

Euro-Patrimoine

Management report at 31 December 2011



F.J. Furry

Net assets

€420,744,771.65

Value of the share

€276.77

Carmignac Euro-Patrimoine posted quarterly performance of 1.96%, slightly below the 2.86% achieved by its performance indicator. In a highly negative year for the European markets, the fund thus ended the year almost unchanged with a decline of 1.19%, against a fall of 8.08% for the index.

This annual outperformance is chiefly explained by the fact that our underlying portfolio held up well when markets were falling. Our underlying portfolio lost less than 5%, against the Euro Stoxx index, down 17%, due to our sector allocation favouring consumption, energy and gold to the detriment of finance, combined with rigorous stock selection. The second major driver of performance – dynamic management of our derivative positions, on both diversified indices and specific stocks – turned out to be particularly pertinent. On the other hand, our scepticism at the time of the autumn European summits and of the ECB's liquidity contributions to banks led us to underestimate the sector's sharp recovery at the end of the year. Our stock selection and sectoral choices proved pertinent, except for the healthcare sector. Volatility control remained satisfactory, having ended the year at 6.84%, against 10.20% for its index.

The year 2012 promises to be full of real opportunities tempered by risks, namely a discriminating and volatile environment eminently suited to our investment strategy based on stock selection and dynamic management of market risk. Investors are hoping that our politicians and central bankers will finally grasp the need for genuine economic and financial coordination in order to rid us of systemic risk. Attractive valuations are also likely to prompt a resurgence of interest in equities when allocating assets. The risk remains, however, that the European reforms and the ECB's actions will be too little, too late, during a first quarter marked by sizeable bond issues by governments under pressure. Thus we approach the year with intermediary exposure of around 31% accompanied by a portfolio with moderate beta. We will be particularly vigilant when sizeable allocations of sovereign debt are made next. We have, however, strengthened our positioning in certain cyclical sectors, such as materials, to take advantage of stocks associated with the emerging countries, after an underperformance that we regard as excessive.

Equity portfolio

Our portfolio of consumer stocks was the main driver of performance. Swiss stocks, such as **Givaudan**, which makes flavours and fragrances, and **Nestlé**, distinguished themselves last quarter, having previously suffered as a result of the overvalued Swiss franc, despite their robust economic models. The UK company **Aegis** also performed well. Having sold its market research subsidiary at an advantageous multiple, the stock paid its shareholders an exceptional dividend of almost 10% in October. Among our consumer stocks, the brewer **AB Inbev** benefited from rising demand in Brazil. **Rémy Cointreau** and **LVMH**, in alcohols and spirits, posted good annual performance, the latter having benefited from the taste for quality products in China and the United States.

Our energy portfolio also distinguished itself. The best performance, both quarterly and annual, came from the Norwegian company **Golar**, one of the world's leading transporters of liquefied natural gas. The group benefited from demand boosted by the switch from nuclear to gas in power production in Japan and Europe. We strengthened our exposure to this high-potential market by introducing **BG** to the portfolio in the fourth quarter. BG has a unique position in gas deposits along with a fleet of adapted tankers and liquefaction and regasification terminals that enable it to arbitrate the global gas market.

Seadrill benefited from its dividend distribution policy and the increased rate of drilling platforms located in deep waters. This good performance offset the disappointing performance of **Ocean Rig**. Despite robust fundamentals, this stock was hit by the vulnerability of DryShips, its US maritime transport parent company. Given the quality of its primary assets and its valuation, Ocean Rig nonetheless remains a target of choice for global leaders.

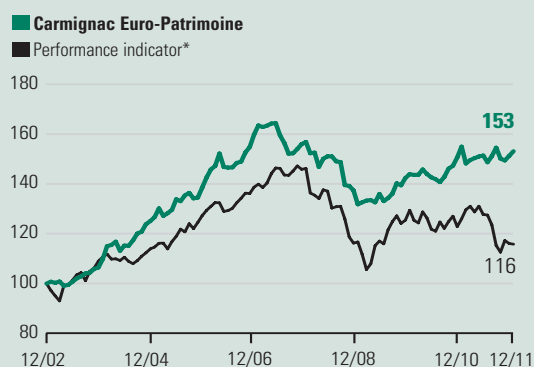
On the other hand, the portfolio suffered in relative terms, over both the quarter and the year, as a result of its pharmaceuticals stock selection. While **Novo Nordisk** and **Novartis** performed well in absolute terms over both the quarter and the year, these stocks nonetheless underperformed larger market capitalisations, such as Sanofi. Likewise, over the quarter, industrial stocks like **Invensys** and **Outotec** were hit by profit taking.

Specific hedging, exposure and outlook

Our excessively prudent rates of exposure at the beginning of the quarter partially explain our relative underperformance, mainly recorded in October. We were not positioned for the relief of the markets following successive European summits as well as by the sharp recovery in financial stocks and some of our specific derivative positions on the more cyclical sectors. But this slight upturn was only short-lived. The following months were more favourable for using our wide exposure to take advantage of the correction and then technical recovery in the markets at the end of the year. Furthermore, our short positions on utilities made a strong contribution to quarterly and annual performance following numerous announcements of earnings and reduced dividends in the sector. Another source of performance – our short positions on technology stocks and stocks specialising in bulk maritime transport – benefited respectively from the recovery in semi-conductors and the sector's heavy overcapacity. We will continue to favour these sectors in 2012. Our ability to take short positions opportunistically on overvalued stocks in view of their prospects represents a major driver of performance for the year ahead.

We are convinced that 2012 will again be a highly discriminating year for companies. In a macroeconomic environment of low growth, stocks capable of benefiting from structural trends in the global economy and exposed to emerging countries will do well. We therefore approach the year confident of the outperformance potential of our stock selection and investment areas. We continue to favour companies with high visibility and high cash flow in an environment where bank lending is thin on the ground. We also favour companies capable of extracting a surplus of profitable growth on account of the geographical exposure and robustness of their economic models. Armed with vigilant optimism, we approach this new quarter with moderate net exposure to the equity markets (31%).

Performance of the Fund since conversion



* 50% EuroStoxx 50 (Ex-Dividends) + 50% Eonia compounded.

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

| Accumulated Performance (%) | Since 31/12/2009 | 3 months | 6 months | 1 year | 3 years | 5 years | 10 years | Since conversion on 01/01/2003 |
|----------------------------------|------------------|----------|----------|--------|---------|---------|----------|--------------------------------|
| Carmignac Euro-Patrimoine | -1.19 | 1.96 | 2.99 | -1.19 | 16.20 | -4.20 | - | 53.19 |
| Reference indicator* | -8.08 | 2.86 | -9.19 | -8.08 | -0.77 | -16.53 | - | 15.83 |
| Category average** | -6.16 | 2.33 | -4.86 | -6.16 | 12.62 | -8.91 | - | 19.77 |
| Ranking (quartile) | 1 | 3 | 1 | 1 | 2 | 2 | - | 1 |

* 50% EuroStoxx 50 (Ex-Dividends) + 50% Eonia compounded.

** EUR Moderate Allocation

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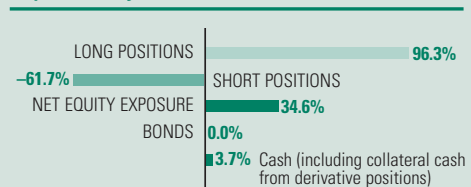
Quarterly gross performance contribution (%)

| Portfolio | Equity & Bond Derivatives | Currency Derivatives | Total |
|-----------|---------------------------|----------------------|-------|
| 8.58 | -5.69 | -0.55 | 2.34 |

Statistics (%)

| | 1 year | 3 years |
|----------------------|--------|---------|
| Fund volatility | 6.84 | 5.67 |
| Benchmark volatility | 10.20 | 10.70 |
| Sharpe ratio | -0.74 | 0.48 |
| Beta | -0.32 | - |
| Alpha | -0.29 | 0.43 |

Exposure by asset class



Sector split

| | Positions | | |
|----------------------------|-----------|-------|------|
| | Long | Short | Net |
| Energy | 15.0 | -6.8 | 8.2 |
| Materials | 10.2 | -5.4 | 4.8 |
| Industrials | 10.2 | -8.1 | 2.1 |
| Consumer Discretionary | 12.1 | -5.2 | 6.9 |
| Consumer Staples | 17.5 | -11.5 | 6.0 |
| Health Care | 7.9 | -4.5 | 3.4 |
| Financials | 10.8 | -8.1 | 2.7 |
| Information Technology | 3.1 | -1.6 | 1.5 |
| Telecommunication Services | 6.0 | -4.0 | 2.0 |
| Utilities | 3.6 | -6.5 | -2.9 |

Portfolio Carmignac Euro-Patrimoine at 31/12/2011

| | Price in local currencies | Total value (€) | % of net assets | |
|--|----------------------------|------------------------|------------------------|------|
| CASH, CASH EQUIVALENTS AND DERIVATIVES OPERATIONS | | 15 491 536.69 | 3.68 | |
| CASH (INCLUDING COLLATERAL CASH FROM DERIVATIVE POSITIONS) | | 15 491 536.69 | 3.68 | |
| LONG POSITIONS | | 405 253 234.96 | 96.32 | |
| EU EQUITIES | | 329 553 069.80 | 78.33 | |
| Germany | | 29 238 876.50 | 6.95 | |
| 280 600 BEIERSDORF | Consumer Staples | 43.82 | 12 295 892.00 | 2.92 |
| 163 000 BMW | Consumer Discretionary | 51.76 | 8 436 880.00 | 2.01 |
| 472 500 DEUTSCHE TELEKOM | Telecommunication Services | 8.87 | 4 188 712.50 | 1.00 |
| 60 400 FRESSENIUS STAMM | Health Care | 71.48 | 4 317 392.00 | 1.03 |
| Belgium | | 8 183 765.00 | 1.95 | |
| 173 000 AB INBEV SA | Consumer Staples | 47.31 | 8 183 765.00 | 1.95 |
| Denmark | | 14 677 026.78 | 3.49 | |
| 165 280 NOVO NORDISK AS | Health Care | 660.00 | 14 677 026.78 | 3.49 |
| Spain | | 7 473 368.00 | 1.78 | |
| 118 100 INDITEX | Consumer Discretionary | 63.28 | 7 473 368.00 | 1.78 |
| Finland | | 6 390 699.50 | 1.52 | |
| 387 550 FORTUM CORPORATION | Utilities | 16.49 | 6 390 699.50 | 1.52 |
| France | | 105 716 352.32 | 25.13 | |
| 127 650 ATOS ORIGIN | Information Technology | 33.91 | 4 328 611.50 | 1.03 |
| 187 300 BUREAU VERITAS SA | Industrials | 56.30 | 10 544 990.00 | 2.51 |
| 190 900 DANONE | Consumer Staples | 48.57 | 9 272 013.00 | 2.20 |
| 141 650 DASSAULT SYSTEMES | Information Technology | 61.93 | 8 772 384.50 | 2.08 |
| 516 950 EDENRED | Consumer Discretionary | 19.02 | 9 832 389.00 | 2.34 |
| 107 250 ESSLOR SA | Health Care | 54.55 | 5 850 497.50 | 1.39 |
| 97 150 ILIAD | Telecommunication Services | 95.35 | 9 263 252.50 | 2.20 |
| 118 100 LVMH | Consumer Discretionary | 109.40 | 12 920 140.00 | 3.07 |
| 314 700 MAUREL & PROM | Energy | 11.76 | 3 700 872.00 | 0.88 |
| 314 700 MAUREL PROM NIGERIA | Energy | 1.95 | 613 665.00 | 0.15 |
| 132 760 REMY COINTREAU | Consumer Staples | 62.09 | 8 243 068.40 | 1.96 |
| 81 400 UNIBAIL-RODAMCO | Financials | 138.90 | 11 306 460.00 | 2.69 |
| 169 029 ZODIAC AEROSPACE | Industrials | 65.48 | 11 068 018.92 | 2.63 |
| Italy | | 6 782 012.50 | 1.61 | |
| 1 023 700 FIAT INDUSTRIAL | Industrials | 6.63 | 6 782 012.50 | 1.61 |
| Netherlands | | 4 366 993.41 | 1.04 | |
| 49 750 CORE LABORATORIES | Energy | 113.95 | 4 366 993.41 | 1.04 |
| Portugal | | 14 192 922.31 | 3.37 | |
| 1 109 689 JERONIMO MARTINS (Poland)* | Consumer Staples | 12.79 | 14 192 922.31 | 3.37 |
| United Kingdom | | 107 875 716.78 | 25.64 | |
| 7 177 545 AEGIS GROUP | Consumer Discretionary | 1.44 | 12 407 967.17 | 2.95 |
| 4 512 000 AFREN (Africa)* | Energy | 0.86 | 4 629 215.85 | 1.10 |
| 1 403 400 AMLIN | Financials | 3.14 | 5 273 880.76 | 1.25 |
| 545 650 BG GROUP PLC | Energy | 13.77 | 8 991 825.99 | 2.14 |
| 336 750 CRODA INTERNATIONAL | Materials | 18.04 | 7 272 800.19 | 1.73 |
| 3 208 900 INVENSYS | Industrials | 2.11 | 8 105 805.10 | 1.93 |
| 1 689 500 PRUDENTIAL | Financials | 6.39 | 12 990 910.45 | 3.09 |
| 121 850 RANDGOLD RESOURCES LTD (Africa)* | Materials | 65.85 | 9 605 917.04 | 2.28 |
| 326 753 RECKITT BENCKISER | Consumer Staples | 31.80 | 12 439 537.17 | 2.96 |
| 250 000 STANDARD CHARTERED | Financials | 14.09 | 4 217 047.77 | 1.00 |
| 762 200 TULLOW OIL | Energy | 14.02 | 12 793 061.18 | 3.04 |
| 781 300 XSTRATA | Materials | 9.78 | 9 147 748.11 | 2.17 |
| Sweden | | 16 133 466.30 | 3.83 | |
| 232 000 LUNDIN PETROLEUM | Energy | 169.20 | 4 410 978.45 | 1.05 |
| 151 300 MILLICOM INT'L CELLULAR | Telecommunication Services | 689.50 | 11 722 487.85 | 2.79 |
| Czech Republic | | 8 521 870.40 | 2.03 | |
| 276 500 CESKE ENERGETICKE | Utilities | 786.00 | 8 521 870.40 | 2.03 |
| EQUITIES EX EU | | 75 700 165.16 | 17.99 | |
| Croatia | | 2 166 666.50 | 0.51 | |
| 4 333 333 JUPITER ADRIA | Financials | 0.50 | 2 166 666.50 | 0.51 |
| Norway | | 40 171 232.42 | 9.55 | |
| 1 228 100 DNB NOR | Financials | 58.55 | 9 281 330.92 | 2.21 |
| 250 400 GOLAR LNG | Energy | 44.45 | 8 573 955.24 | 2.04 |
| 332 786 OCEAN RIG | Energy | 12.20 | 3 127 519.32 | 0.74 |
| 645 000 PACIFIC DRILLING | Energy | 52.50 | 4 370 877.60 | 1.04 |
| 292 460 SEADRILL | Energy | 200.00 | 7 549 985.16 | 1.79 |
| 234 600 YARA INTERNATIONAL | Materials | 240.00 | 7 267 564.18 | 1.73 |
| Switzerland | | 33 362 266.24 | 7.93 | |
| 42 400 GEBERIT | Industrials | 181.00 | 6 322 102.31 | 1.50 |
| 13 133 GIVAUDAN | Materials | 895.00 | 9 682 869.26 | 2.30 |
| 201 440 NESTLE SA | Consumer Staples | 54.00 | 8 961 001.73 | 2.13 |
| 189 800 NOVARTIS | Health Care | 53.70 | 8 396 292.94 | 2.00 |
| PORTFOLIO VALUE | | 405 253 234.96 | 96.32 | |
| NET ASSETS | | 420 744 771.65 | 100.00 | |
| SHORT POSITIONS | | Exposure (€) | % of net assets | |
| | | -259 467 633.75 | -61.67 | |
| North America | | -4 523 164.50 | -1.08 | |
| Energy (1 position) | United States | -4 523 164.50 | -1.08 | |
| Europe | | -254 944 469.25 | -60.59 | |
| Utilities (1 position) | Germany | -2 167 100.00 | -0.52 | |
| Energy (1 position) | Austria | -3 771 496.00 | -0.90 | |
| Utilities (1 position) | Austria | -2 073 500.00 | -0.49 | |
| Utilities (2 positions) | Spain | -4 465 884.05 | -1.06 | |
| Consumer Staples (2 positions) | France | -4 835 900.00 | -1.15 | |
| Consumer Discretionary (3 positions) | France | -5 629 370.00 | -1.34 | |
| Industrials (1 position) | France | -3 050 000.00 | -0.72 | |
| Materials (1 position) | France | -4 402 908.00 | -1.05 | |
| Utilities (2 positions) | France | -4 289 642.40 | -1.02 | |
| Information Technology (1 position) | France | -1 449 378.70 | -0.34 | |
| Utilities (1 position) | Italy | -2 986 800.00 | -0.71 | |
| Telecommunication Services (1 position) | Italy | -4 312 890.00 | -1.03 | |
| Industrials (1 position) | Switzerland | -803 967.38 | -0.19 | |
| Information Technology (1 position) | Switzerland | -332 598.90 | -0.08 | |
| Sector indexes (2 positions) | Europe | -30 681 885.00 | -7.29 | |
| Regional Indexes (5 positions) | Europe | -179 691 148.82 | -42.71 | |
| NET EQUITY EXPOSURE | | 145 785 601.21 | 34.65 | |

*Production site