

BL-EQUITIES EUROPE

March 2012

Management Report

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Fund Manager



The fund manager sold the holding in the Belgian steel wire producer Bekaert. The rationale for this transaction stems from the degradation of the company's fundamentals, invalidating our investment thesis. We thought that Bekaert would be able to maintain a high level of operational profitability despite pressure on prices in certain markets thanks to the specific structure of the market for radial tires. The recent strong rise of their Chinese competitor Xzinda invalidates our investment thesis. Faced with a general reduction in demand, Bekaert has announced a vast restructuring programme aiming to improve their cost structure. Furthermore they were forced to reduce their dividend by 30%.

Investments have been oriented towards several large holdings of the fund offering an attractive dividend and valuation level: ENI, Total, Reckitt Benckiser, Deutsche Boerse, Novartis and BAT. Furthermore, more opportunistically, holdings in more dynamic companies, like ABB, Arysza, Spirax Sarco, Symrise, Syngenta, Imtech and Sika have been increased on general market weakness.

The portfolio maintains a defensive investment profile since the cyclical companies that we monitor seem rather expensive compared to their normalised valuation. As a consequence we do not consider increasing their weight within the portfolio.

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Current Portfolio

New Holdings

-	ABB	Reckitt Benckiser
	Aryzta	Total
	BAT	Sika
	Deutsche Boerse	Spiarx Sarco
	ENI	Symrise
	Imtech	Syngenta
	Novartis	

Additions to investments

Top Holdings

ENI	6,0%
Total	5,6%
Reckitt Benckiser	5,2%
British American Tobacco	5,2%
Novartis	4,7%
Deutsche Boerse	4,2%
Bayer	4,1%
Akzo Nobel	4,1%
Diageo	2,9%
Linde	2,9%
Weight of Top 10	45,0%
Number of holdings	43

Investments sold

Bekaert	-
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Investments reduced

Sector Allocation

Energy	12,6%
Materials	19,2%
Industrials	14,3%
Consumer Discretionary	1,6%
Consumer Staples	24,0%
Health Care	11,5%
Financials	4,2%
Information Technology	8,2%
Telecommunication Services	0,0%
Utilities	0,0%
Cash	4,5%

Geographic Allocation

England	21,2%
Switzerland	19,4%
Germany	17,7%
France	14,2%
Netherlands	9,2%
Italy	6,0%
Sweden	4,4%
Spain	2,0%
Belgium	1,5%
Cash	4,5%

Market Capitalizations

Large Caps	(> EUR 10 billion)	60,2%
Medium Caps	(EUR 1-10 billion)	32,7%
Small Caps	(< EUR 1 billion)	2,6%

Company Profiles

Consistent earners ¹	50,0%
Growing franchises ²	20,9%
Value opportunities ³	24,7%

Performance⁴

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

	Since 31/12/2011	3 months	6 months	1 year	3 years	5 years
Fund (B shares)	9,5%	9,5%	18,1%	5,9%	85,7%	2,3%
DJ Stoxx Europe 600	8,4%	8,4%	17,7%	-1,5%	63,4%	-18,2%
Quartile	2	2	2	1	1	1

General Information

Total Assets (EUR)	EUR 453,1 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	0,90
Beta	1,00	0,84
Information ratio	1,07	0,61
Tracking Error*	6,77	7,05

*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