



ELGIN GROUP LLC

Neuhofstrasse 8  
Baar, 6340  
Switzerland

T +41 41 760 54 42  
F +41 41 761 92 25  
Info@elgingroup.com

www.elgingroup.com

## Monthly Commentary 5<sup>th</sup> June 2012

A weak April gave way to a much weaker May as equities and commodities suffered steep losses while mainstream government bond markets touched all-time highs.

Last month we singled out Spain with its formidable growth/debt dynamics and quoted an analyst who wrote that it has "... *passed the point of no return*". As if to echo our fears, the Spanish market dropped 13% in May and its benchmark bond yield climbed to 6.5%, a level viewed as unsustainable.

Adding to the Eurozone worries, economic data from the US and Emerging Markets were also disappointing, adding more worries to fragile markets. Risk-off is back in fashion and the usual suspects like copper and the Australian dollar fell hard.

Still, it would be premature to get caught up in all the negativity. Markets can turn on a dime if policy makers embark on new and meaningful rounds of stimulus. As the macro news worsens this possibility is becoming likelier. And who knows, European politicians might finally "get it" and make bold decisions that will please markets.

Our portfolios – especially the absolute-return ones - managed to largely weather the latest market storm. Managed Futures managers had an especially strong month.

For the Traditional portfolios that (also) contain an equity component, almost all the equity funds we use managed to outperform their indices. These included Aberdeen Emerging Markets and First State Global EM Leaders, Liontrust Special Situations Fund. Note that we also use ETFs for part of the equity component, which also helped as the broad market did better than the majority of individual stocks.

Below is a table that shows the May performance of the various Absolute Return funds we use versus major indices (the last three rows).

SECURITY	MAY 2012 PERFORMANCE	MAY 2012 PERFORMANCE VS MSCI WORLD	YTD
TULIP TREND FUND	17.69%	26.59%	+
PALM TREND FUND	10.87%	19.77%	-
LYNX	7.20%	16.10%	+
FUTURIS FUND	3.40%	12.30%	=
BRUMMER MULTI STRATEGY X2	1.55%	10.45%	+
ANNALY CAPITAL MANAGEMENT	1.48%	10.38%	+
BRUMMER MULTI STRATEGY	0.93%	9.83%	+
PIMCO TOTAL RETURN	0.64%	9.54%	+
WEGELIN FUND	0.12%	9.02%	+
GAM STAR GLOBAL RATES HEDGE	-0.24%	8.66%	+
NUMISMA CAPITAL	-0.50%	8.40%	-
GAM STAR EM RATES	-1.26%	7.64%	+
PIMCO GLOBAL HIGH YIELD	-1.76%	7.14%	+
**THAMES RIVER LONGSTONE	-1.95%	6.95%	+
AC12	-2.10%	6.80%	+
*WINTON FUND	-2.20%	6.70%	-
EXANE ARCHIMEDES	-2.20%	6.70%	-
***NEVSKY FUND	-3.68%	5.22%	+
GLG ALPHA SELECT UCITS III	-6.03%	2.87%	-
SW MITCHELL LONG SHORT SMALL CAP	-6.90%	2.00%	+
MSCI WORLD EQUITY INDEX	-8.90%	0.00%	-
COMMODITIES (CRB INDEX)	-10.80%	-1.90%	-
MSCI EMERGING MARKETS INDEX	-11.19%	-2.29%	-
* Winton data until 23/05/2012			
**Longstone data until 25/05/2012			
*** Nevsky Fund data until 25/05/2012			

## Unit-Linked Portfolios

In mid-May we lowered the equity allocations across all strategies. Fixed income components were raised, and in many portfolios we introduced a cash element. This helped record results that were much better than the markets so far this quarter.