The Sid Klein Comment
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Windfall Gains in 2008:

Esoteric Alternatives for Hedge Funds & High Net Worth Individuals

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SHANGHAI

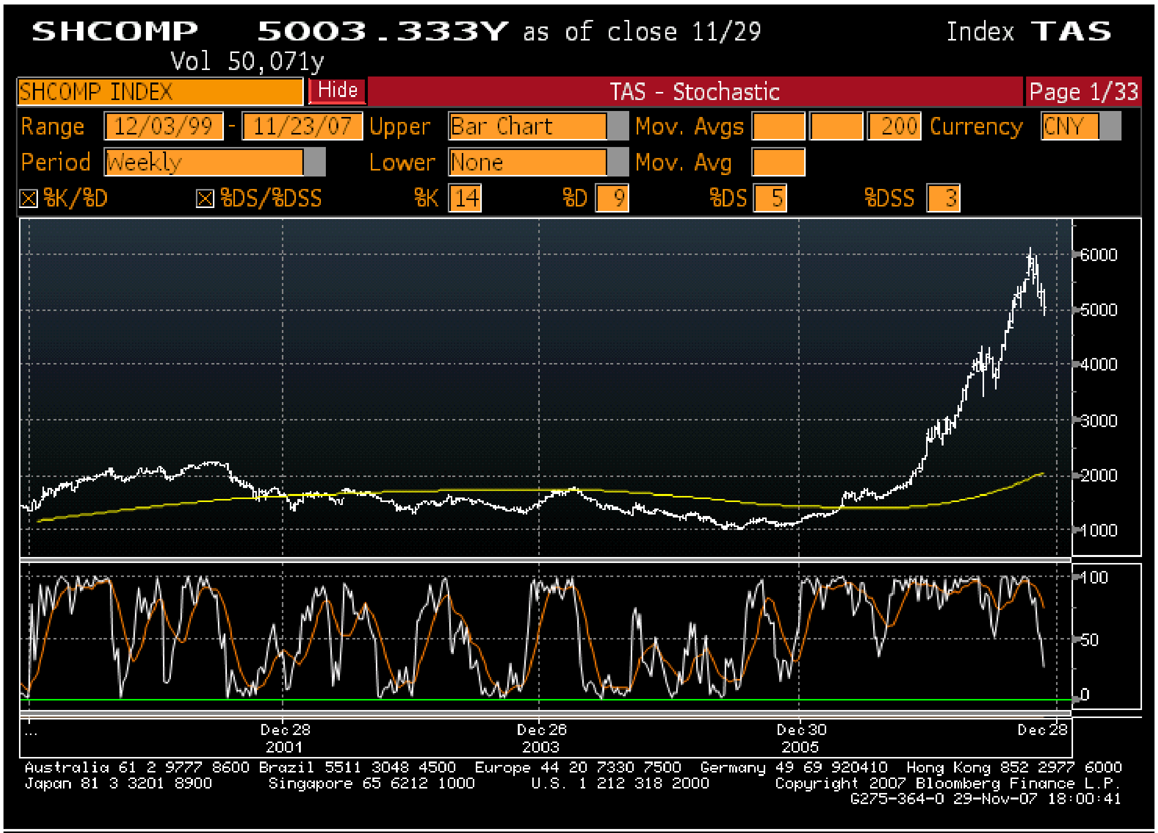
The daily 1-year chart of the Shanghai index (second chart below) illustrates a pattern supportive of an approaching double top for yearend, which would make it peculiarly reminiscent of 1989 in Japan, when the Nikkei peaked on the first full day of trading.

Markets – mostly equity markets, since fund managers hold greater sway there, as opposed to sovereigns who dominate currencies bonds and gold, for instance – tend to hit extremes right at yearend, with uncanny reliability.

As I had with Japan in 1989, I believe I'll have hit a perfect peak in this market. In 1988, I ignored Templeton who had turned negative on Japan at 26,000. This time I ignored Greenspan's warning that the Shanghai market is in a bubble. In both cases, I know these gentlemen to have been right, but not at all as market timers. There, I fly by my own wits, particularly in order to derive the best possible strategy by

which to profit in the greatest possible way, and with the idealized timing necessary to maximize leverage and further reduce risk.

So, while a double top in China would be consistent with a Dow in the higher 13,000's (see chart on page 8), I've learned not to correlate markets and merely look at each individually. That said, the following discussion of strategy for windfall gains in 2008 focuses on the discussion above and in the context of this section, as opposed to what follows later on in the section on the Dow.



Please scroll down.

The opportunity:

If one were to simply buy a put option, or put warrant on the Shanghai index after the meteoric rise that it has enjoyed, premiums would be prohibitive. If one wanted a long-term call option or call warrant on the Nikkei, premiums would be prohibitive.

Using everything written above, including the commentary on page 5, there are ways of improving performance efficiency, by lowering volatility premiums (which govern option and warrant premiums) AND enhancing performance by fine tuning which of the Japanese components from which to choose.

Finally, the key is to structure a product that only pays for the out-performance of one index versus the other. For this, one pays a dramatically lesser premium, since the underwriter does not get involved in the business of making market forecasts, but, rather, merely responding to computer models that calculate the price of premiums, based on historical volatility. But not only does one only pay for out-performance, as opposed to an option on one index or another, but, properly structured, one can "cheat the bank" and actually obtain a double-whammy by betting against one insanely high item, and on a

deeply undervalued item, that further carries with it a volatility price reducing factor.

I can draw a simple conclusion that sums it up: The tailor made product achieves paying less for what one would actually be prepared to pay more. And therein lies the perfection of the engineering that delivers the structure for windfall gains, as lesser premiums are paid for what should actually be astronomical.

The basic details that I can and must mention here is that the product is a listed 2-year warrant, for which minimum investment is $100,000. This achieves the classification by regulators of individuals as "sophisticated", from a legal standpoint (institutional investors so classified are already treated as exempt), while, as a result, making available a leveraged product that does not otherwise exist, on two markets at crucial junctures, and in one highly leveraged and efficient swoop.

Asset Allocation:

- **45% gold**
- **5% silver**
- **25% Yen**
- **25% Swiss Franc**

From the September report: "This is a wonderful time to own the Yen, gold…and silver!"

Good fortune to all,

Sid Klein

person or entity who sent it to you. Send your email to sidklein@sidklein.com.

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