



CARMIGNAC

# Global Bond

**Management report at 31 December 2011**


Ch. Zerah

<b>Net assets</b>	€592,513,595.61	<b>Value of the A share</b>	€1,066.26
		<b>Value of the GBP share</b>	£105.32

This quarter, **Carmignac Global Bond** recorded growth of +4.58%, compared with +3.50% for its performance indicator. Throughout the year, the Fund showed a rise of +9.47%, compared with +10.81% for its benchmark. The fourth quarter of the year was marked by a strong contrast between the relative stability of yields on Treasury bonds in the main developed countries and the high levels of volatility observed on the foreign exchange market. Moreover, the period revealed differences in global economic activity with a very clear deterioration in European economic activity, a marked slowdown in emerging economies and an American economy that appears to be in relatively good health. In addition to these economic factors, there have been new developments in the European sovereign debt crisis and the start of a new ECB key rate reduction cycle, leading to weakening of the euro relative to the dollar, yen and pound sterling.

In this context, the Fund's outperformance over the quarter can be explained by our overweighting of top-ranking government bonds, as stated in our previous report, and by our under-exposure to the euro in favour of the dollar and yen. The corporate bond allocation has remained stable over the period, at around 13%.

## Fixed income component

The bond markets of developed countries varied in response to the macroeconomic data in Europe and the United States, and on the basis of developments in the European sovereign debt crisis. In this context, German government bonds benefited from several favourable factors: two successive falls in ECB key rates, acceleration of the economic slowdown in all countries in the euro-zone and growing uncertainty concerning the political will to resolve the sovereign debt crisis, illustrated by changes of government in Greece, Italy and Spain. As a result, the short and intermediate parts of the German curve fell by over 40 basis points for two-year securities and over 41 basis points for five-year securities.

While the American economy surprised us with its dynamism during this quarter, the American curve has remained stable, thanks to the omnipresence of the Fed on the American government debt market, via its «Twist» operation.

We maintained high modified duration over the quarter at between 5.5 and 8, positioning the Fund on four rate curves: the United States, Germany, the United Kingdom and Australia. We have gradually increased our weighting of Australian government bonds, which benefited from that country's economic slowdown, whose activity has a high correlation with that of the main emerging countries.

For the coming months, a set of factors is encouraging us to maintain moderate modified duration: growing risks of recession in the euro-zone, a slowdown in global economic activity, maintenance of flexible monetary policies by the main central banks and fears linked to the sustainability of country debts across the euro-zone. Even though we anticipate continued falls in ECB rates and an expansion of non-conventional monetary policies, it will be difficult for European countries to avoid a recession. Refinancing needs remain very high for the various European countries, and they are now facing a risk of their credit rating being lowered by the main rating agencies in the first quarter of 2012. For these reasons, we are reiterating our investment policy of avoiding any exposure to sovereign debt within the euro-zone, other than in Germany. Aware that the yield levels obtained are already low, we are maintaining our flexible approach to the management and of the Fund's modified duration, which will change according to the macroeconomic situation and political choices in the United States and Europe.

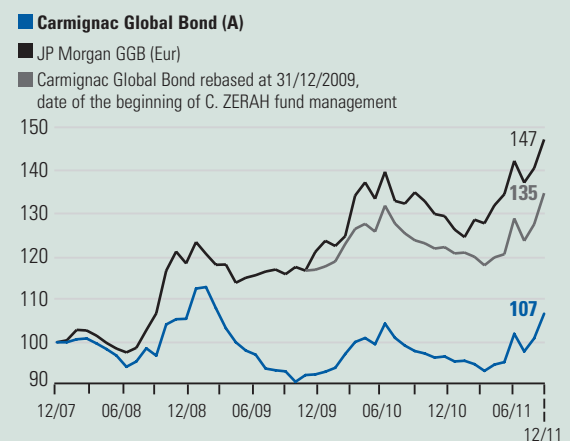
## Currency component

As in the previous quarter, we experienced a depreciation of the euro against the dollar and the yen. However, two new notable technical factors appeared over this period. The ECB started a rate tightening cycle, bringing its key rate to 1%. Noting the fragility of the banking system, it also undertook to maintain its invitations to tender at unlimited fixed rates until mid-2012. In this context of tightening rates and liquidity inflow onto the interbank market against the backdrop of the sovereign debt crisis, the euro continued to depreciate compared with the other main currencies. We maintained a currency allocation mainly to the dollar, yen and pound sterling in order to benefit from a scenario of the weakening European currency. We expect to maintain this strategy over the coming months due to an accommodating ECB and a European crisis which we feel is far from resolved. We are maintaining our position on the Mexican peso, a currency that remains undervalued compared with the dollar and the euro.

## Credit component

The credit market remained volatile in Europe, due to systemic risk within the euro-zone. However, implicit default rates that are already very high (13% at the end of September on the Itraxx X-over Index), combined with abundant liquidities supplied by the central banks, enabled risk premiums to be tightened, both for «investment grade» signatories and the high-yield segment. The Fund's credit allocation (approximately 10%) remained stable throughout the period. During November we made selective use of selling credit indices for European high-yield securities in order to protect the portfolio. We have since taken profits on this position. We will remain vigilant concerning this compartment in accordance with the macroeconomic environment, while remaining on the lookout for opportunities that may arise, both for European and American issuers.

## Performance of the Fund since launch



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
<b>Carmignac Global Bond</b>	9.47	4.59	14.23	9.47	1.12	—	—	6.63
JP Morgan GGB (Eur) (Accrued interest)	10.81	3.50	15.27	10.81	24.52	—	—	47.11
Category average*	5.94	3.48	9.71	5.94	26.46	—	—	18.18
Ranking (quartile)	1	1	1	1	4	—	—	4

\*Global Bond

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## Quarterly gross performance contribution (%)

Portfolio	Bond Derivatives	Currency Derivatives	Total
4.79	0.60	-0.40	4.99

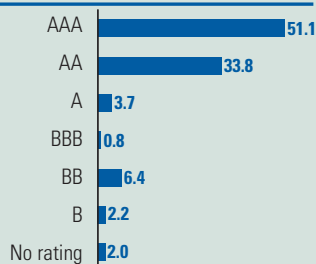
## Statistics (%)

	1 year	3 years
Fund volatility	10.77	10.04
Benchmark volatility	10.60	9.94
Sharpe ratio	0.68	-0.20
Beta	0.87	0.72
Alpha	0.02	-0.39

## Modified duration of the bond portfolio (derivatives included)

Euro	1,29
United-States	2,94
Other	1,53

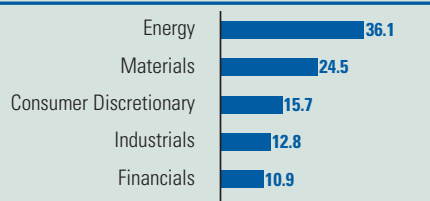
## Rating breakdown (derivatives excluded) (%)



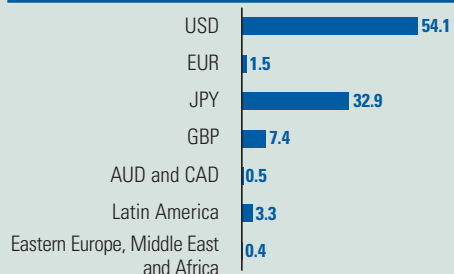
## Maturity breakdown (derivatives excluded) (%)



## Sector breakdown (derivatives excluded) - Corporate Bonds (%)



## Net currency exposure of the fund (%)



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## Portfolio Carmignac Global Bond at 31/12/2011

	Price in local currencies	Total value (€)	% of net assets
<b>CASH, CASH EQUIVALENTS AND DERIVATIVES OPERATIONS</b>		<b>21 376 803.34</b>	<b>3.61</b>
CASH (INCLUDING COLLATERAL CASH FROM DERIVATIVE POSITIONS)		21 376 803.34	3.61
<b>FIXED INCOME INVESTMENTS</b>		<b>571 136 792.27</b>	<b>96.39</b>
<b>Developed countries fixed rate Government bonds</b>		<b>473 255 423.05</b>	<b>79.87</b>
40 000 000 AUSTRALIA 4.25% 21/07/2017	Australian dollar	104.46 33 595 735.71	5.67
28 000 000 AUSTRALIA 4.75% 15/11/2012	Australian dollar	101.06 22 477 511.13	3.79
25 000 000 AUSTRALIA 4.75% 21/10/2015	Australian dollar	105.39 20 987 594.76	3.54
25 000 000 AUSTRALIA 5.75% 15/05/2021	Australian dollar	116.36 23 113 640.66	3.90
49 000 000 BUND 2.25% 04/09/2021	Euro	104.11 51 394 748.46	8.67
20 000 000 BUND 3.75% 04/01/2017	Euro	114.37 23 614 226.03	3.99
20 000 000 BUND 4.00% 04/07/2016	Euro	114.74 23 339 256.83	3.94
30 000 000 BUND 5.00% 04/01/2012	Euro	100.02 31 483 952.05	5.31
60 000 000 GERMANY 1.50% 15/03/2013	Euro	101.82 61 846 498.32	10.44
79 000 000 T-NOTE 1.50% 30/06/2016	Dollar	103.45 63 411 303.62	10.70
60 000 000 T-NOTE 2.375% 30/06/2018	Dollar	107.18 50 088 407.39	8.45
60 000 000 T-NOTE 2.75% 15/02/2019	Dollar	109.53 51 098 113.70	8.62
16 700 000 US T-BOND 4.375% 15/08/2041	Dollar	130.09 16 804 434.39	2.84
<b>Emerging markets fixed rate Government bonds</b>		<b>19 365 168.95</b>	<b>3.27</b>
350 000 000 MEXIQUE 6.50% 10/06/2021 (Mexico)	Mexican peso	100.09 19 365 168.95	3.27
<b>Developed countries fixed rate corporate bonds</b>		<b>74 766 202.91</b>	<b>12.62</b>
6 800 000 AFREN 11.50% 01/02/2016	Energy	99.12 5 447 988.29	0.92
1 000 000 BANK AMERICA 4.875% 30/05/2014	Financials	95.65 985 049.10	0.17
5 000 000 CHRYSLER 8.25% 15/06/2016	Consumer Discretionary	91.25 3 527 856.95	0.60
1 000 000 CITIGROUP 3.95% 10/10/2013	Financials	99.78 1 006 511.80	0.17
6 000 000 CONT AIRLINES 6.75% 15/09/2012	Industrials	93.50 4 412 529.37	0.74
5 000 000 CROWN AMERICA 6.25% 01/02/2021	Financials	105.00 4 143 851.08	0.70
5 000 000 FMG RES. 7.00% 01/11/2012	Materials	99.11 3 861 619.31	0.65
3 500 000 FORD 3.875% 15/01/2015	Consumer Discretionary	100.33 2 721 968.33	0.46
2 000 000 FORD 7.00% 01/10/2013	Consumer Discretionary	106.94 1 674 206.46	0.28
15 000 000 IPIC GMTN LTD 3.75% 01/03/2017	Energy	100.32 11 662 895.27	1.97
11 000 000 NALCO 6.625% 15/01/2014	Materials	115.75 10 057 975.14	1.70
4 500 000 OWENS-ILL. 6.75% 15/09/2020	Materials	99.75 4 615 312.50	0.78
4 000 000 REXEL 8.25% 15/12/2013	Industrials	106.25 4 263 770.00	0.72
15 000 000 SEADRILL 6.50% 05/10/2015	Energy	96.00 11 269 673.02	1.90
743 000 TECK RESOUR. 9.75% 15/05/2014	Materials	117.88 681 668.09	0.12
5 000 000 VIRGIN MEDIA 9.50% 15/08/2013	Consumer Discretionary	111.54 4 433 328.20	0.75
<b>Emerging markets fixed rate corporate bonds</b>		<b>3 749 997.36</b>	<b>0.63</b>
2 000 000 NOBLE GROUP 6.625% 05/08/2015 (Hong Kong)	Industrials	85.85 1 363 831.65	0.23
100 000 000 VTB BANK 7.60% 15/03/2013 (Russia)	Financials	99.25 2 386 165.71	0.40
<b>PORTFOLIO VALUE</b>		<b>571 136 792.27</b>	<b>96.39</b>
<b>NET ASSETS</b>		<b>592 513 595.61</b>	<b>100.00</b>