THE BIG-BANK THEORY OF MONEY

AND NPV BLACK-HOLES

"It is well enough that people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning"

HENRY FORD

MITIGATING LEGALLY MANIPULATED FINANCIAL MARKETS AND STATISTICS (INFORMATION ASYMMETRY BY DESIGN)

While Investors Debate Inflation/Deflation Theories, Financial Markets* Snatch Their NVP, Using The Simplest of Artifices:

Negative Interest Rates

*With Help From Their Friendly Neighborhood Central Bank

Contents

Forty years of achieving economic recoveries, at the expense of systemic *solvency*, have only raised moral hazard, income inequality, and the size of successive declines. For instance, from Q4-08 to Q4-12, G7 nations cut long-term, real interest rates by *4%*, raising to 83% of world wealth, the value of assets owned by the top 10% of families, while hurting net savers within the 90% of families who own 17% of world wealth. This is the "*wealth-effect,*" concealed in rising Households Median *Income* and Aggregate *Net-Worth*. Similarly, *4%* less Labor Force Participation gets billed as a *4%* drop in Unemployment, while few mention the Dallas Fed's *$32-41 trn* cost estimate for the credit crisis, or that 40 years of Fed meddling, quadrupled wealth for *the top 0.01%*, but lost *a third of it* for the bottom 90%.

Having verified these and worse tidings from the *sources listed* in this paper, we asked ourselves: 1. Is our favorite capitalist economy (besides Chile and Thatcher's UK), an illusion? And if not, 2. Can a true meritocracy, vanish in just four decades?

While the first question required hunting for scarce, centuries-old data, the second one involved myriad sources. Gladly, the first answer is so clear it trumps ideology, but the second one means we may be near the rebooting phase that capitalism cyclically goes into, before resuming the pattern of *high exponential-growth*, started in 1609, quite *accidentally*.

Oswaldo Lairet
CEO

PAPA BEAR: WHO'S BEEN EATING MY PORRIDGE?

The global wealth pyramid
Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2013
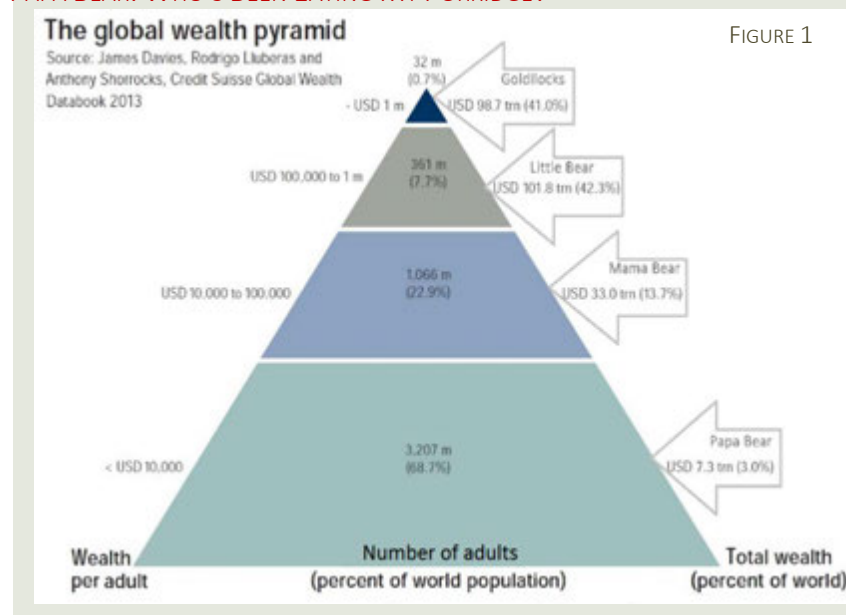
FIGURE 1

Goldilocks: Seriously Pops? The scoop is, CS painted a $240 trillion Porridge pyramid, sliced it four ways and named each piece after one of us. No way, right? Oh...BTW, Mama and you show up with a cool $40 trn!

Papa Bear: But Goldie, they obviously designed it, to show, under 1% of world population owns 41% of the Porridge. Put simply, while in our slice, we are 1,000 times as many as in yours, you own 14 times as much in Porridge!

Goldilocks: Pero, Papacito! LB is in big time! Just add his slice to mine, and 83% of the Porridge belongs to 10% of humanity. In short, LB partly-owns 5 times more Porridge than the rest of the world! But, hey Pops, it's OK by me!

Little Bear: Everyone, just wait!!! It all evens out when we pay taxes. Case in point: 90% of adults in the US just paid $0.3 trn of the *$1.4 trn* in 2013 US taxes, but my slice and Goldie's paid the other $1.1 trn. Comprende?

Mama Bear: Kids, I understand; our slices being so large and yours so small, it's normal, you'd be scared to tell us what's really going on. But, not to worry, the other day on PBS, a French professor using the same IRS website, traced all incomes to 1913 and look at *what he found out*!

EXCUSES, EXCUSES, EXCUSES...

January: Having launched our new fund, severe EM to JGB price divergence, halves our 18-mth return of *16.6%* p.a. (23-mth now at 8.5%, or *-8.09%* since 12/13). February: Waiting for 19-mth numbers, *Oxfam* presents at Davos 2014, Prof. Emanuel Saenz' *analysis* on the 100-year IRS' database. Saenz's *Math* and *Data*, is so solid, it led us to deep fact (soul) searching, to answer the question: Have we been living under a rock of perceptual bias for 40 years? Fortunately, as proven in this paper, Dr. Saenz's only *error* is to call 'Free-Markets,' the structure growing in its guise:

THE *SIFI*[1] OLIGOPOLY[2], A.K.A.. 'SiFío', 'SelFie,' 'SinFin'...

Fig.2 shows the US version of a delicious Japanese Chef's recipe (*Fig.3*): "Cracking Insolvency, Without Inflation In 3 steps." Apply crisply printed *M1*[3] to just-baked *US Treasuries*, steadily swap these, via *Reserves,* for rotten apples in bank ledgers, and voila! You just cooked a *500%* surge of Q4-07 M1 (no inflationary fries with that *please*)! WARNING, as pre-frozen M1 never circulates, but M2 doubles, adverse effects lead to *Interbank Loans* nausea *Money Multiplier* pains and Money *Velocity*[4] melt down (near its 145-year record lows of pre-*Great Depression* and post-*WWII*). Teasing aside, those countries choosing to conceal economic debasement by expanding public debt and M1 simultaneously require close coordination of the government's financial office with central bank. In fact, we pose that since the 70s, much of global growth, came from well intentioned, but unsustainable 'coordination' of legal, fiscal, and regulatory incentives to "fast-track" Equal Housing. Yet, as policies to circumvent the laws of nature eventually do, this one, after 40 years stoking leverage, engendered its nemesis: Inflating the economy's most illiquid asset beyond the reach of the average-income earner.

Predictably, real estate prices collapsed and with them, SinFin's extremely leveraged paper-wealth. Yet, within 24 hours of *The Last Meal*, as SelFie activated its most lethal *weapon* of *M.A.D.*, a systemic financial shock started *rippling* through the world's economy. Inexplicably, instead of barring SelFie shareholders, managers and liability holders from selling (or raising capital against) their tainted securities, regulators had been *secretly* financing their losses since *Q3-07*. No wonder then, Saenz' *90%* had lost *$32 trn-$41 trn*, plus *$10.6 trn* in interests by Q3-13.

LOOPY: "LOOK MOM, NO DELEVERING, JUST DEFAULTING"

A Follow up to *QE Is Exactly Why The Sky Is Falling!* Through dialectic routine, we match popular views on the financial crisis versus inferences from *Classic Monetary Theory*, using Fisher's *M*V=GDP* to prove *Money Velocity* (V) cannot depend on *Monetary Mass* (M). *B*y definition, public-sector money derives from GDP. Thus, instead of creating GDP, QE makes M a factor to both sides of the equal sign, forcing Fisher's equation into an infinite loop. LONG STORY SHORT...QE is as "Loopy," as Inflationary Growth. In fact, if the Fed allowed QE to circulate, GDP would dilute exponentially via the Money Multiplier. Yet, even as the Fed delivers QE only to banks, it has diluted 25% of GDP since 2007 (see next page), but before getting there, let's revisit a seemingly unrelated subject: Why is it, Dale Carnegie is so popular in Japan?

HOW TO WIN M1 AND NOT INFLUENCE INFLATION

As Japan *found out*, hiding GDP debasement by issuing debt and M1 at the same pace, keeps inflation from showing, but as clarified by Figure 3's yellow line* (total public debt) and red line (BOJ assets), nothing else is growing exponentially in Japan, but *fake money*. Just looking at those two asymptotic jets shooting up the sky, brings to mind words like *tulips, south sea, Mississippi,* etc. A country that doubles its debt and central bank assets in less than 7 years, while GPD drops 6% (black line) is in *practical default* of its sovereign debt and currency. It is unfortunate, the UK, US, EU, China, and others, chose to follow Japan's "*Blue Pill*" model, as it exposes their economies to a preemptive backlash that may escalate beyond their own control, when insolvency finally swallows the Yen.

*Note: On Figure 3, we added the Q412-Q413 segment from *news sources*

FIGURE 2

3. As long as US domestic consumption exceeds that of its trade partners', foreign export surpluses help finance the scheme. Yet, as Figure 5 shows, the limiting factor is solvency,[7] as the size of **Federal Debt** grows à la Japan.

4. Central banks seized liquidity's '*inflection-point* scarcity value[8]'plus 4% in real annual income from net savers and transferred both, via ZIRP[9], to net asset-holders. As real discount rates[10] went negative, the NPV[11]of Financial and Non-tradable assets, surpassed bank credit losses. So far, that gain has paid for SelFie's recapitalization, *letter-soup* loans, and over one trillion in *bonuses* plus *dividends*.

TABLE 1

TERMS		GDP	Fed Debt	Res Bank	Fed Ass	MZM	M2	M1
2007	NOM	14.69	9.23	0.86	0.88	7.96	7.39	1.38
AS PCT OF GDP		100%	63%	6%	6%	54%	50%	9%
AS PCT OF MZM		185%	116%	11%	11%	100%	93%	17%
2013	NOM	17.1	17.35	3.75	3.89	12.13	10.90	2.62
		100%	102%	22%	23%	71%	64%	15%
		141%	143%	31%	32%	100%	90%	22%
07-13 NOM Δ		2.40	8.12	2.89	3.01	4.17	3.52	1.25
07-13 %GDP Δ		116%	188%	436%	440%	152%	148%	191%
07-13%MZMΔ		-25%	23%	186%	189%	0%	-3%	25%

FIGURE 3

FROM *SELFIE*[ii] TO 'WE... THE PEOPLE": "$4.2 TRN YOURS"

Since the Latin Debt crisis, Chile established for the rest of us, the right way to deal with systemic insolvency (*Chile vs. Mexico*), so when the Fed decided to transfer SinFin's losses to the rest of the system, it knew, there would be at least, 4 impacts on solvency:

1. Financing insolvency, without causing inflation, requires turning **M1** instantly into **M2**, while *MZM*[5] increases. In other words, so newly created **M1** never circulates, **Federal Debt** must increase with it. Thus, as the need for **Reserve Bank Credit** ("temporary" financing) quadrupled (436%), for **Fed Assets** to match it (440%), the Fed, and the US Treasury needed to double **M1** (191%) and the **Federal Debt** (188%), to keep net money circulation (SLC)[6] at Q4-07's start level.

2. Even if nominal **GDP** grew by 16% and **M1** by 91%. since the mortgage crisis began, AS A PERCENTAGE OF MZM (red circles), **GDP** fell by 25% as **M1** grew by 25%. Only by detrending MZM, it becomes clear that the net effect of freezing newly-issued **M1** into **M2** (QE) had ben to replace 25% of **GDP** for **M1** by Q3-2013.
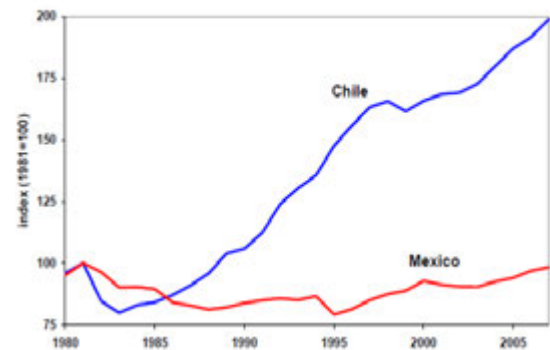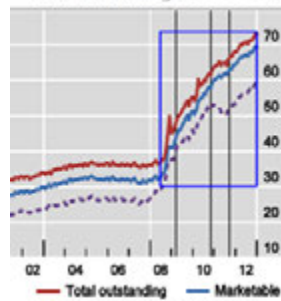

Real GDP per working age person in Chile and Mexico

FIGURE 4

FIGURE 5

Treasury debt and Federal Reserve holdings (% of GDP)
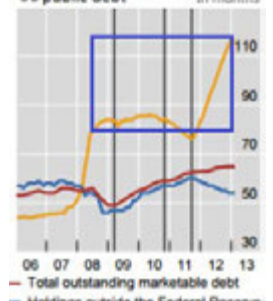
Average maturity of outstanding US public debt *In months*

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[5] Money Zero Maturity is M2 less small-denomination time deposits plus institutional money funds.

[6] At Sequoian, we trace Sovereign Liquidity Coverage, applying a simplified Bank "Liquidity Coverage Ratio."The Fed kept SLC constant at 15%, to prevent QE from showing up as inflation.

[7] "raising public debt maturity is to increase private money creation, potentially leading to greater financial stability risks (Greenwood, Hanson, and Stein (2010)."

[8] "There is a shortage of capital due to overspending and under-saving, according to Grice. The financial crisis in 2008 was the first revelation of this scarcity. Ultimately, the price of capital must reflect the scarcity of capital – through higher yields." Dylan Grice

[9] Zero Interest ... sent v ... assets at the expense of system solvency.

[10] Finding the present value of the income stream requires choosing a discount rate or 'market rate of return' appropriate to the period when the relevant cash flows are expected to happen.

[11] Net Present Value, nets the initial investment against the time-value of any nominal income expected in the future, so you can compare which investments to choose from.

KITTY! '$10.6 TRN WENT THROUGH THE LOOKING GLASS'!

Or was it the Rabbit Hole[12]? Either case, here is the way $10.6 trn, went to the world's largest 94 banks from Q4-08 to Q-412 (with a little help from their friendly, neighborhood central banks):

1. Figs. 6 &7 show that from Q4-08 to Q4-12, central banks forced long-term Real Interest Rates (RIR) to fall by 4%[13].

2. *Fig.5* (previous page), shows that from Q4-08 to Q4-12, non-Fed holders held, on average, a 60-month *WAM* (both Fed and Non-Fed debt holdings doubled their 2008 size).

3. Tab.2 models bank financial assets, as if they were 5-year bonds, with a 4% semiannual *Coupon* (6%, ex *inflation*), held from Q4-08 to Q4-12. Then, using *Convexity*, if YTM goes to 0%, Price goes to 120%, 100% the value of face plus income.

TABLE 2

PERCENT CHANGE IN FINANCIAL ASSET PRICES VS. YTM

4% Coupon Bond	Yield To Maturity (*YTM*) Changes By			
	1%	-1%	4%	**-4%**
Years to Maturity	Price Drops By	Price Rises By	Price Drops By	Price Rises By
1	-1.0%	1.0%	-3.8%	4.0%
5	-4.4%	4.6%	-16.2%	20.0%
10	-7.8%	8.6%	-27.2%	40.0%
15	-12.6%	15.0%	-34.6%	60.0%

4. Tab.3 shows that from Q4-08 to Q4-12, the world's 94 largest banks held over $8 trn in securities, on average, which netted them $1.6trn-$1.7trn from the RIR cut.

BIS reporting banks
**Summary of international positions**
In billions of US dollars

TABLE 3

Positions	Amounts outstanding						
	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Sep 2013	Dec 2013
Holdings of securities and other assets	8,389.5	8,417.4	8,092.6	7,772.8	8,504.2	8,362.6	8,402.3
claims on banks	3,700.7	3,590.2	3,459.7	3,465.5	3,766.0	3,656.8	3,653.4
claims on non-banks	4,688.9	4,827.2	4,632.8	4,307.3	4,738.2	4,705.8	4,748.9

5. Tab.4 shows near $9trn[14]of asset revaluation (green squares) and over $1.6trn (blue rectangle) in realized gains.

Bank capital and assets, 2009–12 In US$ billion   TABLE 4

	End-2009			End-2012			2009–12			Number of banks
	Capital	RWA	Total assets	Capital	RWA	Total assets	Net income	Dividends	Other increases in capital	
All	3194	28354	64278	4156	30695	73232	1077	397	274	94
Advanced	2638	22956	54878	3169	22023	58663	604	242	161	66
Emerging	556	5398	9400	987	8671	14569	473	155	113	28
G-SIB	2044	17665	42852	2570	18053	47228	581	189	134	29

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[13] "By keeping short-term interest rates low, the Fed helps recapitalize the banking system by helping to raise the industry's net interest margin (NIM), which boosts its retained earnings and, thus, its capital. Between the fourth quarter of 2008, when the FOMC reduced its federal funds target rate to virtually zero, and the first quarter of 2010, the NIM increased by 21 percent, its highest level in more than seven years. Yet, the amount of commercial and industrial loans on bank balance sheets declined by nearly 25 percent from its peak in October 2008 to June 2010. This suggests that perhaps other factors were working to restrain bank lending.

FIGURE 6

REAL LONG-TERM INTEREST RATE G7   FIGURE 7
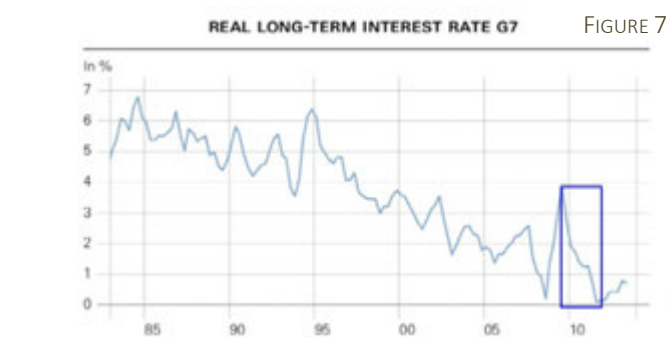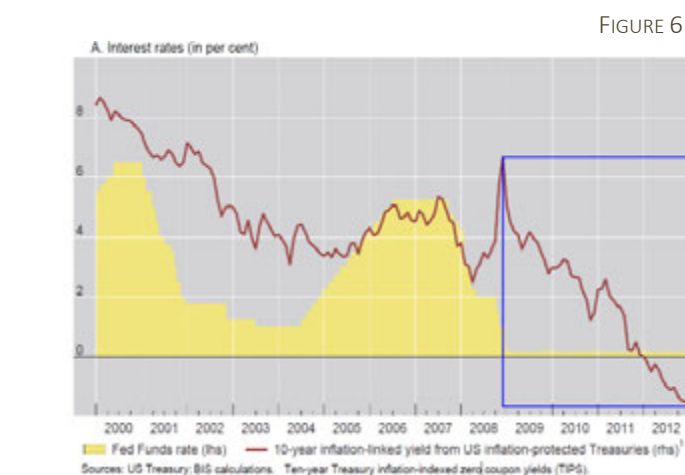
WHY THE PARTY WON'T STOP UNTIL THE 'PRISONER' TALKS

In January, *Dylan Grice*, from Edelweiss Holdings (until November, the 3rd member of Société Générale's fabled strategy team) said, 'Without trust, there are no markets.' Grice was referring to *Game Theory* dynamics (*The Prisoner's Dilemma*)[iii], as perhaps, he uses *Nash equilibrium* to guess the sequence of market events now unfolding. In our view, the analogy describes, what might happen, if instead of avoiding the crash, the state questions Mr. Banker and Mr. Regulator on a TV circus designed to calm the populace.

Banks, as all economic-agents, are there to maximize gains and spent 40 years dismantling laws, our grandparents' generation established to save us from a new cycle of misery. Yet, as *Martin Novak* concludes,[15] there is no equilibrium, all it takes for short-term, private-interest to prevail is for everyone else to forget how the game ends. Likewise, even if two pages of simple math can summarize the entire modus operandi and extent of the default, instead of acting to protect future generations, we will keep on arguing about QE, LTRO, etc.

A third benefit of low interest rates is that they can raise asset prices. When the Fed increases the money supply, the public finds itself with more money balances than it wants to hold"
[14] Chris Turner from Advisor Perspectives arrives at a similar number ($9trn) from a completely different perspective in his Savings Lost post of March 6 2013.

[15]Novak, "In all my work on the evolution of cooperation, it is always the same story – cooperation is never here to stay. Cooperation prevails for some time. Then the system breaks down and you have to rebuild it. … This is far away from the typical economist notion of equilibrium. There is no equilibrium."

NOT THE EQUAL ACCESS TO RESOURCES, BUT THE EQUAL ACCESS TO INFORMATION CREATES EXPONENTIAL VALUE

The entire theory of finance rests upon measuring the relative value that expectations (otherwise known as interest rates) add or subtract to/from an asset's _intrinsic_ value. For instance, as high certainty -low interest rates- increases the value of expected cash flows Future Value (Box), it becomes the largest component of price Present Value (Box). In fact, if that belief is shared by many, the future value component of price becomes exchangeable (liquid), investable and reproducible as _Information Symmetry_[1] rises across time, place and social hierarchy. For instance, Property Rights[2] when truly enforced, instantly produce information symmetry across all relevant boundaries and with it, exponential rises in the value of most economic resources. The same principle applies to the value multiple created by Competition, Freedom of Choice, Supply/Demand, Free-Markets[3] and all patterns our minds associate with survival expediency and intuitively, long-term (economic) sustainability. Unfortunately, the philosophical thought influencing both sides of the political spectrum today, comes from a time in history, when it would have been hard to separate the exclusively mathematical origin of financial value from the uneven impact its influence exerted on the European social fabric, after the 17th century, Fortunately, unbiased research and a vast supply of empirical data leave no room for controversy. Massive wealth creation correlates to information symmetry expansion throughout the charts, tables, and videos shown below.

THE ACCIDENTAL BIRTH OF CENTRAL BANKING, INTRODUCES SYSTEMIC INFORMATION SYMMETRY, IN A WORD: CAPITALISM

The principles of Central Banking came about 400 years ago, when the _Bank of Amsterdam_ imposed systematic, present-day certainty on the future value of Dutch guilders.[4] It took another century for Central Banks to become the source of last resort lending that would later unleash _fractional banking_'s power to reproduce capital. As banks began financing High-Repayment Potential projects, a virtuous cycle led to the fastest period of economic growth in human history. British Professor _Angus Maddison_[5] confirmed it, by painstakingly compiling the database depicted by _Camdor Global_, in _Geary-Khamis Dollars_ in Figure 9, where arrows point the clear break between low exponential growth-rate GDP (human population growth) from 1 and 1600 AD and after central banking spreads through the region that today contains the most developed economies in the globe. Eventually, the exponential power of Virtuous (versus Ponzi) fractional banking financed the public infrastructure and prolific development that another heavy-weight of statistical science, Swedish Professor _Prof Hans Rosling_, compiled, using the United Nations' historical database on Life Expectancy and Income Per Person Database. _See him explain_ it in person[6] or check his _200 years that changed the world)_.

CONCLUSIONS

TWO WORLDS
1. For over 30,000 years, the _majority_ of _Modern humans_ lived in functional or declared servitude of small power elites or if 'in the state of nature' as Hobbes (1588-1679) describes in _Leviathan,_ the life of man, [was] solitary, poor, nasty, brutish, and short..."
2. In 1609, Amsterdam, in its zeal to compete against other commercial ports along the North Sea shore, decided to offer foreign merchants and creditors, a concrete system to hedge against the chronic currency debasement carried on by _Dutch banks_ owned by municipal Dutch feudal lords. Thus, began the methodical sustenance of currency value across time, geography, social hierarchy, etc., the Information Symmetry that eventually magnified the power of fractional-banking and led to the modern era.

THREE INFERENCES
1. Regardless of what you call a political system when only the power elite has access to information, it grabs its benefits, at the expense of the rest. As living standards drop for the majority, economic growth becomes unsustainable.
2. Wealth or Income redistribution policy consistently leads to behavior that is detrimental to innovation, productivity, and economic growth. Much worse, it involves, precisely the arbitrary dynamics that create Information Asymmetry.
3. Designing Information Symmetry Systems across all private-interest barriers would bring sustained, exponential growth in living standards, to the 90% of world population, whose future is already compromised by Information Asymmetry.
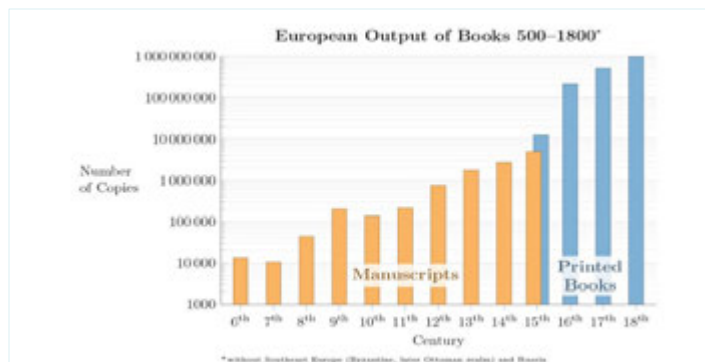

FIG. 8 _EUROPEAN BOOK OUTPUT 500 TO 1800 BY 5 ORDERS OF MAGNITUDE AFTER PRINTING REVOLUTION_
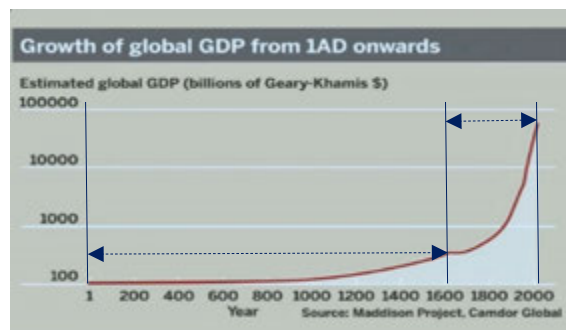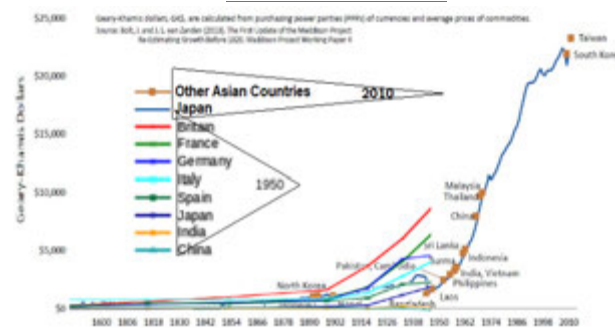

FIG. 9 _WORLD GDP PER CAPITA FROM 1AD TO_

FIG. 10 _GDP PER CAPITA FROM 1500 TO 1950 SELECTED EUROPEAN& ASIA VS_ FIG. 11 _ASIA'S GDP FROM 1600 TO 2010_

PRESENT VALUE
Due to uncertainty, a dollar in hand is more valuable than a dollar in the future. And since uncertainty depends on the amount of time and risk you take while you wait, it can be expressed as a percentage cost of those two variables and appropriately named INTEREST RATE. Finally, by subtracting the cost of uncertainty from each dollar you're expecting in the future, you can price what it is worth today. In short, you can express the Present Value of any income stream you expect from an investment by discounting the interest rate cost from each of the expected cash flows: PV = CASH FLOW / (1+ INTEREST RATE) ^ NUMBER OF TIME PERIODS.

FUTURE VALUE
A way of understanding Present Value is to require that the opposite of the statement above be true. That is: FV = CASH FLOW * (1+ INTEREST RATE) ^ NUMBER OF TIME PERIODS. Thus, unless there is ZERO UNCERTAINTY about the future (INTEREST RATES ~zero), the nominal price or Future Value of a cash-flow income stream must always be larger than one. Yet, for almost a decade, G-7 REAL POLICY INTEREST RATES have been below zero (see Graph 5), while certain privileged public and financial sector entities or their clients have issued endless sums of debt, whose proceeds help guarantee or directly purchase the future value of income-producing assets at prices below the premium imposed by the time value of money.

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[1] [The] "knowledge that some system is symmetrical reduces what we need to know about the system by eliminating possibilities that would be permitted if the system were not symmetrical. This reduction of required information is greater, the more pervasive the symmetry. The relatively low information content resulting from symmetries is reflected in the high epistemic value of knowledge of these symmetries."
[2] "Property Rights and Markets. The optimal solution to the allocation problem requires the participants to have accurate information about the marginal costs and marginal benefits associated with specific alternatives. Problems arise when exchange is not voluntary and property rights are attenuated. Pure competition is one way to ensure that no one buyer or seller has the ability to alter the outcome of market exchanges and the information revealed in prices."

[3] See David Ricardo's original postulates
[4] The City of Amsterdam opened the Bank of Amsterdam in January 1609. The Exchange Bank was introduced specifically to insulate the bill market from debasement.
[5] Professor Angus Maddison (1926 – 2010) was able to synthesize vast amounts of information into a clear form through his quantitative analysis approach to economics making his contributions invaluable to anyone trying to understand why some parts of the world are so much richer than others. You can acces the Maddison Project Database, in Excel.
[6] Hans Rosling's 200 Countries, 200 Years, 4 Minutes - The Joy of Statistics
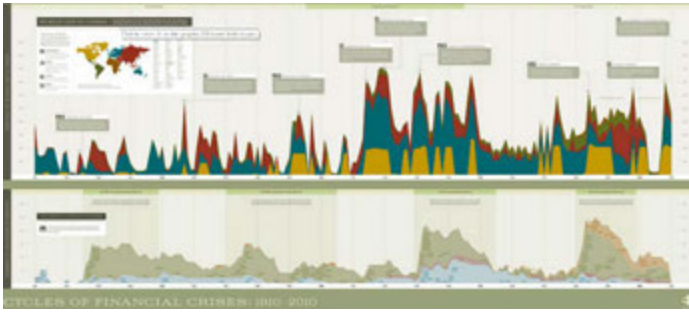
This Time Is Different: Eight Centuries of Financial Folly by Carmen M. Reinhart & Kenneth S. Rogoff

Top 0.01% share: × 4 in last 35 years
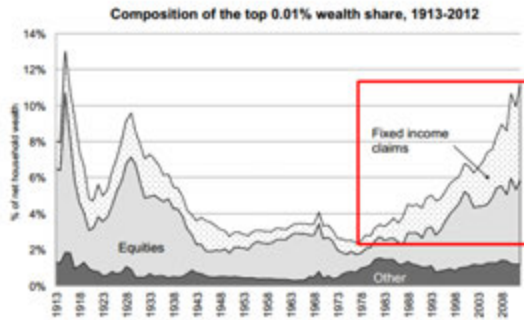
The rise and fall of middle-class wealth
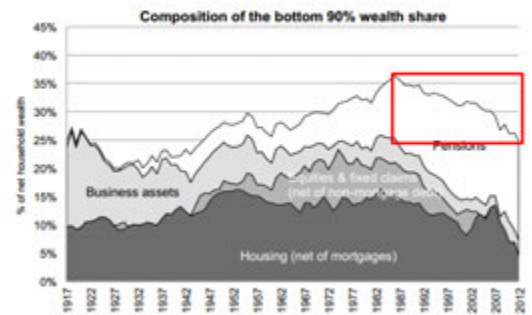
Almost no recovery for the merely rich
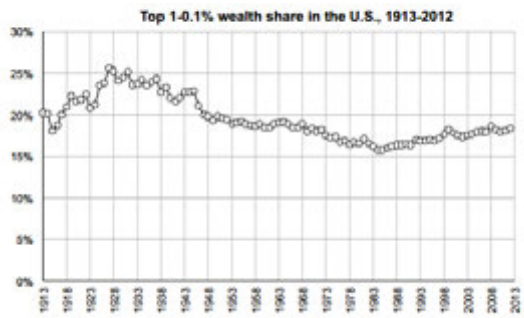
The middle rich are losing ground
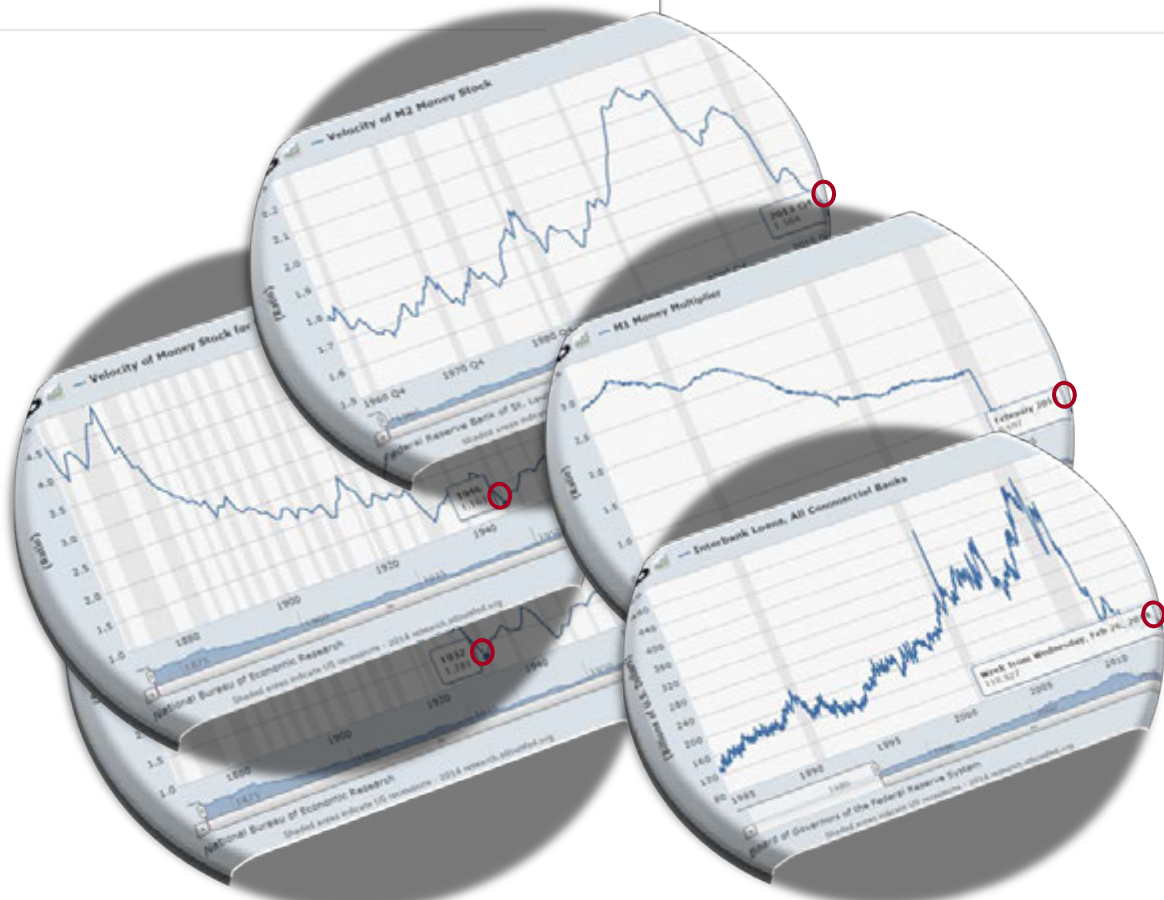
The Monetary Velocity Analysis: 1932 Dip, 1946 Dip, Q4–2013. Plus Interbank Loans & The Money Multiplier

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SEQUOIAN

For more information:
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Email: information@srafof.com

Systemic Risk Averse Fund of Funds SPC Ltd. - Segregated Portfolio A
Monthly Performance*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Annualized YTD	AVG YTD
2013	5.04%	0.30%	1.20%	5.00%	7.32%	-4.61%	-4.24%	-0.66%	-1.90%	-2.93%	0.20%	4.20%	15.12%	15.12%	16.62%
2012							-2.29%	3.24%	3.53%	1.01%	0.50%	3.21%	9.41%	19.71%	

Growth of $1,000
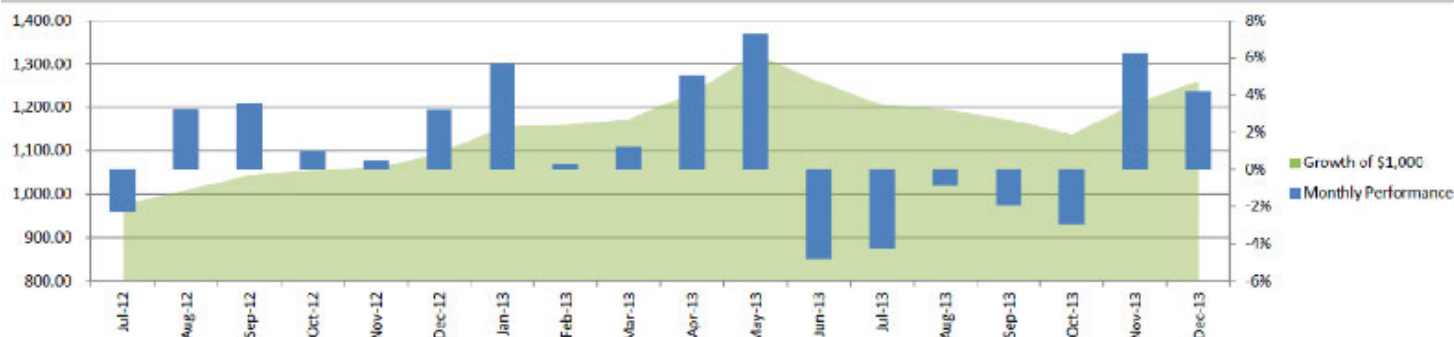
Fund Terms

Management Fee:	2.75% - 0.25%
Performance Fee:	10%
Minimum Investment	$100,000
Subscription:	Monthly
Redemption notice	Quarterly/60 days
Lock up:	1 Year
Currency:	USD

Service Providers

Investment Manager	Sequoian Asset Management Corp.
Investment Advisor	Sequoian Investment Management, LLC
Auditor.	Deloitte & Touche
Administrator:	Investa Accounting Services LLC
Legal Advisor (US)	Greenberg Traung
Legal Advisor (BVI)	Ogier

"Disclaimer Regarding Past Performance
The performance shown above is the result of the strategy the Investment Manager implemented in another fund. All performance numbers are net from all fees.
The performance has been calculated by a third party; Investa Accounting Services LLC, who is the administrator for the Fund. All data has been independently verified.
Past performance is no guarantee of future results. The historical performance of the fund is not necessarily indicative of future performance. The investment return and principal
value of an investment will fluctuate, and an investor may have a gain or loss upon disposition of his/her investment. The information provided is intended for informational purposes only

Disclaimer
This summary does not constitute an offer to sell or a solicitation of an offer to buy an interest in the fund. Such an offer can only be made by a current
Private Offering Memorandum and only in those states where the security may lawfully be sold. The Private Offering Memorandum describes risk factors and
other material considerations associated with an investment in the company which are not addressed in the Summary.

Declaration Administrator
We have verified all the monthly performance numbers independently with the underlying fund's administrators.

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BIBLIOGRAPHY

Systemic Risk Averse Fund of Funds SPC Ltd. - Segregated Portfolio A - Initial Series

MONTHLY PERFORMANCE REPORT   UNAUDITED

STATISTICS	April 30, 2014
Net asset value per participating share	$ 919.13
Performance:	
· Since inception	-8.09%

Date	Author	Publisher	Article Title	URL
May-14	Claudio Borio Dietrich Domanski Christian Upper Philip Turner (BIS Monetary And Economic Department Editorial Committee)	The Bank For International Settlements (BIS)	Table 20a: Amounts Outstanding Of OTC Foreign Exchange Derivatives By Instrument And Counterparty Banking Statistics At End-2013	http://www.bis.org/statistics/dt1920a.pdf
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Apr-14	Peter Eavis And Micahel Corkery	The New York Times	Bank Of America Finds A Mistake: $4 Billion Less Capital	http://dealbook.nytimes.com/2014/04/28/bank-of-america-suspends-buyback-and-dividend-increase/
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[i] Hangyoung.Lee@duke.edu This paper presents updated evidence showing that both income and wealth are very highly concentrated in the United States but that the concentration of wealth, particularly financial wealth, is extremely high.

[ii] In the November 2012 update, the G-SIBs were allocated to buckets corresponding to the higher loss absorbency requirements that they would be required to hold from January 2016.

[iii] Tanya and Cinque have been arrested for robbing the Hibernia Savings Bank and placed in separate isolation cells. Both care much more about their personal freedom than about the welfare of their accomplice. A clever prosecutor makes the following offer to each. "You may choose to confess or remain silent. If you confess and your accomplice remains silent I will drop all charges against you and use your testimony to ensure that your accomplice does serious time. Likewise, if your accomplice confesses while you remain silent, they will go free while you do the time. If you both confess I get two convictions, but I'll see to it that you both get early parole. If you both remain silent, I'll have to settle for token sentences on firearms possession charges. If you wish to confess, you must leave a note with the jailer before my return tomorrow morning." The "dilemma" faced by the prisoners here is that, whatever the other does, each is better off confessing than remaining silent. But the outcome obtained when both confess is worse for each than the outcome they would have obtained had both remained silent. A common view is that the puzzle illustrates a conflict between individual and group rationality. A group whose members pursue rational self-interest may all end up worse off than a group whose members act contrary to rational self-interest" *Stanford Encyclopedia of Philosophy*.