

# Commodities

Management report at 31 March 2012



D. Field

<b>Net assets</b>	€1,126,805,210.69	<b>Value of the A share</b>	€323.14
		<b>Value of the E share</b>	€99.82
		<b>Value of the GBP share</b>	£76.39

In a disappointing quarter, **Carmignac Commodities** gained 0.43%, compared with a 2.71% rise for its performance indicator. Global equity markets rallied strongly at the beginning of the quarter, driven by improved US macroeconomic data and steadier conditions in Europe. At the end of the quarter, the natural resources sector was penalised by the situation in China where demand for commodities is showing no sign of picking up and statistics are tailing off in general. This backdrop led to a sharp fall in the base metals and energy sectors in March. As such, the natural resources sector underperformed global markets over the quarter.

The Fund's own lag can be explained by its more defensive positioning relative to the performance indicator. This proved costly as the markets rallied. Despite the rise in bullion prices, our gold mining positions were down. Difficulties faced by individual stocks also weighed on performance.

## Gold mines

Rising costs remain a major problem for the whole gold industry. Significant oil price inflation in the first quarter compounded an already difficult situation for mining companies, especially in areas without national grids such as Africa. African gold companies have thus seen their fuel expenditure double over the last 12 months. In the first quarter of 2012, several gold producers reported a sharp rise in costs on the previous year, affecting our positions in **Semafo** and **Canaco**. As indicated in our previous report, we have changed the composition of our gold stock portfolio to mitigate these risks. We have increased our exposure to companies that receive royalties and those with a competitive edge in terms of cost structure, because they are tapping rich deposits for example. To some extent, this strategy paid off. Our positions in **Franco Nevada** and **Pretium** climbed as gold prices rose but African stocks' underperformance counteracted the benefits of this positive contribution to performance. Our exposure to Africa also felt the repercussions of the Malian coup d'état at the end of March. Shares in **Randgold** and **Avion** dropped sharply when a change of regime was announced. Although there is still widespread political uncertainty in Mali, mining operations are running normally. At no point has Mali's new ruling body shown any intention to nationalise gold mines or revise the tax system. Barring further developments, we believe that the situation will improve over the coming months.

We remain convinced about the gold stocks' upside potential. Given the current price of bullion, valuations have now hit rock bottom and it is hard to see how they could fall any further. Although these stocks' underperformance over the quarter does ring warning bells, macroeconomic uncertainty fully justifies a continued position in gold companies, the safe haven status of which should hedge the portfolio against possible swings in market sentiment.

## Energy

The heaviest weighting in our energy component, our oil services stocks made good progress over the quarter, making a substantial contribution to performance. Deepwater drilling operations benefit from a structurally promising trend. The development of exploration and production off the coasts of West Africa, Brazil and Northern Australia, and resumption of activity in the Gulf of Mexico, even after the Macondo accident, confirm this buoyancy. Our investments in **EnSCO** and **Core Laboratories** hold excellent upside potential.

In the oil and gas production sector, **Pacific Rubiales** bounced back strongly in the first quarter. The infrastructure constraints of last year finally eased in December, allowing the company to publish very good results. Its

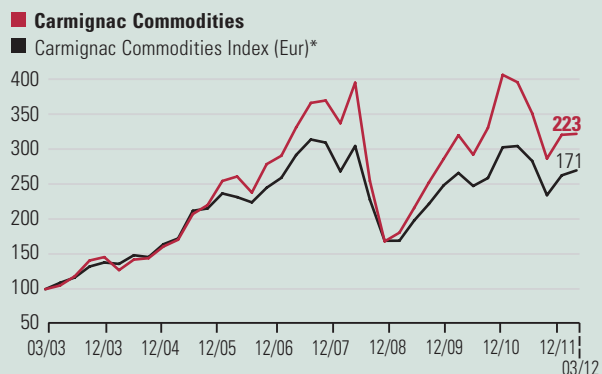
exploration programme has also helped push up the volume of its reserves. However, after soaring by more than 150% last year **Lundin Petroleum** started to lose ground in 2012 after an exploratory drilling programme failed. Although we had reduced our position, the stock's fall weighed on the portfolio's performance. We remain confident in the future of the group given the quality of its assets and skill of its management team. Hit by the fall in natural gas prices in the United States and collapse of a takeover following the withdrawal of a potential buyer, shares in the US gas exploration company **Birchcliff** also fell.

We continued to diversify, increasing our exposure to more defensive companies in the pipeline segment during the quarter. Non-conventional shale deposits are transforming the US energy market and this could mark the start of a lengthy fall in gas prices as drilling continues at a fast pace. Exposure to pipeline companies is an excellent way of benefiting from growth in volumes without suffering from the risk of a drop in prices. We added to our investment in **Enbridge** and opened a new position in **MarkWest**, which has one of the biggest gas distribution infrastructures in the United States.

## Diversified metals

Our diversified metals positions gave the Fund a massive boost in the first quarter, helped by an improvement in US economic data. However, **First Quantum** suffered problems with strikes and thus turned in a muted performance over the quarter. Despite this short-term disappointment, we are still convinced that the company will remain the copper producer with the strongest upside potential on the market between now and 2015. However, the mining sector's trouble in managing cost inflation has encouraged us to examine a new investment theme: mining services companies. Like oil services companies, these are benefiting from leading mining companies' higher investment budgets. We opened small positions in companies such as **Ausdrill** and **Boart Longyear**. However, these stocks have already performed solidly this year, causing us to limit our purchases as we wait for better opportunities to arise over the coming months.

### Performance of the Fund since its launch



\* Index composed of 45% MSCI ACWF Oil and Gas (Eur), 5% MSCI ACWF Energy Equipment (Eur), 40% MSCI ACWF Metal and Mining (Eur), 5% MSCI ACWF Paper and Forest (Eur) and 5% MSCI ACWF Food (Eur), (Ex-Dividends).

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

## Outlook

Overall, Carmignac Commodities has remained relatively prudently positioned with its allocations to defensive oil companies and gold mining stocks upheld. Despite short-term macroeconomic uncertainty, the commodities sector has lost none of its charm. Admittedly, growth in China and emerging markets has slowed from the levels of the past decade, but demand for natural resources continues to rise in absolute value terms. Furthermore, supply-side constraints have not gone away, as reflected in producers' constantly growing investment budgets and delays in bringing new capacity into production. Over the next decade, demand will probably shift more towards consumer commodities such as oil. However, the process will be gradual. So although some analysts' short-term forecasts

are less encouraging, the natural resources theme is undeniably benefiting from structurally promising trends.

Top performers over the quarter include:

Stocks	Performance
<b>Pacific Rubiales Energy</b> , oil and gas, Colombia	+56%
<b>Transglobe Energy</b> , oil and gas, Canada	+50%
<b>Gran Tierra Energy</b> , oil and gas, Colombia	+31%
<b>Uranium-1</b> , uranium, Kazakhstan	+28%
<b>African Minerals</b> , steel, Sierra Leone	+26%

Accumulated performance (%)	Since 30/12/2011	3 months	6 months	1 year	3 years	5 years	10 years	Since the first NAV
<b>Carmignac Commodities</b>	0.43	0.43	12.34	-18.67	78.33	10.79	-	223.24
Reference indicator*	2.71	2.71	15.15	-11.44	59.56	4.10	-	170.74
Category average**	3.21	3.21	12.19	-17.52	69.14	-2.26	-	183.82
Ranking (quartile)	4	4	3	3	2	1	-	2

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\*\*Sector Equity Natural Resources.

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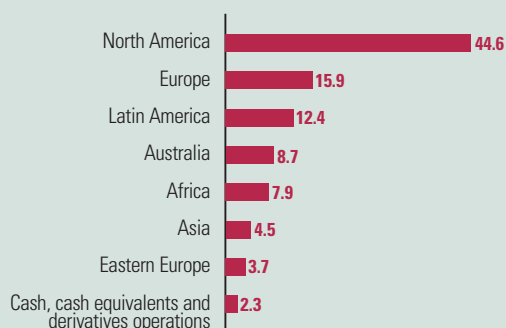
### Quarterly gross performance contribution (%)

Portfolio	Equity & Bond Derivatives	Currency Derivatives	Total
	1.65	-0.34	0.89

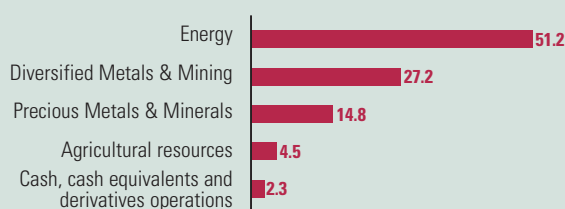
### Statistics (%)

	1 year	3 years
Fund volatility	25.91	22.97
Benchmark volatility	20.80	17.68
Sharp ratio	-0.75	0.90
Beta	1.14	1.22
Alpha	-0.34	0.14

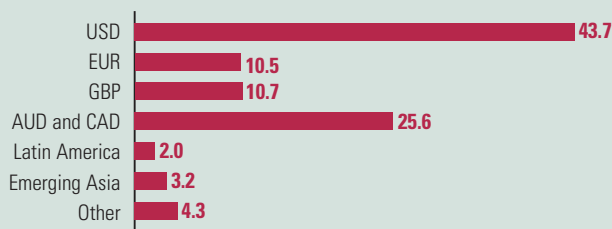
### Geographic breakdown (derivatives excluded) (%)



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



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



## Portfolio Carmignac Commodities at 31/03/2012

			Price in local currencies	Total value (€)	% of net assets
<b>CASH, CASH EQUIVALENTS AND DERIVATIVES OPERATIONS</b>				<b>25 912 138.36</b>	<b>2.27</b>
	CASH (INCLUDING COLLATERAL CASH FROM DERIVATIVE POSITIONS)			25 912 138.36	2.27
<b>EQUITIES</b>				<b>1 100 893 072.33</b>	<b>97.73</b>
<b>Energy</b>				<b>576 624 945.81</b>	<b>51.19</b>
4 401 000	AMBIT ENERGY	North America	0.42	1 394 195.29	0.12
479 500	ANADARKO PETROLEUM	North America	78.34	28 207 576.78	2.50
7 934 000	BANKERS PETROLEUM	Eastern Europe	4.12	24 559 960.93	2.18
582 000	BAYTEX ENERGY TRUST	North America	51.79	22 718 967.65	2.02
320 000	BG GROUP PLC	Europe	14.48	5 559 541.66	0.49
1 287 000	BIRCHCLIFF ENERGY LTD	North America	7.25	7 010 593.94	0.62
680 500	CAMERON INTERNATIONAL CORP	North America	52.83	26 996 181.57	2.40
12 123 800	CANACOL ENERGY LTD	Latin America	0.79	7 196 214.73	0.64
1 300 000	COASTAL ENERGY	Europe	15.61	15 247 004.02	1.35
520 000	CORE LABORATORIES	Europe	131.57	51 375 234.66	4.56
747 000	CRESCENT POINT ENERGY TRUST	North America	42.94	24 197 030.31	2.15
989 000	ENBRIDGE	North America	38.74	28 786 851.50	2.56
557 000	ENSCO PLC	Europe	52.93	22 138 627.32	1.97
975 328	GASFRAC ENERGY	North America	7.51	5 503 372.24	0.49
6 053 000	GRAN TIERRA ENERGY	Latin America	6.29	28 590 050.31	2.54
24 000	HRT PARTICIPACOES EM PETROLEO	Latin America	632.26	6 246 085.45	0.55
2 203 000	LUNDIN PETROLEUM	Europe	141.80	35 352 711.84	3.14
8 389 000	MADAGASCAR OIL	Africa	0.28	2 818 309.44	0.25
307 000	MARKWEST ENERGY	North America	58.45	13 474 618.91	1.20
421 000	NATIONAL OILWELL	North America	79.47	25 152 255.01	2.23
721 000	OCEANEERING	North America	53.89	29 176 759.03	2.59
1 900 000	PACIFIC RUBIALES ENERGY CORP	Latin America	29.14	41 598 857.96	3.69
2 900 000	QGEF PARTICIPACOES	Latin America	13.25	15 816 662.55	1.40
700 000	SUBSEA 7	Europe	150.80	13 896 604.84	1.23
359 000	TRANSCANADA CORP	North America	42.83	11 641 639.42	1.03
1 319 700	TRANSGLOBE ENERGY	North America	12.08	11 977 892.48	1.06
1 243 500	TULLOW OIL	Europe	15.27	22 782 704.42	2.02
8 300 000	URANIUM-1 INC	Eastern Europe	2.77	17 274 127.50	1.53
485 000	VERMILION ENERGY	North America	46.01	16 818 034.11	1.49
295 000	WALTER ENERGY	North America	59.21	13 116 279.94	1.16
<b>Diversified Metals &amp; Mining</b>				<b>306 574 502.72</b>	<b>27.22</b>
4 315 000	AFRICAN MINERALS	Africa	5.54	28 682 104.51	2.55
7 030 000	ATLAS IRON	Australia	2.88	15 749 824.97	1.40
2 900 000	AUSDRILL LTD	Australia	4.21	9 497 471.80	0.84
2 000 000	Boart Longyear Ltd.	Australia	4.16	6 472 189.81	0.57
442 250	CLIFF NATURAL RESOURCES	North America	69.26	23 000 852.29	2.04
1 823 000	EURASIAN NATURAL RESOURCES	Europe	5.93	12 959 715.64	1.15
3 300 000	FIRST QUANTUM MINERALS LTD	Africa	19.02	47 158 796.35	4.19
3 007 000	HUDBAY MINERALS INC	North America	10.94	24 891 303.20	2.21
2 570 000	ILUKA RESOURCES	Australia	17.79	36 742 746.01	3.26
10 669 000	INDOCEMENT TUNGGAL PRAKARSA	Asia	18 450.00	16 165 064.17	1.44
9 600 000	LUNDIN MINING CORP	North America	4.47	32 241 631.92	2.86
1 851 134	NRW HOLDINGS LTD	Australia	4.15	5 976 045.20	0.53
576 000	RIO TINTO PLC	Australia	34.46	24 124 956.50	2.14
1 788 000	XSTRATA	Latin America	10.68	22 911 800.35	2.03
<b>Precious Metals &amp; Minerals</b>				<b>166 582 306.86</b>	<b>14.79</b>
10 605 200	AVION GOLD CORP	North America	1.02	8 127 505.92	0.72
2 100 000	CONTINENTAL GOLD LTD	North America	7.42	9 597 655.81	0.85
291 250	DETOUR GOLD	North America	24.87	5 442 268.68	0.48
1 406 000	ELDORADO GOLD CORP	Asia	13.70	14 472 519.63	1.28
1 038 000	FRANCO-NEVADA CORP	North America	42.89	33 449 656.26	2.97
600 000	NOVAGOLD RESOURCES INC	North America	7.18	3 234 962.83	0.29
3 545 000	PRETIUM RESOURCES	North America	14.19	36 568 391.00	3.25
154 000	RANDGOLD RESOURCES LTD	Africa	87.98	10 174 153.34	0.90
2 394 900	SEMAFO	North America	5.32	9 572 762.31	0.85
461 000	SILVER WHEATON CORP	Latin America	33.20	11 492 978.90	1.02
3 500 000	SIROCCO MINING	North America	1.04	2 734 888.61	0.24
1 000 000	TAHOE RESOURCES	North America	21.02	15 793 230.40	1.40
503 500	YAMANA GOLD INC	Latin America	15.62	5 921 333.17	0.53
<b>Agricultural resources</b>				<b>51 111 316.94</b>	<b>4.54</b>
70 000	CF INDUSTRIES HOLDINGS	North America	182.65	9 600 886.09	0.85
41 705 000	GOLDEN AGRI-RESOURCES	Asia	0.79	19 552 332.18	1.74
640 000	POTASH CORP	North America	45.69	21 958 098.67	1.95
<b>PORTFOLIO VALUE</b>				<b>1 100 893 072.33</b>	<b>97.73</b>
<b>NET ASSETS</b>				<b>1 126 805 210.69</b>	<b>100.00</b>