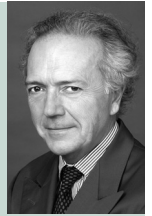




CARMIGNAC

# Investissement

Management report at 30 September 2011



E. Carmignac

Net assets	€7,475,842,315.71	Value of the A share	€7,862.46
		Value of the E share	€120.08
		Value of the GBP share	£86.79

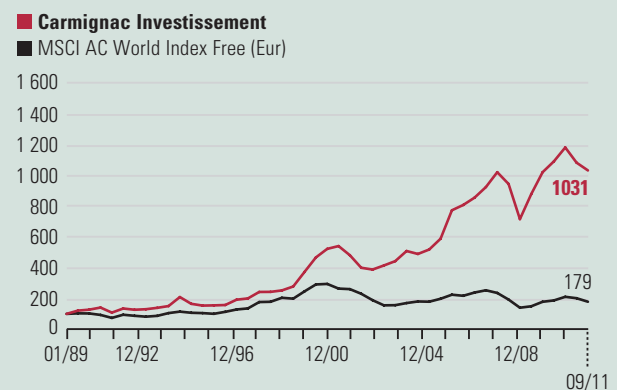
In a particularly difficult quarter for equity markets, **Carmignac Investissement's** fall (-4.64%) was nowhere near as steep as that experienced by its performance indicator (-11.28%). Indeed, the Fund has also dropped less than its performance indicator in year-to-date terms: -12.63% versus -15.13%. This resistance to adversity is attributable to our decision at the beginning of August to slash equity exposure to its regulatory minimum of 60% by carrying out various capital protection transactions. The portfolio itself performed in line with its indicator as the strength of gold mining stocks offset a spell of weakness for Chinese and Brazilian markets.

In our July report, we wrote of our complete inability to understand European economic and monetary policy decisions: «Weakened countries' inability to devalue their currency leaves them no other choice than default – as orderly as possible – alongside bold measures to improve economic competitiveness. The markets' repeated attacks will eventually make this obvious but with each passing day the ECB's shameful resistance makes the future adjustment harder and costlier for peripheral countries. It also presents a formidable risk of contagion to Spain, Italy and maybe one day France». European procrastination has since transformed a local, manageable crisis into an event capable of causing major systemic risk with incalculable repercussions. This surge in risk produced one of the worst quarters in the history of equity markets, which came under the virulent attacks we had feared. Over the quarter, the Eurostoxx 50 index of leading European stocks tumbled 23.5%, led by the banking sector, which plummeted 34.3%. Fears about the potential effects of the European debt crisis hit all global markets: the Standard & Poor's 500 index of US shares lost 14.3% over the quarter while the Morgan Stanley emerging market index shed 23.2%.

Following these indiscriminate swings, equity market valuations returned to levels close to those of 2008. Excluding financials, US and European companies are currently trading at 12.4 and 9.6 times 2011 earnings respectively. Despite a brighter and more certain outlook for growth and profit, companies in the emerging world are showing a 2011 P/E ratio of 10.8x and their shares are being valued slightly less than those of firms in developed countries. Are these prices justified or do they present attractive investment opportunities? As we wrote in the **Carmignac Patrimoine** report, the European crisis is exceptionally serious. Europe is currently opting for the Japanese method of tackling over-indebtedness. This is suicidal: its exports are too low to offset the negative effects of austerity policies on domestic demand, and impatient foreign creditors are not willing to «let time take its course». In this regard, the case of Spain is alarming:

the drive to cut the primary deficit from 6.5% of GDP to 2.5% in the space of 16 months led to zero growth in industrial output, a 5% fall in retail sales and an unemployment rate of more than 21%. The quest for this budgetary improvement, set against a backdrop of decent – but now slowing – global economic growth, does not even go far enough to reduce the debt. It is now down to monetary policy to take the first bold step towards generating economic growth. The ECB must apply a zero interest rate policy and monetise the riskiest public debt. The consequent depreciation of the euro would spur growth by making exports more competitive, while massive liquidity injections would counter deflationary pressures and maybe even generate a little inflation, thereby easing the debt burden. This initiative on the part of the ECB is inevitable but Germany is blocking it. Additionally, the plan to be put forward at the G20 meeting in early November will probably call for a significant contribution from the IMF for Spain and Italy in particular. While such a move may temporarily eliminate the risk of a systemic crisis, Europe's increased reliance on the IMF will not stimulate growth and will not relieve governments of the need to reduce their debt. As it is, the weakening of European banks, which are structurally vulnerable to tougher refinancing conditions (with a credit/deposit ratio of 165% versus 81% in the United States), will encourage them to pressure households and businesses into repaying their debts too. Bearing in mind that the weight of bank loans in relation to GDP is 164% in the eurozone compared with 62% in the United States, one can imagine the risk presented by this accelerated deleveraging, which a forced recapitalisation of banks will succeed in limiting at best.

## Performance of the Fund since launch



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

In the United States, the dichotomy between the health of businesses and the macroeconomy is striking. Even though economic growth forecasts for 2012 are being revised downward on a regular basis – from 3.25% to 2.1% over the last eight months – analysts are expecting non-financial companies' earnings to grow by 10% in 2012. Admittedly, the sectors contributing the most to earnings growth are those most open to foreign trade, such as IT and energy. Fifteen years of impressive productivity gains allied with ten years of dollar depreciation have endowed US companies with a strong competitive edge, which enables them to overcome some of the domestic economic stagnation caused by deleveraging. Also, the US economic slowdown came to a halt in September, although our composite leading indicator prevents us from labelling this a genuine recovery. The next set of employment figures will be crucial in determining the strength of this economic upturn. Be that as it may, although we recognise that the US market holds positive value in relative terms, close interaction between the European and US banking systems dampens our desire to invest on the other side of the Atlantic. Weak US governance a year away from the presidential election is another worrying factor in the ever likely scenario of a further economic downturn, while the previously unfailing support provided by the US Federal Reserve is starting to reveal its limits.

Emerging markets have fallen short of our expectations, adding foreign exchange losses to the fall in share prices. Fears of the debt crisis spreading from developed countries to the emerging world have, along with the very heavy losses endured, led global investors to repatriate some of their assets invested far from home. These withdrawals, which have also affected currencies, led to particularly attractive valuations for European investors, especially when taking into account the currency effect. However, emerging markets will not be able to completely free themselves of the problems impacting developed economies without a powerful catalyst. We think the reversal of Chinese monetary policy will be this catalyst. While a number of emerging countries, worried about the possible effects of the current US and European slowdown on their economy, have recently cut interest rates for the first time, China has not been interested in immediate monetary or fiscal stimuli. A growth model now more focused on domestic demand requires better control of inflation before it can be relaunched. However, we think that once this stimulus is approved, the sheer scope and variety of measures available to China will contribute to a firm recovery, strongly supported by equity markets whose valuations have returned to their 2008 levels: historical lows that are increasingly attractive to investors. Such an upturn should push up the value of the yuan, which would then help revive the global economy.

### Investment strategy

This review of the economic environment has led us to maintain our defensive positioning. European authorities' incomplete response to the debt crisis, as well political deadlock in the United States and China's desire to leave in place its restrictive monetary policy to curb lending and inflation, are all making a more pronounced economic slowdown highly likely in developed countries, bringing the markets down even further. We therefore went into the fourth quarter with equity exposure of 61%, just above the minimum permitted level. However, as a tactical move, we plan on increasing the portfolio's exposure to take advantage of market sentiment, which is sure to improve ahead of joint EU and IMF initiatives in early November. But unless the measures announced target short-term growth, our fund managers will maintain a defensive bias, in particular by minimising the portfolio's exposure to the euro.

There were few changes to the composition of Carmignac Investissement's stock portfolio in the third quarter. Indeed, adjustments to equity risk exposure mainly resulted from changes in futures contracts on regional and sector stock market indices. The most important development was the unwinding of our bank hedging after European banks lost more than half of their value.

■ **Though still predominant by a fair margin, the theme of improving living standards in emerging countries has seen its weighting cut from 38.6% to 34.0% of the portfolio**, largely through a relative weakening of emerging market equities then amplified by the depreciation of certain currencies at the end of the period. Forced selling by some global funds proved a burden towards the end of a disastrous quarter for stock markets. The only addition to the portfolio was **Sun Art Retail**, a promising joint venture involving Auchan in the Chinese retail sector. In terms of sales, we closed our position in **Haci Omer Sabanci** (Turkey) and reduced our investment in **LVMH**.

■ **The second most important theme is now gold mining, which has been increased from 11.2% to 14.4% of the portfolio** due to the sector's relatively marked appreciation, which resulted in a positive absolute performance over the quarter. The theme was also developed with the addition of a new Canadian company: **Detour Gold**. We subscribed to the company's last public offering before it starts tapping a particularly attractive deposit. We also strengthened our position in **Randgold**.

■ **The allocation to defensive stocks was raised by one point to 13.3% of assets**. The relatively strong performance by non-cyclical companies with renowned management led to this increase.

■ **Reduced from 15.5% of the portfolio to 12.20%, the Energy theme** was hindered by our fears as regards global growth. The positions in National Oilwell and Galp Energie were sold and that in **Schlumberger** reduced. Once our base materials positions have been taken into account, the natural resources theme currently accounts for 14.8% of the portfolio.

■ **The innovation theme was reduced from 11.6% to 10.7% of the portfolio**, even if we did strengthen the position in **Apple**, which never ceases to amaze and seems capable of further success despite the death of its founder. The Mediatek position was closed owing to a lack of visibility in the face of stiffer competition. Lastly, Hewlett Packard's bid for **Autonomy** at an 80% premium was a source of great satisfaction.

■ **The increase in the cash allocation, to 11.7% of the portfolio from 6.2% three months ago**, reflects our ongoing distrust of equity markets. Along with gold and the portfolio's defensive stocks, it makes up a defensive component that accounts for 40% of the portfolio, compared with 60% allocated to growth themes.

Top performers over the quarter include:

Stocks	Performance
<b>Autonomy Corporation*</b> , software, United Kingdom	+49%
<b>Newmont Mining</b> , gold, United States	+17%
<b>Randgold Resources</b> , gold, United Kingdom	+15%
<b>Apple</b> , IT equipment, United States	+14%
<b>Hermès International</b> , luxury goods, France	+11%

\* position closed at 22/09/2011

Accumulated performance (%)	Since 31/12/2010	3 months	6 months	1 year	3 years	5 years	10 years	Since the first NAV
<b>Carmignac Investissement (A)</b>	-12,63	-4,64	-7,79	-5,82	29,93	32,83	205,10	931,48
<b>Carmignac Investissement (E)</b>	-13,12	-4,83	-8,15	-6,47	25,86	-	-	-
MSCI All Countries World Free (Eur)	-15,13	-11,28	-13,62	-6,43	-0,33	-21,67	-13,40	78,95
Category average*	-15,47	-11,46	-13,65	-6,83	2,09	-14,44	-1,62	172,50
Ranking (quartile)	1	1	1	2	1	1	1	1

\* Europe Large-Cap Growth Equity

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

#### Quarterly gross performance contribution (%)

Portfolio	Equity & Bond Derivatives	Currency Derivatives	Total
	5.04	1.56	-4.29
	-10.89		

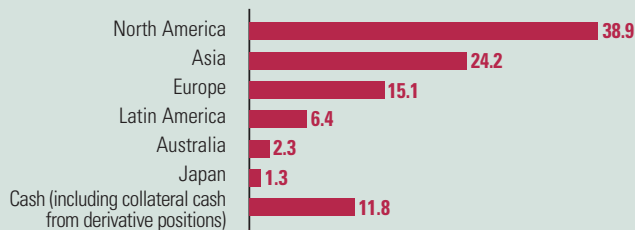
#### Value at Risk

	Fund	Reference indicator
99% - 5 days (2 years)	4.99%	6.89%

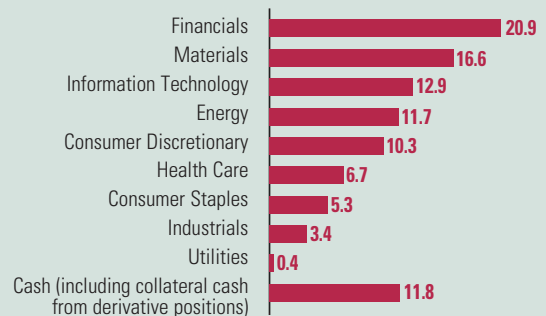
#### Statistics (%)

	1 year	3 years
Fund volatility	9.31	16.35
Benchmark volatility	11.64	16.36
Sharp ratio	-0.65	0.45
Beta	0.50	0.67
Alpha	-0.22	0.77

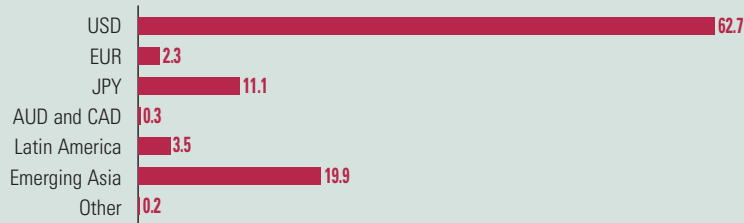
#### Geographic breakdown (derivatives excluded) (%)



#### Sector breakdown (derivatives excluded) (%)



#### Net currency exposure of the fund (%)



#### Portfolio Carmignac Investissement at 30/09/2011

	Price in currencies	Total value (€) % of net assets
<b>Cash, cash equivalents and derivatives operations</b>		<b>877 724 795.35 11.74</b>
CASH (INCLUDING COLLATERAL CASH FROM DERIVATIVE POSITIONS)		357 934 285.62 4.79
REPO		80 050 958.84 1.07
130 000 000 US T-BILL 10/11/2011	Treasury bill in Dollar	96 890 926.01 1.30
340 000 000 US T-BILL 15/12/2011	Treasury bill in Dollar	253 409 853.17 3.39
120 000 000 US T-BILL 25/11/2011	Treasury bill in Dollar	89 438 771.71 1.20
<b>DEVELOPED COUNTRIES EQUITIES</b>		<b>4 310 130 210.24 57.65</b>
<b>United States</b>		<b>2 005 629 113.25 26.83</b>
6 255 000 ANADARKO PETROLEUM	Energy	63.05 293 938 846.24 3.93
944 000 APPLE INC	Information Technology	381.18 268 192 531.86 3.59
1 853 000 CELGENE CORP	Health Care	61.92 85 516 702.69 1.14
2 912 641 CHECK POINT SOFTWARE	Information Technology	52.76 114 534 500.38 1.53
358 900 CME GROUP	Financials	246.40 65 911 127.67 0.88
1 110 000 ENSCO PLC (United Kingdom)	Energy	40.43 33 448 088.25 0.45
1 968 508 FIRST SOLAR INC	Industrials	63.21 92 740 098.89 1.24
3 129 998 FMC TECHNOLOGIES INC	Energy	37.60 87 715 528.66 1.17
878 149 INTERCONTINENTALEXCHANGE INC	Financials	118.26 77 401 729.70 1.04
612 192 MASTERCARD	Information Technology	317.16 144 714 030.50 1.94
1 265 549 MEAD JOHNSON NUTRITION	Consumer Staples	68.83 64 923 408.86 0.87
5 297 100 NEWMONT MINING	Materials	62.90 248 332 406.65 3.32
6 384 600 ORACLE	Information Technology	28.74 136 761 872.25 1.83

## Portfolio Carmignac Investissement at 30/09/2011 (continued)

			Price in local currencies	Total value (€)	% of net assets
2 622 496	SCHLUMBERGER	Energy	59.73	116 748 666.68	1.56
5 005 400	SKYWORKS SOLUTIONS	Information Technology	17.94	66 927 685.77	0.90
900 000	TRANSOCEAN	Energy	47.74	32 023 552.21	0.43
2 283 310	VERTEX PHARMACEUTICAL INC	Health Care	44.54	75 798 335.99	1.01
<b>Canada</b>				<b>904 155 683.02</b>	<b>12.09</b>
5 508 000	BARRICK GOLD	Materials	46.65	191 509 428.34	2.56
1 909 067	DETOUR GOLD	Materials	27.30	37 276 064.16	0.50
4 946 250	FIRST QUANTUM MINERALS LTD	Materials	13.95	49 351 062.12	0.66
7 341 357	GOLDCORP INC	Materials	45.64	249 727 609.36	3.34
5 140 100	HUDBAY MINERALS INC	Materials	9.77	35 918 018.10	0.48
21 904 871	KINROSS GOLD CORP	Materials	14.78	232 483 949.59	3.11
2 390 000	POTASH CORP	Materials	43.22	76 988 745.62	1.03
20 871 479	URANIUM-1 INC	Energy	2.07	30 900 805.73	0.41
<b>Australia</b>				<b>172 028 526.42</b>	<b>2.30</b>
5 490 593	CSL	Health Care	29.68	118 044 766.56	1.58
2 294 476	WOODSIDE PETROLEUM	Energy	32.48	53 983 759.86	0.72
<b>Japan</b>				<b>97 112 411.44</b>	<b>1.30</b>
927 350	FANUC LTD	Industrials	10 830.00	97 112 411.44	1.30
<b>Europe</b>				<b>1 131 204 476.11</b>	<b>15.13</b>
5 114 869	CIE FINANCIERE RICHEMONT (Switzerland)	Consumer Discretionary	40.95	171 866 649.34	2.30
1 540 387	ESSILOR SA (France)	Health Care	53.99	83 165 494.13	1.11
371 068	HERMES INTERNATIONAL (France)	Consumer Discretionary	225.85	83 805 707.80	1.12
5 289 708	JERONIMO MARTINS (Portugal)	Consumer Staples	11.75	62 154 069.00	0.83
1 469 500	LVMH (France)	Consumer Discretionary	99.65	146 435 675.00	1.96
3 334 500	NESTLE SA (Switzerland)	Consumer Staples	50.10	137 079 223.76	1.83
1 931 978	NOVO NORDISK AS (Denmark)	Health Care	556.00	144 354 747.93	1.93
1 331 000	PERNOD RICARD (France)	Consumer Staples	58.83	78 302 730.00	1.05
1 658 000	RANDGOLD RESOURCES LTD (United Kingdom)	Materials	96.72	119 521 323.69	1.60
754 483	SAFT GROUPE SA (France)	Industrials	20.20	15 240 556.60	0.20
5 874 021	TULLOW OIL (United Kingdom)	Energy	13.09	89 278 298.86	1.19
<b>EMERGING MARKETS EQUITIES</b>				<b>2 287 987 310.12</b>	<b>30.61</b>
<b>Latin America</b>				<b>479 309 498.45</b>	<b>6.41</b>
13 373 800	ALL AMERICA LATINA LOGISTICA (Brazil)	Industrials	8.53	45 804 546.79	0.61
1 086 676	BANCOLOMBIA (Colombia)	Financials	55.70	45 112 807.04	0.60
798 060	CREDICORP (Peru)	Financials	92.20	54 841 717.22	0.73
15 163 165	CYRELA BRAZIL REALTY (Brazil)	Consumer Discretionary	11.71	71 275 651.50	0.95
4 301 000	GRUPO FINANCIERO GALICIA (Argentina)	Financials	8.28	26 542 654.84	0.36
855 262	GRUPO PAO DE ACUCAR (Brazil)	Consumer Staples	30.78	19 620 603.98	0.26
209 150	HRT PARTICIPACOES EM PETROLEO (Brazil)	Energy	750.00	62 983 076.03	0.84
3 169 857	ITAU UNIBANCO (Brazil)	Financials	29.05	36 973 498.16	0.49
4 836 800	PACIFIC RUBIALES ENERGY CORP (Colombia)	Energy	22.20	76 799 313.38	1.03
11 163 686	ROSSI RESIDENCIAL (Brazil)	Financials	8.78	39 355 629.51	0.53
<b>Asia</b>				<b>1 808 677 811.67</b>	<b>24.19</b>
23 575 000	ASTRA INTERNATIONAL (Indonesia)	Consumer Discretionary	63.65	127 234 803.97	1.70
1 550 000	BAIDU (China)	Information Technology	106.91	123 507 863.16	1.65
147 397 565	BANK CENTRAL ASIA (Indonesia)	Financials	7.70	96 235 841.87	1.29
63 663 662	BANK OF AYUDHYA (Thailand)	Financials	20.00	30 529 225.28	0.41
388 776 990	CHINA CONSTRUCTION BANK (China)	Financials	4.79	178 293 675.52	2.38
62 835 500	CHINA LIFE INSURANCE (China)	Financials	18.80	113 100 049.79	1.51
117 359 969	CHINA OVERSEAS LAND (Hong Kong)	Financials	11.32	127 193 900.23	1.70
14 213 000	DLF LIMITED (India)	Financials	218.90	47 347 970.93	0.63
65 563 252	GMR INFRASTRUCTURE (India)	Utilities	27.05	26 989 672.27	0.36
135 509 600	GOME ELECTRICAL APPLIANCES (China)	Consumer Discretionary	1.83	23 742 203.58	0.32
38 302 070	HANG LUNG PROPERTIES (China)	Financials	23.40	85 810 014.36	1.15
20 389 920	HOUSING DEVELOPMENT FINANCE (India)	Financials	640.90	198 875 168.92	2.66
343 267 500	ICBC (China)	Financials	3.82	125 543 988.40	1.68
15 195 993	ICICI BANK (India)	Financials	875.40	212 744 590.70	2.85
2 800 000	INFOSYS TECHNOLOGIES (India)	Information Technology	2 533.05	107 937 324.42	1.44
39 552 500	SUN ART RETAIL (China)	Consumer Staples	8.10	30 673 181.87	0.41
85 048 000	WYNN MACAU (China)	Consumer Discretionary	18.78	152 918 336.40	2.05
<b>PORTFOLIO VALUE</b>				<b>6 598 117 520.36</b>	<b>88.26</b>
<b>NET ASSETS</b>				<b>7 475 842 315.71</b>	<b>100.00</b>

\*Production site