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\$2,000,000,000,000 Error, **No Problem!**

Standards & Poors is a company that is supposed to assess companies and governments in order to give ratings to the debt (bonds) they issue.

This is an important job. Say Company X is rated A, then its bonds will pay a coupon of 5%. However if it is rated one notch lower, BBB, it then will have to pay a 5.50% coupon to the holders of the bonds.

If the bond issued by Company X was worth \$500 million, the difference between 5% and 5.50% would be \$2,500,000 per year. Not a small detail.

This is just to explain how important a rating can be. Now the US government is going to pay more on new debt it issues, having being downgraded from AAA to AA and here we talk billions rather than millions.

The problem, apart from an abysmal debt, is that S&P did a **\$2,000 billion error** in its computation of the forecast of the US debt. Not bad for a bunch of accountants...

Worse even, S&P had been alerted by a senior economist of its error **prior to publication** but refused to change its decision... Are rating agencies political tools?

Stock Markets... **This is Bad. Can it be Worse?**

Markets are supposed to reflect the economy. But did Western economies drop by 20% late July and early August? Probably not. Did the real value of gold increase by as much? No reason why. However, this is exactly what the markets showed us. The S&P500 dropped by 17% in 11 days while the CAC40 lost 21% and the Footsie 14%. Interestingly, the Hang Seng (Hong Kong) lost 15% in just 5 days after the US were stripped of their AAA rating. China being the largest holder of US debt this drop looks reasonable.

But what is worse today than it was say one month ago? Spanish and Italian debts? Nope, they were already huge. The Euro? Nope, still too strong.

Actually nothing is really worse. Except the general perception that European economies are struggling to recover from the crisis and that the economy that what supposed to compensate with a not-so-bad growth, the US economy, was going to slow its recovery because the country could not afford its mega spending. And that's bad news.

And when there is bad news, there is selling. If it is very bad news and the holidays, then there is a crash...

What to do?

Going through a market crash is not to be taken lightly. Some will sell everything - at a big loss, some will buy gold - at an outrageous price, some will cry, and some will buy at much cheaper prices than they would had a few weeks before. Easier to say than to do.

The best to do is nothing, good stocks will recover. Hold and watch. What comes down will come back. We hope...



A crazy man in Norway, crazy markets all around, the superpower downgraded just like a Greek statue, the world is not turning round! No Olympics, no World Cup this is very bad.

Norway – USA: **A Different Reaction to Terror**

September 11, 2001, New York City, the Big One. Hijacked planes crash into the WTC, 3,000 dead. July 22, 2011, Oslo/Utøya, supremacist killer, 100 dead.

3,000 vs. 100 dead. No comparison... Except that the US population is 309 millions while Norway's is 5 millions. The WTC attack killed 0.001% of the US population. In Norway, 0.002% of the population has been killed. Double.

Add to this the fact that violence is cultural in the USA, western movies are there to remind us. The country was set up with a gun in hand. Not

that Vikings were known for their sweetness. They were brutal pirates, they drank in their enemies' skulls... However in 21st century, crime rates in the two countries are at both ends of the range.

Still, the reaction to the killings could not have been so different. The Americans invaded Afghanistan while the Norwegian have decided that their lives should not be dictated by terror, and the overall reaction is: let's not change our quiet way of life for one event.

Different parts of the world, different reactions..

Crisis? **What Crisis?**

Dubai bids for **the Olympics!**

Forget the crisis, forget the real estate disaster, Dubai is bidding for the 2024 Olympics. No less. Summer Olympics, not enough slopes for the Winter ones.

Gold at **\$1,800**

For investors that decide to divest from the markets and stock wealth rather than invest it in the economy, the yellow metal is there and doing well. Useless, expensive, without income, gold is back.

walnutfinance *Investments*

Fund	Last	Month	YTD	2010	2009
Man Directional Series 2 USD Income	\$0.9299	-0.30%	-6.00%	n.a.	n.a.
Man AP Enhanced Series 2 USD	\$ 1.1872	+3.60%	+7.70%	+11.10%	-7.80%
Man-IP 220 EUR	€ 1.3652	+2.80%	-3.70%	+18.10%	-10.50%
Man AP Enhanced Series 3 EUR Capital	€ 0.9931	+2.00%	+2.10%	+7.90%	-1.20%
Man Directional USD Income	\$ 0.8631	-0.30%	-6.00%	+4.90%	n.a.
Man IP 220 Series 5 USD	\$ 1.0544	+6.00%	+4.70%	+21.20%	-17.30%
Man AP Stratum Series 2 USD	\$ 0.9652	+4.20%	+6.60%	+14.20%	-11.90%
Man IP 220 Series 6 USD	\$ 1.0521	+4.00%	-0.10%	+15.40%	-8.70%
Man IP 200 Series 7 USD	\$ 1.1375	+4.40%	-0.60%	+14.40%	n.a.
FIM Brazil	€ 26.39	-5.41%	-19.00%	+19.30%	+135.60%
FIM India	€ 35.70	-12.00%	-28.13%	+27.60%	+71.00%
FIM Russia	€ 99.98	+2.61%	-10.40%	+45.40%	+152.30%
FIM Emerging Europe	€ 15.88	-2.28%	-0.20%	+13.10%	+44.20%
FIM China	€ 11.15	+0.63%	-16.20%	+16.70%	+40.60%
FIM Sahara	€ 9.85	-0.30%	-17.70%	+27.00%	+31.70%
FIM Ukraine	€ 2.36	-0.84%	-16.10%	+30.10%	+15.20%
FIM Brands	€ 13.34	-1.04%	-1.80%	+21.90%	+40.93%
Superfund Blue SPC (Class A) Gold	€ 1,764.83	+13.40%	+23.25%	+49.00%	+22.90%

Investments *Fund of the Month*

Gold

In this Summer heat, we could not find a fund that stands out. So we decided to go for the star of the moment: Gold.

Up +50% over the last 12 months and +13% over the last 30 days, gold is definitively the stand-out winner.



Dow Jones vs. Gold
1990 - 2010

Gold is usually considered as a hedge against inflation or other economic disruptions. However this role as a hedge is contested by many economists around the world. After World War II gold was replaced as reserve by fluctuating currencies. In 1999, Switzerland was the last country to abandon gold as a back-up to its currency.

	2007	2008	2009	2010
Total Return	+20%	-22%	+79%	+12%

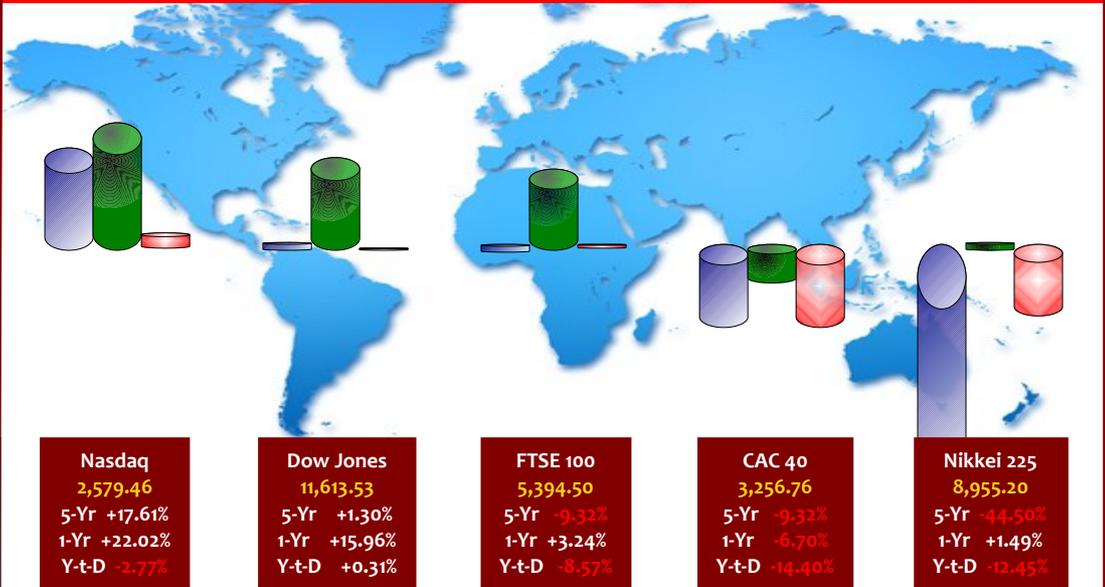
walnutfinance Panel

Financial News

- The Swiss did it. The *Swiss Franc* is now **pegged to the Euro**, this was done to counter speculation on the Swiss currency that was starting to badly hurt the country.
- **Steve Jobs** finally stepped down. This time for good. So it seems.
- **Yahoo!** fired its CEO, Carol Bartz. A bad deal between Yahoo! and the Alibaba Group may have triggered the decision. Although Alibaba's Chairman denied it.

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August 2011 Closings
 EUR/USD 1.4380 USD/JPY 76.6754 GBP/USD 1.6250 USD/CHF 0.8066



walnutfinance \$100K Portfolio vs. Markets

Index	August 2011	Year-to-date	Since January '09*
wf 100K Portfolio	-8.67%	Best +11.45%	Best +247.78%
S&P500	Best -5.68%	-3.08%	+34.94%
CAC40	-11.33%	-14.40%	+1.21%
FTSE100	-7.23%	-8.57%	+27.95%

*Inception of wf 100K Portfolio

walnutfinance \$100,000 Portfolio

Company	Symbol	Shares	Paid	Last	Value	P/L
BP	BP	1,000	\$44.00	\$39.39	\$39,390.00	(\$4,610.00)
Bank America	BAC	4,500	\$10.50	\$8.17	\$43,695.00	(\$10,485.00)
Nal Semi Con.	NSM	2,000	\$24.65	\$24.90	\$49,800.00	\$500.00
France Tel.	FTE	2,500	\$19.35	\$18.29	\$51,575.00	(\$2,650.00)
Citigroup	C	600	\$47.00	\$31.05	\$18,630.00	(\$9,570.00)
Total	TOT	1,000	\$54.00	\$49.04	\$54,070.00	(\$4,960.00)
Pep Boys	PBY	6,000	\$11.20	\$9.88	\$64,500.00	(\$7,920.00)
Airgas	ARG	550	\$66.00	\$64.88	\$37,785.00	(\$616.00)
Cash + Net Dividends Earned					\$13,465.07	
Portfolio Net Value as of August 31, 2011					\$347,779.07	\$247,779.07

(\$100,000 invested on January 1, 2009 evenly split over five securities)

No-win month, both for the portfolio and the major indexes. There was a reverse-split (1 for 10) on our Citigroup position.

Sold	Bot
F \$14.80 GM \$32.00 AA \$15.750 PWAV \$3.50 AMZN \$195.00 NVDA \$15.00 HILL \$2.80 GLUU \$5.00/\$6.00 XOM \$85.00	AMZN \$187.50 GLUU \$5.00 PBY \$11.20 ARG \$66.00 NVDA \$15.75 BP \$44.00 BAC \$10.50 GLUU 4.30 NSM \$24.65

Current Value:

\$347,779.07

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Annualized Return Since Inception:
+47.66%

2009 >>> +98.97%

2010 >>> +56.84%

On January 1, 2009, **walnut** finance invested \$100,000 split evenly over five different US-listed securities. The table on the right gives the result of that investment as of August 31, 2011. Dividends are net and not re-invested. Total return is +280.80%.