

## And if recovery came sooner than expected?

All assessments that you can hear nowadays about the economic situation are quite negative. Just to list a few: US GDP growth contraction during all 2009, housing market in the US being far from having reached its bottom, US monthly new job losses averaging 400 000, and the unemployment rate picking up to 9%; credit very difficult to get, even for prime borrowers, a downside dollar risk and high inflation when the economy recovers. In the mean time, the stock market will show no real sign of recovery and China will experience a hard landing with a growth limited to 5%.

Now let's take a slightly contrarian scenario: the support plans launched by most of the industrialized countries will begin to show some effect starting 2009 Q3 *and the recovery will come sooner and be stronger than anticipated*. What can be the consequences?

- A bond bubble on the verge to burst out. Today government bonds have a very low yield. The 10 years US T-bill yield is around 2.2%. Some shorter term bonds even yield negative rate. But Germany had difficulty to place its last emission. It is quite possible that buyers will anticipate a recovery and switch to the equity market. Yield will then have to rise and price will go down. All people having tried to hide within bonds will have to sell quickly, pushing yields even higher.
- Inflation, which is currently very low, will pick-up, probably in 2010
- Dollar will fall against the other currencies
- Commodity prices will take the fast lift up again

So let's assume this scenario, which is not less or more likely than the extremely pessimistic one.

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.

Once you have put some of your assets in gold and the rest in cash, the first move will be to stay clear from bonds, specifically the low yield ones.

I am very attracted by Private Equity. Private Equity offers the advantage of a long term investment, not submitted to market pricing, but to the actual cycle of the companies and to the quality of their management and business model. Currently, the IPO market is completely frozen, which delays the exits from current deals but *makes new deals incredibly attractive*. We believe the Etsior PE partners are perfectly well positioned in terms of expertise, talent, strategies and focus to take advantage of current low prices and opportunities and that they will be very successful when the economy gets back to normal.

Though talking about *hedge funds* in these days may seem hazardous, we believe seasoned, cautious managers, with the paramount concern of preserving the capital of their investors, do offer a very good choice.

We see our clients having huge amounts of liquidity, massively investing in bonds with the bubble risk we just talked about. At some time they will have to make decisions. Before going back to hedge funds, they will demand *full transparency, coherence and liquidity*. They are suspicious. They want to fully understand the strategies. They want to be able to check the deal implementation for the underlying strategy, directly with the prime broker if necessary. They want the better possible liquidity, but *in accordance with underlying liquidity terms*; they are even ready to pay a premium for an extra liquidity.

Within the Etsior universe we favor our funds in the following strategies: convertible bonds (positive in 2008 when the overall strategy performed badly), market neutral, distressed credit, specific ABL strategies, and managed future. There is no human adventure without risk, even street crossing. And a well understood, limited risk is always worth being taken.

### ***We care for you !***

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