FUTURE

THE SUPERFUND MAGAZINE, DECEMBER 2011

THE FUTURE OF INVESTING

Pioneers of investing

Three renowned figures who each brought groundbreaking changes to the financial world: Charles Merrill, who brought stock investing to the common man; Ed Johnson, who popularized investment funds; and Christian Baha, who in more recent years for the first time made hedge funds as well as gold-denominated funds broadly accessible to the investing public.

Gold

Albert Cheng, managing director of the World Gold Council, shares his thoughts on why he still sees significant future upside potential for gold.

15 Years of Superfund

In a grand celebration of the investment group's 15th anniversary, some 400 invited investors joined Christian Baha in Vienna at the third annual Superfund Investors Day.

Transformers 3

Christian Baha is once again making a Hollywood appearance, this time alongside Shia LaBeouf in the third Transformers blockbuster *Dark of the Moon*.

FUTURE in 60 Seconds

THE PIONEERS OF INVESTING

10

Just as Charles Merrill had the idea of bringing stock investing to retail investors and Edward C. Johnson made his great breakthrough in popularizing fund investing, Christian Baha had the revolutionary idea in the mid-nineties of making investments in managed futures funds accessible even to private investors, thus offering a new alternative to diversify their investment portfolios and reduce dependence on the ups and downs of the stock market. More recently, Baha brought the gold standard back into the financial world with the introduction in 2005 of the Superfund Gold funds. And to top it all off, he has introduced Superfund Blue, a fully systematic strategy available to private investors which provides steadier ongoing returns with minimal market volatility – just as Alfred Winslow Jones, the investor of the modern hedge fund, would have wanted.

Article on page 10

Contents

15 YEARS OF SUPERFUND

6

March 8, 1996, marked a day which would, with hindsight, turn out to be a turning point in investing history. This was the day that Quadriga AG, the first managed futures fund designed for, and accessible to, private investors would begin trading. When Christian Baha founded Quadriga in 1995 with the idea of bringing hedge funds to the private investor, little did he know that it would become the phenomenal success story known as Superfund. 15 years later, with offices spanning the USA, Europe and Asia, Superfund can look back upon an eventful history. Join us as we take a look at 15 years of Superfund.

* Please note the additional information on page 8.

Article on page 6

ON A STATE VISIT WITH THE PRESIDENT OF AUSTRIA

32

Superfund was honored to be part of a recent Austrian delegation to the Russian Federation, joining Austrian President Dr. Heinz Fischer on an official state visit not only to Moscow but also to Kazan, the capital of Tatarstan, a small Russian republic which has eagerly embraced reform. As part of this high-level official delegation, Superfund was able to establish valuable new contacts within the Russian government, which has set the goal of making Moscow a major financial center within the next 15 years. Read more about this trip – and about why it makes sense to get into this vast market early.

Article on page 32

THE GOOD GUYS ALWAYS WIN IN THE END 28

The hard work of filming *Transformers: Dark of the Moon*, the third part of the hugely successful Transformers series, took place in 2010 in locations including Florida, Moscow, Los Angeles and Chicago. Alongside Shia LaBeouf in the leading role, this third installment features Rosie Huntington-Whiteley, Patrick Dempsey, John Malkovich – and once again making a Hollywood appearance, our very own Christian Baha.

Article on page 28

THE CASE FOR GOLD 16

In this exclusive interview with FUTURE magazine, Albert Cheng of the World Gold Council talks about the current price of gold, about the various factors which influence its market price, and why he personally believes that gold is still too cheap.

Article on page 16

INFLATION 20

Central banks are flooding the markets with unprecedented amounts of cash. In the U.S., they're calling this "quantitative easing," which certainly sounds much nicer than "printing money." But the inevitable consequences are just the same: economic ruin for many, and great hardship for those in society who can least afford it. What can individual investors do to protect themselves?

Article on page 20

Christian Baha
founder and owner
of Superfund

RECOGNIZING THE SIGNS OF THE TIMES – AND ACTING ON THEM

The third annual Superfund Investors Day was an opportunity to celebrate, together with some 400 Superfund investors, a very special occasion: the 15th anniversary of Superfund. A great deal has happened since Superfund Q-AG (closed fund) opened for trading on March 8, 1996. And among those first Superfund investors, how many dared to dream that they would earn a net return after fees of more than 560 percent over the next 15 years, compared to just 62 percent in the stock market (MSCI World equity index).* This record of success is based upon the proprietary Superfund trading systems, a never-ending effort as these are relentlessly improved and taken a step further – as for example in July 2010, when we built on our managed futures trend-following strategy to implement a new short-term trading strategy.

As I have been underscoring in interviews and articles since 2003, the warning signs of inflation are plain to see: Major governments have been trying to paper over their skyrocketing budget deficits by issuing bonds and printing money on a massive scale. Bankrupt institutions and even entire countries are being bailed out with taxpayer money, without the consent of the taxpayers. In the feature article starting on page 20, you will read more about just how alarming the situation really is. As with all dramatic economic developments, the key is not only to recognize the signs of the times but to act on them.

Starting in the year 2000, I began to search for alternatives to paper currencies in the investment context. These are the same deep concerns that have been prompting me since 2003 to buy physical holdings of gold and silver, and in 2005 to launch the world's first gold-denominated fund, which since 2007 has been open to investors. Back then, when I used to get funny looks, I held true to my convictions – and the huge rise in the price of gold since then has proved me right. It was U.S. President Nixon who put an end to the gold standard in 1973 – and with Superfund Gold, I have brought it back, at least to the investing world. Read more about the case for gold and gold-denominated funds – starting on page 16.

We hope you enjoy this issue of the FUTURE magazine.

SUPERFUND *Investors Day 2011*

The third annual Superfund Investors Day was held on March 19, this time in the Aula der Wissenschaften, or "Hall of Sciences," a beautiful and newly renovated baroque edifice with a rich history located right in the heart of Vienna. Some 400 investors joined together to celebrate the occasion and to take the opportunity to personally ask their questions to Superfund's Christian Baha und Christian Halper.

And a very special occasion it was, with Superfund celebrating its 15th anniversary. With so many milestones to look back on, it seemed fitting to begin the day's program with a specially created film retrospective. After this visual trip back through time, Christian Baha and Christian Halper kicked off the program by welcoming the many guests.

CHRISTIAN HALPER TO REMAIN AS PERSONAL CONSULTANT TO CHRISTIAN BAHA

Superfund co-founder Christian Halper, who as previously announced to the media had stepped down from his daily responsibilities at Superfund, explained the reasons for his decision to sell out his share of the company to Christian Baha. With a superb technical development team in place, Halper recognized that the time had come to hand over the reins to the next generation of developers in order to devote himself entirely to philanthropic projects and new ventures which had long been close to his heart, such as his environmentally oriented Hotel Weissenseerhof in southeastern Austria and a vegetarian restaurant in Vienna. The Superfund R&D unit, which has been significantly strengthened in recent years, consists of various teams, each of which has responsibility for a particular trading area or strategy. Great care is taken to ensure that system development and strategy execution is a true team effort which is never dependent upon one individual. "I am firmly convinced about the team of next-generation system developers which Christian and I have built up over the past few years," noted Halper, whose withdrawal from day-to-day company operations began in 2010 and has since been completed. Mr. Halper, who not only remains one of the largest investors but has recently further increased his investment in Superfund, went on to add, "I will continue investing in Superfund products in the future because I consid-

> "I will continue investing in Superfund products in the future."
>
> Christian Halper

er them one of the best investments one can make, offering the highest possible risk-adjusted returns to investors. In addition, I will be remaining on board as consultant to Christian Baha."

RESTRUCTURING SUCCESSFULLY COMPLETED

Since its announcement at the previous year's Superfund Investors Day, the program of restructuring measures has been implemented according to plan and with considerable success, which has been shared by investors in the form of lower fees.

> "Superfund would not be where it is today without the tremendous efforts of Christian Halper."
>
> Christian Baha

Mr. Halper went on to talk about the expansion of the R&D team, explaining how this would further strengthen the focus on leading-edge system development. The best example of this is the new short-term managed futures strategy. These new short-term systems have already been in use since July 2010 in the Superfund Green funds, where they have positively contributed to performance by better responding to short-term market fluctuations and, more strikingly, correctly reacting to the changed market situation following the financial crisis. Significant investments are also being made in the research and development of next-generation software for trading systems and strategy execution, which should help to further optimize the risk/return profile of all Superfund funds.

SUPERFUND BLUE BEST IN ITS CLASS MEASURED BY 1- AND 3-YEAR PERFORMANCE

Another exciting step forward over the past year was the introduction of the new Superfund Blue market-neutral equity strategy. The Superfund Blue strategy invests at the world's major stock exchanges, fully hedging the individual positions against drops in the overall market. Its objective is to provide consistently positive absolute returns with relatively low volatility. The Superfund Blue SPC Class A (Gold) fund, which combines the Superfund Blue strategy with the benefits of gold, delivered a return of 49% in 2010, a one-year performance which earned it the title of best fund from BarclayHedge, the leading data provider for alternative investments.* Superfund Blue SPC Class A (Gold) likewise took first place in the three-year ranking.

> "I am firmly convinced about our team of next-generation system developers."
>
> Christian Halper

GOLD AND SILVER STILL HOT

The questions of the guests at this year's Investors Day, however, were not confined to the ins and outs of Superfund. There was once again a lot of interest in the personal views of Baha and Halper in the current market situation and where they currently see the best investment opportunities. Since at least 2003, Mr. Baha has been on record again and again expressing his view that gold and silver are the "ultimate currencies." At the last two Investors Days, in 2009 and 2010, he strongly recommended these precious metals. On March 8, 2010, gold was trading at USD 1,025 per ounce; in the year and a half since then, it has even briefly crossed the USD 1,900 mark. And following this same recommendation, silver went up more than twofold, from USD 17.3 an ounce to USD 48. With no end in sight to the massive budget deficits among the major industrial powers, and with central banks continuing to flood the market with unprecedented easy money, Baha noted, gold and silver could continue to enjoy shining prospects for the future. In addition to system-based trading strategies and precious metals, Mr. Baha also recommended investing in real estate, particularly rural land, reflecting that "whether to farm or just to live on, land outside the cities can be a lifesaver in times of extreme crisis."

In closing, Mr. Baha thanked investors for their continued trust in Superfund and, in particular, warmly thanked Mr. Halper, his business partner of many years, without whose creative expertise the development of such a uniquely successful trading system, along with the enormous success enjoyed over the years by Superfund, never would have been possible. ■

* Please note the disclaimer on the back page.

Christian Baha and Christian Halper listen intently as members of the audience ask their questions.

Questions ranged from specific reasons for the strong performance of Superfund in 2010 ...

... to the unique structure and investment characteristics of Superfund Blue ...

... to the personal investment opinions of Christian Baha and Christian Halper, along with their views on the current global economic situation.

March 8, 1996 – the first trading day of Superfund Q-AG (closed fund) – marked the day that Superfund was born. Fifteen years later, the company's anniversary was celebrated in grand style at this year's Superfund Investors Day in a grand and historic Vienna building, with investors singing "Happy Birthday," glasses raised high – and filled, appropriately, with sparkling wine containing real gold flakes.

FULLY AUTOMATIC TRADING SYSTEMS FOR ALL

It was the year 1996. Since the eighties, managed futures funds had become one of the most successful asset classes, but only a few large investors were able to profit from them. With minimum investments typically in the millions, managed futures were the exclusive province of institutional investors. Except for the very rich, individual investors were limited to traditional investments like bank accounts, savings plans, and long-only equity funds. This situation would change dramatically on March 8, 1996, the day that Christian Baha and his business partner Christian Halper launched the first managed futures fund, Quadriga-AG (renamed Superfund Q-AG; closed fund) with the specific aim of finally making this uniquely advantageous asset class available to the broader investing public.

It was an important moment for Christian Baha, who had started this business venture from a tiny apartment in the Floridsdorf district in the north of Vienna with initial capital of just 200,000 schillings, the equivalent of 14,000 euros. "I bought a small brokerage called Austria Broker Service which no longer even had an office," recalls Baha of those early days. So, he rented the cheap, city-owned apartment and turned it into an office. Thanks to this pioneering work to make managed futures funds available to private investors, first in Austria and later around the world, investing in managed futures has since grown enormously in terms of both popularity and awareness.

The beginning, however, was anything but easy. The first year ended with a loss of 10 percent, a far cry from the hoped-for 20-percent returns, and it looked like it might be the beginning of the end. Never-

Glasses were filled with sparkling wine containing real 23-karat gold flakes

Vienna's newly renovated Hall of Sciences

Christian Baha and Christian Halper share the honor of cutting the birthday cake

theless, Christian Baha stuck to his vision and refused to let himself be discouraged.

The trading system was then expanded as well as completely automated – and that's when Superfund began to boom, delivering consistent double-digit gains over the next eight years. From its origins in the Austrian capital of Vienna, it began its long path of international expansion in 1998, when it produced a net return of 62.5%.* Lipper, the renowned mutual fund and hedge fund data service from Thomson Reuters, in turn put Quadriga-AG (closed fund) in first place in its fund rankings, and together with partner banks, guaranteed products were brought to the market. In the years since then, the more than 70 awards along with top rankings and ratings, ranging from The Wall Street Journal to five stars from Standard & Poor's, serve as testimony to the success of the Superfund funds. "I was convinced about our trading system from day one, even if the first year didn't go quite according to plan," remembers Baha as he thinks back to that pivotal year.

15 YEARS OF BRINGING INNOVATIVE PRODUCTS TO THE MARKET

In the 15 years since the first Superfund fund was launched, a lot has changed – but one guiding principle has remained firm: Putting innovative ideas into practice. And not only in terms of new trading strategies: Nine years ago, for example, Superfund was the world's first managed futures provider to advertise on U.S. television.

The year 2000 marked another turning point with the launch of Quadriga GCT USD (renamed to Superfund GCT USD; closed fund), a new and more aggressive product which was the first to be brought ▸

15 YEARS OF SUPERFUND

1996: On September 21, 1995, Christian Baha lays the groundwork for Superfund by founding a new company called "Quadriga Beteiligungs- und Vermögens-AG". And on March 8, 1996, Superfund (formerly Quadriga) is born with the launch of the Quadriga-AG fund, which began trading that day.

1997: Further improvements to the new trading strategy enable it to be converted to fully automatic operation. Performance improves dramatically, with 1997 ending up 20.7%.*

1998: While the financial crisis leaves many investors badly scarred, Superfund continues to boom, moving into the ranks of the world's top funds in its class – and winning first place for Quadriga-AG (closed fund) in the annual rankings from Lipper, the renowned hedge fund data service.

1999: Total Superfund assets under management increase to almost 20 million euros, a more than five-fold increase from the prior year. New product development efforts are put into high gear.

2000: A new and more aggressive fund is launched at the start of the year: Quadriga GCT USD (closed fund), the first Luxembourg SICAV-based fund to be brought to the market. The fund very successfully finishes its first year with double-digit returns.

2001: The company's first international offices are opened in the important European financial centers of Frankfurt and Zurich.

2002: The drive for international expansion continues with the opening of additional offices in Hong Kong and New York. Superfund receives approval from the U.S. Securities and Exchange Commission (SEC) for distribution of its U.S. fund products in the United States.

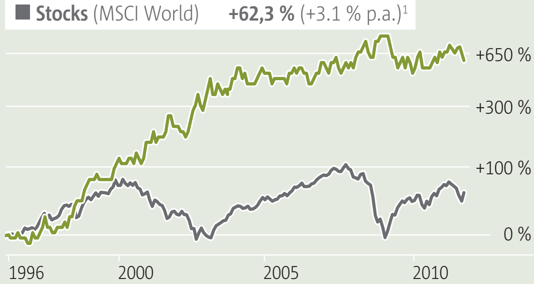
2003: To better position itself for international expansion, the company changes its name from Quadriga to "Superfund." with a high-profile Formula One sponsorship to support the global launch of the new brand. In an interview, Christian Baha goes on record recommending gold – at a price which was at that time 370 USD/oz.

2004: The year is marked by the opening of an office in Amsterdam, along with a new office facility in Vienna, and the familiar Superfund A, B and C funds are launched for the first time.

*Please note the additional information on page 8.

FUTURE, the exclusive Superfund magazine, is published in multiple languages – not only English and German but also Polish and Japanese.

■ **Superfund Q-AG** **+568.7 %** (+12.9 % p.a.)[1]
■ **Stocks** (MSCI World) **+62,3 %** (+3.1 % p.a.)[1]



	11/06–10/07	11/07–10/08	11/08–10/09	11/09–10/10	11/10–10/11
A	+9.9%	+26.8%	–25.3%	+10.3%	–3.5%
B	+18.2%	–43.1%	+15.6%	+10.5%	–0.4%

Note: Past performance of Superfund Q-AG (closed fund) is not indicative for future results for this or any other Superfund fund. 1) time period: 03/1996–10/2011, net return after deduction of all fees (but excluding pre-tax sales charge), source: TeleTrader

to the market in the form of a Luxembourg SICAV fund. Just one year later, Quadriga GCT would be named by the respected U.S. investment journal MAR to first place within the category of Offshore Funds, CTAs and Pools. This was the starting shot for the company's international expansion, with the first international Quadriga offices opened in New York, Frankfurt and Zurich, to be followed later with further office locations in Asia.

> "Our systems are constantly being optimized and further improved."
>
> Christian Baha

Subsequent years would see the launch by Superfund of the world's first investment funds to be denominated in gold. "Already in 2003, when gold was at 370 USD/oz, I was absolutely convinced that gold would rise significantly. That's why I put together the first gold-denominated fund in 2005, which we began offering to our investors starting in 2007," Baha recalls. Today, the Superfund Gold funds are among the absolute top performers.

The next major milestone was the launch of Superfund Blue, a unique market-neutral equity strategy which enables investors to bring additional diversification benefits to their portfolios. The strategy works by investing in the world's largest equity markets, particularly in Europe, North America and Asia, but with the explicit aim of generating stable returns and thus greater portfolio balance. The strategy stands out for its consistent, even returns along with its almost total lack of correlation to the world's stock markets, making it ideally suited for most investors both as a basic investment vehicle and as part of a balanced portfolio.

RELENTLESS SYSTEM DEVELOPMENT

The Superfund success story began with a vision and a very clever trading strategy, along with the software to execute it. But that was only the beginning. Trading technology requires constant investment to stay at the leading edge, year after year. It is for this reason that, since then, the systems have been relentlessly improved and optimized. System development has always remained a top priority for Baha – and the results continue to show today. For instance, a new short-term trading strategy has been developed which better takes the changed market situation into account and has already found its way, with considerable success, into the existing Superfund managed futures funds.

Development efforts have also produced entirely new trading systems which offer essentially zero correlation to conventional asset classes, notably the Superfund Blue market-neutral equity strategy. This new fund product has been turning heads around the world, with the Superfund Blue Gold equity strategy already named best in its class. ■

Trading begins in first fund (1996)
Superfund funds capture top rankings following superb annual returns (1999)
Christian Baha recommends buying gold at USD 370/oz. (2003)
Launch of first Superfund Gold fund at approx. USD 470/oz. (2005)
Former German chancellor Schröder congratulates Superfund on its 10th anniversary (2006)
*World's top fund in its class: Superfund Blue Gold** (2010)

1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011

* Please note the disclaimer on the back page.

Words of Congratulation

MARGIT FISCHER, CHAIRWOMAN OF THE AUSTRIAN SCIENCE CENTER NETWORK AND FIRST LADY OF AUSTRIA

Superfund is this year celebrating its 15-year anniversary. Much has been done in these 15 years, and much achieved. I am delighted that sports and culture have likewise been able to benefit from the successes of Superfund, and as I look to the future, I hope to see this social commitment and involvement in the community further expanded. All the best for the next 15 years!

DR. REINHOLD MITTERLEHNER, AUSTRIAN MINISTER FOR ECONOMIC AFFAIRS, FAMILY AND YOUTH

As minister for economic affairs, I congratulate Superfund on its 15th year of existence. Its systematically managed funds provide for a broad mix of varied investment products while helping to raise the standing of Austria among international investors as a financial center. I wish Superfund continued success in the future.

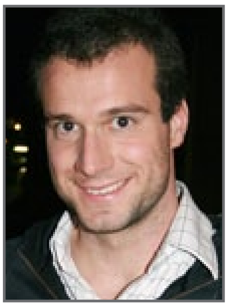
HERBERT PROHASKA, AUSTRIAN FOOTBALLER OF THE CENTURY

As an investor of many years as well as an outspoken enthusiast of Superfund, it gives me particular pleasure to congratulate the Superfund team on its 15th anniversary. Being a former top athlete myself, I am constantly amazed by Christian Baha's drive to succeed: Just being in the game isn't enough for him; he always wants to be first. He's out to win. And in this spirit, I wish the team at Superfund continued success in the future!

OTHMAR KARAS, MEMBER OF EUROPEAN PARLIAMENT AND VICE CHAIR OF EPP FACTION

My hearty congratulations on the occasion of this 15th anniversary. The Superfund Group is not only one of the leading companies in Europe of the modern financial industry but also over the past year has been able to successfully compete in the global market. Its numerous awards and top rankings are testimony to this success. I thank you for our encounters in which you have demonstrated expertise and professionalism. To Mr. Baha and his entire team I wish continued great success as it faces future challenges. All the best!

MARKUS ROGAN, AUSTRIAN SWIMMER AND OLYMPIC SILVER MEDALIST



Superfund lives and competes in a very tough business. In this respect, investing is not unlike my own sport. Everyone works really hard, but not everyone makes it, and at the end of the day, results are the only things that count. This doesn't leave a lot of time to be a nice guy –and this is even tougher in the investment world, where not everyone plays by the same rules. Against this murky background, Superfund is a shining exception. From the beginning, the company has been firmly committed to a social project which is close to my own heart, called "Tesfaye – Hope for Ethiopian Children," particularly in its early days when the project wasn't yet on its feet. And so, as a patron of "Tesfaye – Hope for Ethiopian Children," I congratulate Superfund on its anniversary – and as an athlete I look at its record of performance not without some envy.

15 YEARS OF SUPERFUND

2005: Christian Baha opens Superfund Warsaw, the company's first subsidiary in Eastern Europe. Performance testing also begins on Superfund Blue, the company's new market-neutral equity strategy.

2006: The Superfund Investment Group marks its ten-year anniversary in a gala celebration, featuring a keynote address from Gerhard Schröder, the recent chancellor of Germany. This year also sees the opening of a Superfund office in Tokyo.

2007: Christian Baha's idea of gold-"denominated" funds becomes reality with the launch of Superfund Gold – at a gold price then of 780 USD/oz – marking the world's first gold-denominated investment funds.

2008: In the year of the global financial crisis, Superfund closes with the third-best annual results in its entire history. Christian Baha intensifies the focus on researching and developing new kinds of systematic trading systems. These enable the launch of Superfund Absolute Return I – a new multi-strategy fund – in Germany. Expansion continues with the opening of an Italian office in Milan.

2009: The first-ever Superfund Investors Day is held in Vienna, Austria. The year of global economic crisis, however, would go on to be the most difficult in Superfund's history, refocusing on its core business and a radical package of restructuring measures. The biggest cost-cutting drive in Superfund history is put into action: Unprofitable offices are closed, sponsoring and marketing activities are dramatically cut back, and other expenses brought down. The savings are shared with Superfund investors in the form of reduced fees.

2010: As a result of its tough cost-cutting measures in 2009, Superfund comes through 2010 in good form. The Superfund Blue equity strategy is named by BarclayHedge, the leading database provider for alternative investments, as best in its class measured by both 1- and 3-year performance.

2011: At its third annual Investors Day in Vienna, some 400 guests join Superfund in celebrating the 15th anniversary of its first fund launch. And with an average return by Superfund Q-AG (closed fund) over the past 15 years of approx. 15 percent annually*, there are a lot of smiling faces to be seen.

* 14,9 % p.a., period: 8.3.1996 – 29.4.2011

The Pioneers of

The modern form of investing is built around protecting against risks. The general objective of these "hedge funds" is to generate consistent returns with the lowest possible volatility. But this didn't just happen overnight; it evolved over decades. Just as diversified equity funds were a big step forward from owning individual stocks, today's fully systematic strategies represent a big step forward from conventional, long-only funds. But these big advances in investing didn't just happen by themselves. They were the work of real-life people – the great pioneers of modern investing – who relentlessly pursued their visions.

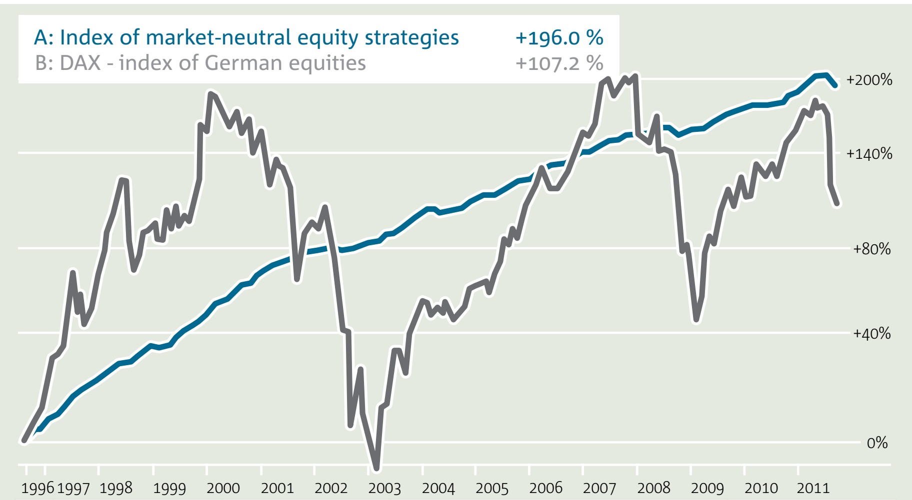
Investing

IN THE BEGINNING THERE WERE STOCKS ...

Investing in stocks is not particularly new. The earliest known public issue of stock was by the Dutch East India Company back in the year 1606. In the late 17th and 18th centuries speculation was rampant, until in the 19th century the world experienced its first great stock market crash: the collapse of the Vienna Stock Exchange in May 1873, which unleashed a financial panic that shook not only all of Europe but even distant America. At that time, however, stocks were still largely reserved to the wealthy elite, even if some of the speculative fever tended to spill over to the broader public toward the end of bull market phases. Even today, this typical late-phase market situation is in German amusingly called a Milchmädchen-Hausse, or "dairymaid's boom," meaning that even the dairymaid is buying stocks. It was Charles Merrill (see box) who really changed things, transforming stock investing from a plaything of the very rich to an opportunity for the many. The hitch, however, was that even if stocks did indeed significantly outperform bonds over long periods of time – and even if, in cases of sovereign defaults or currency reforms, investors fared far better with stocks than with cash or bonds – it could take a very long time to recover the losses from stock market crashes. Anyone who bought U.S. stocks just before October 24, 1929, a day which would be immortalized as "Black Thursday," would have watched in horror as the Dow Jones fell 88%, from 331 to 41 points, corresponding to its level in the year 1896. It would take another quarter century to recover these losses. Over the past 100 years, there have been more than 30 such bull- and bear-market cycles – and that's just on the New York Stock Exchange. In the brutal bear market

Charles Merrill popularized the idea of investing in stocks.

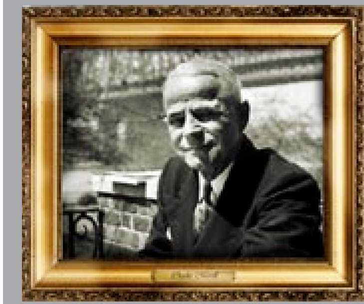
The aim of a market-neutral equity strategy is to generate consistent returns from the stock market, with very little volatility.



	10/2006-9/2007	10/2007-9/2008	10/2008-9/2009	10/2009-9/2010	10/2010-9/2011
A	+7.34%	+0.98%	+7.41%	+3.18%	+5.25%
B	+30.93%	–25.83%	–2.67%	+9.76%	–11.67%

Note: Past performance is not indicative for future results. A) CASAM CISDM Market Neutral Index, B) DAX, at the same period: 10/1996–09/2011, source: TeleTrader

CHARLES MERRILL

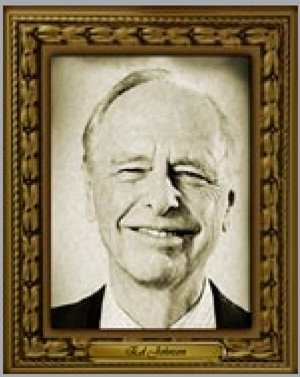


WALL STREET GOES MAIN STREET: BRINGING STOCKS TO THE COMMON MAN

Charles Merrill was committed to a vision, which was to bring stock investing to the broader public. As early as 1911, he shared this idea in an article published in Leslie's Weekly, a popular magazine of the time, entitled "Mr. Average Investor." As he saw the great market crash of 1929 approaching, he was able to save not only his own fortune but also the fortunes of many other investors by urging them to sell stocks and pay off their margin loans. During the Great Depression of the 1930s he turned his attentions elsewhere, then came back to Wall Street in 1940 when, through his newly founded firm called Merrill Lynch, he went out about putting into reality his vision of bringing stock investing to the common man. He did this by taking out large advertisements in the major daily newspapers, educating readers about stock investing and explaining how to go about it, step by step. He also made it possible to invest in stocks with small, regular payments. We have Charles Merrill to thank for the fact that the ranks of U.S. stockholders swelled in the 1950s to over two million, and he achieved this by breaking down the barriers to stock investing, making it easy for small investors to deal with a stock broker while reducing costs.

Through his newspaper advertisements, Charles Merrill educated the public and popularized stock investing.

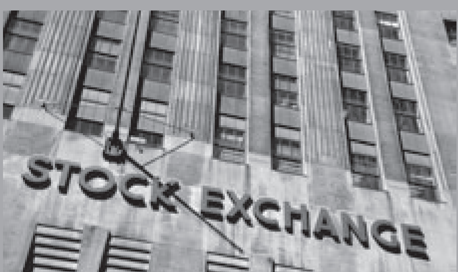
EDWARD C. JOHNSON



EQUITY FUNDS FOR THE INVESTING PUBLIC

Following the end of the Second World War, a Boston lawyer named Edward C. Johnson founded a new investment venture called Fidelity Management and Research Company. Its objective was not just to protect wealth but to actively grow it by taking on risks in a controlled way, investing in growth stocks and placing authority in a fund manager rather than a faceless committee. This was the birth of the mutual fund era – and of the star fund manager. In 1947 Johnson launched his second fund, the income-oriented Fidelity Puritan Fund, which invested in both stocks and bonds. Two aggressive growth funds followed in 1958 as the risk appetite of investors grew. By 1956 the group's total assets under management had grown from 3 to 250 million dollars.

Again and again, the innovations of Johnson and his son and successor, Ned Johnson, were driven by real customer needs: Fund savings plans for small savers; daily buy and sell prices to improve liquidity, then later intraday calculation of fund values; no-load funds to reduce costs; and tax-exempt funds for high-tax-rate customers. This relentless orientation around the investing customer was a key to the success which turned the venture started by Johnson into fund giant Fidelity.



Johnson popularized fund investing, bringing the benefits of portfolio diversification to small investors.

part of these cycles, the average loss has been roughly 30 percent. Stock investing has been particularly bleak over the most recent decade, with many investors suffering not one but two gut-wrenching drops of more than 50 percent.

... AND THEN CAME THE EQUITY FUND

But as devastating as these market crashes can be, they're hardly the only risk to the stock investor. Companies can go bankrupt, management can make costly errors, and a number of other factors can generate deep losses on individual stocks. The obvious way to reduce the risk of any one stock is to buy a lot of different stocks – but this means having a big portfolio, which means a lot of capital. It was Edward C. Johnson (see box) who had the idea of popularizing mutual funds in the U.S., bringing the benefits of portfolio diversification to the small investor. In Europe, it wasn't until the 1970s that funds began to catch on.

> Johnson bundled many individual stocks into large mutual funds

... AND NOW THE LOGICAL NEXT STEP: THE MARKET-NEUTRAL EQUITY STRATEGY

But even the best diversified equity fund can't protect against a market crash or a sustained bear market. These funds inherently go up and down with the overall market, and the world's various stock markets are becoming ever more correlated with each other, meaning that even global equity funds are subject to the market roller coaster. And on top of this, the investor is fully reliant upon the skill of the fund manager – and study after study has shown that conventional fund managers who consistently outperform their market benchmarks are rare indeed.

In the quest for new ways to reduce vulnerability to these market swings, and to generate positive returns even in times of bear markets, various investment pioneers searched long and hard for innovative solutions which would bring the needed balance to investment portfolios. The two generic strategies which turned out to be most successful were managed futures funds and market-neutral equity strategies. These two strategies, which in the 1950s and '60s were still in the experimental stage, began to blossom in the '70s and '80s as they were implemented by a new and rapidly growing investment sector, the hedge fund industry, with great success. And this record of consistently strong performance has continued through to the

From investing in individual stocks, to fund investing, to sophisticated market-neutral equity strategies: Investment strategies have evolved enormously over the past 70 years for all investors, both large and small. The highly evolved Superfund Blue equity strategy marks the newest chapter in this evolutionary chain.

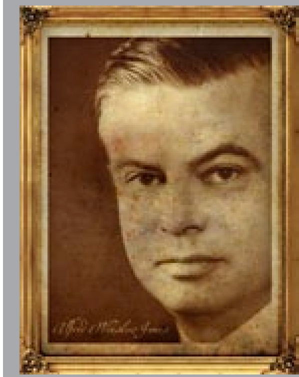
present day. But as with stocks in their early days, the benefits offered by these hedge funds were generally reserved to institutions and the wealthy elite, with minimum investments of one million dollars or more.

MANAGED FUTURES FOR ALL

Just as Charles Merrill had earlier had the idea of making stock investing accessible to the masses, and Edward C. Johnson the idea of popularizing fund investing, Christian Baha asked himself, as he founded his new venture in the mid '90s, why investing in managed futures funds couldn't be brought to private investors in a form which would enable them to share in benefits of this alternative investment class: increased portfolio diversification and reduced vulnerability to stock market swings, without any sacrifice in portfolio performance. In fact, even better than this, the virtual lack of correlation of managed futures funds to equity markets could give a significant boost to overall portfolio returns. An early investment pioneer who must be mentioned here is Richard Davoud Donchian, who in 1948 conceived the predecessor of today's managed futures funds – although it wasn't until 1961 that these were finally managed using the rigorous technical systems approach that would prove key to their success.

It look tremendous tenacity to get through his new idea off the ground, and there were some stumbles in those first years, but Christian Baha managed to put his idea of "managed futures for all" into practice, with its initial success in Austria quickly spreading to other countries. But even the best managed futures funds are inherently subject, among all the very good years, to the occasional years of setback. "For many investors, the volatility of managed futures funds is simply too great; they don't have the psychological tolerance for the rough patches. The fact that the overall performance is superb doesn't help," acknowledges Christian Baha in reflecting back over the years. And there was another problem that he faced: "It is difficult to explain managed futures to an investor of average experience. For that matter, not even the great investment genius Warren Buffett knows exactly what all is entailed in a managed futures strategy. Despite our many campaigns to educate investors about managed futures funds, we've never really managed to win the place for them in investment portfolios which they deserve," adds Baha with some regret. But even faced with a seemingly insurmountable challenge like this, Christian Baha isn't one to give up. His vision of popularizing fully automated investment strategies, and of broadly winning ▸

ALFRED WINSLOW JONES

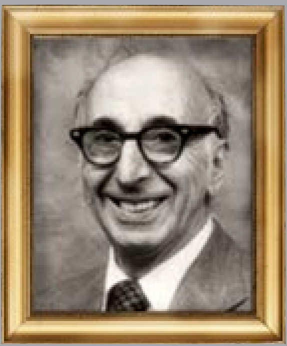


EQUITY INVESTING – BUT WITHOUT THE MARKET RISK

Alfred Winslow Jones, widely regarded as the father of the modern hedge fund industry, was born in Melbourne in the year 1900. After Boston's Harvard University, he worked in the 1940s as a writer for "Fortune," the business magazine. In the course of his journalistic investigations, he came to the conclusion that equity analysis was no better than reading tea leaves, as none of the professional analysts could simply tell him, with any degree of reliability, whether stock prices would go up or down. This put the idea into his head of finding some kind of equity strategy which would money regardless of whether stocks went up or down. And he did this by simultaneously taking long positions in the shares of companies he expected to outperform the market, and shorting those he expected to underperform. With this long/short equity strategy, he was able to at least partly neutralize market risk. He then went about implementing this concept professionally, founding the first hedge fund in 1949. As computerization found its way into the fund, significant improvements in the basic strategy became possible, and it was optimized ever further. Jones also made other innovations central to the modern hedge fund industry, like fund leverage and the idea of performance-based compensation (a percentage of fund profits).

Jones launched the first hedge fund, enabling investors to profit in both rising and falling markets.

RICHARD DONCHIAN



THE TAMER OF THE FUTURES MARKETS

Richard Davoud Donchian is credited with developing the first trading system based on following technical market trends, making him the father of managed futures investing. Like so many others, he lost much of his money in the Great Crash of 1929, making him all too familiar with the risk of unhedged, long-only stock investing. It was this pivotal event which presumably led him to undertake an intensive study of technical analysis. In 1934 he compiled his observations into a largely forgotten document entitled "Twenty Trading Guides." Following his military service, he returned not to Wall Street but rather to the Chicago Board of Trade (CBOT), where he traded commodities and futures. His crowning idea was to look at these markets not as a series of isolated commodities but rather as an opportunity for diversification which until then had been completely untapped. And so he applied his earlier trading rules, originally developed for stocks, to this portfolio of commodities, marking the birth of the managed futures strategy. In 1948 he founded the world's first managed futures fund, a company called Futures Inc., which he opened to outside investors. It wasn't until the 1950s, however, that his futures trading evolved to purely technical strategies. He is famed for his trading systems based on using five- and 20-day moving averages, still in use today, to generate buy and sell signals.

Richard Davoud Donchian created the first managed futures fund in 1948.

for them a respected place in investment portfolios to boost overall performance, is now moving forward into its next phase: The market-neutral equity strategy.

THE MARKET-NEUTRAL EQUITY STRATEGY

There is no doubt that equities are a vital asset class, but in today's volatile world, the days of simple buy-and-hold strategies, which served earlier generations of investors, would seem now to be long past. "If one is going to trade equities, then one must have a sound, system-based strategy," proclaims Baha. The ideal form of modern equity investing would dramatically reduce market risk, or even eliminate it completely. And that's exactly what hedge funds aim to do. Because these funds can take not only long but also short positions, they can profit in both rising and falling markets – and that's important because, as we've learned through the hard lessons of recent years, the stock market isn't just a one-way street. The ability of these strategies to take both long and short positions, and to make short-term trades in the market, enables them to consistently generate returns, independent of the market level and market volatility. This tends to smooth performance while dramatically reducing the risk of those bad years which most investors find so tough to stomach.

A particularly elegant strategy which stands out for its consistent returns is the market-neutral equity strategy, which was put into successful practice back in 1949 by the legendary investor Alfred Winslow Jones, regarded as the father of the modern hedge fund industry. In the twenty years since 1990, a typical investor in a market-neutral equity strategy (CASAM CISDM Equity Market Neutral Index) would have pocketed a return of roughly 440 percent, while over this same period a typical investor in German equities (DAX index) would have had a return of only 273 percent* – with some gut-wrenching market crashes along the way. Particularly in severe market crashes, where the traditional stock investor is practically wiped out, it is the market-neutral strategy which shines. Even in the horror years from 2000 to 2002, when the global equity market dropped by half, the market-neutral equity strategies posted steady gains. And Baha sees another practical advantage: "In

contrast to managed futures, every investor has a pretty good notion of what an equity fund is. So this product is a lot easier to explain!"

> Donchian created the first Managed Futures Funds

HOW DOES A MARKET-NEUTRAL EQUITY STRATEGY WORK?

To put it in simple terms, a market-neutral strategy works by screening the stock market for the most promising individual stocks. It invests in these, using index futures to hedge the associated market risk. This hedge works a bit like an insurance policy, with the cost of the hedge being the insurance premium. If the market goes up, the investor doesn't collect on the insurance but is happy because of the market gains – and if the market goes down, his losses are fully covered by the insurance payout. This enables the market-neutral

THREE BENEFITS OF SUPERFUND BLUE[1)]

Fully hedged equity positions
Superfund Blue invests around the globe, searching through as many as 2,500 highly liquid individual stocks to find those with the potential to outperform the market. These positions in individual stocks are then hedged against drops in the overall market by taking an offsetting position in the respective index future.

Independent of market swings
Superfund Blue is a short-term investing strategy, with positions not only hedged but also typically held for just a few days. This insulates it almost completely from the ups and downs of the various global stock markets. Even in 2008, a year synonymous with financial catastrophe, the strategy was able to generate double-digit gains.

Absolute returns with minimal volatility
The internally developed and fully automatic Superfund Blue trading strategy specifically aims to generate steady, consistent absolute returns with a minimum of volatility. As a hedged strategy, it is capable of generating profits in all markets, whether rising or falling. This allows Superfund Blue to generate mor consistent returns as conventional equity funds, which can only take long positions and are thus subject to market swings.

1) **Note:** An investment in Superfund strategies offers opportunities but is also associated with substantial risks, which may range up to total loss of invested capital. Please note the important disclaimer on the back page of this publication.

equity strategy to generable remarkably steady returns.

SUPERFUND BLUE

Superfund has now taken the market-neutral equity strategy to a new level. Following a highly successful testing phase of several years involving real money, the newly developed Superfund strategy has been implemented into a new product called Superfund Blue, which has recently been opened to investors. Because of its virtually zero correlation with the global stock markets, the market-neutral equity strategy employed by Superfund Blue makes it an ideal addition to any equity-based portfolio. As investment pioneer and Nobel Prize winner Harry Markowitz was able to demonstrate in his modern portfolio theory, minimizing correlation among the asset classes in a portfolio is key to investing success. And that's what makes Superfund Blue an ideal core investment for any portfolio.

Baha brings the Goldstandard back

SYSTEMATIC STRATEGIES

A major benefit which the various system-based trading strategies have in common is their ability to generate profits in both rising and falling markets. So why not combine them and have the best of all worlds? By including Superfund Green (managed futures), Superfund Blue (market-neutral equity strategy), or the Superfund Gold funds as part of a balanced portfolio, investors can achieve greater diversification and the portfolio efficiency which comes as each uncorrelated strategy is added to a portfolio. It is precisely this lack of intercorrelation which make Superfund Green (managed futures) and Superfund Blue (market-neutral equity strategy) such ideal partners. ■

*Please note the additional information on page 11.

CHRISTIAN BAHA

HEDGE FUNDS FOR PRIVATE INVESTORS

Every investor should have the same opportunity to share in the benefits of hedge funds – this was the idea in Christian Baha's head as he founded Superfund 15 years ago. Until then, hedge funds had been the exclusive province of institutional investors or the very wealthy. Back in 1996, there were few small investors who had ever even heard of "managed futures." With an active program of print and TV-advertising, Baha set about educating the public on this investing form. He also put together a mobile exhibit called "Investment World" through which potential investors could learn about managed futures in a fun and entertaining way. Another milestone in hedge fund investing: monthly savings plan alternatives. Baha has never been shy about making his investing views known: As early as 2003, he started sounding the alarm about skyrocketing government budget deficits. In response to these concerns he subsequently launched the highly successful Superfund Gold series, the world's first investment fund denominated in gold, thus bringing back the gold standard. In 2010 Baha launched Superfund Blue, a new generation of funds based on a market-neutral equity strategy which is uniquely capable of generating steadier, more consistent returns, with minimal market volatility.

Baha made managed futures funds accessible to all and, beginning in 2005, brought the gold standard back for fund investors.

{ALBERT CHENG}

Albert Cheng is Managing Director, Far East, of the World Gold Council. He began his professional career in the 1980s working first in the Hong Kong office of Dentsu, Young and Rubicam, then later for the Royal Canadian Mint, where he was responsible for marketing the Maple Leaf family of bullion products. He also helped build the marketing and distribution network in Asia Pacific for the International Olympic Committee's Centennial Coin program.

The Case FOR GOLD?

An interview with Albert Cheng in his Singapore office

FUTURE had the opportunity to speak with Albert Cheng, managing director of the World Gold Council. Mr. Cheng first joined the Royal Canadian Mint in 1985, then went on to join the World Gold Council in 1993, where he was appointed Managing Director, Far East, in 2003. His role includes responsibility for all operations in the region.

What is the background and the responsibility of the World Gold Council?

The World Gold Council is funded by the global gold producers and acts on their behalf and in their best interest. We promote the importance of gold throughout the world and engage with regulators in various countries to find solutions. We managed to start up the physical gold exchange in early 2000 in China, which was a major success in this region.

We see tremendous growth of demand in China and India.

What do you believe are the price drivers for gold, and what will these be in the future?

It's clearly supply and demand. If we just look into the jewelry consumption level from China and India, we can see tremendous growth opportunities in these two countries. Important to note is that India has always been a stable country with regard to gold, as there have never been any restrictions to holding gold, whereas in China it was forbidden for a long time to hold gold. With this in mind, I strongly believe that demand in these two countries will be a major price driver for higher gold prices due to the broad interest in gold from China and steady demand from India. I also don't see any reason why either of these two central banks would consider selling any gold given that they don't even have enough of it yet. But I also believe that Western markets will be a factor, just with a more modest growth rate compared to these two countries.

You mentioned demand – but don't you think that supply will be a major price driver, too? I recall the figure that a total of 162,000 metric tons of gold has already been mined, compared to the estimated 26,000 tons remaining below ground. With about 2,500 tons of gold being mined every year, does this mean that we will have mined all the remaining gold in about 11 years?

(with a smile) I believe that there still is some gold in the world, but it will just be more difficult to mine in the future – which means that we will have to dig much deeper to get it out and thus it will be more expensive for us. At the moment we are focusing on the mines where we know that gold is available. When gold becomes short in supply there is a strong price motive to find more, which could also be through less conventional methods and in new areas. South Africa is a good example where mine production is declining every year as most easy-to-find gold has already been removed from the ground.

Where do you believe gold could still be found?

I believe in South America – but it also comes at a high price, as roads and landscapes are not easy to develop and infrastructure will have to be built first. It could even be that we find gold deep under Manhattan, but this would not help much, as we could hardly dig up one of the most important cities in the world (smile).

Are there figures from producers on how much it costs to find and extract gold?

Drilling just one hole to potentially find new gold costs about one million dollars.

There are no exact figures. I have heard from some producers that in China, where there haven't been any investments yet, pure production cost could be at around USD 500, whereas in Australia and South Africa it would typically be over USD 800 to 900 per ounce. Clearly there is some margin left for the existing producers, but new investments will also have to be made to find other sources. I just recently spoke to a producer and he told me that drilling just one hole into the landscape to potentially find new gold costs about one million U.S. dollars – and you need to drill many, many holes before you can find a new mine. Furthermore, we will have to drill much deeper than we did before. At the same time, scientific developments in exploring for gold and developing new mines will become ever more important to avoid drilling too many holes without findings.

With all the trouble in the world, do you think the gold standard will come back? Since March, the U.S. state of Utah has been recognizing gold as an official currency.

Clearly not. I believe that the spread between fiat currencies and gold has widened too much already, and there is no chance to go back. What I do believe instead is that gold might play a partial role for economies, whereby although money would not be completely backed by gold, it would at least back a part of it. Singapore, for example, manages its currency, the Singapore dollar, against a basket of currencies – so gold could be a part of this basket. Also, under the Basel III regime, there could be opportunities to include gold in fulfillment of the minimum capital requirements, but at the moment there are still collateral haircuts on it.

> I don't think the price of gold has accelerated too fast. It has further room to grow.

In Vietnam, gold can be deposited and converted as legal tender. Is this true?

Yes, in Vietnam gold is treated not as a commodity but as a currency, which should be the case in other countries as well. This mainly goes back to strong inflation fears in this country, where besides the Vietnam dong, gold and the U.S. dollar also serve as currencies.

Where will the price of gold be in three to five years?

Of course, no one has a crystal ball, but if history is any guidance for the future, we at the World Gold Council would compare the increase in gold from 1970 to 1980, when the increase was about 1,700%, with the increase from 2000 to 2010, during which time it has gone up about 500%. So on this basis, I don't think that the price of gold has accelerated too fast over this period. It has further room to grow.

What impact does the fear of inflation have on gold?

We believe that inflation is a key driver. We all know why people are so concerned about inflation, particularly with all the quantitative easing going on in the U.S. We've seen so much liquidity in the market – this excessive liquidity we are facing that I think is the subject of greatest concern to the world today. If I put it into numbers, in the last 20 minutes the U.S. government has printed 23 million worth of paper U.S. dollars; and in these same 20 minutes, if we look at the average of gold production, the gold mines of the entire world have produced only 136 kg worth around 8.1 million U.S. dollars.* So, I would put the question to you: Is the U.S. dollar too expensive, or is gold too cheap?

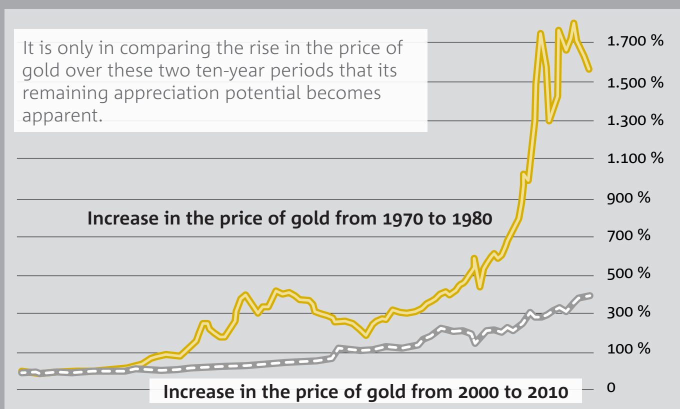
Central banks and the official sector have become net buyers in the last year and a half, for the first time in 21 years. Do you think this trend will continue and how relevant is it to the price of gold?

Central banks have always had, and will always have, holdings in gold. This will never change. I also believe in cycles. Gold

THE WORLD GOLD COUNCIL

The World Gold Council is the global authority on gold. The Council works within the investment, jewelry and technology sectors, as well as engages in government affairs.

It provides insights into the international gold markets, helping people to better understand the wealth preservation qualities of gold and its role in meeting the social and environmental needs of society. Based in the UK, with operations in India, the Far East, Turkey, Europe and the USA, the World Gold Council is an association whose 22 members comprise the world's leading gold mining companies, representing approximately 60% of global corporate gold production.



IS GOLD ALREADY TOO EXPENSIVE? Comparing the 10-year period from 1970 to 1980 with the most recent decade, from 2000 to 2010, the price of gold rose by about 1,700% then compared to about 500% now. This suggests that the gold price has not accelerated too fast and has further room to grow.


Albert Cheng

has been dumped by central banks for various reasons during the last 21 years, and now the buying has started again. This has always been the case: Buying is following the selling from this sector, and now we are in a cycle of central banks buying again. I would add that any gold that theoretically would be offered by central banks would most likely be picked up by China and India's governments immediately.

> Central banks will always have holdings in gold.

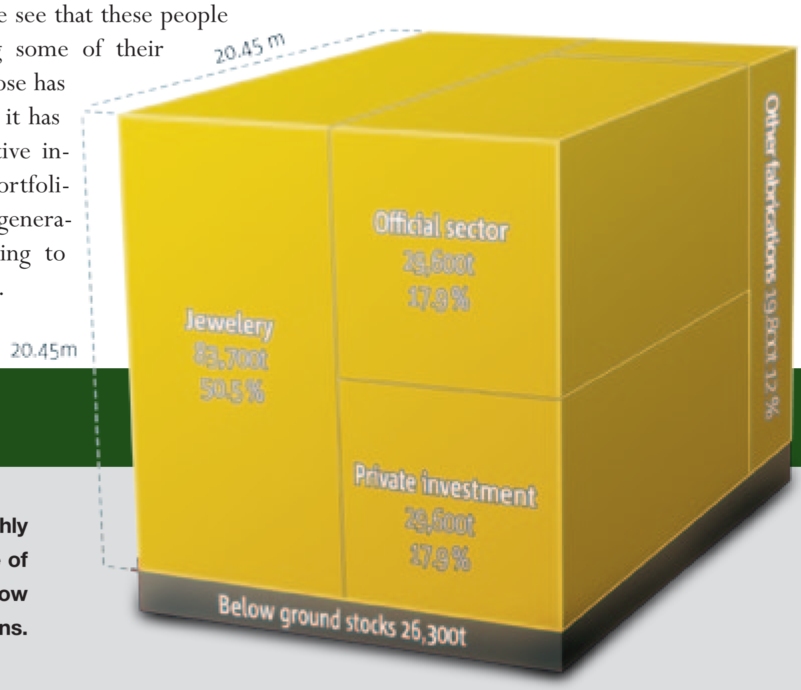
? After the terrible earthquake in Japan, do you believe that the Japanese will start to increase their gold holdings or start investing more in gold?

First of all, I would recommend that they invest in gold as it will likely appreciate against the Japanese yen. Looking at the broader picture, there was a generation of Japanese in the `70s and `80s that strongly purchased physical gold when they were about 40 to 50 years old for reasons of financial security. In the following years, the property market in Japan lost a lot of value, the stock market dropped substantially, and the yield on the JGB is not even worth mentioning. For them, gold has been the best investment in their portfolio throughout these years. Now we see that these people have started selling some of their holdings as its purpose has been fulfilled – and it has been the only positive investment in their portfolios. Now the next generation is finally starting to buy gold from them.

At the moment we are still net negative, i.e., selling is bigger than buying, but this will probably change due to the recent events. The younger Japanese generation will buy gold for the exact same reasons the last generation did.

! Thank you very much for taking the time to speak with us. ■

SCARCITY OF GOLD AT A GLANCE



All the gold known to have ever been mined adds up to roughly 165,000 metric tons. If put together, it would form a single cube of just 20 meters (66 feet) on each side. The remaining available gold below ground, or "known reserves," is estimated at approx. 26,000 metric tons.

source: GFMS, WGC; World Gold Council 31 March 2011
* Money = US M2 money supply growth for Q3 2010
Gold = global gold production for Q3 2010, source: World Gold Council, 31 March 2011
Gold price USD 1,850/ounce (08/2011)

INFLATION

A monster which is tough to put back in its cage, bringing economic ruin for many, and great hardship for those in society who can least afford it.

If there's one thing that the governments of emerging market countries know, it's this: When food prices go up, the people take to the streets. In certain Arab countries where there have been recent violent uprisings, people spend between 75 and 80 percent of their income just for food and other basic needs. Even in China, authorities have become increasingly nervous of late, fearing that inflation could spark protests and civil unrest.

MONEY AS DRIVER OF INFLATION

What exactly is inflation, and how does it come about? The most common definition is a rise in the prices paid by consumers for the various things that they buy, making the consumer price index (CPI) the most widely used measure of inflation. Inflation can happen quite naturally in markets; if demand exceeds supply, producers are able to raise prices. But in the economy as a whole, demand for goods and services is largely determined by how much money we have in our pockets. The more money circulating in the economy, the greater is the aggregate demand for all the things we want to buy. Prices in the economy, however, are not only determined by consumers; investors, too, play a role. Excess funds are saved and invested, and if these funds can't find attractive interest rates in the money market or bond market – or worst yet, if investors fear that their money will lose value – they instead buy up physical assets. These physical assets could be shares in companies, real estate, or commodities ranging from wheat to crude oil or precious metals such as gold – and the more of these that investors buy, the more prices go up. As these various financial assets go up in price, this is called "asset inflation" – and if they go up a lot, it may even become a "bubble." Furthermore, this surfeit of cash to invest doesn't stop at borders; it can readily push into emerging market countries, driving up fragile exchange rates and making it difficult for these economies to be competitive on the world's export markets.

> "Central banks are flooding the market with money."

CREDIBILITY OF CENTRAL BANKS IN QUESTION

Who is responsible for creating the flood of money which we're seeing in the world today? Quite simply, the major cen-

{INFLATION}

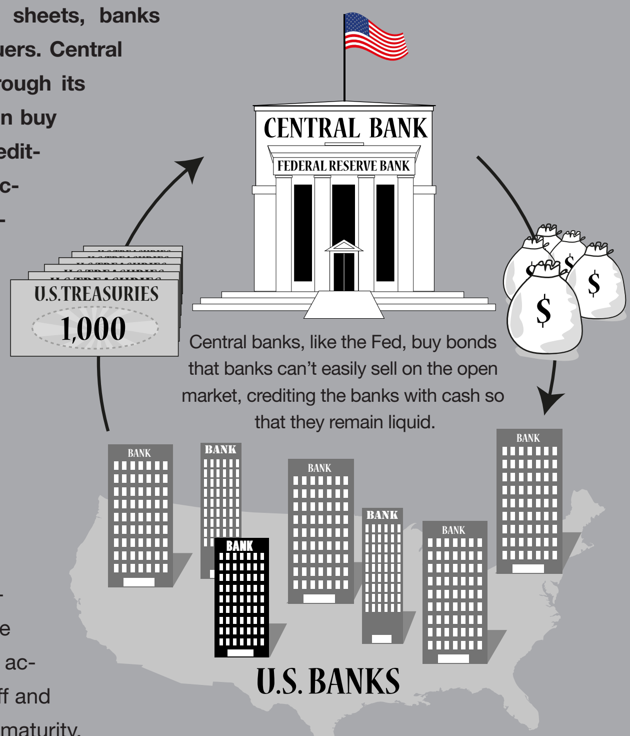
(from Latin: "expansion" or "blowing up") means, in the context of macroeconomics, a sustained and significant increase in the general price level. It may change depending on the relationship between the money supply and the volume of goods and services available in the economy. For example, if the amount of money in circulation increases faster than the economy's production capacity, then there will be too much money chasing too few goods and servicing. The result is inflation, meaning that prices go up, and thus money becomes less valuable in real terms.

tral banks. Although monetary stability is, to varying degrees, the charter of all central banks, the most important of them all – the U.S. Federal Reserve or "Fed" – has placed a higher priority right now on two other objectives: stimulating the moribund U.S. economy, and preventing the deflation which some economists claim to be a potential risk. It is for these reasons, not without controversy, that the Fed has widely opened the monetary taps, flooding the economy with easy money. They are now doing this through something called "quantitative easing," or "QE," which certainly sounds much nicer than "printing money." Quantitative easing is used when the Fed Funds rate, the reference rate usually used by the central bank to control the money supply, is already at or near zero and thus can't be lowered any further. Something else is thus needed to increase the money supply, and the central bank does this by buying long-term treasury bonds on a massive scale. In the first round of quantitative ▸

HOW MONEY IS CREATED

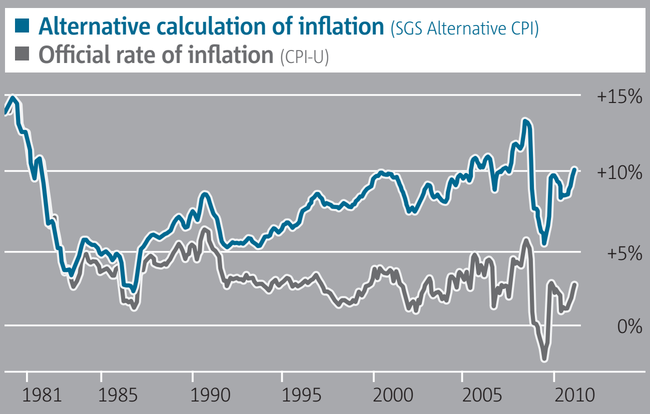
Within their massive balance sheets, banks hold bonds from various issuers. Central banks – such as the U.S. Fed, through its "quantitative easing" programs – can buy these, paying for them by simply crediting the bank's account with an electronic entry. The money is thus literally created out of thin air.

The banks are thus relieved of bonds which may otherwise be difficult for them to sell on the open market. They instead have cash which they can lend into the economy, so that companies can invest and consumers can make major purchases. Ideally, the economy begins to hum again. The central bank, which now holds huge amounts of these bonds for its own account, hopes that the gamble pays off and that they will actually be repaid upon maturity.



SHADOWY STATISTICS?

INFLATION IN THE U.S.: OFFICIAL FIGURES (CPI) VS. SHADOWSTATS



Have you ever wondered why official statistics on things like inflation and unemployment don't quite match your personal day-to-day experience? You might want to take a closer look at how governments put these statistics together.

Every government wants to be able to publish inflation figures which are as low as possible, so statistical practice for these official figures involves a lot of dubious manipulation. And that's true even in the U.S., where a research company has created a website called Shadowstats.com who clean out these various "adjustments" over the years, publishing its own inflation figures. No obscure statistical estimates, simply a recalculation of what inflation would be if the statistical methods before 1980 had been consistently applied – and without the various tricks to "pretty up" the inflation figures.

easing starting in November 2008, called "QE1", the Fed initially bought 600 billion dollars of bonds, but its holdings of bonds soon ballooned to almost 1.8 trillion dollars. Then in June 2011, the Fed started yet another round of quantitative easing, called "QE2," buying another 600 billion of bonds from the market. "Dr. Bernanke unfortunately does not understand economics, he does not understand currencies, he does not understand finance," said investment guru Jim Rogers in November 2010 in a withering attack on the embattled Fed chairman. And famed investment advisor Marc Faber, among others, doesn't see it stopping at QE2, saying in an interview with Bloomberg TV: "My view is that they will do QE3, QE4, QE5 until QE26 – until the whole system breaks down. … In fact, I believe the Fed would like to see stocks correcting somewhat and then have an excuse, if stocks are down 20 percent, to say we need QE3." This is a very aggressive and dangerous strategy which could well lead to significant inflation or even to the monster of hyperinflation.

> "We are out-Greeking the Greek"
>
> PIMCO-Boss Bill Gross on the U.S.-budget deficit

WHEN INFLATION REALLY GETS OUT OF CONTROL

When inflation got out of hand in the 1970s, it took a massive upward jolt in interest rates to finally get it back under control. Today, however, this would be inconceivable; government debt levels are so vast that the resulting interest expense would be unaffordable. The house of cards would simply collapse. Already now, oil is being poured onto the fire in some countries, where new bonds at high interest rates are being issued to repay old bonds as they come due. It is a frenzy of government bond issuance with no end in sight. Further working against this financial time bomb are the demographic patterns in the developed economies, where increasing percentages of populations are reaching retirement age, threatening to swamp unfinanced, pay-as-you-go state pension systems. Promises of pensions based on earlier times are still being made, even though they can't possibly be sustained for much longer.

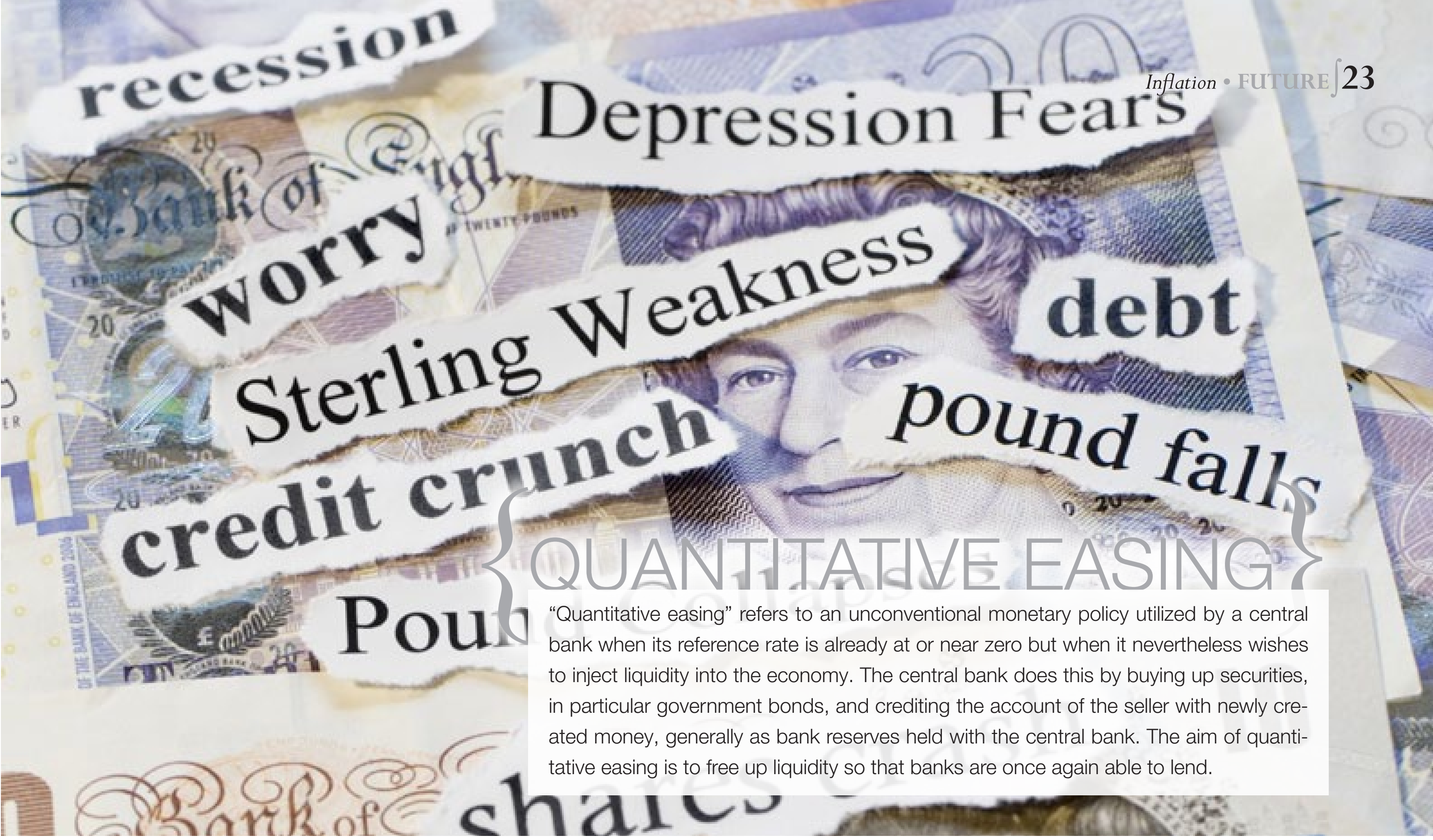
BIGGEST BOND FUND KICKS U.S. TREASURIES FROM PORTFOLIO

The consequence of all this reckless borrowing is inevitable: Government bonds once regarded as "safe" are increasingly being regarded as somewhat less than safe, with even the U.S. losing its top credit rating of AAA from Standard & Poor's. And it gets worse: The irony in all this is that as a country is downgraded, the interest rate which it has to pay to attract new bond buyers goes up, setting off a vicious cycle. This is precisely what we've already seen in Greece, Ireland and Portugal. Economics professor and former presidential economic advisor Laurence Kotlikoff has gone so far as to declare the U.S. bankrupt, warning that the collapse of the "Ponzi scheme" in the U.S. (referring to Social Security) could lead to even greater financial crisis than the last.

PIMCO, the world's biggest bond fund, has already thrown all U.S. treasury issues out of its investment portfolio, noting with unusually tough language that "they have little value within the context of a USD 75 trillion total debt burden." PIMCO boss and bond legend Bill Gross puts it succinctly: "We are out-Greeking the Greeks." The looming bond crisis also presents a huge problem for China, with a large part of its three trillion dollars in foreign reserves held in U.S. treasury securities. But banks too are coming under greater scrutiny because of their vast holdings of government bonds. To ease the resulting pressure on stock prices, governments are thus repeatedly grasping at attempts to intervene in the markets, such as by banning naked short sales on the key European exchanges. Even Switzerland, with its decision to cap the recent strong rise in the Swiss franc at a rate of 1.20 to the euro, has resorted to direct market intervention. Doing this, however, may require buying 100 billion or more euros, which will in turn mean printing vast amounts of francs. Through this large-scale monetary intervention, Switzerland is putting its currency at risk of unpredictable future inflation, making it no longer a safe haven for investment capital.

MIDDLE CLASS HIT HARD BY INFLATION

Inflation is an insidious disease which brings great hardship or even financial ruin to many, not only the poor but also to middle-class families. Because interest rates earned are not enough to cover inflation, the "real" rate of interest on savings is negative, causing them to shrink. And it gets even worse because this nominal interest income is subject to income tax – even though it's not even



{QUANTITATIVE EASING}

"Quantitative easing" refers to an unconventional monetary policy utilized by a central bank when its reference rate is already at or near zero but when it nevertheless wishes to inject liquidity into the economy. The central bank does this by buying up securities, in particular government bonds, and crediting the account of the seller with newly created money, generally as bank reserves held with the central bank. The aim of quantitative easing is to free up liquidity so that banks are once again able to lend.

enough to compensate for inflation! People watch in horror as their life savings are eroded, in the worst case to almost nothing. In a famous essay, the economist John Maynard Keynes wrote prophetically, "Lenin is said to have declared that the best way to destroy the capitalist system was to debauch the currency. By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens." And because official inflation figures are too low, even Treasury Inflation-Protected Securities (TIPS) provide only limited and inadequate protection against inflation (see box to left).

SO WHAT CAN INVESTORS DO TO PROTECT THEMSELVES?

Investing in physical assets provides a certain measure of protection against inflation. Gold and silver have a particularly long historical track record, although silver has for a long time been on the sidelines. Former Fed chairman Alan Greenspan elegantly explained this in an essay entitled "Gold and Economic Freedom," writing that "gold, unlike all other commodities, is a currency," going on to emphasize that "the major thrust in the demand for gold is not for jewelry. It's not for anything other than an escape from what is perceived to be a fiat money system, paper money, that seems to be deteriorating."

Precious metals, however, are not the only route; trend-following systems like the managed futures funds from Superfund also offer a significant level of protection, with an especially strong record through many periods of financial crisis. Stocks may also offer a certain degree of protection – although only in companies which stand to do well in an inflationary environment. The effects of inflation, though, could also put stocks as a whole into a growling bear market. The one sure way to hedge this risk of declines in the overall market while earning equity returns is to invest in a sound market-neutral strategy – and with Superfund Blue, this choice is now available to investors of all sizes. ■

QUANTITATIVE EASING

HOW DOES QE INFLUENCE THE STOCK MARKET?

The S&P 500 reached its low point in February 2009, in the depths of the financial crisis, at which point it has lost more than half of its value. In March 2009, the Fed decided to expand its QE1 program, buying another trillion dollars of bonds from the market. The stock market began to rise again starting in March 2009, suggesting that a part of the newly created liquidity which went to banks found its way to the stock market. Around the time that QE1 officially ended in the second quarter of 2010, the S&P 500 again dropped by almost 20 percent. When QE2 was announced, the S&P 500 again resumed its upward trajectory, despite the slow and fragile recovery in the real economy. This is a familiar pattern which can be seem in the Weimar Republic of 1920s Germany and, more recently, in Argentina and Zimbabwe. These unfortunate examples all resulted in catastrophic hyperinflation. Only time will tell if history winds up repeating itself.

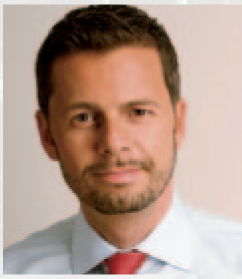
CORRELATION OF S&P 500 TO MONEY CREATION

period: (02/01/09–14/01/11)

TEN MILES REPORT

SPECIAL

Los Angeles

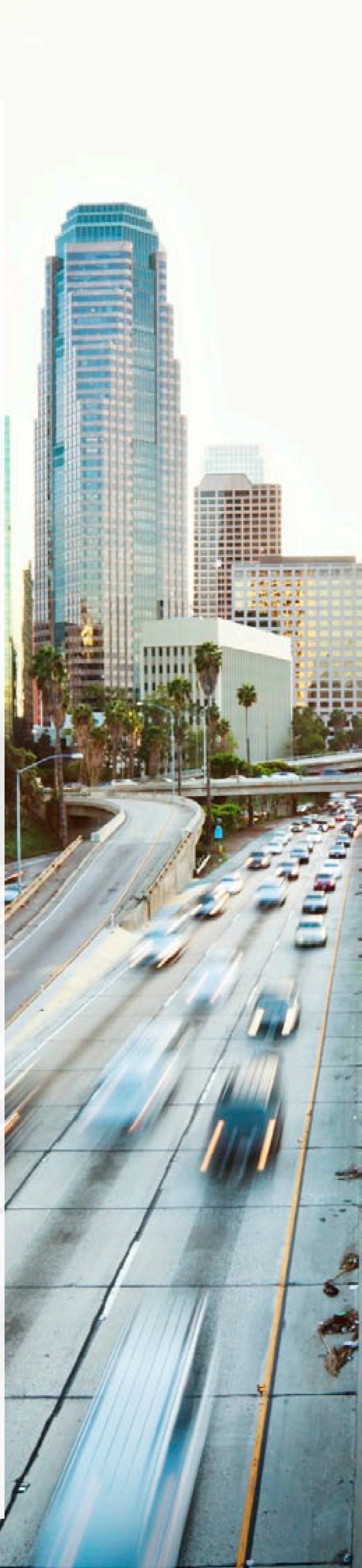


Christian Baha, founder and owner of Superfund

For most people – even the great majority of Americans who have never lived in Southern California – the first thing they think of when they hear "Los Angeles" is the glitz and glamour of Hollywood. And in a way, that's a shame, because there is so much more to L.A. than movie stars.

When Frank Lloyd Wright, the greatest American architect of all time, said, "Tip the world over on its side and everything loose will land in Los Angeles," he may have been referring to how the city is uniquely influenced by so many different cultures, ideologies, and attitudes. Then again, what else could you expect in a city of nearly 18 million people with such a rich diversity of personal background and ethnic heritage?

In the following pages, Christian Baha has shared some of his own favorite places which make Los Angeles truly special to him. Should you have the opportunity to visit this great metropolis, we hope this section will help you to make the best of your time in the "City of Angels."



Los Angeles is the second largest U.S. city after New York, with some 3.8 million in the city proper along with another 14 million in the surrounding area, putting L.A. among the world's largest conurbations.

!

Useful tip: It is said that L.A.'s public transportation system was long ago done away with by the car companies and oil companies. While there is indeed a network today of five Metro Rail lines along with buses, these can hardly be compared to the extensive public transport networks in places like Europe, and visitors will quickly discover its inadequacy, particularly in view of the big distances in L.A. Thus, the best way to enjoy your visit is by arranging a car.

WELCOME TO L.A.

Los Angeles is a shortened form of the name with which it was originally founded in the year 1781, “El Pueblo de Nuestra Señora la Reina de los Ángeles,” meaning “The Town of Our Lady, Queen of the Angels.” The region, which was then still a part of Mexico, began to boom in the middle of the 19th century with the Sacramento gold rush. It wasn’t until the completion of the transcontinental railroad in 1869, however, that economic and industrial development could really begin. In the first half of the 20th century, Los Angeles became a key center for oil production – and in 1910, the bosses of the fledgling film industry, discovering that Los Angeles was ideally suited to their production requirements, quickly relocated from New York and Chicago to Hollywood. The city of Los Angeles blossomed into a great metropolis through the middle of the 20th century, drawing great talent and notable figures from around the world, particularly refugees from Germany.

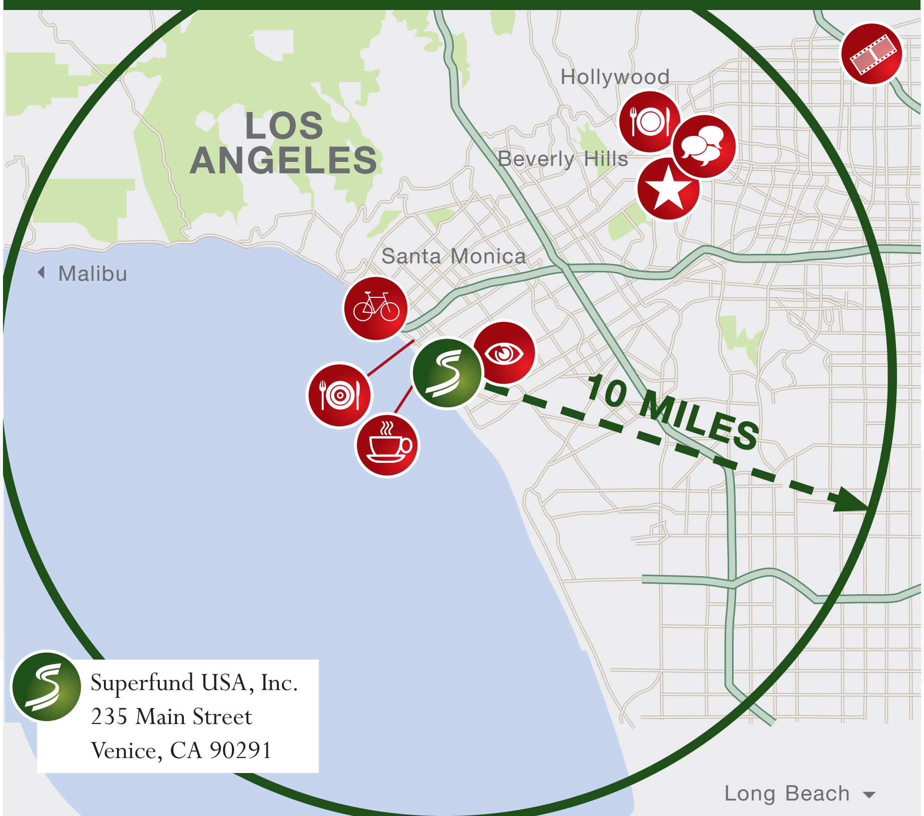
Today, Los Angeles is one of the great economic and financial centers of the U.S. and a major hub for both transportation and international trade. It’s the world’s biggest center for the aerospace industry, as well as a major center for movie, television, radio and music production. With a “gross domestic product” of some USD 831 billion (2008), Greater L.A. is the world’s third largest metropolitan economy after Greater Tokyo and Greater New York.

UNIVERSAL STUDIOS

Universal Studios, the largest of the Hollywood film and TV studios located just northwest of Los Angeles, is a magical place to spend a sunny Southern California afternoon. Admission includes a 45-minute tour, letting you see up close some of the most memorable scenes of entertainment history: Wisteria Lane from *Desperate Housewives*, the Bates Motel from the Hitchcock thriller *Psycho*, and sets from *War of the Worlds* and *Back to the Future*. Explosions, an earthquake, a flash flood, and live shows such as the Tokyo Drift stunt show from *The Fast and the Furious* will keep you entertained.

- 100, Universal City Plaza
  Universal City, CA 91608
- Distance: approx. 14 miles
- Price category: € €

AREA MAP



BEVERLY HILLS RODEO DRIVE

One of L.A.’s most elegant addresses, Rodeo Drive, runs for some two miles through the heart of Beverly Hills, with Sunset Boulevard running parallel to its north and South Beverly Drive below. With its unrivaled selection of boutiques selling luxury goods of all kinds, this is where the rich and famous come to do their shopping.

- Rodeo Drive, Beverly Hills
- Distance: approx. 6.2 miles

PICCOLO

This ristorante, around the corner from Ocean Front Walk, is a genuine inside tip, combining Italian flair, attentive yet friendly service, and a relaxed atmosphere. As soon as you are seated at your table, you are served olives, feta cheese and tomato bread. The authentic Italian cuisine is a real treat, as is the wine list. The fish, fresh off the boat, is a reminder that the ocean is just outside – and a perfect place to go for a stroll afterward.

- 5 Dudley Avenue
  Venice, CA 90291
- Distance: approx. 450 m
- Price category: €€€

CAFFÉ ROMA

For more than 20 years, chef and restaurateur Agostino Sciandri has enchanted Los Angelenos by introducing the flavors of Northern Italy in his classic and contemporary Italian dishes and his devotion to upholding the European standard of hospitality and exemplary service. Located beyond the entrance of the Le Grand Passage, patrons escape the L.A. hustle and bustle, sipping espresso and twirling their forks in homemade pastas, as though dining al fresco in the piazzas of Italy.

- 350 North Canon Drive
  Beverly Hills, CA 9021
- Distance: approx. 7.5 miles
- Price category: €€€

CUT

This top-notch restaurant is Christian Baha's personal favorite in L.A.: CUT in the heart of Beverly Hills has won almost as many awards as its "inventor," Austrian superstar cook Wolfgang Puck. CUT is so much more than just a fabulous steak house, in which one can order specialties such as genuine Kobe beef direct from the Kyushu region of southern Japan, cooked to perfection. Its mouth-watering menu can satisfy almost any culinary desire.

- Wilshire Boulevard
  Beverly Hills, CA 9500
- Distance: approx. 7.5 miles
- Price category: €€€€

L.A. BEACH BIKE RIDE

It's one of the world's most famous coastlines, known to countless millions through movies and television shows: The main L.A. beach stretching from Santa Monica to Marina Del Rey. There's a way running the whole length between the sand and palm trees, making it ideal not only for biking but also for inline skating, skateboarding, jogging – or even just a nice walk.

- Ocean Front, Santa Monica
- Distance: approx. 100 m

INTELLIGENTSIA IN VENICE

If you want not just a cappuccino or espresso to rival the best of Italy but also a "coffee experience," you need go no further than Intelligentsia, on Venice's Abbot Kinney Boulevard. You will be greeted at a concierge desk, then escorted to your own personal barista, who will expertly prepare your coffee as you've never had it before.

- 1331 Abbot Kinney Blvd, Ven., CA 90291
- Distance: approx. 1 miles
- Price category: €€

CHAYA VENICE

Chaya Venice, at the border of Venice and Santa Monica, offers superb sushi, along with American cuisine to match, a very cool bar, and conveniently long opening hours. If you come here at the right time, you may have the opportunity to personally meet Christian Baha or his countryman Arnold Schwarzenegger.

- 110 Navy St, Venice, CA 90291
- Distance: approx. 150 m
- Price category: €€

Transformers 3

The Good Guys

ALWAYS WIN IN THE END!

In *Transformers: Dark of the Moon*, the third installment of the hugely successful Transformers series, the battle on Earth between the Autobots and Decepticons goes on. There's a lot of fast-paced action in this 195-million-dollar blockbuster – along with some familiar faces. Following his screen appearance last year alongside Hollywood superstar Shia LaBeouf in *Wall Street: Money Never Sleeps*, Christian Baha once again joins LaBeouf in this gripping sequel by legendary Hollywood director Michael Bay.

That *Transformers: Dark of the Moon* would, like the first two Transformers films, be not only a brilliant work of science fiction cinema but also one of the top box office hits of 2011 should come as no surprise. In its first nine days alone, the film grossed over USD 500 million globally.

Once again, Shia LaBeouf stars in the role of Sam Witwicky, the main human protagonist who helps the Autobots in their ongoing fight against the evil Decepticons. And again, just as in *Wall Street 2*, Christian Baha spent two days on the movie set and in front of the cameras. "The last role was a lot of fun for me," notes Baha, "so it

Shia LaBeouf, starring in the role of Sam Witwicky, together with Christian Baha

Supermodel Rosie Huntington-Whiteley, in the role of Carla Spencer, is as lovely on the screen as she is on the catwalk

didn't take long for me to say 'yes' this time. I spent whole nights in the movie trailers, answering questions about the financial world."

"Over the past 15 years, Superfund has made its name in the financial world, as a successful pioneer in the area of fully automated computer trading systems. And now, through my role in *Transformers 3*, we're able to make an even broader audience aware of Superfund. It also seems fitting to appear in this movie because it's my own aim, over the coming years, to 'transform' the financial world with Superfund. And … well, I don't mean to give away the ending of the movie …," continues Baha with a grin, "The good guys always win in the end!" ■

A Big Opportunity

FOR SUPERFUND

Ay Interview with Rainer Wolfbauer of Superfund

RAINER WOLFBAUER

Rainer Wolfbauer is a member of the executive board of Superfund AG as well as senior compliance officer for Superfund Austria, in which capacity he is largely responsible for protecting the interests of investors. Thanks to his efforts, Superfund was able to win a victory before the Austrian Constitutional Court on behalf of all investors, protecting client data from unwarranted access by supervisory authorities.

The EU's new Alternative Investment Fund Manager (AIFM) Directive should strengthen investor protections – and create a great opportunity for Superfund.

What does the Alternative Investment Fund Manager (AIFM) Directive mean for Superfund? Is this going to be a bureaucratic obstacle for Superfund in terms of fund management or distribution? Or will it in some way lead to new opportunities?

For years now, Superfund has been calling for stronger regulation of alternative investments. What's very positive here is that the new Directive provides for EU passporting for alternative investment funds. What this essentially means is that once a Superfund fund has been approved for sale in one EU country, like Austria, it can be distributed in all the other EU and EEA countries, which means almost all of Europe. Specifically, if units in an alternative investment fund are registered to trade on an exchange anywhere in the European Economic Area, and a prospectus is properly issued, then thanks to the new passporting provision, they can be offered throughout the entire region.

> The EU passporting provision applies only to exchange-listed funds.

And the other side of the coin?

Yes, there is a hitch: This "passporting" provides only for distribution to so-called "professional investors," such as pension funds, insurance companies, and banks. Distribution to private investors is possible only under certain conditions, and when the relevant EU member country specifically allows this type of fund product to be sold to the public.

How will this new EU directive be implemented into law within Austria? Do you see it having effects on the business activities of Superfund?

Before the end of 2011, the Alternative Investment Fund Manager (AIFM) Directive, a new regulatory regime for alternative investment funds and the managers thereof, should come into force throughout the European Union. The guiding objective of the European Commission: That "no actor, market or product should escape appropriate regulation and supervision." The AIFM Directive should give a significant boost to investor protection, covering all funds which were not already regulated in Austria under the Investment Funds Act.

The implementation of the AIFM Directive into Austrian law will be critically important, particularly as it prescribes the detailed, day-to-day requirements and conditions for public offerings, as well as how it regulates the distribution of financial products to individual investors. The implementation phase will, at the earliest, begin at the start of 2012.

> Superfund is already in compliance with the new provisions.

What all will be regulated under the new directive?

The new Directive requires that managers of alternative investment funds comply with a number of new regulations which should better protect investors – for example, compliance with rules of conduct, rules on compensation arrangements for managers, and a strict separation between risk and liquidity management on the one side and portfolio management on the other side. Another key point is clear disclosure regarding conflicts of interest – for example, where two funds are managed together but with trading approaches which are, to at least some extent, contrary, i.e., where under certain circumstances, one fund profits when the other takes a loss. An alternative investment fund manager now has extensive obligations to provide information to investors, including the requirement to publish audited annual reports, including disclosure on fees charged and on fund holdings.

How far is Superfund in these areas?

These are all requirements which Superfund already meets or is in the process of putting into place. This means that for Superfund – provided that the AIFM Directive is implemented into Austrian law in an intelligent and market-oriented way – getting this automatic EU passporting for its funds is a gigantic opportunity. It's a double win: On the one hand, we gain access to a number of new markets, and on the other hand, it boosts investor protection and thus investor confidence. ■

EUROPE GETS A NEW FINANCIAL REGULATOR

The face of financial regulation in the European Union changed significantly on January 1, 2011, with the introduction of three powerful new European Supervisory Authorities (ESAs):

- the European Securities and Markets Authority (ESMA) based in Paris,
- the European Banking Authority (EBA) based in London, and
- the European Insurance and Occupational Pensions Authority (EIOPA) based in Frankfurt.

These three new EU-wide authorities, along with the European Systemic Risk Board (ESRB) under the responsibility of the European Central Bank (ECB), were created in response to the financial crisis in a new regulatory architecture called the European System of Financial Supervisors (ESFS).

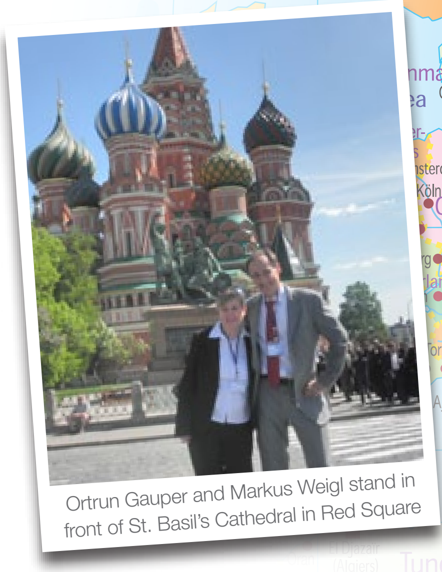
ITS OBJECTIVES:

- Harmonization of supervisory law throughout the EU
- Improved investor protections
- Consistent mandatory standards throughout the EU
- Authority to prohibit financial activities
- Authority to supervise rating agencies
- Fostering of cooperation among national supervisory authorities

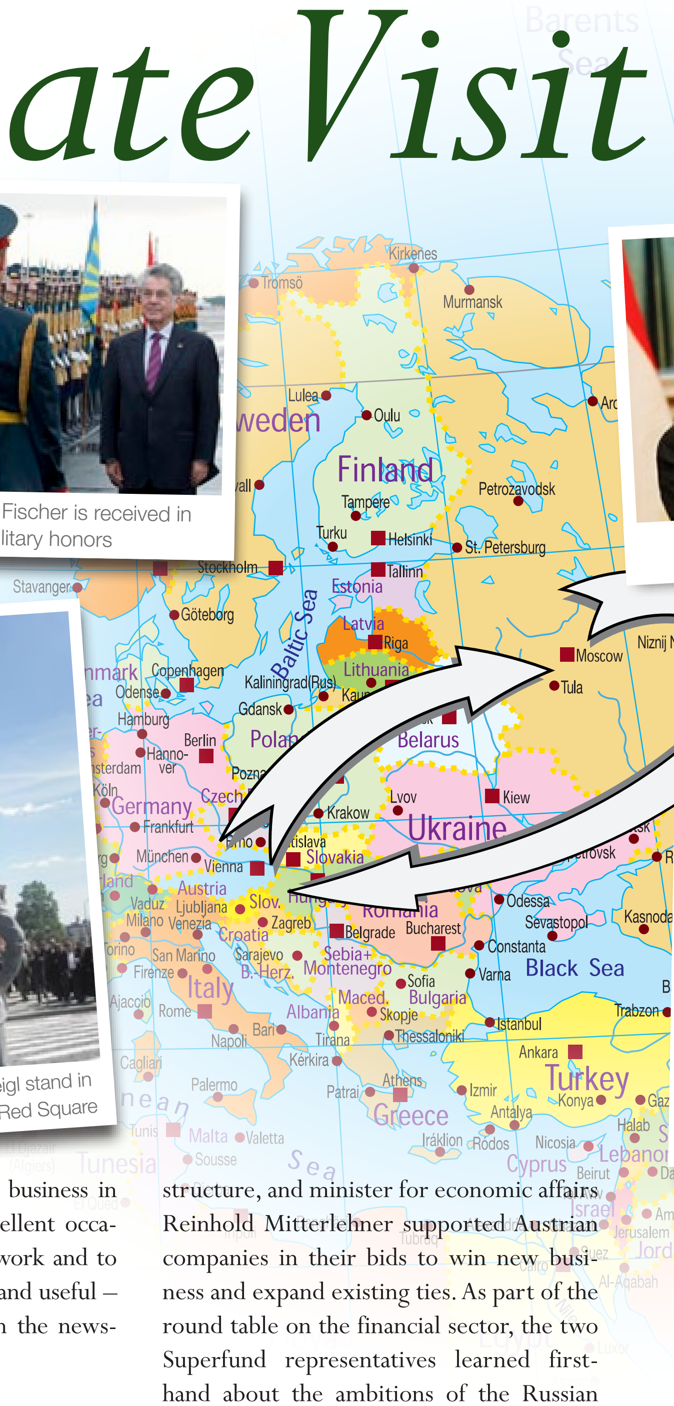
WITH AUSTRIAN PRESIDENT *on a State Visit*

There's an old Austrian saying, "Durch's Reden kommen die Leute zusammen," which roughly means, "Nothing brings people together like talking." It's a timeless piece of wisdom that's as true in international diplomacy and commerce as it is in the home.

Austrian President Dr. Heinz Fischer is received in Moscow with full military honors



Ortrun Gauper and Markus Weigl stand in front of St. Basil's Cathedral in Red Square



I t was in this spirit that Austrian president Dr. Heinz Fischer traveled to Russia in May with a number of ministers and high-ranking officials along with a delegation of top Austrian business leaders. From May 18 to 21, the distinguished members of this presidential entourage were the honored guests of the Russian government, personally received by no less than Russian President Dmitry Medvedev and Prime Minister Vladimir Putin – two men playing a pivotal role in shaping the future for this gigantic nation, the world's largest in size. Ortrun Gauper and Markus Weigl of Superfund, who were part of this delegation, took this unique opportunity to get an inside look at the latest developments in Moscow and its surrounding area.

MOSCOW – EVENING RECEPTION IN THE AUSTRIAN EMBASSY

After landing at Moscow's Sheremetyevo Airport, the business leaders in the Austrian delegation boarded the awaiting coaches, fighting their way to the Austrian Embassy through the seemingly endless traffic congestion of this huge city. The visiting dignitaries were, however, fortunate to have a police escort, ensuring that they arrived in good time for the welcoming speech by Ambassador Dr. Margot Klestil-Löffler. With many representatives from Russian partner companies as well as Austrian expatriates who have for years been doing business in Russia, the evening was an excellent occasion to meet colleagues, to network and to learn much that was interesting and useful – and not only what one reads in the newspapers.

VISIT TO THE CHAMBER OF COMMERCE

The next morning took the delegation to the Russian Chamber of Commerce and Industry, where after an opening speech by President Fischer, a forum was held on opportunities for cooperation in the areas of alternative and renewable energy, infrastructure and environmental technology. But also in more traditional areas such as oil and gas and the further development of the Russian financial market, Doris Bures, the Austrian minister responsible for infrastructure, and minister for economic affairs Reinhold Mitterlehner supported Austrian companies in their bids to win new business and expand existing ties. As part of the round table on the financial sector, the two Superfund representatives learned firsthand about the ambitions of the Russian government to build Moscow into a top-tier global financial center over the next 15 years – with Austrian partners to share in the challenge.

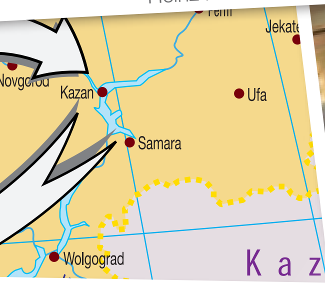
KAZAN – A SMALL RUSSIAN REPUBLIC EMBRACING BIG REFORMS

The next leg of the official visit brought the Austrian delegation to Tatarstan, a small Russian republic some 700 kilometers east of Moscow. Led by Austrian President Fischer and Chamber of Commerce president

DR. HEINZ FISCHER *to Russia*

The two presidents: Dmitry Medvedev and Heinz Fischer

Austrian minister Dr. Claudia Schmied with Markus Weigl and Ortrun Gauper of Superfund



Austrian minister Doris Bures (middle) with Markus Weigl and Ortrun Gauper of Superfund

President Fischer shaking the hand of Prime Minister Vladimir Putin

Presidents Fischer and Medvedev following the official signing of a declaration of partnership for modernization

Christoph Leitl, the delegation of roughly 100 business leaders proceeded on Friday morning to Kazan, the capital of Tatarstan, where the emphasis was on environmental technology, infrastructure and healthcare.

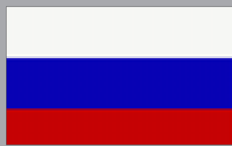
This is a particularly dynamic and innovative region which has eagerly embraced reform, making it of special interest for business. In this republic on the banks of the Volga, roughly the size of Ireland but small by Russian standards, and at the easternmost edge of Europe, a modern program of privatization and an attractive legal environment provide good opportunities for international companies to pursue successful partnership arrangements. Tatarstan, one of the most highly developed regions in Russian, serves as somewhat of a role model to other Russian republics – so for Austrian companies who want to establish themselves in the Russian market, it's an ideal place to get in early.

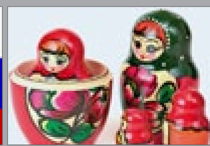
NEW PROJECTS ALREADY DISCUSSED ON RETURN FLIGHT

On the return flight on Saturday afternoon from Kazan to Vienna, Ortrun Gauper and Markus Weigl of Superfund had ample opportunity to share their impressions with other members of the business delegation – and even to chat about ideas for future projects. Which just goes to show how talking not only brings people together but creates whole new opportunities. ■

KEY FACTS

RUSSIAN FEDERATION

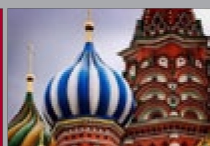




The Russian national flag

Official language:	Russian
Federal capital:	Moscow
Constitutional form:	semi-presidential republic
Area:	17,075,400 km²
of which in Europe:	3,952,550 km²
in Asia:	13,122,850 km²
Population:	142,905,200 (2010)
Currency:	Ruble

MOSCOW



Official city flag of Moscow

Area:	1,081 km²
Population:	11,551,930 (2011)
Population density:	10,686 per km²
Founded:	1147
Altitude (city center):	156 m

KAZAN

Official city flag of Kazan

Area:	425 km²
Population:	1,130,717 (2009)
Population density:	2,661 per km²
Year first mentioned:	1005
Altitude (city center):	116 m

Superfund *news*

Ursula Kampner, newly appointed as managing director

René Danzinger has added Austrian sales to his responsibilities

Management changes in Vienna

With the appointment of Ursula Kampner as the new managing director for Superfund Austria, the first woman has joined the senior management team of Superfund. René Danzinger, in addition to his longtime role as global head of marketing, has taken on additional responsibility as Superfund sales head for Austria.

Ursula Kampner began her financial career in 1996 at one of Christian Baha's first companies, TeleTrader. In 2003 she switched over to Superfund Asset Management GmbH as part of the management team, where in 2005 she took over responsibility for the retail business. On June 9, 2011, at the personal request of Superfund founder and owner Christian Baha, and with the approval of the Austrian Financial Market Authority, she joined the senior management team and was named a managing director of Superfund Asset Management GmbH. "I am delighted that the top management at Superfund will now have a female touch," commented Baha. "Female executives have been shown to be consistent managers with social competency and the ability to perform, and as such are an important element of the senior management team at my company."

> "I want to show other women how exciting a career in the financial world can be."
>
> Ursula Kampner
> Managing Director

René Danzinger has led the global marketing efforts of Superfund since 2002. Following four years in the company's Monaco office, he returned in 2008 to Vienna, taking over as managing director of Superfund Marketing GmbH. Since the spring of 2011 he has been wearing a second hat, as sales head for Austria as well as global head of marketing.

"With its exceptionally attractive risk-return profile, Superfund Blue is a uniquely exciting product," noted Kampner. "And that's why Superfund Blue Gold has repeatedly been named by BarclayHedge, the leading hedge fund data service, as the best fund in its class," added Danzinger. ■

Superfund renews Support for an Ethiopian Aid Project

"Tesfaye – Hope for Ethiopian Children," a social project to help Ethiopian children, was founded over three years ago by a group of adoptive parents and the project's Ethiopia-born chairman.

From the very start, Superfund was on board as its first corporate sponsor, helping to give children in the poorest parts of Addis Ababa, the country's capital, a chance for a better life. Since its founding, for example, the project has helped send some 200 children to school.

Markus Rogan, Christian Baha, Claudia Stöckl and Tesfaye chairman Esayas Berhanu

Superfund stand at the "Donaukanaltreiben" festival

On May 2 of this year, a charity event was held in Vienna's Novomatic Forum featuring an exhibition by famed photographer Suzy Stöckl. The photographs were inspired by two aid trips which Stöckl had taken to Addis Ababa and Calcutta along with her sister Claudia and Markus Rogan, the Austrian Olympic swimmer. She was deeply moved by the scenes of destitute Ethiopian and Indian children which she saw, and captured these with her camera.

The highpoint of the fundraiser was the auction of the silver metal which Rogan had won at the World Swimming Championships in Dubai. The successful bidder was none other than Christian Baha, with a bid of EUR 15,000, while Austrian businessman Gerhard Ströck picked up the bronze medal for EUR 7,000. The event netted proceeds of EUR 65,000, which will help to improve the lives of children in the slums of Addis Ababa through Tesfaye and in Calcutta through its sister project, "ZUKI – A Future for Children." Superfund also took the opportunity to gather donations for the Tesfaye at Vienna's "Donaukanaltreiben," a festival along the banks of the Danube in early June.

Sylwester Salach, an engineer from the Polish region of Podlasie

A WORD FROM OUR CLIENTS

Superfund places great importance on listening to its clients. In this issue, FUTURE speaks with Sylwester Salach, an engineer and Superfund investor from Poland.

Could you begin by saying a few words about yourself?

I'm 39 years old and come from Podlasie, a very beautiful region in the northeast part of Poland. I completed my engineering studies in Olsztyn, which is around 200 km from Warsaw, and where I still work and live now, surrounded by protected forests and pristine lakes, together with my wife and my three sons.

What are your dreams and objectives?

My dream would be a trip around the world. And a bit more leisure time – but those go together, don't they? (laugh) I'm currently expanding my company, a financial agency called Remedium, and our next planned step is to move into a bigger office. So I guess I really don't have much to complain about – except for all the work! (laugh) What little free time I have I like to spend on the lakes around here. I think my vacation this year will be to take my boat out onto the water and perhaps give fishing a try for the first time.

How did you get involved in financial services?

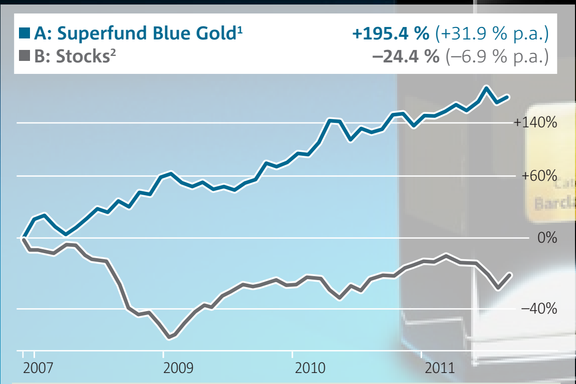
I've been working in the financial industry since 1999. I started by selling pension funds and insurance. At first I worked as an agent for a life insurance company which was going into investment funds in a big way. I then started my own business as an independent advisor, selling financial and investment products. This combination has worked well for me, through the financial crisis and up until today.

How did you come to invest in Superfund?

I first learned about Superfund in 2007 through the work of Alexandra Czartoryska, who does financial education. I'm a big believer in the Markowitz theory of portfolio diversification and correlation between asset classes. I've been able to realize big gains on my Superfund investments several times now, so Superfund is now a core holding in my portfolio.

What do you think about managed futures funds and their characteristic as a particularly efficient way to diversity a portfolio?

Managed futures funds are a valuable component of any investment portfolio. I personally prefer to invest in a few different independent instruments, such as the funds from Superfund, which show no correlation with each other. This way, the ups and downs in returns tend to balance out, plus I also get higher overall returns. Right now I'm invested in two Polish Superfund funds – Superfund Trend Plus and Superfund SFIO Płynnościowy – but I'm also quite interested in the USD fund products. After four years as an investor in, and sales partner of, Superfund, I can say it has been a very good – and highly profitable – experience for me. Managed futures funds have proven to be a superb alternative for my own portfolio, and something which I like to see in the portfolios of all my clients. I also see managed futures funds as an excellent vehicle for retirement savings, as one can regularly invest small amounts. And one glance at the historical performance of Superfund shows that these funds have been hit much less hard than, for example, equities. That's why I think they are superbly suited for generating high long-term returns. ■



	11/06-10/07	11/07-10/08	11/08-10/09	11/09-10/10	11/10-10/11
A	–	–	+23.1 %	+45.8 %	+30.1 %
B	+18.2 %	-43.1 %	+15.6 %	+10.5 %	–0.4 %

1) Superfund Blue SPC Class A (Gold)**, timeframe: 12/2007–10/2011; 2) MSCI World Index during the same period; source: TeleTrader; Net after deduction of all fees (including agio and taxes). Past performance is not indicative for future results of the mentioned products and any other Superfund financial products.

BEST FUND OF ITS CLASS

Superfund Blue SPC (Gold)

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*BarclayHedge – 1st place: Superfund Blue SPC Class A (Gold), Category: Equity Market Neutral – Past Three Years (03/2011); source: BarclayHedge.