



FUTURIS - JANUARY 2012

Last month Futuris decreased in value by 2.75 per cent after fees. The 3-month German T-bill returned a negative -0.01 per cent during the same period. Futuris has, however, elected to use a zero per cent hurdle for the month of January.

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	-2.75	-0.01	5.06	5.83	2.34	4.33
Q1	-2.75	-0.01	5.06	5.83	2.34	4.33
YTD	-2.75	-0.01	5.06	5.83	2.34	4.33
Since Inception	519.04	35.04	-5.24	99.96	186.05	12.22

Markets

European stock markets increased by 5 per cent in January, continuing their strong rally that began in mid-December. Since Futuris stayed significantly net short throughout the month, the fund lost 2.75 per cent.

Autos, Basic Resources, Insurance and Banks indices exhibited double digit gains, while the Retail, Telecom, Healthcare, Food & Beverages and Utilities sectors showed negative numbers in the month. Geographically, the German DAX and US Nasdaq indices lead the pack, while UK and Norway lagged behind.

The US 10-year bond yield fell below 1.80 per cent, which is the lowest level ever (except for in September and October last year). The move and level could be interpreted as a symptom of very low growth prospects for the US economy. That view is corroborated by the 61 per cent drop in the Baltic Dry (shipping rates) index in January and a new 10 year low in the Case/Shiller house price index. The gold price marched upward, all but recovering its 10 per cent fall in December. It is signaling a general worry regarding the state of the economy, as well as being a comment on extreme monetary easing in the US and Europe.

On the other hand, the copper price (an indicator of economic growth) increased by a tenth and the VIX and VDAX (volatility and "market fear" gauges) fell by 17 per cent and 21 per cent respectively. The low daily return standard deviation of 19 per cent for the Euro Stoxx 50 index

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.

marked an abrupt break from the last six months' elevated level of 34-48 per cent, despite a stream of negative data points, not least regarding the ongoing euro crisis.

In light of weak and weakening economic indicators, Futuris' managers find it difficult to interpret the recent stock market rally as anything else but a temporary spasm, driven by positioning and unusually low volumes (the number of stocks traded per day on the US NYSE is down by 26 per cent compared to January 2011).

Investment activities & result

The fund's net negative exposure has been increased somewhat during January. The gross exposure is, however, still below 100 per cent.

The sector changes have been limited; more shorts in Capital Goods and reduced Software holdings. However, in order to take advantage of the low implied volatility and market complacency, the managers have replaced sold Euro Stoxx 50 futures by puts on the same index. That change also means that we have introduced an element of automatic risk reduction, albeit at a cost, should the stock markets continue their upward move.

The largest sector exposures at the end of month were short Capital Goods and Financials and long Consumer, Oil & Oil services and Shipping stocks.

Several sectors contributed meaningfully to the month's return: Oil & Oil services, Shipping, Consumer and Software, but Capital Goods shorts and index puts and sold index futures nevertheless pulled the performance deep down into the red.

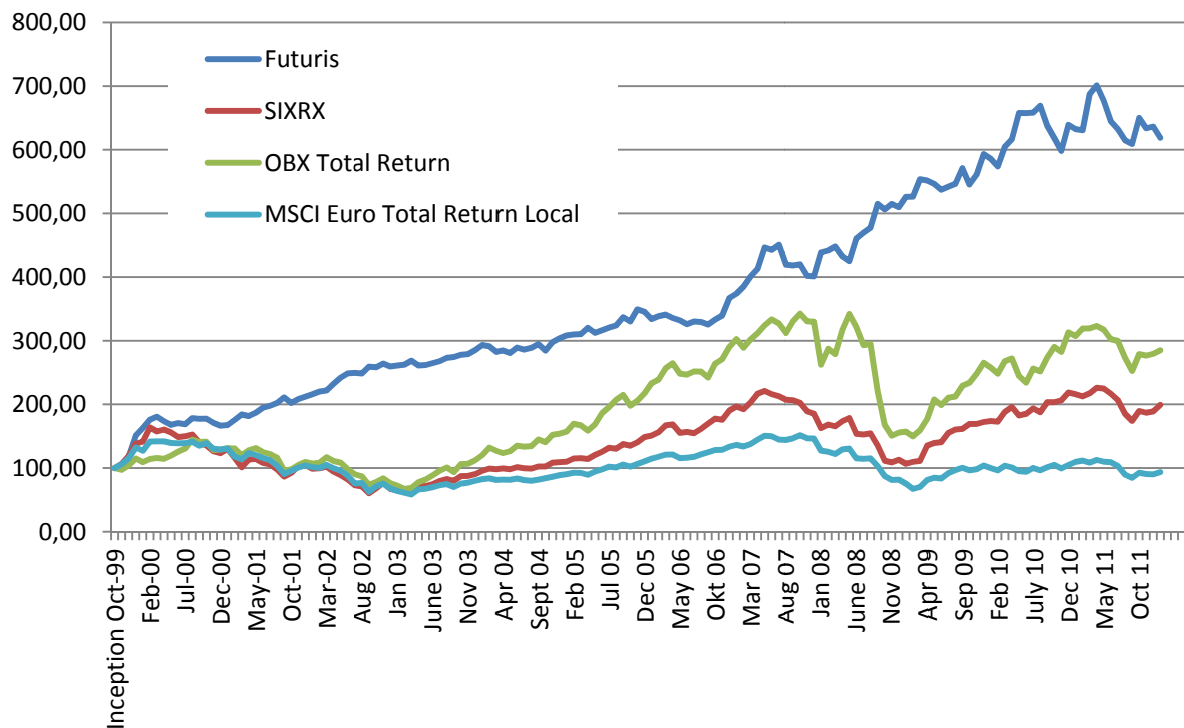
Outlook & Strategy

By the end of January, the US economy showed fatigue in the form of a fourth quarter GDP number of only 0.9 per cent real annualized growth (excluding inventory build) and weaker Chicago PMI and consumer confidence numbers than expected. These readings contributed to the drop in Citigroup's economic surprise index by 39 points (43 per cent) from its high on January 6.

In Europe, Portugal's and Greece's bond yields set new record highs in the final days of January, as any resolution to the euro crisis has repeatedly been postponed and S&P downgraded the sovereign debt of 9 European countries. Despite extreme fiscal and monetary stimulus in 2011, earnings for the fourth quarter have disappointed. When, e.g., accelerated depreciation schemes in the US are phased out and austerity in Europe starts biting, Futuris' managers expect growth and earnings forecasts to be revised downward, dragging stock prices with them in the wake.

The recently low volatility and VIX measures indicate that investors would be taken by surprise by such a development, thus making the current opportunity to be net short unusually attractive. Futuris is accordingly significantly net short, actually the most net short the fund has ever been.

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 February 2012

Karl-Mikael Syding
Managing Director