

BL-EQUITIES EUROPE

June 2013

Management Report

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In June, we brought two companies from the consumer sector back into the portfolio: Danone and Swatch.

Danone has strong brands on its four markets of yogourt, water, baby food and medical nutrition. This is a strong differentiating factor on the consumer market as it promotes recurrent income, underpins innovation and helps penetrate new markets. We are revisiting Danone as we are reassured after the investigations we conducted that had led to the company exiting the portfolio in May 2012 and now have a positive view of the group's capacity to raise its operating profitability to past highs from its current low point. Production capacities in the United States have risen significantly and this should enable Danone to make up for its lag in the key segment of Greek yogourt on the US market. In due course, we hope that this will serve as a lever to strengthen its presence in the United States where Danone currently has scant representation. In Russia, the group's main market since the takeover of Unimilk, volumes are increasing and the group's management could significantly increase margins through production management and product segmentation. In Southern Europe, price flexibility has enabled the company to stem the slowdown of sales. In addition, slowing certain investments and streamlining overheads should boost margins.

We have started to build a position in Swatch after the 15% slump in its share price since mid-May. As the world's biggest watch producer, Swatch is reaping the benefits of growth on the Asian markets (especially the development of the middle class). It is present in all segments, with further leeway to take some brands upmarket and the potential to partially revive the dynamic performance of the entry-point segment with the arrival in October of a self-winding mechanical movement for all Swatch watches. Swatch's competitive advantage, through its technological leadership in movements and components after years of investment in research and development and production capacity, should continue to drive volumes and boost the company's profitability.

Available cash has also been allocated to strengthening existing positions. On the one hand we are continuing to build investments in companies recently introduced into the portfolio: Novo Nordisk, Hugo Boss, Johnson Matthey, Shire and Spectris. And on the other hand, we are strengthening our positions in companies we have held for a longer period. Due to the market's fall during the month, share price weakness opened up opportunities on Getinge, SAP, Sanofi, Schneider and SKF.

These operations were financed by the finalisation of the sales, begun the previous month, of ABB, Brembo and Neopost, and by profit taking on Bayer, Deutsche Boerse, Diageo, Novartis, Sika and Symrise.

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Current Portfolio

New Holdings

Danone	Getinge
Swatch	Hugo Boss
	Johnson Matthey
	Novo Nordisk
	SAP

Additions to investments

Investments sold

ABB	Bayer	Symrise
Brembo	Deutsche Boerse	
Neopost	Diageo	
	Novartis	
	Sika	

Investments reduced

Top Holdings

Sanofi	6,1%
Novartis	6,1%
BAT	5,3%
SAP	5,1%
Linde	4,4%
Deutsche Boerse	4,2%
Reckitt Benckiser	4,1%
Roche	3,6%
Unilever	3,6%
Sage	3,4%
Weight of Top 10	45,8%
Number of holdings	43

Sector Allocation

Energy	0,0%
Materials	14,2%
Industrials	12,0%
Consumer Discretionary	5,5%
Consumer Staples	27,2%
Health Care	23,9%
Financials	4,2%
Information Technology	11,2%
Telecommunication Services	0,0%
Utilities	0,0%
Cash	1,9%

Geographic Allocation

England	22,2%
Germany	21,1%
Switzerland	19,4%
France	12,9%
Sweden	11,9%
Netherlands	3,8%
Denmark	2,7%
Luxembourg	2,5%
Spain	1,1%
Belgium	0,5%

Market Capitalizations

Large Caps	(> EUR 10 billion)	58,1%
Medium Caps	(EUR 1-10 billion)	32,3%
Small Caps	(< EUR 1 billion)	3,1%

Company Profiles

Consistent earners ¹	54,2%
Growing franchises ²	21,9%
Value opportunities ³	19,5%

Performance⁴

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

	Since 31/12/2012	3 months	6 months	1 year	3 years	5 years
Fund (B shares)	6,1%	-2,1%	6,1%	18,9%	42,3%	53,5%
DJ Stoxx Europe 600	4,1%	-1,5%	4,1%	16,9%	28,4%	15,0%
Quartile	1	4	1	2	1	1

General Information

Total Assets (EUR)	EUR 623,6 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 Data⁴

	1 year	3 years
Correlation	0,82	0,85
Beta	0,88	0,83
Information ratio	0,36	0,50
Tracking Error*	4,77	6,92

*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