



ETSIOR MONTHLY OPINION - 15 JANUARY 2008

HOW DID WE DO IN 2007 AND 2008 OUTLOOK

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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2007 second half has been bumpy, and it is interesting to see how the funds we introduce to our professional investors did perform. Overall 2007 has been a good year.

The following funds performed quite well:

The **American Pegasus Auto Loan Fund**, which invests in subprime auto loan financing. Contrary to what a lot of people thought, the business model of this fund made it grow very nicely through the subprime crisis. It will end up 2007 with a performance around 15%. The business model of this fund is far away from the subprime mortgages. The loans are granted only to carefully selected borrowers, though subprime. The interest rates are fixed and the rents known in advance. The duration is around 3-4 years. There is no securitization. The default rate remained very stable under 8%. This fund offers at the same time good performances, low volatility (< 2%) and no correlation to markets.

The **Health Alpha**, managed by Romain Pasche, fund finishes the year with a 21.73% performance, a negative correlation to the equity and pharmaceutical equity markets, volatility around 8%. This market neutral fund, investing in pharmaceutical and bio-tech pair trading, improved its implementation model which now yields what the manager, and the investors, expects.

The **INTL Consilium Convertible Arbitrage** fund, managed by Rory Passey, performed on very nicely and according to the manager's objectives: by the end of November, the fund was up 10.57% YTD in € and 1.78% volatility.

The **Swiss Asia Global Energy and Mining Fund** managed by Juerg Kiener and investing in precious metals and mines finished the year up 16.57%.

The **ACP China Property Fund**, investing only in commercial existing properties in China, was up YTD 19.01% in November and is benefitting from the Chinese booming commercial properties market in first and second tier Chinese cities.

The **Solid Rock** fund of funds was up 7.79% YTD in November, with a low volatility of 3.72% and also a very low correlation with the equity markets.

Finally the **Van Arbor Canadian Advantage** fund finished the year up 6.6% in CAN\$. This fund is a long only fund investing in a much disciplined way in Canadian stocks.

The **Aegis Special Opportunity Fund**, investing in growth Asian small and mid caps finished 2007 down 9.48%. 2 reasons for this counter performance: Small and mid caps have been severely hurt on world bourses and the market has not yet recognized the value of some core holdings, valued at very low PE. We keep all our confidence to S. Hock Tan, the manager of this fund. It was expected that the volatility of this fund would be high, and our investors are well aware of it. This fund will recover, and as it did in the past, quickly and strongly. It is a "buy" opportunity.

The **Eden Rock Structured Finance Fund (ERSFF)**, having never had a down month since its inception, was to some degree impacted by the credit and liquidity crisis during the second half of 2007. Although the 75% of the portfolio that is allocated to pure asset based lending funds

continued to perform robustly each month, the 25% of the portfolio that is allocated to strategies that are subject to mark to market pricing suffered some drawdown, despite there being no deterioration in the quality of the underlying assets and no material increase in default rates. Given the increase in volatility in this part of the portfolio, the Manager has instigated a number of portfolio changes. Over the coming months there will be a continued reduction in the mark to market portion of the portfolio with a target of 15% by the middle of the year. These changes, combined with conservative valuations and the increased opportunity set for managers should result in more stable positive performance in 2008. The highly diversified nature of the portfolio, the focus on shorter dated collateral backed transactions and low leverage applied at the manager level means that the portfolio is well positioned to perform in a worsening macro economic environment. In response to recent market conditions as well as investor demand, Eden Rock has launched a dedicated asset based lending fund that is 100% allocated to direct lending managers. *The Eden Rock Asset Based Lending Fund (ERABLF)* is comprised of the 24 pure ABL funds to which ERSFF is currently allocated that Eden Rock has the most conviction in. The Fund is unleveraged, offered in multi currency classes and subject to quarterly redemptions. This fund is expected to be the least volatile offering from the firm going forwards.

You can find all the details and latest monthly reports on our **new web site** www.etsior.com

What is our outlook for 2008?

We believe our policy of introducing good performances, low volatility, low correlation funds will be again successful, in overall market conditions that can be difficult. The American Pegasus Auto Loan, the Health Alpha, the INTL Consilium funds as well as the Solid Rock and Eden Rock Structured Finance fund of funds will be natural choices to go through this period full of uncertainties.

The Swiss Asia GEM fund will allow us to play the precious metals (gold, silver and platinum) and to counter a falling US dollar.

We believe the ACP China Property fund will continue to let us benefit from the Chinese expansion and that the Aegis Special Opportunities Fund will finally recover from this market non-reconnaissance of small and mid caps. The Van Arbor Advantage Canadian fund will offer a good exposure to the Canadian market.

Besides these funds, we believe it is important to be invested in Private Equity. We start introducing the V-Partners III third Private Equity fund from the Israeli firm Viola (previously known under the Dovrat name). This company has provided continuously good performances to its investors by investing in Israeli companies, but also in its own finance and secondary funds. It is a very good way to play technology, exposure to the very dynamic Israeli technology market and market diversification with exceptional partners. The Cypress Last Stage Venture II fund should show its first liquidity events soon and we believe there is a great potential in the China Leisure and Entertainment fund.

We will also start introducing very soon a Russia and Former Soviet Union Fund of Hedge Funds, aimed to offer participation to this fast growing market.

We enter in 2008 with confidence and wish you a healthy and superb year.

We care for you.

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