

## Etsior Monthly Opinion 15 July 2009 - Preparing for good days

About 20 years ago, as I was living in the Silicon Valley, I was always amazed to listen each day to the commentaries and authorized advises of the stock analysts while driving back home. Was the market up half a percent? We were ready for a long lasting rally. Was the market down a few dozen basis points? It was the beginning of a severe bear market. And day after day, depending of the variation of the stock exchange, we had supposed brilliant people forecasting the market. The reality was simple: they just had no idea, but had to comment the daily stock variations.

These days, this is a little bit what I resented again. We went from the green shoots, which actually turned out not very green but yellowish. After the hopes, consequence of a very strong spring rally, people started to be depressed. Employment was catastrophic, housing market very bad, China unable to sparkle its economy and oil jumping to unexpected highs to retrace as quickly.

Then Goldman Sachs, just as Zoro, came and the sky was blue again, confirmed by Intel, manufacturing data showing a slowing decrease of the economy; credit card default was not as bad as expected. And this until next time.

If we look at how people behave today in the markets, we find people who have been hurt and have lost a good chunk of their assets. These people finally have sold their positions, often with a loss, and are looking at the market just petrified. They are and remain in cash, maybe in gold, afraid of the ineluctable evolution of the dollar. Most of these people will wait until the market has rallied up to come back and buy.

We have a different approach and we have restructured our offer according to a few common sense principles, which are:

- Experienced management team, having proven their ability to protect the capital of their investors even in the worst conditions of 2008. This is particularly the case of the Consilium Convertible Arbitrage fund. In 2008, this strategy had an average loss of -53%. In the meantime, the Consilium fund managed to make a positive +2% performance. The strategy may do better than Consilium in the current markets. But performances should be steady for Consilium in the low teens, with a limited volatility. The MMT Energy people are just experts in energy trading and the OPVS funds management, highly experienced in Asian credit, has structured their company support a big growth.
- Liquidity of the underlying must match the fund liquidity: I am only

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.



comfortable with a fund offering a liquidity that matches the underlyings. I am comfortable with private equity funds and liquidity, as I know that the terms of the funds match the liquidity of the investments. Both the Viola Partners III fund investing in Israeli vibrant companies and the Cardinal Growth II investing in small and mid caps in USA, and benefiting from the Small Business Act financing, represent excellent opportunities for a medium term investment (5 to 7 years). On the other hand, both the Consilium and MMT Energy funds can liquidate their holdings very quickly, allowing them to honor their liquidity terms. As a matter of fact none of these funds had any restriction, lock-ups, suspension, side pockets in 2008.

- And of course, performances, realistic and steady, because this is what people are looking for when they accept to invest in a non listed vehicle.

In other words, we have selected instruments to help go investors through the current circumstances, whatever the form of the recovery (U,V,W,L...) and that offer a good alternative to cash and produce a reasonable uncorrelated performance.

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

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