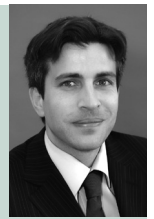


Emerging Discovery

Management report at 31 March 2012



S. Pickard



X. Hovasse

Net assets €281,197,673.05 **Value of the A share** €1,051.83
Value of the GBP share £86.19

The first quarter of 2012 was characterised by emerging markets' impressive rally on the back of inflation returning to normal levels, which allowed central banks to ease monetary policy, and brightening economic prospects in the developed world (see the **Carmignac Emergents** report). Against this backdrop, **Carmignac Emerging Discovery** climbed 10.85%, underperforming its indicator (up 13.13%) by 2.28%. This quarterly underperformance stems in part from the decline in our gold investments and our preference for defensive stocks, a positioning that penalised the Fund during the sharp market upturns.

Implemented before the summer of 2011 in response to the eurozone crisis and the economic uncertainties that were casting a shadow over global growth, our defensive portfolio construction is characterised by stock-picking focused on companies with sound balance sheets generating excellent cashflow. It enabled the Fund to experience much lower volatility than the main emerging markets. The Fund's annualised volatility came to 16% versus 23.5% for its performance indicator.

The portfolio's lower volatility is also due to our exposure to frontier markets with healthy economic fundamentals, with one third of our assets invested in these countries. Indeed, these markets are less vulnerable to changes in capital flows caused by international investors' risk aversion. As their financial systems are less sophisticated, these countries' economic players, be they governments, households or businesses, have low levels of debt. This is particularly true for the Philippines, where banks were severely penalised by the Asian crisis of the 1990s. Our exposure to the Philippines accounts for 6.8% of the Fund's assets, making it the frontier market with the heaviest weighting, through our investments in **International Container Terminal** (port infrastructure), **Philippines National Bank** (banking) and **Holcim Philippines** (cement).

The low level of investment by foreign investors is another significant feature of frontier emerging markets. Saudi Arabia is the best example, with regulatory restrictions making it difficult for foreigners to access its market. Local investors therefore hold 97% of assets listed on the Saudi Arabian stock exchange, which means that it is not dependent on liquidity from the international capital markets. Our Saudi Arabian portfolio, which represents 5% of assets, comprises three stocks: **Almarai** in the dairy products sector, **Jarir Marketing**, which sells electronic equipment, and **Etihad Etisalat** in the mobile telephony business. Other countries such as Peru and Columbia have strong local liquidity, from domestic pension funds in particular. Structural buyers in their local market, these economic players have a stabilising effect.

The quarter under review was also marked by the sharp upturn in our portfolio of Indian stocks, which climbed 33.6% in euro. This fine performance was achieved mainly through increases in our investments in the IT services company **Rolta** and in the industrial group **Voltas**, a position that we strengthened at the beginning of the quarter after the stock's decline in 2011, a decline which we considered to be excessive.

The drop in risk aversion at the beginning of the year reduced the appeal of gold in the eyes of investors, while the increase in energy costs is weighing on mining companies' margins. That said, we wish to keep some exposure to gold given that the economic situation in

developed markets suggests that accommodative monetary policies will be preserved. During the quarter we acquired a holding in **Avion Gold**, a company whose mines are in Mali. Despite the fact that they are located in the south of the country, very far from the armed conflict, the company was hit by the political uncertainty caused by the coup d'État that took place. At the end of the quarter, our exposure to gold mines accounted for 2.7% of assets, compared with 5% at the beginning of the year. It is now made up primarily of **Semafo**, **Canaco Resources** and **Avion Gold**, whose mines are located in West Africa in Burkina Faso and Mali, and in East Africa in Tanzania.

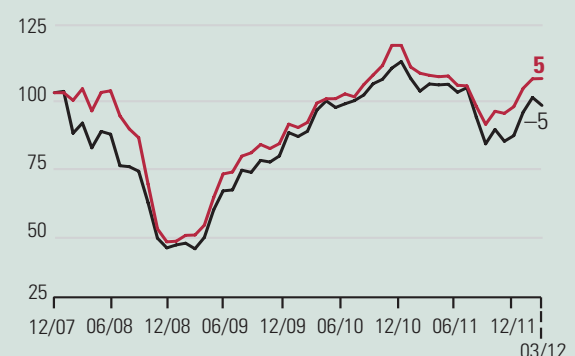
The improving economic outlook in the US and the beneficial impact of monetary easing in Europe prompted us to nudge up the Fund's beta during the quarter. We strengthened the commodity segment with the acquisition of **Maurel & Prom Nigeria** (oil exploration, Nigeria), **Ophir Energy** (oil exploration, Tanzania) and **African Minerals** (iron ore, Sierra Leone). The commodity and energy segment represented 17.3% of the Fund's assets at 31 March. We also increased our exposure to the technology sector through the purchase of two new stocks: **AutoNavi Holdings** (navigation system, China) and **Mstar** (semi-conductors, Taiwan). With a more balanced allocation, the Fund is maintaining its bias toward companies with good visibility, while at the same time attributing more weight to stocks focused on growth.

Top performers over the quarter include:

Stocks	Performance
Rolta India , IT services, India	+66%
Anapass , semi-conductors, South Korea	+58%
Voltas , industry, India	+53%
Hering , luxury goods, Brazil	+45%
Tripod Technology , electronic components, Taiwan	+36%

Performance of the Fund since launch

■ Carmignac Emerging Discovery (A)
■ Performance Indicator*



* 50% MSCI EM SmallCap (Eur) + 50% MSCI EM MidCap (Eur), (Ex-Dividends).
 Please note that past performance is not a guide to future performance and that it may fluctuate over time.

Accumulated performance (%)	Since 30/12/2011	3 months	6 months	1 year	3 years	5 years	10 years	Since the first NAV
Carmignac Emerging Discovery	10.85	10.85	18.95	-1.11	104.34	-	-	5.18
Reference indicator*	13.13	13.13	17.32	-7.60	102.29	-	-	-4.65
Category average**	10.83	10.83	18.18	-4.41	86.29	-	-	-5.60
Ranking (quartile)	2	2	2	1	1	-	-	1

* 50% MSCI EM SmallCap (Eur) + 50% MSCI EM MidCap (Eur), (Ex-Dividends).

**Emerging Markets Equity.

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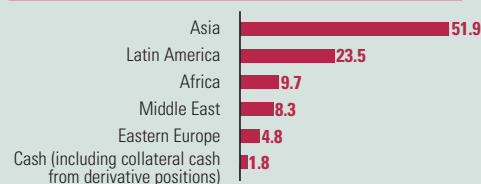
Quarterly gross performance contribution (%)

Portfolio	Equity & Bond Derivatives	Currency Derivatives	Total
	11.36	-0.20	11.45

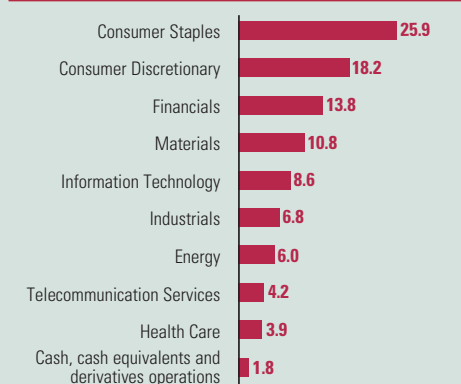
Statistics (%)

	1 year	3 years
Fund volatility	16.00	18.13
Benchmark volatility	23.51	21.32
Sharpe ratio	-0.12	1.45
Beta	0.67	0.81
Alpha	0.15	0.32

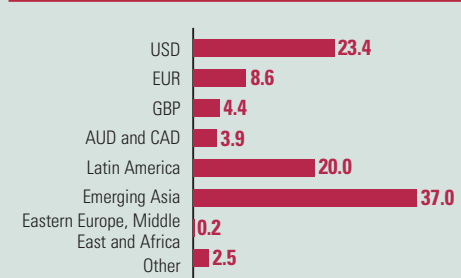
Geographic breakdown (derivatives excluded) (%)



Sector breakdown (derivatives excluded) (%)



Net currency exposure of the fund (%)



Portfolio Carmignac Emerging Discovery at 31/03/2012

		Price in local currencies	Total value (€)	% of net assets	
CASH, CASH EQUIVALENTS AND DERIVATIVES OPERATIONS					
CASH (INCLUDING COLLATERAL CASH FROM DERIVATIVE POSITIONS)			5 186 249.19	1.84	
			276 011 423.86	98.16	
EQUITIES					
Latin America					
2 610 586	ALICORP (Peru)	Consumer Staples	7.00	5 145 242.92	1.83
352 040	ALMACENES EXITO (Colombia)	Consumer Staples	25 960.00	3 820 635.18	1.36
510 040	AMIL PARTICIPACOES SA (Brazil)	Health Care	19.00	4 013 864.05	1.43
200 000	ARCA CONTINENTAL (Mexico)	Consumer Staples	61.05	715 719.75	0.25
620 246	BANCO DAVIVIENDA (Colombia)	Financials	19 340.00	5 015 108.32	1.78
681 510	CERVECERIA CCU (Chile)	Consumer Staples	7 683.60	8 055 217.24	2.86
2 002 737	EMBOTELLADORA ANDINA (Chile)	Consumer Staples	2 742.60	8 257 700.63	2.94
369 047	FLEURY (Brazil)	Health Care	24.10	3 660 999.71	1.30
481 900	GENERAL SHOPPING BRASIL (Brazil)	Financials	12.05	2 390 258.91	0.85
976 518	GRAN TIERRA ENERGY (Colombia)	Energy	6.29	4 612 373.82	1.64
220 553	HERING (Brazil)	Consumer Discretionary	47.15	4 280 511.22	1.52
65 475	INTERGROUP FINANCIAL (Peru)	Financials	33.00	1 622 493.80	0.58
330 172	MULTIPLAN EMPREENDIMENTOS (Brazil)	Financials	42.65	5 861 328.07	2.08
161 762	OBRASCON HUARTE BRASIL (Brazil)	Industrials	76.99	5 126 391.86	1.82
413 149	PORTO SEGURO (Brazil)	Financials	0.00	3 571 793.76	1.27
Asia			145 785 069.54	51.84	
252 745	ANAPASS (South Korea)	Information Technology	13 150.00	2 241 883.32	0.80
4 225 227	APOLLO TYRES (India)	Consumer Discretionary	1.57	4 967 352.89	1.77
86 246	ASIAN PAINTS (India)	Materials	63.73	4 127 470.49	1.47
437 900	AUTONAVI HOLDING LTD (China)	Information Technology	12.55	4 126 789.07	1.47
22 918 837	BANK NEGARA INDONESIA (Indonesia)	Financials	4 000.00	7 528 525.30	2.68
6 720 110	BANK OF AYUDHYA (Thailand)	Financials	27.00	4 416 502.95	1.57
6 089 378	CHAROEN POKPHAND FOODS (Thailand)	Consumer Staples	37.25	5 521 252.26	1.96
645 309	DAIRY FARM INTL (Singapore)	Consumer Staples	10.44	5 144 043.18	1.83
55 913 521	EMPEROR WATCH AND JEWELLERY (China)	Consumer Discretionary	1.23	6 651 671.86	2.37
760 866	EROS INTL (India)	Consumer Discretionary	2.45	2 236 044.99	0.80
1 980 410	GIANT MANUFACTURING CO (Taiwan)	Consumer Discretionary	129.50	6 525 039.66	2.32
1 280 067	GUDANG GARAM (Indonesia)	Consumer Staples	55 050.00	5 786 918.58	2.06
24 333 131	HOLCIM (Philippines)	Materials	11.86	5 047 365.29	1.79
5 920 889	ICTSI INT'L CONTAINER (Philippines)	Industrials	65.50	6 782 819.70	2.41
4 947 000	INDOCEMENT TUNGGAL PRAKARSA (Indonesia)	Materials	18 450.00	7 495 414.04	2.67
3 624 166	JOHN KEELLS HOLDINGS PLC (Sri Lanka)	Industrials	1.61	4 371 206.30	1.55
128 046	LOCK & LOCK (South Korea)	Consumer Discretionary	33 500.00	2 851 576.54	1.01
217 063	MELFAS (South Korea)	Information Technology	20 800.00	3 001 713.53	1.07
580 000	MSTAR SEMICONDUCTOR (Taiwan)	Information Technology	180.50	2 663 566.08	0.95
487 738	NEW BRITAIN PALM OIL LIMITED (Papua New Guinea)	Consumer Staples	8.58	5 018 121.48	1.78
5 162 348	PHILIPPINE NATIONAL BANK (Philippines)	Financials	75.00	6 771 589.05	2.41
3 383 647	PORTS DESIGN LTD (China)	Consumer Discretionary	11.40	3 730 772.47	1.33
1 597 406	PRESIDENT CHAIN STORE (Taiwan)	Consumer Staples	164.00	6 665 265.23	2.37
2 388 038	ROLTA INDIA (India)	Information Technology	1.85	3 309 755.76	1.18
14 207 983	SA SA INTL HOLDINGS (China)	Consumer Discretionary	4.50	6 183 776.80	2.20
194 977	SILICON WORKS (South Korea)	Information Technology	33 950.00	4 427 316.81	1.57
3 161 904	SJM HOLDINGS (China)	Consumer Discretionary	15.80	4 831 863.20	1.72
23 459 729	THAI BEVERAGE PUBLIC (Thailand)	Consumer Staples	0.33	4 553 518.83	1.62
1 777 565	TRIPOD TECHNOLOGY CORP (Taiwan)	Information Technology	99.00	4 477 328.52	1.59
162 500	UNITED SPIRITS LTD CALL (India)	Consumer Staples	11.91	1 453 616.62	0.52
1 735 235	VOLTAS LTD (India)	Industrials	2.21	2 874 988.74	1.02
Africa			27 364 066.66	9.73	
420 000	AFRICAN MINERALS (Sierra Leone)	Materials	5.54	2 791 769.15	0.99
2 250 000	AVION GOLD CORP (Mali)	Materials	1.02	1 724 332.24	0.61
3 122 224	CANACO RESOURCES (Tanzania)	Materials	0.95	2 228 568.17	0.79
1 038 427	CLICKS GROUP (South Africa)	Consumer Discretionary	44.73	4 544 807.31	1.62
2 837 328	GUINNESS NIGERIA PLC (Nigeria)	Consumer Staples	239.84	3 240 358.38	1.15
1 400 000	MAUREL PROM NIGERIA (Nigeria)	Energy	2.07	2 898 000.00	1.03
400 207	MAURITIUS COMMERCIAL BANK (Mauritius)	Financials	165.00	1 709 872.25	0.61
405 000	OPHIR ENERGY PLC (Senegal)	Energy	5.08	2 466 104.75	0.88
69 288 001	SAFARICOM (Kenya)	Telecommunication Services	3.20	2 004 756.91	0.71
939 545	SEMAFO (Burkina Faso)	Materials	5.32	3 755 497.50	1.34
Eastern Europe			13 532 240.55	4.81	
104 588	ACRON (Russia)	Materials	42.30	3 321 864.73	1.18
1 030 230	BANKERS PETROLEUM (Albania)	Energy	4.12	3 189 111.24	1.13
185 785	EURASIA DRILLING (Russia)	Energy	27.57	3 846 281.03	1.37
63 335	KRKA DD (Slovenia)	Health Care	50.13	3 174 983.55	1.13
Middle East			23 180 407.87	8.24	
201 003	ALMARAI (Saudi Arabia)	Consumer Staples	30.40	4 588 247.80	1.63
447 395	ANADOLU EFES BIRACILIK (Turkey)	Consumer Staples	24.90	4 692 065.07	1.67
408 754	ETHAD ETISALAT CO (Saudi Arabia)	Telecommunication Services	17.11	5 251 769.12	1.87
133 440	JARIR MARKETING (Saudi Arabia)	Consumer Discretionary	41.33	4 141 379.59	1.47
162 477	QATAR TELECOM (Qatar)	Telecommunication Services	36.94	4 506 946.29	1.60
PORTFOLIO VALUE			276 011 423.86	98.16	
NET ASSETS			281 197 673.05	100.00	