

## WHAT WERE THEY SMOKING?

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 term market trends.

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This was the cover page of Fortune Magazine a few weeks ago, wondering how the top executives of some of the most prestigious financial institutions get caught in the subprime mess.

The recent move of the central banks shows a few things:

- The situation is probably more serious than anticipated: the banks do not trust each other and are less and less prepared to lend money to the other banks. The central banks have to replace the individual institutions in the lending process, just to keep the financial institutions afloat. Not doing it would accelerate the default of some of these big financial institutions. One can argue the system needs some sanctions and some institutions have to disappear, but you know when it starts; you do not know when it ends.
- The situation is such that the central banks won't reveal the names of the banks bidding for the funds, just not to contribute to the difficult situation and expose the borrowers.
- The central banks will not add extra liquidity to the market: they will lend money against a wide range of collaterals which are no longer accepted by individual institutions from their fellow borrowers.
- The concerted efforts of the central banks show the global spread of the crisis and outline the confidence crisis within banks and the central banks do not want the crisis getting worse.
- This is a tacit admission by the Federal Reserve that lowering the federal funds rate, as was done early this week, hasn't accomplished enough to unclog credit markets that have frozen in fear over subprime mortgages and other securities that have been badly mispriced.
- The central banks have a dilemma we already expressed last month: there is a high risk of inflation which in normal times would have triggered a rise in interest rates. The Fed and the Bank of England have lowered their rates; the European Central Bank (ECB) has kept them unchanged. As they cannot lower these rates more, they have decided to flow the market with liquidities, which should, if everything goes well, be enough to re-install trust.
- To get back to this Monthly Opinion title, injecting vast amounts of liquidity ends up validating the institutions which have systematically taken on big risks. This will solve the immediate liquidity issue but will only be valid on the longer term if stringent regulations of financial institutions are implemented.

And for allocations we stand on what we already stated: uncorrelated, low volatility strategies yielding decent performances and exposition to emerging markets with a bias for Russia/CIS and Brazil.

***We care for you.***

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