

# 2010 ANNUAL REPORT OF THE FRENCH MUTUAL FUND CARMIGNAC INNOVATION

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(For the financial year ended 31 December 2010)



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Société anonyme. Portfolio management company (authorisation no. GP 9708 of  
13/03/97), with share capital of EUR 15,000,000, RCS Paris B 349 501 676  
[www.carmignac.fr](http://www.carmignac.fr)

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**FRENCH MUTUAL FUND  
CARMIGNAC INNOVATION**

**Statutory auditor's report**

**For the financial year ended 31 December 2010**

**Free translation of a French language original**

**This is a free translation into English of the statutory auditors' report on the financial statements issued in French and it is provided solely for the convenience of English-speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditor's assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures.**

**This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to shareholders.**

**This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.**

Dear Sir/Madam,

In accordance with the mission assigned to us by the management body of the fund's management company, we present our report for the financial year ended 31 December 2010 relative to:

- the audit of the annual financial statements of the **CARMIGNAC INNOVATION** FCP which are attached to the present report,
- the justification of our evaluations,
- specific verifications and information required by law.

The annual financial statements were prepared by the management company. Our role is to express an opinion on these financial statements based on our audit.

## **I – OPINION ON THE ANNUAL FINANCIAL STATEMENTS**

We conducted our audit in accordance with the professional auditing standards applicable in France. These standards require that we carry out our audit in order to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit consists in examining, on a test basis or by other methods of selection, evidence supporting the amounts and disclosures contained in the annual financial statements. An audit also consists in assessing the accounting principles used and the significant estimates made, as well as the overall presentation of the financial statements. We believe that the evidence gathered is pertinent and sufficient to serve as a basis for our opinion.

In our opinion, the annual financial statements give, in accordance with French accounting rules and principles, a true and fair view of the Fund's financial position and assets and liabilities and of the results of its operations at the end of the financial year.

## **II – JUSTIFICATION OF THE EVALUATIONS**

In application of the provisions of Article L.823-9 of the French Commercial Code in relation to the justification of our evaluations, we wish to highlight the following points:

As part of our evaluation of the accounting principles used by the Fund and described in the notes to the annual financial statements under “Accounting methods and rules”, we have verified the correct application of the valuation methods used for the financial instruments in the portfolio.

The evaluations were made in the context of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

## **III – SPECIFIC VERIFICATIONS AND INFORMATION**

We have also carried out the specific verifications required by law in accordance with the professional auditing standards applicable in France.

We have no comment as to the fair presentation and conformity with the annual financial statements of the information given in the annual report and in the documents sent to unitholders with respect to the financial position and the annual financial statements.

Paris La Défense, le 7 mars 2011

KPMG Audit  
*Département de KPMG S.A.*

Cabinet Vizzavona

Isabelle Bousquié  
*Associé*

Robert Mirri  
*Associé*

# CARMIGNAC INNOVATION 2010 ANNUAL REPORT

## ■ Main features of the Fund

### **Classification**

International equities

### **Dividend policy**

Accumulation fund Dividends are recorded on an accruals basis.

### **Countries in which the Fund is authorised for distribution**

Belgium, France, Germany, Italy, Luxembourg, Netherlands, Spain and Switzerland.

### **Investment objective**

The Fund is managed on a discretionary basis with an active asset allocation policy and is invested in technology stocks. Its risk profile is comparable to that of its performance indicator, which is the following composite index:

50% MSCI ACWF Information Technology, converted into euro + 48% MSCI ACWF Health Care, converted into euro + 2% MSCI ACWF Energy Equipment (before 31/12/1998 the MSCI Energy index was used), converted into euro. The objective of the Fund is to outperform its performance indicator while keeping volatility below the level of this indicator.

### **Performance indicator**

The Fund's performance indicator is the following composite index: 50% MSCI ACWF Information Technology, converted into euro + 48% MSCI ACWF Health Care, converted into euro + 2% MSCI ACWF Energy Equipment (before 31/12/1998 the MSCI Energy index was used), converted into euro. This composite index is not rebalanced.

This index does not strictly define the investment universe but allows investors to assess the performance and risk profile that they can expect when investing in the Fund. The market risk of the Fund is comparable to that of its performance indicator.

The MSCI ACWF Information Technology index is calculated ex-dividend in dollars by Morgan Stanley (Bloomberg code: MXWD0IT) and converted into euro. This index includes around 275 securities representing companies from the information technology sector (data at 13 December 2005).

The MSCI ACWF Health Care index is calculated ex-dividend in dollars by Morgan Stanley (Bloomberg code: MXWD0HC) and converted into euro. This index includes around 154 securities representing companies from the health care sector (data at 13 December 2005).

The MSCI ACWF Energy Equipment index (before 31/12/1998 the MSCI Energy index was used) is calculated ex-dividend in dollars by Morgan Stanley (Bloomberg code before 1999: MXWD0EN/Bloomberg code as of 1999: MICUEEQS) and converted into euro. This index includes around 123 securities representing companies from the energy equipment and services sector (data at 13 December 2005).

### **Investment strategy**

As the Fund is managed on an active, discretionary basis, the asset allocation may differ substantially from that of its performance indicator depending on the manager's expectations.

The portfolio is mainly invested in equities of French and foreign companies operating, inter alia, in the information technology, biotechnology, technology, oil exploration and healthcare sectors, without excluding other types of transferable securities.

Subject to the regulatory limits, at least 60% of the net assets of Carmignac Innovation is permanently exposed to equities.

The assets may also consist of fixed income securities, debt securities or money market instruments denominated in euro or other currencies as well as variable rate bonds. Up to 40% of the assets may be invested in fixed income products for the purpose of risk diversification in the event of expected negative movements in equities.

A maximum of 10% of the assets may also be invested in units or shares of UCITS.

Carmignac Innovation may use deposits and cash borrowings to optimise the management of cash within the Fund.

The Fund may enter into securities lending transactions on a limited basis in order to optimise its income.

For the purposes of achieving its investment objective, Carmignac Innovation may use derivatives and securities with embedded derivatives on a limited basis in order to hedge the Fund's assets or increase the portfolio's exposure to business sectors, geographical areas, the fixed income, equity and foreign exchange markets and similar transferable securities or indices. The use of financial futures enables the manager to optimise management and to manage the risk of over- or under-exposure of the portfolio in relation to an expected development on the financial markets. These transactions shall not exceed the total value of the Fund's assets at any time.

### **Risk profile**

The Fund shall invest in financial instruments and, where applicable, UCITS selected by the Management Company. These financial instruments and UCITS shall be subject to the evolution and fluctuations of the market.

The risk factors described below are not exhaustive. It is up to each investor to analyse the risk associated with such an investment and to form his/her own opinion independent of CARMIGNAC GESTION, where necessary seeking the opinion of any advisors specialised in such matters in order to ensure that this investment is appropriate in relation to his/her financial situation.

**Risk of capital loss:** the portfolio is managed on a discretionary basis and does not guarantee or protect the capital invested. A capital loss occurs when a unit is sold at a lower price than that paid at the time of purchase.

**Equity risk:** as a minimum of 60% of the assets of CARMIGNAC INNOVATION is exposed to equities, the net asset value of the Fund may decrease in the event of a downward movement on the equity markets.

**Currency risk:** the FCP is exposed to currency risk through the purchase of securities denominated in currencies other than the euro or indirectly through the purchase of financial instruments denominated in euro whose underlying investments are not hedged against currency risk as well as through currency forward exchange contracts. The net asset value of the Fund may decrease.

**Interest rate risk:** 0% to 40% of the net assets of the Fund is exposed to the interest rate risk of the eurozone and international markets through investments in financial instruments. The net asset value of the Fund may decrease.

**Credit risk:** the manager may invest in bonds whose rating is below investment grade. The average rating of the bonds held directly by the Fund or through investments in UCITS shall be at least investment grade (i.e. rated at least BBB-/Baa3 by the rating agencies Standard and Poor's and Moody's). The net asset value of the Fund may decrease.

Risk associated with commitments on forward financial instruments: Carmignac Innovation may invest in financial futures, provided they do not exceed the total value of the Fund's assets. As up to 200% of the Fund's assets may thus be exposed to equities, this may lead to the risk of a more substantial and rapid decrease in the net asset value of the Fund than those that occur on the markets in which the Fund is invested. In the event of the occasional use of securities with embedded derivatives, the risk associated with this type of investment shall be limited to the amount invested for the purchase of the securities with embedded derivatives.

Liquidity risk: the markets in which the FCP participates may occasionally be subject to temporary illiquidity. These market distortions may have an impact on the pricing conditions under which the FCP might be caused to liquidate, initiate or modify its positions. The net asset value of the Fund may therefore decrease.

If the FCP is invested in venture capital funds (*Fonds Communs de Placement à Risques*, FCPR) and the net asset value of the portfolio decreases, the portion of the portfolio invested in venture capital funds may be blocked for a certain period.

### **Target subscribers and investor profile**

The FCP is available to all investors. As the Fund is mainly invested in French and international stocks (all caps), it is aimed at all types of investors, natural persons and legal entities wishing to diversify their investments through foreign stocks.

## ■ Investment policy

### Management report

Carmignac Innovation posted a performance of +9.31%, coming in behind its performance indicator which gained +13.12%. Although alternative energies generated a weak performance, the Fund benefited from the strength of our main weighting, information technology. The healthcare sector did not let us down and also contributed, albeit to a lesser extent, to the Fund's annual performance.

#### **Information Technologies (55%)**

IT spending received fresh impetus throughout the year from the recovery of US economic growth. The relocation and virtualisation of data and software to remote servers have become major trends in the universe of information technology. Companies such as Citrix Systems and Riverbed Technology have fully benefited from this trend. The biggest contributor to the Fund's performance is nevertheless Adva Optical Networking (+132%) which is developing a new generation of network infrastructures enabling the convergence of fibre optics and Ethernet systems. The year 2010 also saw the launch of the iPad by Apple, whose annual performance reached +53%. Smartphones and tablets now represent a very large market which benefits the sector's entire value chain, including the Korean company Melfas which manufactures integrated control circuits for screens. During the year, we increased the weighting of information technology stocks from 41% to 55%. Its contribution to performance amounted to +15.42%.

#### **Healthcare (32.04%)**

The sector was penalised by the European economic environment which encouraged governments to step up pressure on the price and reimbursement of medicines. Our healthcare portfolio continues to focus on companies that develop innovative products to treat chronic and terminal illnesses. Novo Nordisk, world leader in diabetes care and insulin production is one of the biggest contributors to the Fund. Investments in Pharmasset and Vertex Pharmaceutical, which should be launching new treatments next year, also benefited the Fund. Although we increased our exposure to the sector during the first quarter, the pressure on prices and reimbursements mentioned above led us to reduce it gradually.

Its contribution to performance amounted to +5.46%.

#### **Alternative energy (12.65%)**

Alternative energies penalised us throughout the year. The Fund suffered from the weak performance of solar energy. Although our Chinese stocks, such as Trina Solar, Renesola and Yingli Green Energy, were undermined by subsidy cuts in Europe despite their strong results, we remain confident in their growth potential. While we wait for this sector to recover, we have reduced its weighting slightly. Its contribution to performance amounted to -6.64%.

*Past performance is not an indication of future results.*

## ■ Regulatory information

### **Policy for the selection of intermediaries**

"In its capacity as management company, Carmignac Gestion selects service providers whose execution policy guarantees the best possible result when executing orders transmitted on behalf of its UCITS or its clients. It also selects service providers to aid in making investment decisions and to execute orders. In both cases, Carmignac Gestion has defined a policy for selecting and evaluating intermediaries according to certain criteria. You can find the updated version of this policy at [www.carmignac.com](http://www.carmignac.com), where you will also find a report on intermediary fees.

### **Life of the Fund**

None.

## **ANNUAL FINANCIAL STATEMENTS OF CARMIGNAC INNOVATION**

The annual financial statements presented here have been established according to the same format and using the same valuation methods as in the previous financial year.

## CARMIGNAC INNOVATION BALANCE SHEET

### ASSETS

	31/12/2010	31/12/2009
<b>Net fixed assets</b>		
<b>Deposits</b>		
<b>Financial instruments</b>	<b>67,185,751.05</b>	<b>59,428,647.08</b>
<b>Equities and similar securities</b>	<b>67,185,751.05</b>	<b>59,428,647.08</b>
Traded on a regulated or similar market	67,185,384.91	57,978,917.16
Not traded on a regulated or similar market	366.14	1,449,729.92
<b>Bonds and similar securities</b>		
Traded on a regulated or similar market		
Not traded on a regulated or similar market		
<b>Debt securities</b>		
Traded on a regulated or similar market		
<i>Transferable debt securities</i>		
<i>Other debt securities</i>		
Not traded on a regulated or similar market		
<b>Undertakings for Collective Investment</b>		
Coordinated European UCITS and standard French UCITS		
UCITS reserved for specific investors – FCPR (French venture capital funds) – FCIMT (French futures funds)		
Listed FCCs (securitisation funds) and investment funds		
Unlisted FCCs (securitisation funds) and investment funds		
<b>Temporary transactions on securities</b>		
Receivables on securities received under a repurchase agreement ( <i>pension</i> )		
Receivables on securities lent		
Securities borrowed		
Securities transferred under a repurchase agreement ( <i>pension</i> )		
Other temporary transactions		
<b>Forward financial instruments</b>		
Transactions on a regulated or similar market		
Other transactions		
<b>Other financial instruments</b>		
<b>Receivables</b>	<b>2,809,247.20</b>	<b>6,135,814.86</b>
<b>Currency forward exchange contracts</b>	<b>1,716,620.42</b>	<b>6,066,291.98</b>
<b>Other</b>	<b>1,092,626.78</b>	<b>69,522.88</b>
<b>Financial accounts</b>	<b>150,499.15</b>	<b>647,489.45</b>
<b>Cash</b>	<b>150,499.15</b>	<b>647,489.45</b>
<b>Total assets</b>	<b>70,145,497.40</b>	<b>66,211,951.39</b>

## CARMIGNAC INNOVATION BALANCE SHEET

### LIABILITIES

	31/12/2010	31/12/2009
<b>Equity capital</b>		
Share capital	68,177,140.33	59,610,621.97
Retained earnings		
Income	-652,762.94	-537,123.56
<b>Total share capital (= Amount corresponding to the net assets)</b>	<b>67,524,377.39</b>	<b>59,073,498.41</b>
<b>Financial instruments</b>		
<b>Sales of financial instruments</b>		
<b>Temporary transactions on securities</b>		
Payables on securities transferred under a repurchase agreement ( <i>pension</i> )		
Payables on securities borrowed		
Other temporary transactions		
<b>Forward financial instruments</b>		
Transactions on a regulated or similar market		
Other transactions		
<b>Payables</b>	<b>1,763,964.46</b>	<b>7,025,247.09</b>
Currency forward exchange contracts	1,628,342.12	6,065,000.07
Other	135,622.34	960,247.02
<b>Financial accounts</b>	<b>857,155.55</b>	<b>113,205.89</b>
Short-term bank loans	857,155.55	113,205.89
Borrowings		
<b>Total liabilities</b>	<b>70,145,497.40</b>	<b>66,211,951.39</b>

## CARMIGNAC INNOVATION OFF-BALANCE SHEET ITEMS

	31/12/2010	31/12/2009
<b>HEDGING TRANSACTIONS</b>		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		
<b>OTHER TRANSACTIONS</b>		
Commitments on regulated or similar markets		
Commitments on OTC markets		
Other commitments		

\* The other transactions are exposure transactions.

## CARMIGNAC INNOVATION INCOME STATEMENT

	31/12/2010	31/12/2009
<b>Income from financial transactions</b>		
Income from deposits and financial accounts	1,872.98	688.16
Income from equities and similar securities	324,468.79	270,753.70
Income from bonds and similar securities		
Income from debt securities		
Income from temporary purchases and sales of securities	12,627.04	
Income from financial futures		
Other financial income		
<b>Total (1)</b>	<b>338,968.81</b>	<b>271,441.86</b>
<b>Payables on financial transactions</b>		
Payables on temporary purchases and sales of securities		
Payables on financial futures		
Payables on financial debts	21,647.94	2,060.97
Other payables		
<b>Total (2)</b>	<b>21,647.94</b>	<b>2,060.97</b>
<b>Profit/(loss) on financial transactions (1 - 2)</b>	<b>317,320.87</b>	<b>269,380.89</b>
Other income (3)		
Management fee and depreciation allowance (4)	940,294.18	820,261.85
<b>Net profit/(loss) for the financial year (1 - 2 + 3 - 4)</b>	<b>-622,973.31</b>	<b>-550,880.96</b>
Income equalisation for the financial year (5)	-29,789.63	13,757.40
Interim dividends paid for the financial year (6)		
<b>Profit/(loss) (1 - 2 + 3 - 4 + or - 5 - 6)</b>	<b>-652,762.94</b>	<b>-537,123.56</b>

### ■ Accounting methods and rules

The annual financial statements are established in accordance with the provisions laid down in Accounting Regulatory Committee (CRC) regulation no. 2003-02, as amended, with regard to the accounting guidelines applicable to UCITS.

The general principles of accounting apply:

- a true and fair view, comparability, continuity of operations,
- lawfulness and fairness,
- prudence,
- consistency of methods from one financial year to the next.

Income from fixed income securities is recorded on the basis of accrued interest.

Purchases and sales of securities are recorded exclusive of costs.

The accounting currency of the portfolio is the euro.

There are 12 months in the financial year.

#### **Valuation rules for the assets:**

Financial instruments are recorded in the financial statements using the historical cost method and they are entered on the balance sheet at their current value as determined by the last-known market value or, where a market does not exist, by any external means or by using financial models.

Differences between the current values used to calculate the net asset value and the historical costs of transferable securities when first included in the portfolio are recorded in “valuation differentials” accounts.

Securities that are not denominated in the currency of the portfolio are valued in accordance with the principle described below; the valuation is then converted into the currency of the portfolio on the basis of the exchange rate prevailing on the valuation day.

#### **Deposits:**

Deposits with a residual maturity of less than or equal to 3 months are valued using the straight-line method.

#### **Equities, bonds and other securities traded on a regulated or similar market:**

For the calculation of the net asset value, equities and other securities traded on a regulated or similar market are valued on the basis of the last market price of the day.

Bonds and other similar securities are valued at the closing price supplied by various financial service providers. Interest accrued on bonds and other similar securities is calculated up to the date of the net asset value.

French government bonds are valued on the basis of the mid price of a contributor (a primary dealer selected by the French Treasury), supplied by an information server. This price is subject to a reliability check by means of a comparison with the prices of several other primary dealers.

#### **Equities, bonds and other securities not traded on a regulated or similar market:**

Securities not traded on a regulated market are valued by the management company using methods based on the market value and the yield, while taking account of recent prices observed for significant transactions.

**Transferable debt securities:**

Transferable debt securities and similar securities that are not traded in large volumes are valued on the basis of an actuarial method, the reference rate (as defined below) being increased, where applicable, by a differential representative of the intrinsic characteristics of the issuer:

Transferable debt securities with a maturity of less than or equal to 1 year: Interbank rate in euro (Euribor).

Transferable debt securities with a maturity exceeding 1 year: valued using rates for French treasury bills (BTAN and OAT) with similar maturity dates for the longer durations.

Transferable debt securities with a residual maturity of less than three months may be valued using the straight-line method.

French treasury bills are valued on the basis of market prices, as published daily by the Bank of France.

**UCITS held by the Fund:**

Units or shares of UCITS shall be valued at their last known net asset value.

**Temporary transactions on securities:**

Securities received under repurchase agreements are recorded as an asset under the heading "Receivables on securities received under a repurchase agreement (*pension*)" at the contract amount, plus any accrued interest receivable.

Securities transferred under a repurchase agreement are recorded as securities purchased at their current value. The payables on securities transferred under a repurchase agreement are recorded as securities sold at the value determined in the contract, plus any accrued interest payable.

Securities lent are valued at their current value and are recorded as an asset under the heading "Receivables on securities lent" at their current value, plus any accrued interest receivable.

Securities borrowed are recorded as an asset under the heading "Securities borrowed" at the contract amount and as a liability under the heading "Payables on securities borrowed" at the contract amount, plus any accrued interest payable.

**Forward financial instruments:**

Forward financial instruments traded on a regulated or similar market:

Forward financial instruments traded on regulated markets are valued at the settlement price of that day.

Forward financial instruments not traded on a regulated or similar market:

**Swaps:**

Interest rate and/or currency swaps are valued at their market value by discounting future interest payments at the interest rate and/or currency exchange rate prevailing on the market. This price is adjusted to the issuer's risk.

Index swaps are valued using an actuarial method on the basis of a reference rate provided by the counterparty.

Other swaps are valued at their market value or at a value estimated according to the terms and conditions determined by the management company.

**Off-balance sheet commitments:**

Futures contracts are recorded at their market value as off-balance sheet commitments on the basis of the price used in the portfolio.

Options are converted into the underlying equivalent.

Swap commitments are recorded at their nominal value or, where there is no nominal value, at an equivalent amount.

**Management fees:**

Management fees are calculated on each valuation day on the basis of the net assets.

These fees are recorded in the Fund's income statement.

The management fees are paid in full to the Management Company responsible for all of the operating costs of the Funds.

Management fees do not include transaction fees.

The rate applied to the net asset value of the previous day is 1.5% (inclusive of tax).

The variable management fees are calculated according to the following method:

The performance fees are based on a comparison between the performance of the Fund and its performance indicator over the calendar year.

The Fund's performance indicator is the following composite index: 50% MSCI ACWF Information Technology, converted into euro + 48% MSCI ACWF Health Care, converted into euro + 2% MSCI ACWF Energy Equipment (before 31/12/1998 the MSCI Energy index was used), converted into euro.

The Fund's performance is calculated according to changes in the net asset value. If over the calendar year the Fund's performance (calculated with gross dividends reinvested) is positive and greater than that of its performance indicator, the variable part of the management fees shall represent 20% of the difference between the performance of the fund and the performance indicator. If over the calendar year the Fund's performance is lower than that of its performance indicator, the variable part of the management fees shall be zero. If during the year the Fund's performance since the beginning of the calendar year is positive and greater than that of its performance indicator calculated over the same period, this outperformance shall be the basis for a provision for the variable management fees on calculation of the net asset value. In the event that the Fund underperforms in relation to its performance indicator between two net asset value calculation dates, any provision previously made shall be readjusted by a reduction in the provision. Such reductions in the provision are limited to the amount of previous contributions. This variable part of the management fees shall only be received definitively at the close of each calendar year if the performance of the Fund has been positive and greater than that of its performance indicator over the year. It is deducted annually from the last net asset value of the month of December by the management company. These fees (the fixed fees and any variable amounts) shall be charged directly to the Fund's income statement.

**Dividend policy:**

The net profit/loss for the financial year is equal to the amount of interest, arrears, dividends, premiums and prizes, plus income generated by temporary cash holdings. Management fees and payables on financial transactions are charged against this income. Realised or unrealised gains or losses, as well as subscription and redemption fees, do not constitute income.

Distributable income is equal to the net income for the financial year plus retained earnings, plus or minus the balance of the income equalisation accounts for the last financial year.

In accordance with the provisions of the full prospectus, distributable income shall be accumulated in full by the Fund.

## CARMIGNAC INNOVATION CHANGES IN NET ASSETS

	31/12/2010	31/12/2009
<b>Net assets at the beginning of the financial year</b>	<b>59,073,498.41</b>	<b>44,522,124.82</b>
Subscriptions (including subscription fees paid to the UCITS)	20,294,453.47	34,080,353.55
Redemptions (after deduction of redemption fees paid to the UCITS)	-17,388,614.94	-28,671,003.95
Realised gains on deposits and financial instruments	9,375,608.68	9,656,844.36
Realised losses on deposits and financial instruments	-12,715,887.02	-16,844,451.58
Realised gains on forward financial instruments	925,560.98	1,237,061.01
Realised losses on forward financial instruments	-2,306,715.63	-3,164,509.21
Transaction costs	-1,148,533.00	-1,018,787.29
Foreign exchange differences	3,830,268.80	-152,948.27
Changes in the valuation differential of deposits and financial instruments	8,207,710.95	18,539,869.49
Valuation differential for the financial year N	7,103,567.89	-1,104,143.06
Valuation differential for the financial year N-1	1,104,143.06	19,644,012.55
Changes in the valuation differential of forward financial instruments		429,816.00
Valuation differential for the financial year N		
Valuation differential for the financial year N-1		429,816.00
Dividends paid in the previous financial year		
Net profit/(loss) for the financial year prior to the income equalisation account	-622,973.31	-550,880.96
Interim dividends paid for the financial year		
Other items		1,010,010.44
<b>Net assets at the end of the financial year</b>	<b>67,524,377.39</b>	<b>59,073,498.41</b>

**BREAKDOWN BY LEGAL OR ECONOMIC FORM OF THE FINANCIAL INSTRUMENTS OF  
CARMIGNAC INNOVATION**

	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>		
<b>Bonds and similar securities</b>		
<b>TOTAL bonds and similar securities</b>		
<b>Debt securities</b>		
<b>TOTAL debt securities</b>		
<b>LIABILITIES</b>		
<b>Sales of financial instruments</b>		
<b>TOTAL sales of financial instruments</b>		
<b>OFF-BALANCE SHEET</b>		
<b>HEDGING TRANSACTIONS</b>		
<b>TOTAL HEDGING TRANSACTIONS</b>		
<b>OTHER TRANSACTIONS</b>		
<b>TOTAL OTHER TRANSACTIONS</b>		



## BREAKDOWN BY RESIDUAL MATURITY OF ASSET, LIABILITY AND OFF-BALANCE SHEET ITEMS OF CARMIGNAC INNOVATION

	< 3 months	%	[3 months - 1 year]	%	[1-3 years]	%	[3-5 years]	%	>5 years	%
<b>Assets</b>										
Deposits										
Bonds and similar securities										
Debt securities										
Temporary transactions on securities										
Financial accounts	150,499.15	0.22								
<b>Liabilities</b>										
Temporary transactions on securities										
Financial accounts	857,155.55	1.27								
<b>Off-balance sheet</b>										
Hedging transactions										
Other transactions										

Positions in interest rate futures are shown according to the maturity of the underlying instrument.



## RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE OF CARMIGNAC INNOVATION

	31/12/2010
<b>Receivables</b>	
Funds receivable on forward currency sales	1,716,620.42
Sales with deferred settlement	677,200.21
Subscriptions receivable	401,978.52
Cash dividends and deposits	13,448.05
<b>Total receivables</b>	<b>2,809,247.20</b>
<b>Payables</b>	
Forward currency sales	1,628,342.12
Redemption price payable	6,678.31
Management fees	19,674.77
Deposits	60,000.00
Other payables	49,269.26
<b>Total payables</b>	<b>1,763,964.46</b>

## NUMBER OF CARMIGNAC INNOVATION UNITS ISSUED OR REDEEMED

	In units	In euro
Units subscribed during the financial year	94,365.366	20,294,453.47
Units redeemed during the financial year	-81,277.881	-17,388,614.94
Net balance of subscriptions/redemptions	13,087.485	2,905,838.53

## CARMIGNAC INNOVATION SUBSCRIPTION AND/OR REDEMPTION FEES

	In euro
Redemption fees paid to the Fund	
Subscription fees paid to the Fund	
<b>Total fees paid to the Fund</b>	

## MANAGEMENT FEES OF CARMIGNAC INNOVATION

	31/12/2010
Guarantee fees	
Fixed management fees	940,294.18
Percentage of fixed management fees	1.50
Performance fees	
Trailer fees	

## COMMITMENTS RECEIVED AND GIVEN BY CARMIGNAC INNOVATION

**Guarantees received by the Fund:**

None.

**Other commitments received and/or given:**

None.

**MARKET VALUE OF SECURITIES SUBJECT TO A TEMPORARY PURCHASE TRANSACTION  
BY CARMIGNAC INNOVATION**

	<b>31/12/2010</b>
Securities held under repurchase agreements ( <i>pension</i> )	
Securities borrowed	

## MARKET VALUE OF SECURITIES REPRESENTING GUARANTEE DEPOSITS OF CARMIGNAC INNOVATION

	31/12/2010
Financial instruments given as a guarantee and kept as original entry	
Financial instruments received as a guarantee and not entered on the balance sheet	

## FINANCIAL INSTRUMENTS OF THE GROUP HELD IN THE CARMIGNAC INNOVATION PORTFOLIO

	ISIN code	Description	31/12/2010
<b>Equities</b>			
Bonds			
Transferable debt securities			
UCITS			
Forward financial instruments			

## CARMIGNAC INNOVATION INCOME ALLOCATION TABLE FOR THE FINANCIAL YEAR

	31/12/2010	31/12/2009
<b>Amounts to be allocated</b>		
Retained earnings		
Income	-652,762.94	-537,123.56
<b>Total</b>	<b>-652,762.94</b>	<b>-537,123.56</b>
<b>Allocation</b>		
Dividend distribution		
Retained earnings for the financial year		
Accumulation	-652,762.94	-537,123.56
<b>Total</b>	<b>-652,762.94</b>	<b>-537,123.56</b>

## OVERVIEW OF RESULTS AND OTHER SIGNIFICANT ITEMS FOR THE LAST 5 FINANCIAL YEARS FOR CARMIGNAC INNOVATION

	29/12/2006	31/12/2007	31/12/2008	31/12/2009	31/12/2010
<b>Total net assets in EUR</b>	<b>105,756,643.54</b>	<b>122,530,407.08</b>	<b>44,522,124.82</b>	<b>59,073,498.41</b>	<b>67,524,377.39</b>
Net assets	105,756,643.54	122,530,407.08	44,522,124.82	59,073,498.41	67,524,377.39
Number of units	338,337.820	377,072.187	253,806.529	286,581.255	299,668.74
Net asset value per unit	312.57	324.95	175.41	206.13	225.33
Accumulation per unit	-6.97	-10.34	-2.95	-1.87	-2.17

**LIST OF SECURITIES OF CARMIGNAC INNOVATION  
AT 31 DECEMBER 2010**

Name of securities	Currency	Quantity or nominal amount	Market value	% of net assets
<b>Equities and similar securities</b>				
<b>Equities and similar securities traded on a regulated or similar market</b>				
<b>GERMANY</b>				
ADVA AG OPTICAL NETWORKING	EUR	293,980	1,723,016.78	2.55
VTION WIRELESS TECHNOLOGY	EUR	68,244	682,440.00	1.01
ZHONGDE WASTE TECHNOLOGY AG	EUR	92,933	1,071,517.49	1.59
<b>TOTAL GERMANY</b>			<b>3,476,974.27</b>	<b>5.15</b>
<b>AUSTRALIA</b>				
CSL LTD	AUD	75,000	2,079,656.16	3.08
<b>TOTAL AUSTRALIA</b>			<b>2,079,656.16</b>	<b>3.08</b>
<b>BELGIUM</b>				
ABLYNX SA	EUR	181,500	1,444,740.00	2.14
ABLYNX STRIP VVPR	EUR	70,000	70.00	
GALAPAGOS GENOMICS	EUR	234,015	2,780,098.20	4.11
SKYWORKS SOLUTIONS INC.	USD	120,000	2,560,918.34	3.79
THROMBOGENICS	EUR	96,003	2,207,108.97	3.27
<b>TOTAL BELGIUM</b>			<b>8,992,935.51</b>	<b>13.31</b>
<b>BERMUDA</b>				
PURECIRCLE LIMITED	GBP	255,000	492,530.78	0.73
<b>TOTAL BERMUDA</b>			<b>492,530.78</b>	<b>0.73</b>
<b>CANADA</b>				
ENABLENCE TECHN.	CAD	2,300,000	931,732.93	1.38
<b>TOTAL CANADA</b>			<b>931,732.93</b>	<b>1.38</b>
<b>CHINA</b>				
BAIDU .COM SPONS. ADR CL.A	USD	14,000	1,007,357.16	1.49
TRINIA SOLAR	USD	117,000	2,042,517.98	3.03
<b>TOTAL CHINA</b>			<b>3,049,875.14</b>	<b>4.52</b>
<b>DENMARK</b>				
NOVO-NORDISK B	DKK	24,200	2,042,618.86	3.03
<b>TOTAL DENMARK</b>			<b>2,042,618.86</b>	<b>3.03</b>
<b>UNITED STATES OF AMERICA</b>				
APPLE INC / EX - APPLE SHS	USD	18,000	4,327,889.38	6.40
CAVIUM NETWORKS INC	USD	88,000	2,471,648.47	3.66
CELGENE CORP	USD	90,900	4,007,175.28	5.93
CEVA INC	USD	116,000	1,772,576.50	2.63
CITRIX SYSTEMS INC	USD	37,000	1,886,750.40	2.79
FIRST SOLAR INC	USD	15,000	1,455,107.90	2.15
F5 NETWORKS	USD	15,000	1,455,331.52	2.16
GILEAD SCIENCES INC	USD	83,900	2,266,435.09	3.36
INFORMATICA CORP	USD	63,000	2,067,675.45	3.06
LOGMEIN INC	USD	20,000	661,026.42	0.98
ORACLE CORP COM	USD	50,000	1,166,561.07	1.73
PHARMASSET INC	USD	40,000	1,294,323.73	1.92
VERTEX PHATMACEUTICALS INC	USD	60,000	1,566,695.24	2.32
<b>TOTAL UNITED STATES OF AMERICA</b>			<b>26,399,196.45</b>	<b>39.09</b>
<b>CAYMAN ISLANDS</b>				
AAC ACOUSTIC TECNOLOGIES	HKD	500,000	994,845.98	1.47
YINGLI GREEN ENERGY ADR	USD	230,000	1,693,861.58	2.51
<b>TOTAL CAYMAN ISLANDS</b>			<b>2,688,707.56</b>	<b>3.98</b>
<b>IRELAND</b>				
RIVERBED TECHNOLOGY INC	USD	51,000	1,337,013.16	1.98
<b>TOTAL IRELAND</b>			<b>1,337,013.16</b>	<b>1.98</b>

Name of securities	Currency	Quantity or nominal amount	Market value	% of net assets
<b>ISRAEL</b>				
CHECK POINT SOFTWARE TECHNOLOGIES LTD	USD	50,000	1,724,125.08	2.55
<b>TOTAL ISRAEL</b>			<b>1,724,125.08</b>	<b>2.55</b>
<b>NETHERLANDS</b>				
CRYO SAVE GROUP REGRP	EUR	80,000	382,080.00	0.57
QIAGEN NV ORD	EUR	73,000	1,067,990.00	1.58
<b>TOTAL NETHERLANDS</b>			<b>1,450,070.00</b>	<b>2.15</b>
<b>REPUBLIC OF KOREA</b>				
JUSUNG ENGINEERING	KRW	100,000	1,313,607.33	1.95
MELFAS	KRW	75,000	1,428,547.97	2.11
SILICON WORKS	KRW	45,000	990,131.52	1.47
<b>TOTAL REPUBLIC OF KOREA</b>			<b>3,732,286.82</b>	<b>5.53</b>
<b>UNITED KINGDOM</b>				
AUTONOMY CORPORATION PLC	GBP	129,000	2,265,799.15	3.36
EROS INTERNATIONAL PLC	GBP	497,486	1,303,444.09	1.93
<b>TOTAL UNITED KINGDOM</b>			<b>3,569,243.24</b>	<b>5.29</b>
<b>TAIWAN</b>				
KING YUAN ELECTRONICS	TWD	2,800,000	1,066,601.22	1.58
MEDIATEK INC	TWD	175,349	1,871,619.45	2.77
<b>TOTAL TAIWAN</b>			<b>2,938,220.67</b>	<b>4.35</b>
<b>BRITISH VIRGIN ISLANDS</b>				
RENESOLA LTD ADR	USD	350,000	2,280,198.28	3.38
<b>TOTAL BRITISH VIRGIN ISLANDS</b>			<b>2,280,198.28</b>	<b>3.38</b>
<b>TOTAL equities and similar securities traded on a regulated or similar market</b>			<b>67,185,384.91</b>	<b>99.50</b>
<b>Equities and similar securities not traded on a regulated or similar market</b>				
<b>SWITZERLAND</b>				
ASKAIR TECHNOLOG.	CHF	45,784	366.14	
<b>TOTAL SWITZERLAND</b>			<b>366.14</b>	
<b>TOTAL equities and similar securities not traded on a regulated or similar market.</b>			<b>366.14</b>	
<b>TOTAL equities and similar securities</b>			<b>67,185,751.05</b>	<b>99.50</b>
Receivables			2,809,247.20	4.16
Payables			-1,763,964.46	-2.61
Financial accounts			-706,656.40	-1.05
<b>Net assets</b>			<b>67,524,377.39</b>	<b>100.00</b>

<b>CARMIGNAC INNOVATION</b>	<b>EUR</b>	<b>299,668.74</b>	<b>225.33</b>	
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