; a broad European share index now trades at around 8 times forward earnings, the same level as during the worst liquidity freeze after Lehman Brothers.

Equities thus have fallen dramatically and are quite attractively valued on current forecasts as well as compared to other alternatives. In addition many investors have reduced their risk exposure to historically low levels. Barring certain worst case scenarios, the mentioned factors should be fertile ground for a sharp share price rally. We are aware of the high risk of recessions the coming year. However, markets rather seem to reflect high risk aversion due to financing and liquidity issues and bank troubles because of the euro crisis. Hence, in the short run the portfolio managers deem an upward risk squeeze on equities more likely than new lows.

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, 5 October 2011

Karl-Mikael Syding
Managing Director