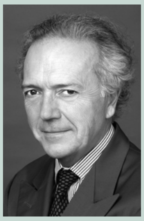


E. Carmignac

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 December 2009

Carmignac Investissement A Unit					
Net assets	€5,717,198,481.19	**Quarterly performance**		**Performance over 1 year**	
Number of units	735,468.66	Fund	+3.9%	Fund	+42.6%
Value per unit	€7,773.54	Indicator	+6.2%	Indicator	+27.4%
Carmignac Investissement E Unit					
Net assets	€459,589,616.94	**Quarterly performance**		**Performance over 1 year**	
Number of units	3,820,885.23	Fund	+3.8%	Fund	+40.2%
Value per unit	€120.28	Indicator	+6.2%	Indicator	+27.4%

Driven by buoyant equity markets, the Fund's net asset value continued to rise this quarter (+3.9%) but at a slower pace than its benchmark (+6.2%). The slight lowering of the Fund's risk profile explains this spread but over the full year, the Fund's outperformance was not significantly dented since its rise of 42.6% comfortably exceeding the benchmark (+27.4%).

Economic analysis

At the conclusion of our last management report, we based our optimistic view of equity markets on a scenario in which: "...the slow process of deleveraging due to disinflation needs weak growth in advanced economies to allow debt to continue to be transferred from the private sector to the public sector at financing rates that governments can cope with. It also needs an emerging world where inflation does not hinder growth potential."

This scenario is unfolding step by step, with the following features:

- **Growth in the developed economies continues to be weak.** For the reasons set out in the **Carmignac Patrimoine** report, the economic recovery in the developed countries is now underway but is unlikely to take off too quickly. But will the modesty of the expected growth continue to turn investors away from equities? We do not think so, as the specific nature of the crisis that we are experiencing should lead to a strong rebound in company profitability. In fact, the really drastic cost cutting that companies have been carrying out, evidenced particularly by a massive reduction in their inventories, the productivity gains achieved during the recession that can be seen in the unemployment figures of earlier months, the reduction in interest expenses due to the fall in credit margins as well as weak capital expenditure over the last few years, will give added profitability to the expected slight rise in sales. European companies are benefitting from the same favourable factors, although to a lesser extent, as their recovery plans have already been almost totally completed in certain countries (France), job losses have not been as massive as in the United States, and the high level of the euro prevents them from taking full advantage of the dynamism of the emerging countries through exports. Recent export setbacks and difficulties in aeronautics and in the nuclear field demonstrate this competitive disadvantage. In this respect, we would not be surprised if, after the fine demonstration of synchronised policies around the world to beat the global crisis, the less consensual question of exchange rates raises its head again.

- **The maintenance of accommodating monetary and fiscal policies** facilitates the transfer of public sector debt to the private sector and promotes generous equity valuations. Mindful of the persistent deflationary pressures on the economy exerted by the continuing deleveraging, the central banks in the developed countries have, intelligently and courageously, led and confirmed the maintenance of a zero-rate policy. More difficult is the "regulation" of rates on the bond markets. The implementation of "non-conventional measures", from the massive purchase of government bonds to mortgage credit from the central banks, cannot last and the markets know it. Thus – a fear we expressed in our previous report – long rates were under particular pressure during this last quarter, with investors finding real rates offered in light of the slight rise in inflation to be inadequate. Nonetheless, as we also indicated in the **Carmignac Patrimoine** report, it would be unreal to expect the central banks to give long rates free rein, at the risk of compromising the recovery currently underway and we would be very surprised to see 10-year rates significantly exceeding the 4% threshold on either side of the Atlantic, which is the rate we think critical for equity markets.
Sustaining public debt and bond markets is, however, not something all countries can do. As the "accidents" of Iceland and Dubai have shown, pressures on the credit risk in certain Baltic and southern European countries and the deterioration in public finances as a result of the crisis can shut out or reduce access to the markets in a growing number of countries where central banks are now compelled to restrict liquidity in order to defend their currency.
The global liquidity balloon cannot be pumped up indefinitely.
It is constrained both by the rise in long rates for top-rated sovereign risk and by the markets' partial or total rejection of lower-quality issuers.

- **The growth potential of the principal emerging countries is not threatened by inflation.** Inevitably, the strong business recovery in China, India and Brazil is exerting some inflationary pressure and a risk of overheating: housing in the large coastal cities in China, foodstuffs in India, and the cost of freight in Brazil. These pressures should not, however, cloud the fact that consumer prices continue to be under control in these countries. As in the developed countries, inflation forecasts were exaggerated in the first half as they were compared to the very favourable figures at the start of 2009, leading to estimates of year-on-year price rises of 3% for China, 6.8% for India and 4.7% for Brazil.

Although controlling these inflationary pressures will undoubtedly necessitate tighter monetary policies, we need not fear that they will endanger continuing growth, at least while prospects for global activity appear uncertain.

Thus, the rise in equity markets, which, since March has been fuelled mainly by the central banks generally saturating the system with overabundant liquidity, is becoming more fundamental and more dependent on expectations of a more favourable economic upturn, particularly in the developed countries. The latter seem to be once again capable of attracting investors to their equity markets after a very favourable period for bonds. Private investors, largely absent from the equity markets since the worst depths of the crisis, will be tempted to return by positive macroeconomic data and company results which, aside from their own merits, will also profit from a particularly favourable 12-month comparison. They could be supported by certain institutional investors that the new prudential investment regulations (Solvency II) have unfortunately not encouraged to take risks up till now. Lastly, the drop in financing costs, plus increased cash-flow-generating capacity, and a less pessimistic view of the future, should confirm the first signs of stirring in mergers & acquisitions.

In conclusion, although the engine is changing from abundant liquidity to established economic growth, we think the environment is still conducive to equity investment. The risks associated with this system change - withdrawal of stimulus and higher interest rates - are real, but while requiring greater discernment, selecting stocks in a two-speed world based on estimated results becomes all the more comfortable as the crisis recedes, making estimates less conditional.

Investment strategy

The confirmation of a more positive economic climate in the developed countries, led by the United States, along with expectations of a moderate but synchronised rebound of the global economy, has led us to take a position that aims to participate more directly in the US recovery, financed principally by a marked reduction in our gold holdings. Given the pressures that such a recovery could put on global liquidity, at the end of November we opened a short position on 10-year US treasury futures with a modified duration of 3.5.

■ **A new theme is the US recovery (8.6% of assets).** We intend to take advantage of more-proven US dynamism via electrical companies **Emerson Electric** and **Alstom**, the car maker **Ford**, the airline **Delta** and the credit card company **Mastercard**. Also part of this theme are emerging country exporters of goods and services that are well-positioned in the US market: **Infosys** (India) in IT services, and **Hon Hai** (Taiwan), an assembler of computers and consumer electronics such as the Apple iPhone.

■ **The improvement in living standards in emerging countries remains a large part of the portfolio with 24.3% of assets compared to 26.2% three months ago.** The vigour of domestic growth in the principal emerging countries, along with globally weak external demand, points to companies addressing domestic demand. We increased our holdings in **China Construction Bank** and **China Overseas Land**. Conversely, we sold up almost all of our holding in **Nine Dragons Paper**, the Chinese cardboard box manufacturer, after exceptional stock market performance in 2009. In Latin America, we sold **Banrisul** Bank after its strong rise and we took a stake in the Brazilian rail company **All American Latina Logistica** which we think has promising prospects in commodities freight.

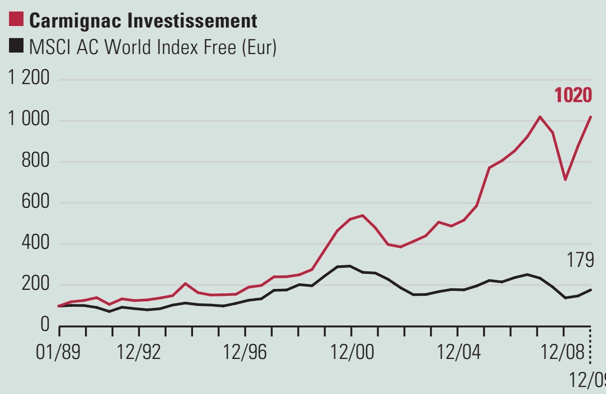
■ **Commodities increased from 23.7% to 27% during the quarter. Energy increased from 14.3% to 16.1%** as a result of buying into the oil services companies **Weatherford International** and **FMC technologies**, and increasing our holdings in **National Oilwell** and **Transocean**. Conversely, we sold **Smith International** whose strategic choices we find questionable. In oil production, we took a stake in Russian company **Rosneft** and increased our holdings in **Anadarko**, **Petrobras** and **Pacific Rubiales**. **Base materials, which increased from 9.4% to 10.9%** of the portfolio, benefitted from the introduction of the North American copper and zinc producer **Hudbay Minerals** and from increased holdings in **Potash Corp**.

■ **Anglo-Saxon banks, with 9.8% of assets remained unchanged.** The confirmation of a rebound in the US economy and the interest rate curve should allow them to continue their recovery.

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)	42.58	3.90	16.17	42.58	19.30	96.30	118.54	919.82
Carmignac Investissement (E)	40.19	3.83	15.58	40.19	13.96	–	–	–
MSCI All Countries World Free (Eur)	27.42	6.21	19.53	27.42	–25.17	–0.30	–38.66	78.56
Category average*	31.24	6.37	18.31	31.24	–21.38	4.38	–39.70	173.43
Ranking (quartile)	1	4	4	1	1	1	1	1

**Global Large-Cap Growth Equity.*

Performance of the Fund since launch



Statistics (%)	1 year	3 years
Volatility of the Fund	17.48	20.61
Volatility of the Indicator	18.28	18.47
Sharp ratio	1.94	0.16
Beta	0.61	0.82
Alpha	1.79	1.21

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

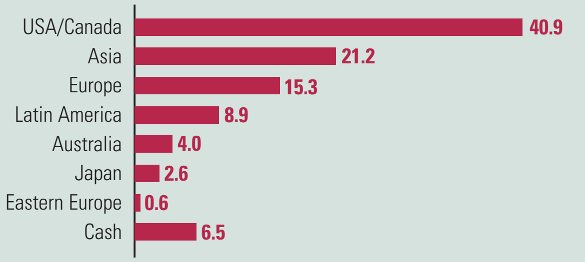
■ **The theme of innovation rose from 8% to 10%**, reinforced by the entry of Norwegian specialist in video conferencing solutions **Tandberg**, whose acquisition by Cisco (14% above our purchase price) is only waiting for approval from the competition authorities to take effect.

■ **The defensive theme was reduced only slightly from 11.2% to 9.6% of assets**, this sector not being favoured by new investors. We have however reinforced our holdings in **Nestlé** and **Unilever**.

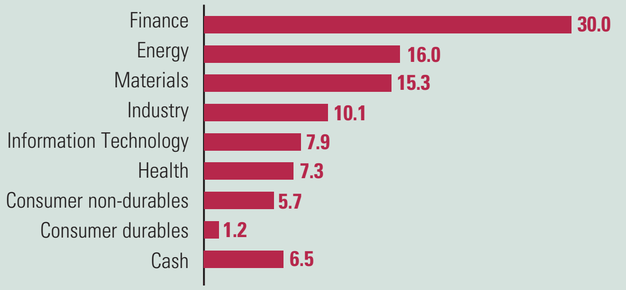
■ **Gold mines were heavily reduced (from 13.2% to 4.3%)** in **Kinross** and **Goldcorp**. We do not exclude the possibility of returning to this sector more decisively if the economic improvement currently underway proves to be disappointing or if growth in the developed countries is accompanied by inflationary pressures. Among the best annual performers, we note:

Stocks	Performance
Nine Dragons Paper, paper, China	+466%
Rossi Residencial, real estate, Brazil	+305%
Freeport McMoran, copper, United States	+229%
Xstrata, non-ferrous, Canada	+209%
Cyrela, real estate, Brazil	+166%

Geographical split (%)



Sector split (%)



Portfolio Carmignac Investissement at 31/12/2009

			Price in currencies	Total value (€)	% of net assets
CASH AND CASH APPROPRIATIONS				**401 444 271.02**	**6.50**
	CASH			-13 453 192.41	-0.22
	REPO			414 897 463.43	6.72
DEVELOPED COUNTRIES EQUITIES				**3 882 455 261.48**	**62.86**
Australia				**247 853 678.85**	**4.01**
6 220 000	BHP BILLITON PLC	Materials	19.95	139 669 086.61	2.26
5 312 000	CSL	Pharmaceuticals and biotechnology	32.49	108 184 592.24	1.75
USA				**1 932 044 354.53**	**31.28**
1 283 000	ALNYLAM PHARMA INC	Pharmaceuticals and biotechnology	17.62	15 756 375.68	0.26
2 270 000	ANADARKO PETROLEUM	Energy	62.42	98 758 250.57	1.60
1 513 000	CELGENE CORP	Pharmaceuticals and biotechnology	55.68	58 716 738.11	0.95
2 040 000	EMERSON ELECTRIC	Capital goods	42.60	60 570 831.16	0.98
1 778 508	FIRST SOLAR	Capital goods	135.40	167 841 075.59	2.72
1 520 000	FMC TECHNOLOGIES INC	Energy	57.84	61 276 738.11	0.99
9 000 000	FORD MOTOR COMPANY	Automobiles and components	10.00	62 728 698.38	1.02
4 466 000	FREEPORT MCMORAN COP. & GOLD	Materials	80.29	249 921 686.71	4.05
1 459 000	GENZYME	Pharmaceuticals and biotechnology	49.01	49 838 362.08	0.81
6 703 389	JP MORGAN CHASE & CO	Diversified financial services	41.67	194 689 123.28	3.15
438 000	MASTERCARD	Software and services	255.98	78 145 488.76	1.27
4 490 000	NATIONAL OILWELL	Energy	44.09	137 978 114.65	2.23
5 002 496	SCHLUMBERGER	Energy	65.09	226 947 178.70	3.67
2 832 000	TRANSOCEAN INC	Energy	82.80	163 435 859.91	2.65
6 098 439	US BANCORP	Banks	22.51	95 679 290.39	1.55
11 150 572	WELLS FARGO	Banks	26.99	209 760 542.45	3.40
Canada				**464 336 548.05**	**7.52**
21 332 700	EQUINOX MINERALS	Materials	4.09	58 008 605.15	0.94
3 406 357	GOLDCORP INC	Materials	39.34	93 400 302.76	1.51
3 898 900	HUDBAY MINERALS INC	Materials	13.57	35 175 901.20	0.57
8 428 200	KINROSS GOLD CORP	Materials	18.40	108 087 736.54	1.75
4 679 000	PACIFIC RUBIALES ENERGY CORP	Energy	15.45	48 062 329.63	0.78
1 608 000	POTASH CORP	Materials	108.50	121 601 672.77	1.97

Portfolio Carmignac Investissement at 31/12/2009 (continued)

			Price in currencies	Total value (€)	% of net assets
Japan				**159 903 405.01**	**2.59**
2 603 500	CANON	Technology hardware and equipment	3 910.00	76 213 501.74	1.23
620 400	FANUC LTD	Capital goods	8 630.00	40 084 840.68	0.65
3 011 500	KOMATSU	Capital goods	1 934.00	43 605 062.59	0.71
Europe				**1 078 317 275.04**	**17.46**
1 487 000	ACTELION LTD (Switzerland)	Pharmaceuticals and biotechnology	55.20	55 343 289.62	0.90
946 422	ALSTOM (France)	Capital goods	49.06	46 431 463.32	0.75
34 320 373	BARCLAYS PLC (United Kingdom)	Banks	2.76	106 617 400.51	1.73
669 789	JERONIMO MARTINS (Portugal)	Food and pharmaceuticals retail	6.99	4 678 476.17	0.08
3 259 000	NESTLE SA (Switzerland)	Food, Beverage & Tobacco	50.20	110 306 981.76	1.79
392 373	PERNOD RICARD (France)	Food, Beverage & Tobacco	59.91	23 507 066.43	0.38
2 082 590	RECKITT BENCKISER (United Kingdom)	Household and personal products	33.56	78 667 027.29	1.27
1 358 000	ROCHE HOLDINGS (Switzerland)	Pharmaceuticals and biotechnology	175.80	160 965 782.29	2.61
754 483	SAFT GROUPE SA (France)	Capital goods	33.76	25 471 346.08	0.41
1 493 500	SEADRILL (Norway)	Energy	148.00	26 668 838.42	0.43
2 816 600	TANDBERG ASA (Norway)	Technology hardware and equipment	170.00	57 771 182.10	0.94
5 946 000	UNILEVER (Netherlands)	Food, Beverage & Tobacco	22.75	135 271 500.00	2.19
1 185 000	VESTAS WIND SYSTEMS (Denmark)	Capital goods	317.00	50 483 473.21	0.82
5 200 000	WEATHERFORD INTERNATIONAL (Switzerland)	Energy	17.91	64 911 657.08	1.05
10 400 000	XSTRATA (America)*	Materials	11.21	131 221 790.76	2.12
EMERGING MARKETS EQUITIES				**1 892 888 565.63**	**30.65**
Asia				**1 310 060 294.75**	**21.21**
1 760 000	ALIBABA GROUP HOLDING (China)	Retailing	10.00	12 266 945.46	0.20
11 274 129	BANGKOK BANK (Thailand)	Banks	116.00	27 340 078.06	0.44
63 663 662	BANK OF AYUDHYA (Thailand)	Banks	22.50	29 945 591.47	0.48
2 756 000	BHARAT HEAVY (India)	Capital goods	2 403.30	99 151 054.99	1.61
256 100 000	CHINA CONSTRUCTION BANK (China)	Banks	6.67	153 543 518.71	2.49
32 904 000	CHINA LIFE INSURANCE (China)	Insurance	38.35	113 425 353.48	1.84
81 617 969	CHINA OVERSEAS LAND (Hong Kong)	Real estate	16.40	120 316 643.59	1.95
29 791 552	GMR INFRASTRUCTURE LTD (India)	Capital goods	66.60	29 717 481.40	0.48
31 711 070	HANG LUNG PROPERTIES (Hong Kong)	Real estate	30.60	87 222 473.69	1.41
19 200 000	HON HAI (Taiwan)	Technology hardware and equipment	151.50	63 385 668.06	1.03
3 877 984	HOUSING DEVELOPMENT FINANCE (India)	Banks	2 675.80	155 292 953.26	2.51
15 351 216	ICICI BANK LTD (India)	Banks	877.00	201 517 169.51	3.26
2 096 000	INFOSYS TECHNOLOGIES (India)	Software and services	2 601.10	81 656 915.20	1.32
10 686 240	MEDIATEK (Taiwan)	Semiconductors	558.00	129 938 046.44	2.10
4 753 000	NINE DRAGONS PAPER (Hong Kong)	Materials	12.50	5 340 401.43	0.09
Latin America				**548 362 336.05**	**8.88**
4 601 000	ALL AMERICAN LATINA LOGISTICA (Brazil)	Transportation	16.30	29 985 925.91	0.49
481 538	BANCOLOMBIA (Colombia)	Banks	45.51	15 274 294.74	0.25
13 619 215	CYRELA BRAZIL REALTY (Brazil)	Real estate	24.50	133 412 273.84	2.16
20 266 832	EMPRESAS ICA (Mexico)	Capital goods	30.49	32 989 560.64	0.53
13 958 604	GROUPO BANORTE (Mexico)	Banks	47.84	35 650 563.38	0.58
6 892 207	ITAU UNIBANCO (Brazil)	Banks	38.69	106 619 015.55	1.73
4 002 000	PETROLEO BRASILEIRO ADR (Brazil)	Energy	42.39	126 137 626.76	2.04
11 163 686	ROSSI RESIDENCIAL (Brazil)	Real estate	15.30	68 293 075.23	1.11
Eastern Europe				**34 465 934.83**	**0.56**
5 750 000	ROSNEFT OIL COMPANY (Russia)	Energy	8.60	34 465 934.83	0.56
PORTFOLIO VALUE				**5 775 343 827.11**	**93.50**
NET ASSETS				**6 176 788 098.13**	**100.00**

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