

WF NewsLetter



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We Missed *The Gold Rush*, Did We?

We did miss the Gold Rush at Walnut Finance. Did we? To us gold has never been an investment. Good for dentists, excellent for jewelers but not an investment. It has no use, it yields nothing, no dividends. So we missed the rise of a commodity that some people consider an asset

class in itself. According to a well-known Private Bank, only Central Banks and dollar-risk conscious investors should buy gold. And it reminds us that gold price is in US dollars, so if the greenback goes south, so will the value of gold for Euro thinkers. The Private Bank also underline

that an investment whose price relies exclusively on financial conditions, with no income is definitely **not a bonus pater familias** investment. It also explains that should monetary policies strengthen, the yellow metal may, in turn, go south. We agree. And stick to our guns.



The buzz is definitely about Dubai. No more money! TV crews and the financial press wondering about what happens in Dubai. Let's be clear, nothing happened in Dubai last week. What really happened was foreign banks suddenly discovering that they had lent money to non performing entities.

October, *Was Just October*

As predicted in our previous issue, October was a bad month for investors. But **November corrected** that and it appears that October was just a single out. All major indexes (Dow, Nasdaq, Nikkei,

Footsie, CAC, etc.. were up and quite nicely. The Dubai story put a reduced slightly the overall performances but it was still an "up" month. By the way, all major securities in the UAE were limit down (-10%) and

some local bonds or sukuks are expected to default. There is still a lack of volume, but some "names" such as Buffett are coming back to the markets, and the outlook – short term- is still strong.

Dubai Air Show? *Not so Bad!*

It was rather a low key story, but it happened, and in the middle of THE crisis! And large sales (or rather commitments), Airbus pocketed \$5.3 Billion from African and Asian airlines

Companies; and Boeing won \$900 Millions orders. Crisis?



Yes, crisis, but the airline industry has to plan decades in advance and these orders show the confidence for the future. And it was definitely a good point for Dubai to **stand firm in the storm.**

UAE is 2nd Source of *Counterfeit Exports to EU*

Out of 179,000,000 counterfeit items seized at European borders the majority came from China. Not a surprise, counterfeiting is the #1 industry of the celebrated Chinese miracle. But second to China is the UAE. It is said that more **12% of illegal cigarettes or cosmetics entering the EU are produced in the UAE.** 15% of

counterfeit goods entering the EU are shipped from the UAE. Of course UAE custom officials are right to point out that many of these goods may only have passed through UAE ports, coming from other countries. **The report also shows that 56% of illegal cigarettes seized at EU borders were made in the UAE, as well as 9% of counterfeit drugs!**

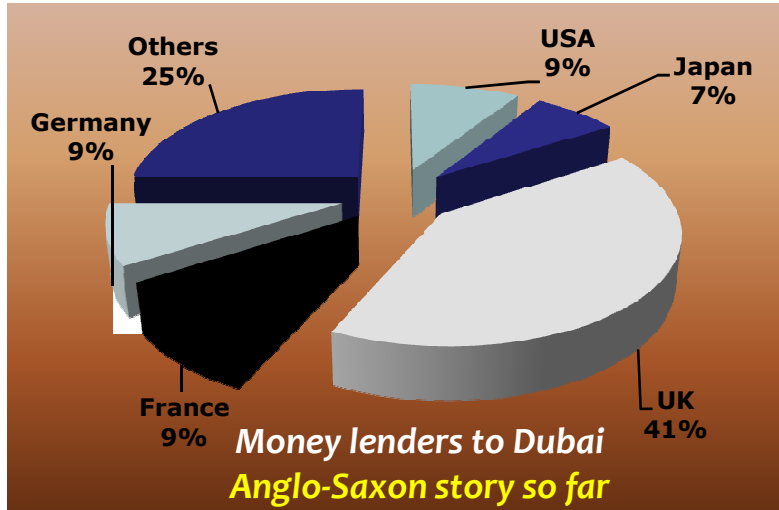
The third country of origination of counterfeit goods is Taiwan, which shows that both Chinas are not re-unified politically but share the same economical values.



The Dubai Story



The Dubai Story



Not in Dubai!

“What’s happening in Dubai?” You all got calls from friends abroad. “Sun is shining, we are at the beach!” was your usual answer. Did something actually happen in Dubai last week (apart from phone calls)? Not really. Foreign (“international”) banks discovered what the-guy-in-the-street knew, there is a cash shortage to repay them. **Remember the sub-prime stories?** You lend because you like the margin on the loan, and you don’t look too closely at repayment capabilities. The problem lies in Europe, America or Japan. Definitely not in Dubai!



My Grocer Told Me

Ask any taxi driver or the grocer next door and he would have told you about not expecting repayment when you lend money to an unemployed friend. No compliance needed, just good thinking. Your friend has no income, how is he going to repay you? He is your friend, he may be your customer (buying some aircraft whose delivery you delayed many times over), so you just wait until he gets back to business and will be able to meet his obligations. This is life.



Rating Agencies Defaulting Again!

“there was slight rain yesterday” this is the best statement you can expect from the so-called rating agencies (S&P, Moody’s, Fitch). Once again the warning (downgrade of Dubai World and other entities), came after the event (defaulting announcement). Totally **useless**, and even **responsible** for misleading investors at decision time.



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QUOTE OF THE MONTH

**"In the business world,
the rearview mirror is
always clearer than the
windshield"**

**WARREN BUFFETT
AMERICAN INVESTOR**

Index	Last	Year-to-date	1-Year	5-Year
Dow Jones	10,344.84	+18.33%	+20.79%	-0.79%
NASDAQ	2,144.60	+31.39%	+42.09%	+2.72%
CAC 40	3,680.15	+9.53%	+12.80%	-5.10%
FTSE 100	5,190.68	+17.27%	+21.35%	+7.82%
Nikkei 225	9,345.55	+2.92%	+18.84%	-15.61%
\$/€	1.5011	-7.57%	-18.22%	-14.54%



Thierry Henry

FOOTball, better played
with HAND



Dubai

What else?



Herman Van Rompuy

EU President. Know
him? Elected him?



Lionel Messi

Ballon d'Or 2009, for
lack of anybody else...

This month's *Winners*

Our selection

Company	Symbol	October '09 Perf	Year-to-date Perf	Price
Exide Technologies	XIDE	+26.09%	+40.26%	\$ 7.49
Amazon.com	AMZN	+14.36%	+150.02%	\$ 135.91
IBM	IBM	+4.80%	+58.25%	\$ 126.35

**Annualized Return
Since Inception:
+ 71.35%**

Walnut Finance \$100,000 US Portfolio

On January 1, 2009, Walnut Finance invested for its own five times \$ 20,000 in five different US-listed securities. The table on the right gives the result of that investment as of November 30, 2009. Dividends are net and not re-invested. Profit is +77.96%.

**Current Value:
\$ 177,831.96**

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Walnut Finance \$100,000 Portfolio

Company	Symbol	Shares	Bought	Last	Value	P/L
AIG	AIG	574	\$ 34.80	\$ 28.40	\$ 16,301.60	(\$3, 673.60)
Arcelor Mittal	MT	679	\$ 29.43	\$ 39.27	\$ 26,664.33	\$ 6,681.36
Yahoo!	YHOO	1,600	\$ 14.75	\$ 14.97	\$23,952.00	\$ 352.00
Nvidia	NVDA	2,254	\$ 8.87	\$ 13.06	\$ 29,437.24	\$ 9,444.26
Microsoft	MSFT	1,000	\$ 24.75	\$ 29.41	\$ 29,410.00	\$ 4,660.00
Exide Techno.	XIDE	3,500	\$ 6.00	\$ 7.50	\$ 26,250.00	\$ 5,250.00
Schlumberger	SLB	400	\$ 57.00	\$ 63.89	\$ 25,556.00	\$ 2,756.00
Cash + Net Dividends Earned					\$ 260.79	
Portfolio Net Value as of October 31, 2009					\$ 177,831.96	\$ 77,831.96

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

We sold Dell after only one month, prior to earnings release and invested in Exide Technologies (XIDE), a battery maker. AIG

(AIG) suffered a bad day on the last day of the month. The results were mixed, but the portfolio made a monthly profit of \$10,800.