
E. Carmignac

Carmignac Investissement is an international equity fund that invests in the world's financial markets; it specialises in the search for absolute, maximum performance through active, non-benchmarked management, with no allocation constraints in terms of region, sector, type or market capitalisation.

EQUITY MANAGEMENT GLOBAL

CARMIGNAC Investissement

Management report at 31 March 2009

Carmignac Investissement A Unit					
Net assets	€2,720,456,103.90	**Quarterly performance**		**Performance over 1 year**	
Number of units	469,466.96	Fund	+6.3%	Fund	–16.5%
Value per unit	€5,794.77	Indicator	–7.1%	Indicator	–33.8%
Carmignac Investissement E Unit					
Net assets	€102,741,021.00	**Quarterly performance**		**Performance over 1 year**	
Number of units	1,128,812.77	Fund	+6.1%	Fund	–17.1%
Value per unit	€91.01	Indicator	–7.1%	Indicator	–33.8%

To achieve its positive performance this quarter of 6.3% compared with a fall of 7.1% in the global share price index, the Fund profited from our accurate economic forecasts to take full advantage of the scope offered for international equity management. In terms of exposure to equity risk, for a long time Carmignac Investissement remained invested at the legal minimum of 60%, before exposure was taken back up to 100% at the beginning of March. The pick of investment themes then played a part: the significant weighting in gold mines and defensive stocks provided a generous buffer during periods when the equity markets were weak. Finally, the use of equity and currency hedges made a significant contribution to the Fund's strong outperformance.

Economic analysis

In our last report, we expressed a firm view regarding the disastrous climate of the time: *"the slowdown was created artificially: it was not triggered by a 'natural' fall in demand. A relative normalisation of credit, even a modest one, could prompt a sharp upturn in activity, if only through the reconstitution of stocks. Such an upturn, even fragile, is likely to give the depressed markets a real boost. European and American businesses are trading at their lowest valuation levels by comparison with their balance sheets or sales since 1990."*

While it is still too soon to confirm forecasts of a "sharp upturn", the reversal is nevertheless clear (see **Carmignac Patrimoine** report), with an abrupt U-turn in the untenable negative trend illustrated by the 94.5% fall in freight in less than a year. The attempts by the monetary authorities and governments to curb deflationary pressures resulting from the long deleveraging process took a new turn this quarter with the next stage in the US bail-out plan and the G20 summit in London.

The imminent launch of the Geithner Plan, following the mixed success of the Paulson Plan (TARP), is now starting to win the support of the industry, which had initially rejected it as being too complex. So what will it involve? Government-approved investment companies will be able to sign up to manage portfolios of toxic assets sold to them by banks in order to free up their balance sheet, restore their solvency and indirectly restart lending. To do this, the Treasury will allocate USD 100 billion to these funds, to which private investors will also contribute USD 100 billion. The Federal Reserve and Federal Deposit Insurance Corporation (FDIC) will then increase this amount to USD 1000 billion. The aim is to kick-start the toxic assets market by assigning a value to them based on the fairest possible market prices. This will fill the huge gap between their valuation by financial institutions based on inherently questionable models, and the equally dubious valuations for sales by troubled banks. These public-private partnerships, galvanised by the positive asymmetry created for the buyer (by matched contributions), together with the recent relaxation of accounting standards for valuing illiquid assets held by banks, should allow those who wish to sell them to find buyers and those who prefer to keep them to remove the suspicions surrounding their valuations. Some leading investment firms have already expressed an interest. The "normalisation of credit" appears to be under way.

Simultaneously, the G20 summit in London seems to have sparked a crisis of confidence thanks to the unwavering determination shown by its members to tackle the crisis any which way. The major beneficiary of the G20 summit was without doubt the IMF, which gained an additional contribution of USD 1,000 billion in various forms. The message is clear: the global economy cannot recover while emerging countries are still weak. It goes without saying that we are delighted with the official recognition of the role that emerging countries have in the economic recovery through global rebalancing. Deleveraging in developed countries can only weaken their internal demand, which must be offset by growing demand from emerging countries. February's US trade balance figure illustrates this point perfectly: the US trade deficit fell to USD 26 billion, compared with USD 36 billion the previous month (and a monthly average of USD 60 billion the same time the previous year), caused by falling demand for imports and stability of exports, largely due to the Chinese market. Although the G20 is giving aid to struggling emerging countries, the more robust of them are already showing signs of recovery. Figures from China suggest a resilience that surprises even the most optimistic analysts, even though the rescue plan announced in November has not yet had a chance to take full effect (see **Carmignac Emergents** report). The upheaval caused by the crisis is widespread and deep-rooted, although the most obvious and useful conclusion for investors is that **this crisis will act as a catalyst for global economic rebalancing**. Purging the excess debt of developed countries will slow their growth over the long term, while the potential of emerging countries remains intact, with these regions continuing to become increasingly self-sufficient.

Investment strategy

The green shoots suggested by the leading indicators of the US economy and signs that the equity markets are capitulating (with Citigroup trading at less than a dollar and General Electric at five dollars) persuaded us to raise equity exposure from 60% to 100% at the start of March. We intend to maintain this level so as to profit fully from the rebound in the global economy following the excessive pessimism witnessed between October and February.

Cash and cash investments were significantly reduced from 28.6% to 9.3% of assets. At the same time, our hedges protecting the Fund against a market downturn in developed countries and against the effects of poor consumer spending in the US were lifted. We also selected a basket of **US banks**, which we purchased as futures using available liquidity. The markets cannot be resuscitated until the banks are back on their feet. All the attention that the banks have received from the US authorities is finally paying off, and many of them are poised to make a spectacular recovery. Already benefiting from very high margins on their lending books, they would be subject to much-reduced provisions for asset depreciation if the Geithner Plan is a success.

Evidence of an acceleration in global rebalancing led us to **increase the weighting of improvements in living standards in emerging countries from 18.5% to 25.6%**. We are still focusing on the three heavyweights of the emerging world: China, India and Brazil. The key investments for this quarter were concentrated in India (up from 3.8% to 7.8% of assets). We wanted in fact to seize the opportunity presented by the sharp fall in the Indian market (-60% compared with its peak just 13 months ago) to expand our presence there, predominantly by increasing our existing positions in banks **ICICI Bank** and **Housing Development Finance**, engineering and manufacturing company **Bharat Heavy** and major infrastructure firm **GMR**. Expecting a dramatic fall in the yen, we also invested in Japanese export firms well placed to capitalise on the expansion of neighbouring emerging economies. These included **Komatsu, Fanuc** and **Canon**, which should all benefit from the revival in global consumption.

■ **Natural resources returned to the fore, rising from 8.3% to 24.4% of assets.** With many governments unveiling major infrastructure investment plans, coupled with the resilience of leading emerging countries, energy and materials stocks are enjoying a new lease of life after being decimated in the fourth quarter of last year. **The weighting of energy stocks rose from 6.5% to 13.5%** following the increase in our **Schlumberger, Smith International and Transocean** holdings and the addition of oil services company **National Oilwell** and oil producer **Petrobras** to the portfolio. **Base materials were also favoured, climbing from 2% to nearly 11% of assets. BHP Billiton** and **Xstrata** rejoined the portfolio, while **Freeport** and **Potash Corp** were increased.

■ **Gold mines continued to have a significant presence in the portfolio at 18.5% of assets.** The massive injection of cash into the financial system, especially after central banks began purchasing financial assets directly from the markets with the corresponding increase in money supply, has been a powerful force in both currency devaluation and long-term inflation. This partly explains why investors see gold (the "anti-currency") as the ultimate safe haven. This segment was also increased by the addition of Canadian gold producer **Agnico Eagle** to the portfolio.

■ **Defensive stocks continued to enjoy a significant weighting at 13.5% of the portfolio.** Although the Fund is positioned for a continuation of the current stock market recovery, the long-term effects of deleveraging in developed countries will eventually allow defensive stocks to prove themselves. The healthcare and staple goods sectors are usually spared during any period of retrenchment. We increased our position in **Roche**, while **Genentech** was removed due to the Roche takeover. Biotechnology is still a favourite, with **Genzyme** being added to the portfolio and investments in Australian company **CSL** and Swiss firm **Actelion** being increased. Conversely, we disposed of **Sanofi**, whose profits could be eroded by the forthcoming Obama Plan to cut spending on healthcare.

With its current portfolio, **Carmignac Investissement** is able to take the best of what the equity markets have to offer while keeping around 40% of assets in cash, defensive stocks and gold mines as a safety net. The management team will remain vigilant and will be quick to reduce the Fund's exposure if changing market conditions indicate a need for this.

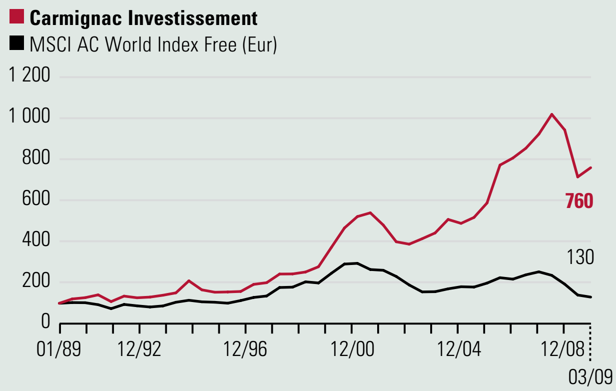
Among the best performers this quarter, we note:

Stocks	Performance
Freeport Mac Moran, copper, United States	+56%
Addax Petroleum, oil and gas exploration and production, Canada	+30%
Transocean, oil services, United States	+25%
Petrobras, oil production, Brazil	+24%
Yamana Gold, gold mines, Canada	+20%

Accumulated performance (%)	Since 31/12/2008	3 months	6 months	1 year	3 years	5 years	10 years	Since launch on 26/01/1989
Carmignac Investissement (A)	6.28	6.28	–4.24	–16.45	–7.41	40.58	154.34	660.22
Carmignac Investissement (E)	6.07	6.07	–4.61	–17.08	–	–	–	–
MSCI All Countries World Free (Eur)	–7.10	–7.10	–27.49	–33.76	–44.16	–27.36	–41.95	30.19
Category average*	–3.43	–3.43	–24.65	–32.63	–41.50	–24.59	–37.08	102.77
Ranking (quartile)	1	1	1	1	1	1	1	1

**International equities – general.*

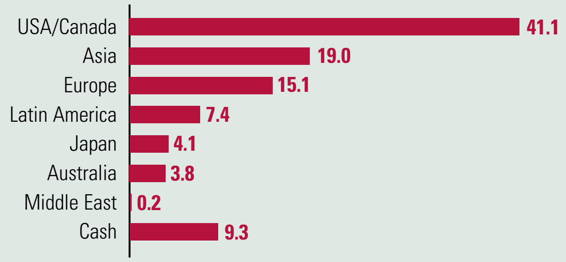
Performance of the Fund since launch



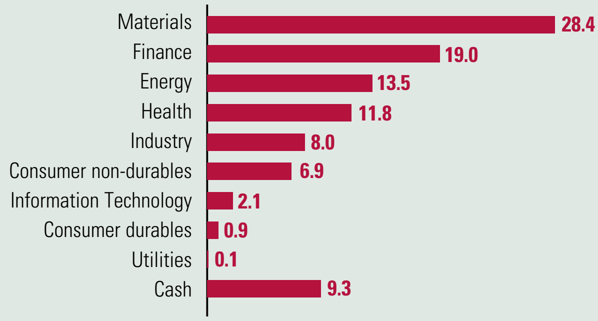
Statistics (%)	1 year (52 w.)	3 years (36 m.)
Volatility of the Fund	28.35	19.11
Volatility of the Indicator	32.68	15.79
Sharp ratio	–0.69	–0.31
Beta	0.84	0.87
Alpha	1.40	1.24

Please note that past performance is not a guide to future performance and that it may fluctuate over time.

Geographical split (%)



Sector split (%)



Portfolio Carmignac Investissement at 31/03/2009

			Price in currencies	Total value (€)	% of net assets
CASH AND CASH APPROPRIATIONS				**263 529 112,97**	**9,33**
	CASH			113 877 055,35	4,03
150 000 000	CNCEP 03/06/2009	Certificat of deposit in Euros	99,77	149 652 057,62	5,30
DEVELOPED COUNTRIES EQUITIES				**1 807 973 038.22**	**64.04**
Australia				**107 101 813.51**	**3.79**
3 340 000	BHP BILLITON PLC	Materials	13.85	49 939 544.42	1.77
3 362 000	CSL	Pharmaceuticals and biotechnology	32.49	57 162 269.09	2.02
USA				**699 092 594.62**	**24.76**
1 211 000	ALNYLAM PHARMA INC	Pharmaceuticals and biotechnology	19.04	17 366 453.27	0.62
686 000	CELGENE CORP	Pharmaceuticals and biotechnology	44.40	22 940 724.56	0.81
876 508	FIRST SOLAR	Capital goods	132.70	87 604 588.08	3.10
3 498 000	FREEPORT MCMORAN COP. & GOLD	Materials	38.11	100 405 799.50	3.56
1 056 000	GENZYME GENL DIV	Pharmaceuticals and biotechnology	59.39	47 236 454.02	1.67
1 310 000	NATIONAL OILWELL	Energy	28.71	28 327 257.66	1.00
3 406 667	NEWMONT MINING	Materials	44.76	114 847 039.93	4.07
4 041 496	SCHLUMBERGER	Energy	40.62	123 646 582.45	4.38
5 457 408	SMITH INTERNATIONAL	Energy	21.48	88 291 876.06	3.13
1 544 000	TRANSOCEAN INC	Energy	58.84	68 425 819.09	2.42
Canada				**460 300 149.73**	**16.30**
1 613 430	ADDAX PETROLEUM CORP	Energy	27.30	26 368 127.75	0.93
838 000	AGNICO EAGLE MINES LTD	Materials	56.92	35 926 007.38	1.27
3 832 922	BARRICK GOLD CORP	Materials	32.42	93 592 928.55	3.32
4 306 557	GOLDCORP INC	Materials	33.32	108 077 486.81	3.83
9 870 730	KINROSS GOLD CORP	Materials	17.87	132 853 765.99	4.71
1 043 000	POTASH CORP	Materials	80.81	63 481 833.25	2.25
Japan				**116 556 819.63**	**4.13**
2 790 000	CANON	Technology hardware and equipment	2 820.00	59 996 842.99	2.13
570 000	FANUC LTD	Capital goods	6 630.00	28 817 975.72	1.02
3 400 000	KOMATSU	Capital goods	1 070.00	27 742 000.92	0.98
Europe				**424 921 660.73**	**15.05**
1 215 000	ACTELION LTD (Switzerland)	Pharmaceuticals and biotechnology	51.95	41 810 518.99	1.48
1 078 000	BEIERSDORF (Germany)	Household and personal products	33.79	36 425 620.00	1.29
2 542 000	NESTLE SA (Switzerland)	Food, Beverage & Tobacco	38.48	64 793 932.37	2.30
1 442 000	NOVO NORDISK AS (Denmark)	Pharmaceuticals and biotechnology	268.50	51 982 975.64	1.84
1 785 832	RECKITT BENCKISER (United Kingdom)	Household and personal products	26.19	50 492 216.43	1.79
852 000	ROCHE HOLDINGS (Switzerland)	Pharmaceuticals and biotechnology	156.20	88 154 472.89	3.12
2 956 000	UNILEVER (Netherlands)	Food, Beverage & Tobacco	14.85	43 896 600.00	1.55
9 400 000	XSTRATA (United Kingdom)	Materials	4.67	47 365 324.41	1.68

Portfolio Carmignac Investissement at 31/03/2009 (continued)			**Price in currencies**	**Total value (€)**	**% of net assets**
EMERGING MARKETS EQUITIES				**751 694 973.71**	**26.63**
Asia				**536 871 135.93**	**19.02**
1 760 000	ALIBABA GROUP HOLDING CIE (China)	Retailing	12.15	16 106 048.05	0.57
6 933 129	BANGKOK BANK (Thailand)	Banks	74.50	10 969 465.19	0.39
63 663 662	BANK OF AYUDHYA (Thailand)	Banks	8.75	11 830 403.84	0.42
2 534 000	BHARAT HEAVY (India)	Capital goods	1 510.55	56 824 313.47	2.01
118 113 000	CHINA CONSTRUCTION BANK (China)	Banks	4.40	50 506 545.38	1.79
31 454 000	CHINA LIFE INSURANCE (China)	Insurance	25.70	78 560 871.55	2.78
63 828 969	CHINA OVERSEAS LAND (Hong Kong)	Real estate	12.16	75 430 796.14	2.67
8 172 100	GMR INFRASTRUCTURE LTD (India)	Capital goods	94.85	11 507 043.93	0.41
28 651 070	HANG LUNG PROPERTIES (Hong Kong)	Real estate	18.20	50 676 839.36	1.80
3 600 000	HOUSING DEVELOPMENT FINANCE (India)	Banks	1 412.20	75 472 569.56	2.67
14 253 610	ICICI BANK LTD (India)	Banks	332.80	70 420 795.62	2.49
3 281 529	MATRIX LABORATORIES (India)	Pharmaceuticals and biotechnology	2.90	7 156 239.41	0.25
59 064 000	NINE DRAGONS PAPER (Hong Kong)	Materials	2.94	16 875 920.58	0.60
189 618 418	REXLOT HOLDINGS (Hong Kong)	Hotels, Restaurants and Leisure	0.25	4 533 283.85	0.16
Latin America				**210 076 539.08**	**7.44**
4 373 825	BANCO ITAU (Brazil)	Banks	25.65	36 702 526.01	1.30
7 276 895	BANRISUL (Brazil)	Banks	6.99	16 640 656.93	0.59
11 488 665	CYRELA BRAZIL REALTY (Brazil)	Real estate	9.18	34 503 206.84	1.22
6 556 432	EMPRESAS ICA (Mexico)	Capital goods	24.35	8 526 192.58	0.30
1 891 734	GLOBEX UTILIDADES SA (Brazil)	Retailing	6.45	3 991 783.39	0.14
12 852 454	GROUPO BANORTE (Mexico)	Banks	18.83	12 924 834.45	0.46
2 032 000	PETROLEO BRASILEIRO ADR (Brazil)	Energy	30.47	46 633 305.72	1.65
8 776 686	ROSSI RESIDENCIAL (Brazil)	Real estate	3.70	10 623 789.77	0.38
4 737 300	TPI TRIUNFO PARTICIPACOES (Brazil)	Utilities	1.17	1 813 276.08	0.06
5 413 710	YAMANA GOLD (Brazil)	Materials	9.25	37 716 967.31	1.34
Middle East				**4 747 298.70**	**0.17**
26 262 452	DP WORLD LIMITED (United Arab Emirates)	Transportation	0.24	4 747 298.70	0.17
PORTFOLIO VALUE				**2 559 668 011,93**	**90,67**
NET ASSETS				**2 823 197 124,90**	**100,00**