FUTURIS

FUTURIS - MARCH 2011

Last month Futuris increased in value by 9.01 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	0.03	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
YTD	7.54	0.08	3.79	-0.55	2.02	3.58
Since Inception	587.44	34.36	8.52	117.26	219.31	17.89

Markets

The MSCI Euro Total Return index plunged by 10% in the first half of the month and recouped 2/3 of the fall in the second half. The Korean KOSPI index (as well as some Middle East indices) stood out from the crowd with its strong performance of +8.6 per cent.

The best performing sectors were Construction, Chemicals, Food & Beverages. The worst performing sectors were Banks (down by more than 9 per cent), Insurance and Retail.

The currency market exhibited some notable swings in the month. The USD lost 2.6 per cent vs. the euro and the JPY lost 1.6 per cent vs the USD (albeit after a rollercoaster ride first up by 3.5 per cent and then down by 5 per cent as central bank interventions kicked in). The euro strengthened 2.5 per cent vs. the SEK.

Worries over European bank stress tests, rising PIGS yields, Spanish cajas restructuring and ratings downgrade by Moody's, continued troubles in the MENA area (e.g., uncertainty regarding a no-fly zone in Libya) and higher oil prices put pressure on stocks during the first weeks of March. Then, the already weak market was sent into a tailspin by the Japanese triple earthquake/tsunami/nuclear meltdown catastrophe.

[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.

On the macro front, PMI numbers were strong in China, the US and Europe. US jobless claims continued to trend down and payrolls were on the strong side. Housing data, however, was extremely weak. Building on the stronger signs in the economy and not the least high inflation, the BoE and ECB are preparing for imminent rate hikes. Meanwhile, the US Fed is approaching the end (in June) of its bond purchase program.

Investment activities & result

Futuris began the month slightly net short, part of which through put options as insurance against a potentially volatile market. When stock markets plunged, Futuris sold its puts and subsequently also bought index futures and single stocks. Futuris thus concluded the month with a significant net long exposure. The portfolio managers reasoned that when many stocks fell by 20 per cent due to the unexpected catastrophes in Japan, without material changes to earnings forecasts, risk premiums had increased by more than enough to warrant the described turnaround of the portfolio position.

After the purchases in March, the fund’s largest exposures, sector-wise, are long futures, Oil & Oil services, Capital Goods, Financials and Basic Resources. The fund’s gross exposure has increased to somewhat over 100 per cent.

Hedging instruments showed the largest gains for Futuris in March, followed by Capital goods, Basic Industries, Retail and Oil & Oil services. Shipping and Software stocks caused some negligible losses and were the only negative return contributors.

Outlook & Strategy

Even though Futuris took advantage of the buying opportunities that presented themselves in March, it doesn’t necessarily mean the portfolio managers have turned long term optimistic on the economy and stock markets. The investment decisions in March had less to do with conviction in a positive future and more with realizing the widening gap between a sudden surge in fear and risk aversion on the one hand and the absence of changes in profit expectations on the other.

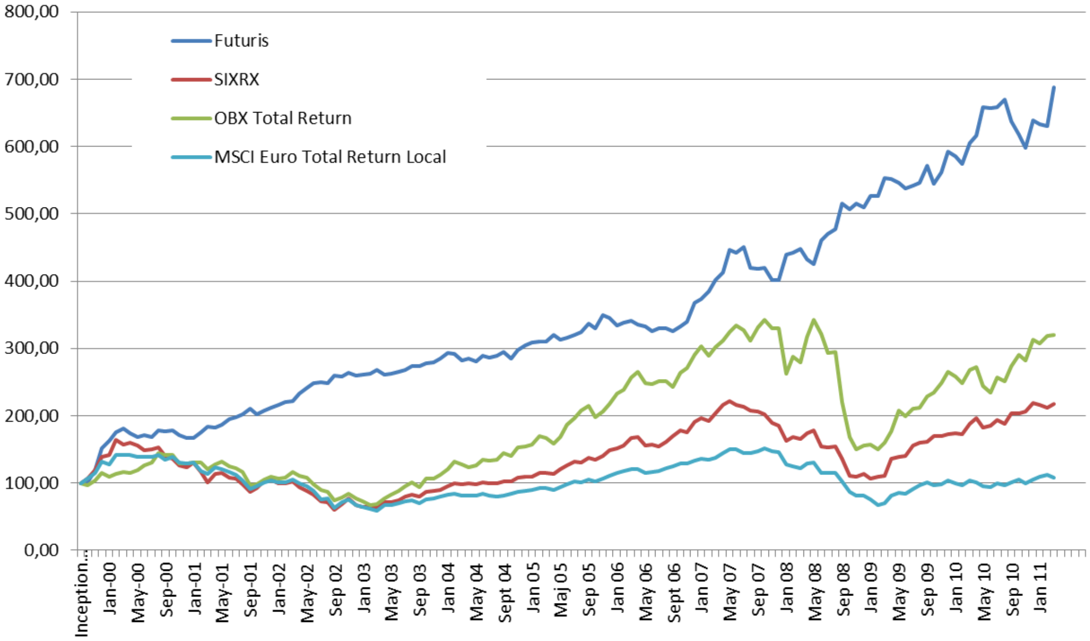
To be clear, there are mountainous challenges ahead for debt laden countries as well as for the debt investors. As we move closer to the end of the debt supercycle, the binary dichotomy between deflation and overheating, and authorities’ attempts to counter both aspects of the endgame, will become more and more pronounced. Economic growth, stimulus measures, earnings forecasts and valuations alike will become increasingly uncertain and volatile. In light of this, stock markets are likely to turn even more technical, psychological and jumpy, i.e. anything but rational and stable.

Presently that scenario may seem distant but the portfolio managers keep monitoring developments in that direction vigilantly. Near-term, the biggest challenge for stock markets will probably be the US Fed’s June exit from quantitative easing. In addition, geopolitical tension and surging oil prices could also threaten to derail markets. The mentioned obstacles are, however, well known and the Futuris fund is currently opportunistically long, based on e.g. reasonable valuations, stronger employment numbers and a positive earnings outlook.

Other information

This is the first quarter-end comment by Futuris that is not a “Quarterly Report”. As stated in the two previous monthly comments, the March, June, September and December reports will henceforth focus on the month’s developments rather than the entire quarter’s performance.

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 April 2010

Karl-Mikael Syding
Managing Director