

## BL-EQUITIES EUROPE

October 2012

### Management Report

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We added the Spanish company Ebro Foods to the portfolio. Historically operating in diversified sectors, in the past few years the company has streamlined operations (sale of divisions and external growth) to focus on its rice and pasta businesses. Thanks to the partial vertical integration of its supply chains, the company is able to manage its exposure to fluctuations in the prices of raw materials and is in the process of building brands and focusing on development through innovation (with Panzani, SOS, Taureau Ailé, etc). In our opinion, the group's valuation does not yet reflect this change, probably due to the weakness of the Spanish market and the overhang on the stock (institutional investors thinking about selling or in the process of selling their holding). Ebro Foods' dividend of 4% and its defensive profile puts the company into the Value Opportunity category.

We also invested in Roche. We like the company's oncology franchise, its growth potential and its dividend yield. In light of the company's developments in recent years, it seems that Roche is strengthening its oncology franchise with a promising pipeline. The company has few price concerns or threats of patent losses hanging over its portfolio. It also offers an excellent dividend payout track record, which has lasted more than 20 years.

We sold Clariant as we fear that the macroeconomic environment is weighing on the company's ability to complete the transformation of the business within the timeline communicated.

We finalised the sale of Pernod Ricard due to the high price of the group compared to its normalised results.

We enhanced existing positions in the following companies: BAT, Spirax, Deutsche Boesre, Getinge, SKF, Sika, SAP, Sage, Linde.

Following the health problems of Akzo Nobel's new CEO, Tom Büchner, who was supposed to steer the company back to growth, we have decided to move out of the company by cutting our position in half while we wait to see how the situation develops.

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### Current Portfolio

#### New Holdings

Ebro Foods	BAT
Roche	Deutsche Boerse
	Getinge
	Linde
	Sage

#### Additions to investments

#### Investments sold

Clariant	Akzo Nobel
Pernod Ricard	

#### Investments reduced

#### Top Holdings

Total	6,1%
ENI	6,1%
Novartis	5,3%
British American Tobacco	5,1%
Reckitt Benckiser	4,4%
Unilever	4,2%
Sage	4,1%
Bayer	3,6%
Akzo Nobel	3,6%
Deutsche Boerse	3,4%
Weight of Top 10	45,8%
Number of holdings	45

#### Sector Allocation

Energy	11,8%
Materials	17,0%
Industrials	13,4%
Consumer Discretionary	4,0%
Consumer Staples	21,3%
Health Care	12,4%
Financials	3,3%
Information Technology	10,9%
Telecommunication Services	0,0%
Utilities	0,0%
Cash	5,9%

#### Geographic Allocation

Germany	20,3%
England	19,6%
Switzerland	18,5%
France	10,5%
Netherlands	10,1%
Italy	6,3%
Sweden	5,6%
Luxembourg	2,0%
Spain	0,8%
Belgium	0,3%

#### Market Capitalizations

Large Caps	(> EUR 10 billion)	57,8%
Medium Caps	(EUR 1-10 billion)	34,9%
Small Caps	(< EUR 1 billion)	2,9%

#### Company Profiles

Consistent earners <sup>1</sup>	54,2%
Growing franchises <sup>2</sup>	21,9%
Value opportunities <sup>3</sup>	20,4%

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

	Since 31/12/2011	2011	2010	2009	2008	2007
Fund (B shares)	16,6%	-3,8%	19,5%	36,6%	-36,6%	-0,9%
DJ Stoxx Europe 600	14,0%	-8,6%	11,6%	32,4%	-43,8%	2,4%
Quartile	1	1	1	1	1	3

	Since 31/12/2011	3 months	6 months	1 year	3 years	5 years
Fund (B shares)	16,6%	1,8%	6,1%	15,6%	44,7%	10,6%
DJ Stoxx Europe 600	14,0%	3,9%	6,9%	14,8%	25,0%	-18,6%
Quartile	1	4	2	1	1	1

#### General Information

Total Assets (EUR)	EUR 520,5 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 Data<sup>4</sup>

	1 year	3 years
Correlation	0,85	0,87
Beta	0,92	0,87
Information ratio	0,10	0,71
Tracking Error*	6,25	6,93

\*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