

BL-EQUITIES EUROPE

December 2011

Management Report

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Fund Manager



In December, we introduced the Belgian company **Van de Velde** into the portfolio. Van de Velde was created in 1919. It is a small company which designs and markets luxury feminine lingerie, generating annual turnover of EUR 180 million. It is controlled by the founding family and the Board of Directors is still chaired by a member of the family. Van de Velde is very well managed. It has a relevant long-term vision and has successfully combined commercial dynamism and rigorous management in the course of its development. It is market leader in Belgium with its two flagship brands, Marie Jo and Prima Donna, which also give it a strong base in Europe (#3). Van de Velde has opted for an integrated business model both upstream and downstream, for quality control and to maintain close ties with its customers. Its production is mainly concentrated in Tunisia and China (via the producer Top Form, in which Van de Velde has a stake). With its activity having reached a certain maturity on its historic markets, control of the distribution network is becoming increasingly important for Van de Velde. It has therefore established some favourable bases to boost its growth. In the United States, the company has acquired a majority stake in the US company, Intimacy. In Germany it is trialling the market with the store chain Oreia, and, in Asia, Van de Velde has just signed a partnership with Getz to market its lingerie brands. Despite expenditure on these initiatives, the company has a sound balance sheet which the management will continue to exploit to acquire brands or gain market access. Even if no such opportunities materialise, shareholders should continue to benefit from a decent dividend, currently 6%.

We have reallocated available cash to our investment in **Novartis**. We remain convinced that the fundamental research approach at Novartis is a differentiating factor – explaining the high level of new drug introductions in recent years and contributing to a pipeline of promising products (Tekturma – cardiovascular disease, Gilenya – multiple sclerosis). Although it will lose some patents in 2012 and 2013 (Glivec – oncology, Diovan – cardiovascular disease), Novartis is bolstered by its exposure to different markets, such as generics, diagnostics, and ophthalmology, which have favourable long-term prospects. We do not think this is reflected in its share price.

During the month, we finalised the sale of our position in **Novozymes**, a process we began in November. This sale was due to the high stock market valuation of Novozymes.

Lastly, in a long-term perspective, we hedged 20% of our exposure to CHF given the low risk of the euro depreciating against the Swiss franc following the Swiss National Bank setting an exchange rate floor of CHF 1.20 to the euro.

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Current Portfolio

New Holdings

New Holdings	Additions to investments
Van De Velde	Novartis AG

Investments sold

Investments sold	Investments reduced
Novozymes AS B	

Sector Allocation

	Fund	DJ 600
Consumer Discretionary	1,5%	8,8%
Consumer Staples	24,5%	13,3%
Energy	13,5%	10,7%
Financials	3,2%	18,4%
Health Care	10,9%	12,3%
Industrials	14,5%	11,8%
Information Technology	11,0%	3,2%
Materials	18,3%	10,1%
Telecommunication Services	0,0%	6,5%
Utilities	0,0%	4,9%
Cash	2,6%	0,0%

Market Capitalizations

	Fund	DJ 600
Large Caps (> EUR 10 billion)	59,0%	77,0%
Medium Caps (EUR 1-10 billion)	36,0%	22,9%
Small Caps (< EUR 1 billion)	2,4%	0,2%

Performance⁴

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

	1 month	6 months	1 year	3 years	5 years
Fund (B shares)	3,9%	-4,2%	-3,8%	57,0%	-1,3%
DJ Stoxx Europe 600	1,9%	-9,6%	-8,6%	35,0%	-22,3%
Decile	2	1	1	1	1

General Information

Total Assets (EUR)	Eur 371,9 mn
Turnover 2010*	32%
TER 2010 (B shares)	1,25%
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	0,86	0,87
Beta	0,90	0,77
Information ratio	0,58	0,59
Tracking Error*	8,84	8,54

*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