



Etsior Monthly Opinion

15 June 2007 – Sustainable Growth

Etsior selects strategies and funds that can bring an edge in asset allocation and portfolio construction.

Etsior focuses on funds that

- Have an original strategy or approach
- Bring a real diversification
- Offer a good performance coupled with an acceptable risk
- Emerge from a strong idea, a forceful manager's personality or both

Etsior connects Fund Managers (Single Hedge Funds, Funds of Funds managers, Private Equity as well as Long only Funds) with Institutional Investors. Well introduced in the Geneva area, we are focused on an unparalleled level of service.

Through our website, Etsior offers an easy access to reliable, up to date and accurate information on the funds we introduce as well as on third party funds.

Our selection is always put in the macro-economical perspective to exploit the short to medium market trends.

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For those aging baby boomers like me who have survived economical cycles every 10 years since the 80's, we ask ourselves if the extraordinary times we are living will continue or not.

Just a few memories: in the late 80's, after the inflation had been defeated (the first credit I secured to finance my house was at a 16.75% rate...), the economy was extraordinary good until the 1st Gulf war sparked a recession. It took until 1997 to start recovering. Then came the tech bubble, the IPO fever, year 2000, the collapse of the bourses. Basically we had to wait until 2005 before the economy picked up again and we are now in this growth phase, fuelled by the emerging countries economies.

Are we at the end of this cycle or ready for a sustainable growth during the next years or so?

Let's take in consideration a few facts:

- The emerging countries expansion does not show any sign of slowing down in the next years. This translates in many ways:
 - The upcoming of a strong consumer class: 200 to 300 millions people who get a reasonable income in China and the same in India, even if they are low compared to our western standards, involve the retail, leisure and entertainment sectors in these countries will be increasing.
 - Infrastructure spending: needs for infrastructure improvements are huge all over the world. It means roads, ports, airports, electricity supply, clean water and sanitation, communication and transport. That corresponds to the ongoing urbanization trend. Money is available, as these countries have large cash surpluses and funding is accessible through institutions like the World Bank.
 - All this will translate into commodities; prices will continue to raise for metals, cement and other raw materials
- Infrastructure investments are long term ones spreading over 10 years plus periods of time. Western economies will benefit from these investments. The businesses that have the technology for these projects or that are able to provide the equipment to build the infrastructure are and will be the main beneficiaries. There will be huge investments in the leisure and service sectors, first in these countries (see Macao) then in our developed countries thanks to the surge of tourism originating from these countries. Signs in Russian and Mandarin will become more and more evident in our touristic places and people able to speak the languages of the new visitors will be demanded.
- Emerging countries, on top of the satisfaction of their own consumers, will remain the factories of the world. This means that imported products prices will stay low in the developed countries, helping to keep inflation at reasonable levels. We will see interest rates hikes, even on the US dollar in the next months. This is the role of the Central banks to make sure inflation is controlled. But in my view, this will not hinder the economy or the stock exchanges considering the level of liquidities in the market.

We keep at the disposal of our readers to gladly share our ideas in terms of investments to benefit from these trends.

We care for you.

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