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It's the story of the Roman Empire versus Antique Greece again. This time, however, both are on the same side: losers. Except also that there is no winner. Not even China with its money willing to buy the world, a world crippled by its monetary policy. Markets react with a huge volatility. No direction. France launches an austerity plan and Germany cut income tax.

China buys Europe

Okay, the Chinese are going to buy European debt. Big deal? Big deal!
Some say it should not be so. Dirty money, etc... As private banker we must question ourselves about the "origin of funds". And in this case, the origin is quite obvious, Chinese money it's ours!



It is indeed us European (or Americans) who buy Chinese goods with our money. By the way the same applies to "Middle East money", their money comes from our pockets and the tanks of our cars, so why bother to question that money coming back to us when Arabs or Asians buy into Europe or the US?

Let's note that Russian money is a different matter. Russian do not sell much to us, their money comes from huge natural resources. The problem lies in the country when one question how the wealth is distributed (or rather attributed) to specific people.

Let's do like the Americans, let's welcome Chinese cash and spend it!

Is Groupon IPO sitting on a Ponzi Scheme?

The name, **Groupon**, is slowly becoming global. What does Groupon do? It select "**deal-of-the-day**" websites that feature discounted gift certificates. Another way at looking at it is "**pooled purchasing**", buy more to negotiate a better price.

Groupon's 2011 estimated revenues are in the \$3 billion to \$4 billion range. Not a small figure for an e-Commerce company!

But revenues are only revenues. In terms of P&L, Groupon has publicly admitted that it is losing \$100 million per quarter and has a net negative balance of \$230 million, and is using later investors' money to pay off earlier investors—which makes their operations illegal! Last August there was a fight between Groupon and regulators as to the company's rather "exotic" accounting practices. After losing \$420 millions in 2010 (standard accounting), Groupon announced a \$60 million profit for that same year using "**Adjusted Consolidated Segment Operating Income**" (ACSOI), a non-standard

accounting procedure.

This month Groupon filed for an IPO valuing it at \$11.2 Billion (the company was valued \$1.35 Billion only one year earlier).

Not a strong statement for an IPO.

However, we must underline that another e-Commerce star, **Amazon.com**, was deemed to be a mortally vulnerable when it went to the markets (today's worth \$6.9 Billion), **Google's** IPO was preceded with negative ratings from analysts (today's worth \$46 Billion), while **LinkedIn** was also hammered by analysts (today's worth \$2Billion). So there are certainly no certitudes in that game.

Is Groupon running its own Ponzi Scheme? Using new money to pay current losers? That remain a question.

In any case the IPO already seems to be a winner, the \$16-17 range is expected to be upped to \$20. Market conditions do not look at their best for an IPO. Investors will flock to it, first trade is expected around \$50. Good luck!

Samsung hits at Apple where it hurts: Smartphones

A lot has been said, and particularly in this NewsLetter, about Steve Jobs, Apple and its products dominating the market. Creating the market sometimes, with really new products such as smartphones. iPhones (1, 2, ...5) really are the "must have" within as varied circles as businessmen, students, or women, quite an achievement. Like it did with the Macintosh in 1984, Apple set the standard, and the appeal, and the only offer. But soon afterward other

products start appearing on the market. Like IBM with its PCs, Samsung's **Galaxy** is competing directly, and nicely, with the iPhone. Sales for 3rd quarter 2011 are \$28 million vs. \$17 million for the iPhone. Last quarter growth was 44% for Galaxy while iPhone's lost 16%. Samsung has now become the world's #1 smartphones manufacturer. Contrary to Apple, Samsung is using **Android**, Google's operating system. Creator vs. Mass Manufacturer once again.

Crisis? What Crisis?

¥ 1,000,000,000,000,000

Or One Quadrillion Yens, this is the level of the Japanese debt (\$12,800,000,000). On top of an historical debt level, Japan has to cope with the Fukushima disaster, plus earthquake and tsunami consequences.

SocGen cuts Dividends & Bonuses

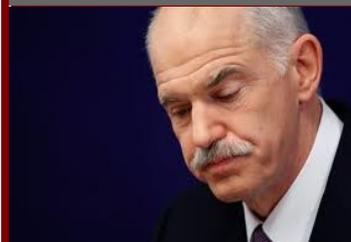
French bank Société Générale has announced that in order to self-finance its recapitalization it will cut both dividends and bonuses. The bank's quarterly profits are down 31%.

Last minute: Greek Prime Minister resigns. Who's next?

walnutfinance *Investments*

Fund	Last	Month	YTD	2010	2009
Man Directional Series 2 USD Income	\$0.8993	-2.90%	-9.10%	n.a.	n.a.
Man AP Enhanced Series 2 USD	\$ 1.1691	-1.60%	+6.10%	+11.10%	-7.80%
Man-IP 220 EUR	€ 1.2467	-6.50%	-12.00%	+18.10%	-10.50%
Man AP Enhanced Series 3 EUR Capital	€ 0.9932	-0.80%	+2.10%	+7.90%	-1.20%
Man Directional USD Income	\$ 0.8344	-2.80%	-9.40%	+4.90%	n.a.
Man IP 220 Series 5 USD	\$ 0.9844	-5.10%	-2.20%	+21.20%	-17.30%
Man AP Stratum Series 2 USD	\$ 0.9466	-2.30%	+4.50%	+14.20%	-11.90%
Man IP 220 Series 6 USD	\$ 0.9741	-6.50%	-7.50%	+15.40%	-8.70%
Man IP 200 Series 7 USD	\$ 1.0275	-8.30%	-10.20%	+14.40%	n.a.
FIM Brazil	€ 25.13	+10.12%	-30.00%	+19.30%	+135.60%
FIM India	€ 36.71	+3.09%	-28.30%	+27.60%	+71.00%
FIM Russia	€ 76.76	+11.12%	-36.90%	+45.40%	+152.30%
FIM Emerging Europe	€ 12.71	+3.59%	-24.90%	+13.10%	+44.20%
FIM China	€ 9.41	+11.10%	-36.70%	+16.70%	+40.60%
FIM Sahara	€ 9.39	+0.43%	-22.30%	+27.00%	+31.70%
FIM Ukraine	€ 1.67	-4.57%	-38.60%	+30.10%	+15.20%
FIM Brands	€ 12.92	+9.31%	-13.90%	+21.90%	+40.93%
Superfund Blue SPC (Class A) Gold	€ 1,556.78	+3.10%	+13.85%	+49.00%	+22.90%

People of the *Month*



George Papandreou
Master of (Greek) Drama



Hu Jintao
Who Wants my Money?



Herman van Rompuy
EU President (Yes, he does Exists!)



Silvio Berlusconi
Master of (Italian) Comedy

Talk of the *Month*

Jin Liqun, Chairman of the Board of Supervisors of China Investment Corp "If you look at the troubles which happened in European countries, this is purely because of the accumulated troubles of the worn out welfare society, the labor laws induce sloth, indolence, rather than hardworking"

Silvio Berlusconi, Italian Prime Minister "Italy does not feel the crisis, the restaurants are full, the planes are fully booked and the hotel resorts are fully booked as well"

Barrack Obama, US President "I don't remember whom (...) jokingly said I took an accelerated course on European politics during the last days"

Ilich Ramirez Sanchez ("Carlos"), Venezuelan Terrorist "I am a professional revolutionary"

Benjamin Netanyahu, Israeli Prime Minister "not denying or confirming talks about bombing Iranian nuclear facilities"

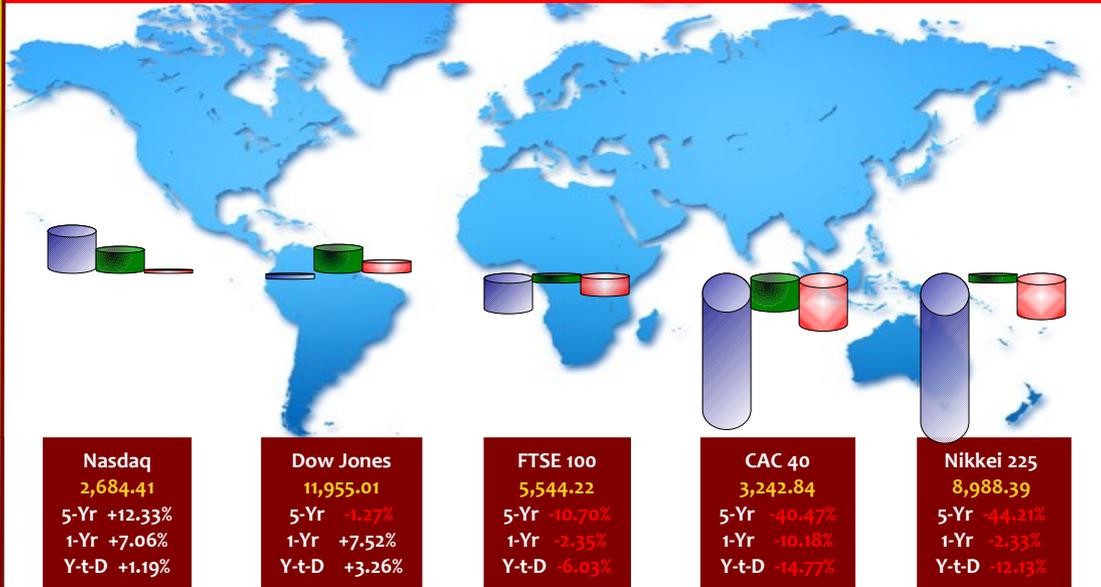
walnutfinance Panel

Financial News

- **Crédit Suisse** to shed 1,200 jobs
- **BNP-Paribas** to shed 1,200 jobs
- **MF Global** files for Chapter 11
- **Greece** is Europe's #1 for... its number of Porsche Cayenne per inhabitant...
- **Groupon** IPO a "go" at about \$20 per share
- **Moody's** downgrades **Cyprus** Sovereign Debt from Baa1 to Baa3 for its strong exposure to Greece

Phone +971.4.343.0782
 Fax +971.4.343.0569
 Mail info@walnutfinance.com

October 2011 closings
 EUR/USD 1.3850 USD/JPY 78.1725 GBP/USD 1.6089 USD/CHF 0.8768



walnutfinance \$100K Portfolio vs. Markets

Index	October 2011	Year-to-date	Since January '09*
wf 100K Portfolio	Best +25.78%	Best +32.65%	Best +313.95%
S&P500	+10.77%	-0.35%	+35.93%
CAC40	+8.75%	-14.77%	+0.77%
FTSE100	+8.11%	-6.03%	+25.03%

*Inception of wf 100K Portfolio

walnutfinance \$100,000 Portfolio

Company	Symbol	Shares	Paid	Last	Value	P/L
Cœur d'Alène	CDE	2,000	\$22.50	\$25.57	\$51,140.00	\$6,140.00
Arcelor Mittal	MT	2,750	\$19.50	\$20.73	\$57,007.50	\$3,382.50
Alaska Comm.	ALSK	10,000	\$6.60	\$7.07	\$70,700.00	\$4,700.00
Intel	INTC	2,000	\$23.15	\$24.54	\$49,080.00	\$2,780.00
Citigroup	C	900	\$40.17	\$31.59	\$28,431.00	(\$7,722.00)
Total	TOT	1,000	\$54.00	\$52.30	\$52,300.00	(\$1,700.00)
Advanced Mic.	AMD	10,000	\$5.75	\$5.83	\$58,300.00	\$800.00
Airgas	ARG	550	\$66.00	\$68.95	\$37,922.50	\$1,622.50
Cash + Net Dividends Earned					\$10,072.67	
Portfolio Net Value as of October 31, 2011					\$413,953.67	\$313,953.67

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

October 2011 was a rare winner, and except for the month's last day that was hurt by the Greek decision to hold a referendum, a perfect one.

Sold	Bot
TXN \$29.80 – JNPR \$22.00 – SLB \$69.90 PG \$65.20 – GLUU \$3.15 – PBYS \$12.00 BAC \$6.30 – KO \$68.20 – YHOO \$16.55	JNPR \$20.00 – YHOO \$16.00 – AMD \$5.75 GLUU \$2.25 – MT \$19.50 – INTC \$23.15 SLB \$66.00 – ALSK \$6.60 – CDE \$22.50

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Annualized Return
 Since Inception:
+64.21%

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 October 31, 2011. Dividends are net and not re-invested. Total return is +313.95%.

Current Value:

\$413,953.67

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