

BL-EQUITIES EUROPE

May 2012

Management Report

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Three new investments were initiated in May – Brembo, Henkel and Wirecard. These are preliminary positions which will be reinforced if their price drops.

Brembo, an Italian company with stock market capitalisation of EUR 600m, is the world leader on the high-performance braking systems market, generating revenues of EUR 1.3bn. The company, which still has a family shareholder base, has climbed to this height since its creation in 1961 by focusing its development on technological leadership, investing in research and development to improve the performance of materials and industrial processes. Its clients are big names in motor racing (Formula 1, Motogp) and commercial vehicles (Ferrari, Porsche, Yamaha, Triumph etc.).

Henkel, founded in 1876, is a German group, also under family control. It is the market leader in adhesives (Pritt, Loctite), both for industrial use and consumers, and it owns strong brands on the cosmetics markets (Schwarzkopf, Fa) and household cleaning products (Persil, Dixan). In our view, Henkel offers interesting prospects on all its markets (new applications for adhesive solutions, good mid-range positioning in detergents) while the group's strategy, dynamism and productivity have been favourably impacted by CEO Kasper Rorsted.

Wirecard is a younger company but nonetheless a reference in the steadily growing sector of internet payment solutions. Founded at the end of the 1990s, it now has over 12.000 customers to whom it offers a diversified portfolio of online payment solutions, risk management and various associated banking services.

Following the drop in their valuation, we have reinvested in **Eni**, **Total**, **Linde** and **Sage**. Finally, with relative confidence in the prospects of their fundamentals in the current context, we have increased our positions in **Aryzta** and **Unilever**.

Offsetting this, we sold the position in the Spanish group **Tecnicas Reunidas**. We are disappointed by the uncertainty over obtaining new contracts and on margins following heightened international competition that we had not anticipated would be so severe. We also sold **Danone** as it was close to our target sell price. We wanted to step back a little due to various concerns: the possibility of a sharper-than-expected decline for sales in the Mediterranean region, the utilisation rate of production capacities in the new US plant, and the management's projects now that Nestlé has had the last word on the acquisition of Pfizer's baby foods division.

Lastly, we have reduced our positions in **Pernod Ricard** and **Diageo**. This was mainly due to a small degree of profit-taking on positions that had done well and are now trading at nearly 10% above their normalised valuation.

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Current Portfolio

New Holdings

Brembo	Aryzta	Unilever
Henkel	ENI	
Wirecard	Linde	
	Sage	
	Total	

Investments sold

Danone	Diageo
Tecnicas Reunidas	Pernod Ricard

Additions to investments

Aryzta	Unilever
ENI	
Linde	
Sage	
Total	

Investments reduced

Diageo
Pernod Ricard

Top Holdings

ENI	5,8%
Total	5,8%
Reckitt Benckiser	5,3%
British American Tobacco	5,2%
Novartis	5,1%
Bayer	4,2%
Deutsche Boerse	4,2%
Akzo Nobel	3,9%
Unilever	3,1%
Diageo	3,1%
Weight of Top 10	45,7%
Number of holdings	43

Sector Allocation

Energy	12,3%
Materials	17,3%
Industrials	13,6%
Consumer Discretionary	2,0%
Consumer Staples	25,6%
Health Care	11,9%
Financials	3,4%
Information Technology	9,8%
Telecommunication Services	0,0%
Utilities	0,0%
Cash	4,1%

Geographic Allocation

England	22,4%
Switzerland	19,5%
Germany	19,0%
France	13,3%
Netherlands	1,4%
Italy	6,8%
Sweden	4,1%
Spain	0,9%
Belgium	0,4%
Cash	4,1%

Market Capitalizations

Large Caps	(> EUR 10 billion)	58,2%
Medium Caps	(EUR 1-10 billion)	34,5%
Small Caps	(< EUR 1 billion)	3,2%

Company Profiles

Consistent earners ¹	52,0%
Growing franchises ²	21,1%
Value opportunities ³	22,8%

Performance⁴

	Since 31/12/2011	2011	2010	2009	2008	2007
Fund (B shares)	5,2%	-3,8%	19,5%	36,6%	-36,6%	-0,9%
DJ Stoxx Europe 600	0,2%	-8,6%	11,6%	32,4%	-43,8%	2,4%
Quartile	1	1	1	1	1	3

	Since 31/12/2011	3 months	6 months	1 year	3 years	5 years
Fund (B shares)	5,2%	-4,4%	9,2%	-2,8%	52,5%	-5,4%
DJ Stoxx Europe 600	0,2%	-7,7%	2,1%	-11,8%	26,0%	-29,4%
Quartile	1	1	1	1	1	1

General Information

Total Assets (EUR)	EUR 447,6 mn
Turnover 2011*	33%
TER 2011 (B shares)	1,18%
ISIN Code (class B shares)	LU0093570330
ISIN Code (class I shares)	LU0439765321

* min (purchases, sales) / average of net assets

Statistical Data⁴

	1 year	3 years
Correlation	0,93	0,88
Beta	0,98	0,85
Information ratio	1,40	0,92
Tracking Error*	6,97	6,93

*annualized

¹ Company is well-known and enjoys strong market share acquired over a long period through the expert management of its competitive advantage. It is very profitable, has a solid financial structure and low levels of debt. Shareholder payouts and/or maintaining a high level of ROE are important criteria in the management of the company.

² Company specialised in a market niche that it has either created or in which it has established itself as a key player. Its revenue growth is outpacing the market average. The structure of the income statement is still rather flexible, but the return on investments is starting to stabilise or exhibit a rising trend.

³ Company with strong assets embarking on restructuring to refocus the business or move up the value chain to achieve more structurally sound profitability. No significant financial imbalance.

⁴ Source : Lipper