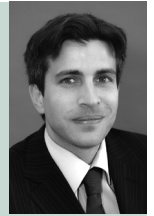


Emerging Discovery

Management report at 31 December 2011



S. Pickard



X. Hovasse

Net assets	€235,886,769.94	Value of the A share	€948.88
		Value of the GBP share	£77.92

The year 2011 proved difficult for **Carmignac Emerging Discovery**. The main causes of the weakness of the emerging markets are set out in the **Carmignac Emergents** management report. In a context of sharply rising risk aversion, small and mid capitalisations suffered more than large capitalisations, in both the emerging and the developed markets. However, thanks to a good fourth quarter, Carmignac Emerging Discovery managed to limit its losses for the year to a decline of 19.12%, against a decline of 24.34% for its performance indicator (50% MSCI Emerging Markets Mid-Cap and 50% MSCI Emerging Markets Small-Cap). But we expect our portfolio to recover strongly when the financial markets start to rise again. The fund's performance of 93.59% in 2009 after the 2008 stock market crisis is a good illustration of the potential for recovery of this promising asset class. The main drivers of our performance are as follows:

- Our geographic allocation: Macroeconomic research is central to our investment process. Our country risk analyses identify the most vulnerable emerging countries as being at a turning point in the economic cycle. We make a detailed study of inflation, the health of the banking sector, foreign exchange reserves and the imbalances observed in the current account balance, the capital balance and sovereign debt. This approach enables us to protect the portfolio by avoiding excessive exposure to the most vulnerable countries and currencies while at the same time using appropriate hedging instruments. In 2011, our exposure to countries with dynamic economies, like Indonesia and Chile, made a substantial contribution to the fund's relative outperformance. Our weighting in these two countries represents 9% and 6%, respectively, of the assets of Carmignac Emerging Discovery, against 4% and 2% in our index. Likewise, our positions in countries like Thailand (5% of the portfolio), the Philippines (6%) and Peru (2%) also contributed positively to performance.

- Our sector allocation also plays an important part in our approach: the fund tends to be exposed to the growth of domestic economies and less invested in export-oriented sectors. In 2011, we thus benefited from our overweighting in consumption (48% against 27% in the index) and our underweighting in technology (5% against 11% in the index). Given the uncertainties that the European crisis is bringing to bear on global growth, this approach should boost performance in 2012.

- Our exposure to the peripheral markets, also known as the frontier markets, enables us to better diversify the portfolio. By opening up the investment universe to these countries, we are enabling the fund to invest in economies likely to benefit from specific economic situations. In 2011, the fund's performance thus benefited from its exposure to Qatar (**Qatar Telecom**) and Saudi Arabia (**Jarir Marketing, Almarai**). Our investments oriented to domestic consumption in the Gulf countries benefited from the pegging of local currencies to the US dollar and rising oil prices, a context that has also enabled these countries to put in place spectacular economic stimulus plans.

- We favour companies with healthy balance sheets: The growing cost of risk in all asset classes increases companies' financing costs. Financial sector companies held in the portfolio are very well capitalised and operate in countries with a low level of private debt, like Indonesia (**Bank Negara Indonesia**), the Philippines (**Philippine National Bank**) and Colombia (**Banco Davivienda**). In addition, 27 of the 60 stocks held have a positive net cash position, i.e. no financial leverage, total debt being less than cash. In particular, six of the seven companies invested in the commodities sector and three of the four companies invested in the technology sector in Asia have a positive net cash position. Balance sheet quality seems to us

to be crucial in these cyclical sectors. At the time of last summer's crisis, some of these investments – like **Quadra Mining** (copper mining in Latin America) and the South Korean technology companies **Melfas** and **Silicon Works** – undoubtedly hit the fund hard. But these companies have robust balance sheets, sheltering them from any financial shock. It therefore comes as no surprise to find them back among the best contributors to the fund's performance in the fourth quarter of 2011.

- Our fundamental approach favours cash flow research. We select companies with an economic model that enables them to self-finance their growth without going to the capital markets. When there is a liquidity crisis, these companies are of course much less affected by the markets.

In 2011, our gold mining stocks performed disappointingly. The three gold mining stocks in our portfolio (**Semafo, Franco-Neveda** and **Canaco**) failed to protect us from the risk of a worsening European crisis. Since the prospects for gold, in our view, remain attractive for 2012, we are nonetheless holding on to these stocks, which still account for 5% of the portfolio.

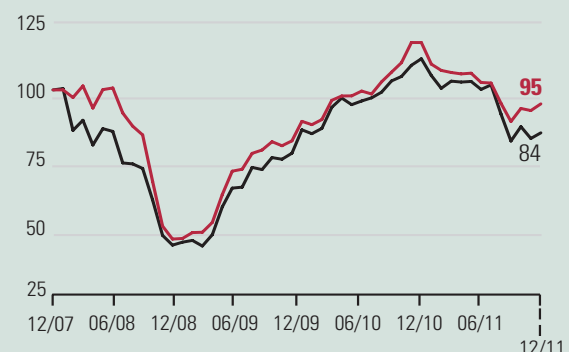
During the fourth quarter, we reduced the number of stocks held from 66 to 60 in order to refocus on our stronger convictions. We sold Banco Macro after the disappointing results of the Argentine presidential election, with the other disposals concentrating on the cyclical sectors, mainly in China. For 2012, which is likely to see a slowdown in global growth, the fund is thus more focused and exposed to companies that are less cyclical, well capitalised and oriented to robust domestic economies with strong growth potential.

Among the best annual performances, we highlight:

Stocks	Performance
Gudang Garam , tobacco, Indonesia	+55%
Jarir Marketing , distribution, Saudi Arabia	+39%
Charoen Pokphand Foods , food, Thailand	+34%
President Chain Store , food distribution, Taiwan	+23%
Hering , clothing, Brazil	+20%

Performance of the Fund since launch

■ Carmignac Emerging Discovery (A)
 ■ Performance Indicator*



* 50% MSCI EM SmallCap (Eur) + 50% MSCI EM MidCap (Eur), (Ex-Dividends).

Please note that past performance is not a guide to future performance and that it may fluctuate over time.

Accumulated performance (%)	Since 31/12/2010	3 months	6 months	1 year	3 years	5 years	10 years	Since the first NAV
Carmignac Emerging Discovery	-19.13	7.30	-7.63	-19.13	107.99	-	-	-5.12
Reference indicator*	-24.34	3.70	-15.87	-24.34	90.43	-	-	-15.72
Category average**	-18.09	6.65	-10.86	-18.09	72.33	-	-	-15.35
Ranking (quartile)	1	3	1	1	1	-	-	1

* 50% MSCI EM SmallCap (Eur) + 50% MSCI EM MidCap (Eur), (Ex-Dividends).

**Emerging Markets Equity.

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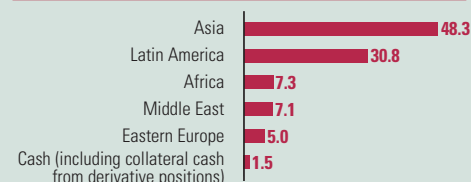
Quarterly gross performance contribution (%)

Portfolio	Equity & Bond Derivatives	Currency Derivatives	Total
	8.24	-0.17	7.82

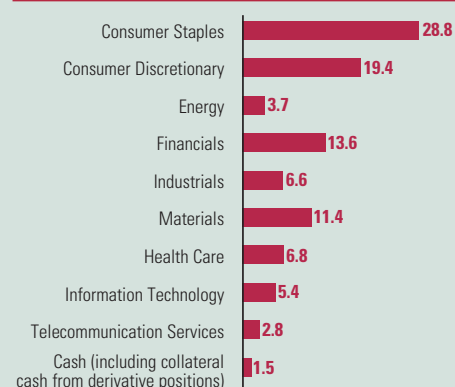
Statistics (%)

	1 year	3 years
Fund volatility	13.42	18.75
Benchmark volatility	18.45	21.99
Sharpe ratio	-1.70	1.34
Beta	0.66	0.80
Alpha	-0.25	0.59

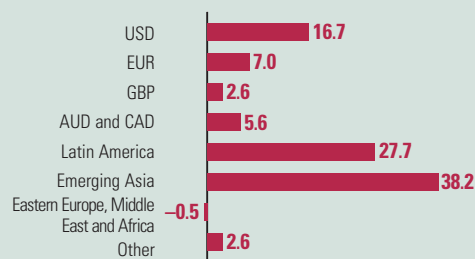
Geographic breakdown (derivatives excluded) (%)



Sector breakdown (derivatives excluded) (%)



Net currency exposure of the fund (%)



Portfolio Carmignac Emerging Discovery at 31/12/2011

	Price in local currencies	Total value (€)	% of net assets	
CASH, CASH EQUIVALENTS AND DERIVATIVES OPERATIONS		3 512 498.75	1.49	
CASH (INCLUDING COLLATERAL CASH FROM DERIVATIVE POSITIONS)		3 512 498.75	1.49	
EQUITIES		232 374 271.19	98.51	
Latin America		72 645 440.67	30.80	
2 610 586 ALICORP (Peru)	Consumer Staples	6.00	4 474 714.97	1.90
352 040 ALMACENES EXITO (Colombia)	Consumer Staples	25 460.00	3 561 719.16	1.51
510 040 AMIL PARTICIPACOES SA (Brazil)	Health Care	16.43	3 460 861.59	1.47
1 086 719 ARCA CONTINENTAL (Mexico)	Consumer Staples	59.42	3 564 380.01	1.51
620 276 BANCO DAVIENDA (Colombia)	Financials	20 860.00	5 141 721.42	2.18
771 510 CERVECERIA CCU (Chile)	Consumer Staples	6 799.40	7 779 353.40	3.30
1 662 737 EMBOTELLADORA ANDINA (Chile)	Consumer Staples	2 270.00	5 597 328.15	2.37
401 727 ESTACIO PARTICIPACOES (Brazil)	Consumer Discretionary	17.99	2 984 727.00	1.27
369 047 FLEURY (Brazil)	Health Care	21.40	3 261 653.95	1.38
138 000 FRANCO-NEVADA CORP (Mexico)	Materials	38.78	4 048 598.56	1.72
448 000 GENERAL SHOPPING BRASIL (Brazil)	Financials	11.35	2 089 985.55	0.89
2 450 343 GENOMMA LAB INTERNACIONAL (Mexico)	Health Care	26.97	3 647 891.56	1.55
876 518 GRAN TIERRA ENERGY (Colombia)	Energy	4.80	3 240 986.33	1.37
412 553 HERING (Brazil)	Consumer Discretionary	32.46	5 530 580.21	2.34
330 172 MULTIPLAN EMPREENDIMENTOS (Brazil)	Financials	38.27	5 283 563.74	2.24
206 762 OBRASCON HUARTE BRASIL (Brazil)	Industrials	61.00	5 208 863.65	2.21
413 149 PORTO SEGURO (Brazil)	Financials	21.30	3 758 511.42	1.59
Asia		113 805 987.58	48.25	
252 745 ANAPASS (South Korea)	Information Technology	8 320.00	1 406 139.89	0.60
4 225 227 APOLLO TYRES (India)	Consumer Discretionary	1.11	3 622 241.56	1.54
45 000 ASIAN PAINTS (India)	Materials	48.86	1 693 613.99	0.72
19 758 837 BANK NEGARA INDONESIA (Indonesia)	Financials	3 800.00	6 378 704.62	2.70
6 220 110 BANK OF AYUDHYA (Thailand)	Financials	22.00	3 341 152.66	1.42
7 589 378 CHAROEN POKPHAND FOODS (Thailand)	Consumer Staples	33.00	6 114 989.24	2.59
755 309 DAIRY FARM INTL (Singapore)	Consumer Staples	9.33	5 428 519.79	2.30
21 933 521 EMPEROR WATCH AND JEWELLERY (China)	Consumer Discretionary	0.97	2 110 205.65	0.89
760 666 EROS INTL (India)	Consumer Discretionary	2.29	2 085 388.65	0.88
1 980 410 GIANT MANUFACTURING CO (Taiwan)	Consumer Discretionary	117.00	5 894 872.12	2.50
1 280 067 GUDANG GARAM (Indonesia)	Consumer Staples	62 050.00	6 747 796.93	2.86
24 333 131 HOLCIM (Philippines)	Materials	9.40	4 017 741.53	1.70
5 390 889 ICTSI INTL CONTAINER (Philippines)	Industrials	53.00	5 018 713.52	2.13
5 147 000 INDOCEMENT TUNGGAL PRAKARSA (Indonesia)	Materials	17 050.00	7 455 316.21	3.16
3 624 166 JOHN KEELLS HOLDINGS PLC (Sri Lanka)	Industrials	1.48	4 137 157.96	1.75
105 398 LOCK & LOCK (South Korea)	Consumer Discretionary	38 350.00	2 702 840.18	1.15
183 633 MELFAS (South Korea)	Information Technology	25 400.00	3 118 940.39	1.32
487 738 NEW BRITAIN PALM OIL LIMITED (Papua New Guinea)	Consumer Staples	7.13	4 160 341.49	1.76
4 392 348 PHILIPPINE NATIONAL BANK (Philippines)	Financials	56.40	4 351 429.90	1.84
2 753 647 PORTS DESIGN LTD (China)	Consumer Discretionary	11.74	3 206 424.77	1.36
1 697 406 PRESIDENT CHAIN STORE (Taiwan)	Consumer Staples	165.00	7 125 298.99	3.02
1 858 750 ROLTA INDIA (India)	Information Technology	1.06	1 520 619.73	0.64
14 207 983 SA SA INTL HOLDINGS (China)	Consumer Discretionary	4.30	6 059 622.59	2.57
1 829 996 SHANGHAI PHARMACEUTICAL (China)	Health Care	12.58	2 283 365.70	0.97
194 977 SILICON WORKS (South Korea)	Information Technology	31 200.00	4 067 809.50	1.72
2 496 904 SJM HOLDINGS (China)	Consumer Discretionary	12.68	3 140 261.32	1.33
18 105 729 THAI BEVERAGE PUBLIC (Thailand)	Consumer Staples	0.25	2 635 320.72	1.12
1 357 565 TRIPOD TECHNOLOGY CORP (Taiwan)	Information Technology	73.00	2 521 255.79	1.07
1 370 235 VOLTAS LTD (India)	Industrials	1.38	1 459 902.19	0.62
Africa		17 318 627.16	7.34	
1 419 524 CANACO RESOURCES (Tanzania)	Materials	1.45	1 557 143.25	0.66
1 038 427 CLICKS GROUP (South Africa)	Consumer Discretionary	46.23	4 580 552.47	1.94
1 820 382 GUINNESS NIGERIA PLC (Nigeria)	Consumer Staples	250.00	2 160 026.77	0.92
400 207 MAURITIUS COMMERCIAL BANK (Mauritius)	Financials	167.00	1 781 463.80	0.76
79 288 001 SAFARICOM (Kenya)	Telecommunication Services	2.95	2 117 263.49	0.90
1 023 545 SEMAFO (Burkina Faso)	Materials	6.60	5 122 177.38	2.17
Eastern Europe		11 817 968.68	5.01	
94 557 ACRON (Russia)	Materials	41.25	3 004 285.27	1.27
753 230 BANKERS PETROLEUM (Albania)	Energy	4.44	2 530 045.92	1.07
158 855 EURASIA DRILLING (Russia)	Energy	23.50	2 933 215.99	1.24
63 335 KRKA DD (Slovenia)	Health Care	52.90	3 350 421.50	1.42
Middle East		16 786 247.10	7.12	
201 003 ALMARAI (Saudi Arabia)	Consumer Staples	26.67	4 128 787.27	1.75
477 395 ANADOLU EFES BIRACILIK (Turkey)	Consumer Staples	22.80	4 439 615.78	1.88
133 440 JARIR MARKETING (Saudi Arabia)	Consumer Discretionary	37.20	3 823 673.01	1.62
148 279 QATAR TELECOM (Qatar)	Telecommunication Services	38.47	4 394 171.04	1.86
PORTFOLIO VALUE		232 374 271.19	98.51	
NET ASSETS		235 886 769.94	100.00	