

Close to Bottom

A few positive signs may let us hint we are getting closer to the bottom and that investors will get some confidence allowing them to get back to the markets. Among these signs, the Baltic Index, which had dramatically fallen by the end of 2008, has nearly tripled by now, though far away from its May 2008 peak. This index is interesting as it represents the demand for sea freight, especially for raw material and commodities. It is a sort of advance signal. The de-levering process is being completed. This does not mean all leverage has been paid back, but or losses, generally huge, have been taken or decision has been made to remove and pay back leverage. This means the situation is sounder, at least on this front. At the same time, all investors who had to write off a good part of their assets have done it. Together with those who had anticipated this crisis, they are now mainly in cash. This situation cannot last forever. There will be a moment we believe is not very far from now, when people will no longer be satisfied of the yields they are getting from the money market and will prefer to look for more productive investments, anticipating a recovery.

This does not mean this recovery is for tomorrow morning, especially in the “real economy”. The world economy is facing extreme challenges. The American banking system is more or less insolvent and this is not certain that the 787 B\$ stimulus package passed this week end will be the ultimate solution. This plan is bringing liquidity to the markets but recapitalization of the banking system must be completed. It can be a government one implying the rescue of the creditor’s financial distress and at least a temporary nationalization. It can take the form of separating the bad debt in a special vehicle, a debt-for equity-swap triggering higher interest rates and a decrease in value of the bond markets. But this recapitalization must be completed to fully restore confidence. The real economy is hurting: air transport for instance is suffering a 20% drop of passengers, investment decisions are postponed, unemployment is raising dramatically generating more loan defaults and destroying consumers’ confidence and pushing them to less consumption and for those who can, to rebuilding their savings. So the road will be bumpy but this is not the end of the world; we have to think of tomorrow and prepare when the recovery comes.

At Etsior, this is what we have decided to do by adding new funds to our portfolio, and confirming our confidence to the ones that have gone through the 2008 test year more or less harmless. The funds we are adding have in common to be rather liquid, to offer a lot of transparency, having proven a capacity of generating uncorrelated performances in the worst year we have lived since the 30’s; they are managing their risk and are well positioned, generally thanks to a niche strategy, to face any market situation. The strategies we are currently adding are Managed Futures and Global macro based on behavior. We are also contemplating other funds in the energy universe.

When selecting a fund, we consider the quality of the management and its ability to preserve the investor’s capital as paramount.

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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 fund:

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



Michel Benveniste
Tel. +41 79 792 3667
mbe@etsior.com

ETSIOR Sarl
112 Route de Florissant
1206 Geneva (Switzerland)
www.etsior.com