

BL-EQUITIES EUROPE

October 2013

Management Report

Ivan Bouillot, CFA
Fund Manager



In October, the manager focused on strengthening the fund's investments in companies offering good business prospects in the short and medium term, buoyed by a relevant strategy and having an attractive valuation. Shire was among the selected candidates. We consider that as the company is underpinned by the stability of its franchises in behavioural problems and gastrointestinal pathologies, it has the capacity to calmly identify the external targets and internal projects on which to redeploy its cash with the objective of maintaining – and even strengthening – its growth profile and exposure in niche pharmaceuticals. We added to our holding in Novo Nordisk, also in the pharmaceuticals sector, in order to benefit from the consolidation of its stock market valuation at a discount of 10% to our estimate of its intrinsic value. This consolidation is only likely to be temporary, necessary for the integration of some unexpected data, and does not reflect a concern about Novo Nordisk's loss of status or a new competitive threat. We also strengthened our position in Syngenta, the Swiss agrochemicals group which has had a disappointing run on the stock market this year. This was due to a poorer performance than its main competitors, Bayer and Monsanto, but we consider it too harsh, given the new products and technologies developed by Syngenta which are set to drive the group's growth. Also in Switzerland, we increased the weight of our investment in Dufry, whose prospective results are boosted by the renewal of concessions in Latin America and the geographic diversification of revenues derived from its external growth policy. We also strengthened our positions in British American Tobacco, Sika, Johnson Matthey, Spectris, SKF, Intertek and Symrise.

These purchases were financed by profit-taking on Unilever and Swedish Match, and completion of the sale of our position in Van de Velde.

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Current Portfolio

New Holdings

| Additions to investments | |
|--------------------------|-----------------|
| Novo Nordisk | Syngenta AG |
| Symrise AG | Shire |
| SKF | Intertek Group |
| Spectris | Dufry AG |
| Sika | Johnson Matthey |
| BAT | Weir Group |

Investments sold

| Investments reduced | |
|---------------------|------------------|
| Van de Velde NV | Swedish Match AB |
| | Unilever NV |

Top Holdings

| | |
|-----------------------------|-------|
| Sanofi SA | 5,3% |
| Novartis AG | 4,9% |
| BAT | 4,9% |
| SAP AG | 4,7% |
| Deutsche Boerse AG | 4,2% |
| Reckitt Benckiser Group Plc | 3,9% |
| Linde AG | 3,8% |
| Novo Nordisk | 3,4% |
| Schneider Electric SA | 3,1% |
| Syngenta AG | 3,1% |
| Weight of Top 10 | 41,4% |
| Number of holdings | 42 |

Sector Allocation

| | |
|----------------------------|-------|
| Energy | 0,0% |
| Materials | 14,8% |
| Industrials | 13,6% |
| Consumer Discretionary | 8,0% |
| Consumer Staples | 24,3% |
| Health Care | 22,8% |
| Financials | 4,2% |
| Information Technology | 11,7% |
| Telecommunication Services | 0,0% |
| Utilities | 0,0% |
| Cash | 0,7% |

Geographic Allocation

| | |
|----------------|-------|
| United Kingdom | 23,0% |
| Germany | 22,8% |
| Switzerland | 20,8% |
| France | 13,4% |
| Sweden | 10,3% |
| Denmark | 3,4% |
| Netherlands | 3,0% |
| Spain | 1,0% |
| Other | 1,5% |
| Cash | 0,7% |

Market Capitalizations

| | | |
|-------------|--------------------|-------|
| Large Caps | (> EUR 10 billion) | 66,4% |
| Medium Caps | (EUR 1-10 billion) | 31,4% |
| Small Caps | (< EUR 1 billion) | 1,5% |

Company Profiles

| | |
|----------------------------------|-------|
| Consistent earners ¹ | 64,0% |
| Growing franchises ² | 20,3% |
| Value opportunities ³ | 15,0% |

Performance⁴

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

| | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years |
|---------------------|---------|----------|----------|--------|---------|---------|
| Fund (B shares) | 1,1% | 2,6% | 3,5% | 16,9% | 41,8% | 99,7% |
| DJ Stoxx Europe 600 | 3,9% | 8,1% | 10,1% | 22,7% | 32,9% | 69,4% |
| Quartile | 4 | 4 | 4 | 4 | 1 | 1 |

General Information

| | |
|----------------------------|--------------|
| Total Assets (EUR) | EUR 681,3 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 | 0,86 | 0,75 |
| Beta | 0,76 | 0,68 |
| Information ratio | -0,65 | 0,23 |
| Tracking Error* | 5,64 | 11,14 |

*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