



## FUTURIS – DECEMBER 2011

Last month Futuris increased in value by 0.45 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
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
December	0.45	0.01	-0.42	1.11	1.01	0.59
Q4	4.50	0.03	6.28	8.49	10.74	7.79
YTD	-0.42	0.55	-13.73	-13.51	-10.69	-5.49
Since Inception	536.52	35.06	-9.80	88.96	179.53	7.57

<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.

## Markets

Equity market volatility fell markedly in December compared to the preceding four months and European stocks fell only marginally in the month. Due to losses on the final trading day of the year, when equities rallied, Futuris just broke its streak of consecutive positive yearly returns since inception.

The best performing sectors in Europe in December were Healthcare, Food & Beverages and Oil & Gas. The worst performing sectors were Autos and Technology.

The euro continued to lose ground against the USD, dropping some 4 per cent in December as the EU fiscal compact agreement on December 9 and ECB LTRO measures failed to garner confidence among investors that the euro crisis is abating.

Citigroup's European and U.S. macroeconomic surprise indices improved in December. The US index, however peaked already on December 2 at 85.7, its third highest point since the series started (the other highs occurred on December 2003 and March 2011). It currently (6 January) stands at 91.9, rising by 28 points in two days. Some of the stronger macro-related data points in the month included consumer confidence, jobless claims, US housing data, ZEW and IFO. The gold price fell by 10 per cent in December, this time perhaps reflecting a *risk off* attitude and a correction rather than the more typical *gold-down-risk-on* trade. The VIX index meanwhile has fallen by a sixth to 23.4, reflecting lower volatility and reduced anxiety about systemic risks in Europe; *risk-on*, that is.

## Investment activities & result

The Futuris fund is still significantly net short, actually to a somewhat higher degree than a month ago. The gross exposure, however, more cautiously is below 100 per cent.

The portfolio composition is little changed from last month; the largest sector exposures are short Capital Goods and long Software. The portfolio, however, is dominated by large short positions in futures on the Euro Stoxx 50 and S&P 500 indices.

Capital Goods shares, index futures and Retail sector holdings contributed the most to the positive return in December. No sector exhibited any significant losses.

## Outlook & Strategy

Ahead of 2012, Futuris' portfolio managers have positioned the fund considerably net short, albeit with limited gross exposure, relatively small single stock positions and very high liquidity. The market seems to expect flat growth in Europe in 2012, or possibly a mild recession. US investors are decidedly more positive, hoping for real GDP growth of a couple of per cent. Earnings-wise, some sell-side firms have downgraded expectations to fall by a tenth in 2012, whereas the average forecast still is for 5-10 per cent profit growth.

Futuris' managers think that the consensus view of GDP growth and profits is too positive and that profit downgrades as well as tensions and imbalances due to untried monetary policies, historically high deficits and debt burdens, austerity programs and large and urgent refinancing needs are likely to push stock prices significantly lower during 2012. In addition, given the unusually large economic imbalances and unprecedented monetary and fiscal measures, both the economy and the stock market are vulnerable to exogenous shocks and negative surprises.

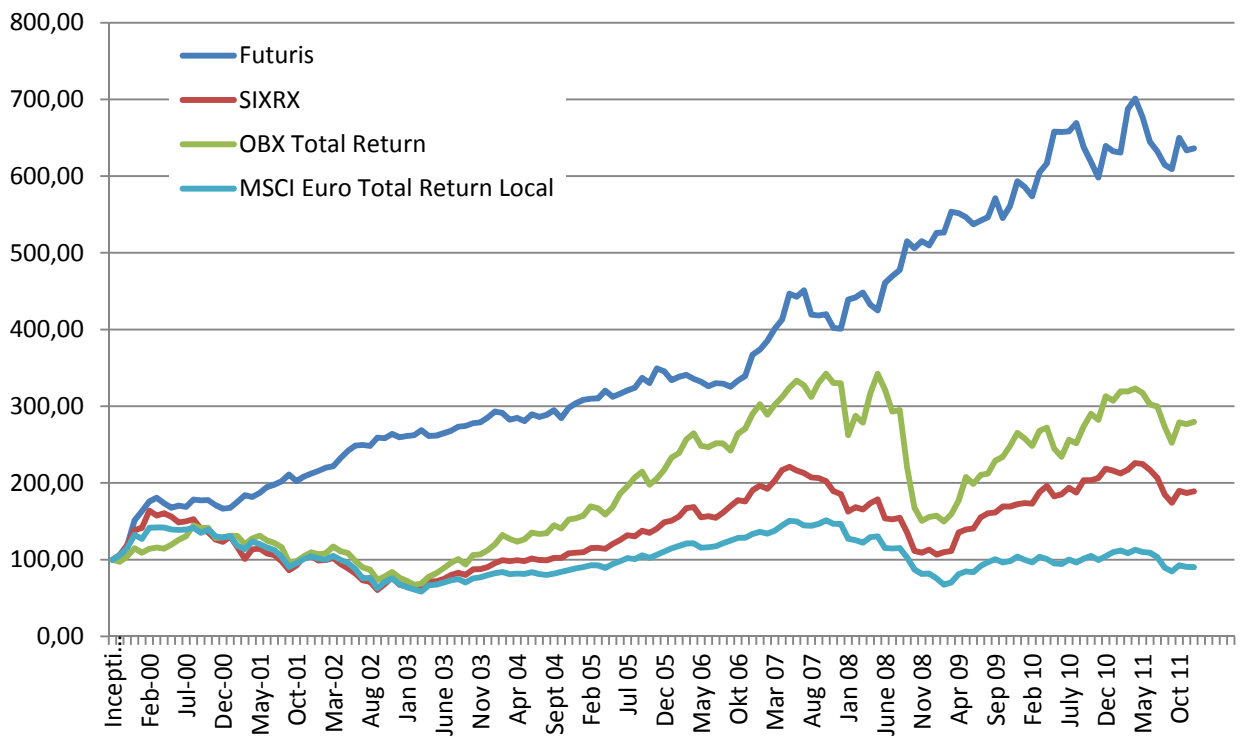
The Euro Stoxx 50 index closing price for 2011 is its lowest yearly close since 1996 and less than half the level of December 31, 1999, as well as down by a quarter since its 2011 high in February.

Some would argue that the poor performance *per se* is reason enough to propel the stock market upward. The Japanese Nikkei index, however, is a case in point. Its closing price for 2011 is the index's lowest yearly closing since 1982 and less than a quarter of its level on December 29, 1989. Thus, from a historical perspective there is ample room on the downside. Others claim that low valuations, not least relative other asset classes, could underpin stocks over the coming year. We fear that negative forecast momentum, increasing uncertainty and risk aversion will reveal that valuations de facto are not so low and could blind-side more positively inclined investors.

In our view, the euro crisis shows no signs of coming to an end, despite the recent experiment with cheap long term ECB financing and hopes for the EU *fiscal compact* agreement and EFSF/ESM crisis funds. Some pundits claim that all the bad news on Europe is already out. Our view is on the contrary that most of the *good* news is out too, including mentioned pact, funds and growth hopes for 2012.

The deciding factors for 2012 are how low growth will go and how much money (and when) will be printed to counter the weakness. Futuris is positioned for disappointments on growth, on EU leaders and ECB resolve and for imbalances exacerbating negative surprises rather than positive.

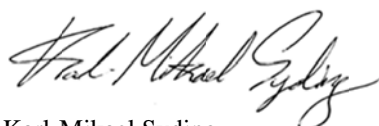
Performance chart from October 1999, Futuris [EUR] compared to Swedish (SIX Total Return [SEK]), Norwegian (OBX TR [NOK]) and European (MSCI TR [EUR]) indices



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

Sincerely yours,

Stockholm, 6 January 2012

A handwritten signature in black ink, reading "Karl-Mikael Syding". The signature is written in a cursive, flowing style.

Karl-Mikael Syding  
*Managing Director*