

## BL-EQUITIES EUROPE

February 2013

### Management Report

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Fund Manager



Three new investments have been introduced in the portfolio over the last month.

Novo Nordisk is a Danish pharmaceuticals company, a global player in insulin and treating diabetes. Since it was founded 90 years ago, the group has offered research and innovation in the treatment of diabetes, a structurally increasing illness in developed economies and in emerging countries as urbanisation progresses and food and diets change within societies. Novo Nordisk also holds a comfortable market share in the treatment of haemophilia and growth hormones. The fund manager took advantage of a sharp fall in the share price after the US rebuffed the company's introduction of a new treatment. The manager is of the opinion that the FDA's demand for more information to assess the cardiovascular risk of this new treatment does not call into question the company's overall profile and certainly not the attraction of this business in which Novo Nordisk will continue to maintain a superior position.

Weir is a UK engineering company which manufactures pumps, valves and other state-of-the-art equipment for global markets such as mining, oil and gas, power generation and various industrial segments. Given the complexity and rigorous demands of its clients' activity, its strength resides in the technology of the materials used, its niche markets and its network of services. Weir's stock market valuation has lagged in recent months due to the slowdown, however timely, of the shale gas activity in the United States.

Sandvik is a Swedish engineering company which has a strong global positioning on its markets due to the high-tech content of its products, representing a high entry barrier. Sandvik manufactures tools and equipment for metalwork, machines, vehicles and equipment for mining, stainless steel products and special alloys. Sandvik's valuation has begun to reveal a safety margin due to a difficult year in 2012, resulting both from the market troubles as well as a subdued performance from the group. Sandvik's management has taken serious measures to catch up the accumulated lag, especially in terms of integrating past acquisitions and measures to restore the margin to a normalised level.

At the same time, the manager has strengthened the fund's allocations in its existing positions, all offering a relatively good dividend, with good business prospects, like Sanofi, SES, BAT and Unilever. With relative confidence in the safety margin offered by Oriflame and Neopost from a medium-term perspective and the capacity of these companies to maintain their dividend, the manager has very slightly increased the weight of these positions.

On the other hand, the manager sold four investments: Aalberts and Akzo Nobel, for valuation reasons relative to the new investments, as well as Indra Sistemas and Imtech. Indra was sold due to the manager's fears about the disappointing progress of its activity and concerns about its ability to generate cash since Indra is basically reliant on public spending, particularly in Spain. For Imtech, it is mainly a question of a weakened investment case after some major internal control problems that the company has recently discovered on the Polish market, which led to a significant slump in the company's share price.

The manager has also reduced the fund's position in Pfeiffer Vacuum due to the increasing weight of this rather illiquid position in the portfolio, ABB and Bayer following a good stock market run, and Total and ENI.

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### Current Portfolio

#### New Holdings

Novo Nordisk	BAT	Unilever
Sandvik	Neopost	
Weir	Oriflame	
	Sanofi	
	SES	

#### Investments sold

Aalberts	ABB
Akzo Nobel	Bayer
Imtech	ENI
Indra Sistemas	Total
	Pfeiffer Vacuum

#### Sector Allocation

Energy	4,8%
Materials	13,9%
Industrials	12,6%
Consumer Discretionary	5,1%
Consumer Staples	26,3%
Health Care	21,0%
Financials	3,9%
Information Technology	10,6%
Telecommunication Services	0,0%
Utilities	0,0%
Cash	1,8%

#### Market Capitalizations

Large Caps	(> EUR 10 billion)	62,1%
Medium Caps	(EUR 1-10 billion)	33,7%
Small Caps	(< EUR 1 billion)	2,5%

#### Top Holdings

British American Tobacco	6,1%
Novartis	6,1%
Reckitt Benckiser	5,3%
Sanofi	5,1%
Unilever	4,4%
Deutsche Boerse	4,2%
Linde	4,1%
Roche	3,6%
Sage	3,6%
Bayer	3,4%
Weight of Top 10	45,8%
Number of holdings	47

#### Geographic Allocation

England	22,5%
Switzerland	22,4%
Germany	20,6%
France	11,0%
Sweden	9,5%
Netherlands	4,0%
Italy	3,0%
Luxembourg	2,8%
Spain	1,0%
Denmark	0,8%
Belgium	0,6%

#### Company Profiles

Consistent earners <sup>1</sup>	59,2%
Growing franchises <sup>2</sup>	19,3%
Value opportunities <sup>3</sup>	19,8%

#### Performance<sup>4</sup>

	Since 31/12/2012	2012	2011	2010	2009	2008
Fund (B shares)	4,0%	21,0%	-3,8%	19,5%	36,6%	-36,6%
DJ Stoxx Europe 600	4,0%	18,2%	-8,6%	11,6%	32,4%	-43,8%
Quartile	2	1	1	1	1	1

	Since 31/12/2012	3 months	6 months	1 year	3 years	5 years
Fund (B shares)	4,0%	4,7%	8,7%	14,4%	46,8%	36,7%
DJ Stoxx Europe 600	4,0%	5,5%	9,8%	13,3%	29,2%	6,5%
Quartile	2	3	3	1	1	1

#### General Information

Total Assets (EUR)	EUR 573,6 mn
Turnover 2012*	17%
TER 2012 (class B shares)	1,14%
ISIN Code (class B shares)	LU0093570330
ISIN Code (class I shares)	LU0439765321

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

#### Statistical Data<sup>4</sup>

	1 year	3 years
Correlation	0,86	0,86
Beta	0,74	0,86
Information ratio	0,20	0,61
Tracking Error*	5,09	7,04

\*annualized

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Source : Lipper