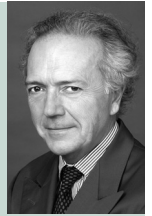




CARMIGNAC

# Investissement

Management report at 31 March 2012



E. Carmignac

<b>Net assets</b>	€8,292,243,507.83	<b>Value of the A share</b>	€8,641.89
		<b>Value of the E share</b>	€131.53
		<b>Value of the GBP share</b>	£92.13

**Carmignac Investissement** gained 6.64% over the quarter but lagged slightly behind its performance indicator, which rose by 8.48%. Citing the fall in Chinese inflation, improvement in European liquidity and end of political deadlock in the United States, we ended the economic analysis of our last report on a positive note: *“These major unblocking operations are in fact capable of pushing market valuations up towards their equilibrium level and will lead us to raise the fund’s level of exposure to 90%.”* Equity markets’ general rise over the quarter proved us right, allowing the Fund to perform more or less in line with its indicator even though its initial positioning was resolutely defensive. But after more than five months of market recovery, do macroeconomic and market trends still justify this more offensive positioning?

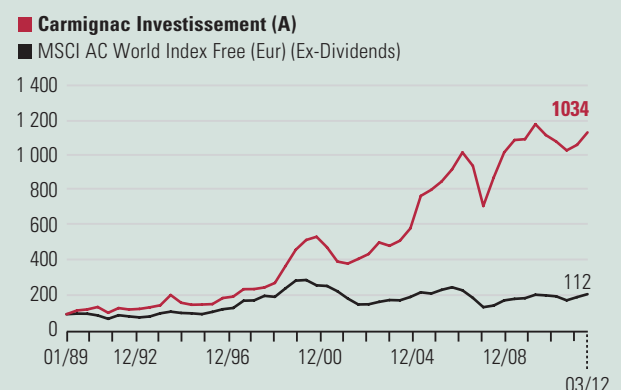
The US economy again proved surprisingly resilient. The weakness of the dollar, flexibility of the labour market and extensive deleveraging put the country in a competitive position, leading to numerous examples of industrial relocation. The employment situation has improved considerably with 200,000 net job starts per month since September 2011 and an unemployment rate down from 9.1% to 8.2% over the same period. This progress has helped to steady the housing market on which the number of foreclosures has fallen, and also given households and firms a better view of economic activity, as reflected in improvements in sentiment indices and leading economic indicators, even if these have been levelling off in the last two months. Furthermore, the development of shale gas production is partly behind increased use of this fuel at the expense of imported products, limiting the decline of the trade balance as the economy picked up. Lastly, the United States can count on the unflinching determination of the Federal Reserve to provide the economy and markets with all the liquidity they need to generate a satisfactory pattern of growth. This makes it easier for households and businesses to reduce their debt, and improves public finances without the need to implement an overly restrictive policy of fiscal austerity.

However, there are two clouds on an otherwise bright medium-term horizon for the US economy. Firstly, the negligible 0.3% year-on-year rise in households’ real disposable income, which has brought the savings rate down to its minimum (3.7% in February). Admittedly, the stabilisation of house prices and the stock market rally boosted consumer confidence but this relapse into spending is threatened by a low savings rate and prospect of fiscal tightening after the forthcoming elections in November. Secondly, high oil prices are also dampening consumers’ enthusiasm. At nearly 5% of disposable income, energy spending is approaching the level above which higher prices have historically led to a marked slowdown, if not a recession. The oil factor should be followed all the more closely as a rapid, satisfactory solution to the Iranian threat seems unlikely. Although it has

helped overshadow these risk factors, the health of the US economy has pushed equity markets up to levels that, while not excessive, are still less attractive. At the end of March, the Standard & Poor’s and Nasdaq growth stock indices were trading at 2012 P/E ratios of 13.5x and 16x, with forward earnings growth of 10% and 15% in 2012. After a 27% rise in less than six months, something from which we have to admit we did not sufficiently benefit, investors may become more demanding about companies that have achieved much of their profitability through strict control of payrolls; a limited increase in which restricts growth in disposable income. A lull in the US stock market rally seems likely although a strengthening of the country’s medium-term fundamentals is reassuring.

In contrast, the European crisis is far from over. While the ECB’s massive liquidity injections put the European crisis to one side in the first quarter, as we expected, their effects are already waning. As we wrote in the **Carmignac Patrimoine** report, sovereign credit spreads have been widening again since early March for countries with problematic finances, and the corporate bond market is sluggish at best. Will the poor performance of government bonds in Spain, and to a lesser extent Italy where commercial banks bought more than €200 billion of domestic public debt in the first quarter, further weaken commercial banks’ balance sheets? And will this method of financing budget deficits with the help of the ECB crowd out the private sector, as the decline in private credit suggested in February? Throughout Southern Europe, austerity measures seem to be undoing the effects of the liquidity provided by the Central Bank. Their negative repercussions for the economy are heightening scepticism about private sector profitability while reducing tax revenues. Europe is not managing to combine fiscal rebalancing with measures to stimulate growth. The pressing need to reduce

## 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.

public spending in France after the presidential election will weigh even more heavily on European economic growth. Barring any significant, deliberate depreciation of the euro in the near future, a new acute phase of the crisis seems inevitable. In these adverse conditions that only Germany is managing to overcome, we will continue to approach European equity market investment through large cap exporters and will be steering clear of utilities and the banking sector in particular. However, trading at a 2012 P/E ratio of 9x, the European equity market does not look cheap given the threats presented by fresh spells of economic and financial turbulence on the horizon, nor the impact of a probable build-up of fiscal pressure on European companies' earnings potential.

In these circumstances, the global economy needs the emerging world to remain strong. However, India is suffering from its ruling class' inability to implement the reforms needed to generate healthy economic growth. Budget and trade balances both show a deficit. Brazil, on the other hand, will benefit from monetary and foreign exchange policies conducive to firmer growth. In China, the economy requires close attention. The reduced growth target of 7.5% and wait for the appointment of a new ruling body in October could suggest that monetary and fiscal policies will be less ambitious than in the past. Does this mean we agree with the consensus that a severe downturn is shaping up in China? Certainly not! We believe that the incumbent authorities are in control of the slight dip in economic growth, which they have decided to allow in order to offset the latest effects, mainly on the property market, of overheating caused by the massive stimulus package launched in 2008. Recent data, on lending in particular, unequivocally shows that the underlying strengths of the Chinese economy remain intact. If, for all that, the economy was to turn down on an unwanted scale, leeway to correct this would be considerable, starting with the level of banks' required reserves ratio, which could be much lower. But as we have written on several occasions, the move, however gradual, from growth based on infrastructure investment to growth driven more by consumer spending requires strong control over inflation expectations, something the authorities are patiently trying to achieve. Rather than worry about China, we would prefer to give the country's monetary policy time and not lose sight of stock market valuations. 2012 P/E ratios stand at 9x for Chinese companies listed in Hong Kong, while forward earnings growth is much higher in the foreseeable future.

### Investment strategy

European difficulties, potentially exacerbated in the short term by the French election, the probable, if temporary, moderation of US consumer spending, and the slight dip in Chinese growth led to us tactically reducing the Fund's equity market exposure to 75% at the beginning of the second quarter. This reduction has mainly come about through shorting the Eurostoxx index and, to a lesser extent, the Standard & Poor's 500 index. Meanwhile, we are maintaining natural exposure to the dollar through all of our investments outside the eurozone. Our assets are thus partially hedged against the risk of disappointment with global growth and, more specifically, the risk of European turbulence returning. Indeed, the materialisation of either of these risks would cause the dollar to rise against the euro. In the longer term, the overabundance of global liquidity and strength of fundamentals in the United States and emerging world seem capable of sustaining equity markets' growth, which began at the beginning of 2009.

■ **The theme of improving living standards in emerging countries has been increased again, from 37.2% of assets to 44.2%.** With Europe struggling and US equities

correctly priced, the emerging world's undervaluation, in light of forward earnings growth, continues to motivate us. We therefore opened a position in **Las Vegas Sands**, allowing us to benefit from the strength of the group's casino operations in Singapore and Macau at particularly attractive valuations. **AIA**, Asia's leading private insurer, was also added to the portfolio as the quality of its management should enable it to seize multiple growth opportunities available in this part of the world. We also strengthened positions taken during the previous quarter in **Ambev**, the pan-American beer and soda leader, and **Yum! Brands**, which is managing its Chinese expansion admirably with the opening of 500 restaurants each year. Lastly, we built up our position in **LVMH**, whose prospects in emerging countries remain impressive and whose valuation is reasonable. Conversely, we reduced our positions in **Bank Central Asia** in Indonesia and the Chinese retailer **Gome**, whose prospects are disappointing.

■ **Defensive stocks have been sold down, reducing their weight from 14.2% to 11.8% of assets.** Positions in CSL and Mastercard were closed after remarkable progress had pushed the stocks up to valuations we considered high.

■ **The energy theme has also been strengthened, going from 13.9% of assets to 15.8%.** Two positions were opened in the oil services industry: **Halliburton**, an undervalued general service provider, and **Core Laboratories**, an engineering company specialised in the preparation of drilling programmes. In contrast, we took some of our profits on **FMC Technologies**.

■ **The mining sector benefits from our ongoing confidence in emerging countries' growth prospects, having seen its weighting increase from 4.0% to 6.0%.** The US company **Caterpillar**, which benefits from investment in the sector, was added to the portfolio while we strengthened our position in **Potash Corp**, as the outlook for the potash market has improved.

■ **The theme of innovation, which has risen from 7.1% to 9.6% of assets,** has progressed mainly because of **Apple** (still more than 4% of assets even after taking some profits) and the introduction of **Samsung Electronics**, which became the world's number one mobile phone manufacturer after overtaking Nokia. The excellent earnings potential of **EADS**, which has more than five years of production in its order book, also won us over.

■ **The weight of gold mining investments has gone from 14.4% to 10.3% of assets,** through the combined effect of falling prices (the sector index has dropped 7.6%) and a reduction in our **Newmont** and **Barrick Gold** positions. Central banks' intervention has warded off the risk of deflation without yet reviving the spectre of inflation, making gold prices relatively stable. Gold stocks, valued together at 11.3x 2012e earnings, appear to have bottomed out.

■ **Cash holdings were slashed from 9% to 2.1% of assets at the beginning of the previous quarter** to re-expose the portfolio.

Top performers over the quarter include:

Stocks	Performance
<b>Pacific Rubiales Energy</b> , oil and gas, Colombia	+55%
<b>Apple</b> , electronic goods, United States	+48%
<b>Icici Bank</b> , banking, India	+30%
<b>Baidu</b> , Internet, China	+25%
<b>Fanuc</b> , robotics, Japan	+25%

Accumulated performance (%)	Since 30/12/2011	3 months	6 months	1 year	3 years	5 years	10 years	Since the first NAV
<b>Carmignac Investissement (A)</b>	6.64	6.64	9.91	1.35	49.13	35.15	184.96	1033.73
<b>Carmignac Investissement (E)</b>	6.47	6.47	9.54	0.61	44.52	27.23	–	31.53
MSCI AC World (Eur) (Ex-Dividends)	8.48	8.48	19.66	3.36	64.47	–11.23	–9.04	112.43
Category average*	10.26	10.26	19.97	3.78	63.47	–5.80	5.80	220.73
Ranking (quartile)	4	4	4	3	4	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
8.62	–1.00	–0.08	7.54

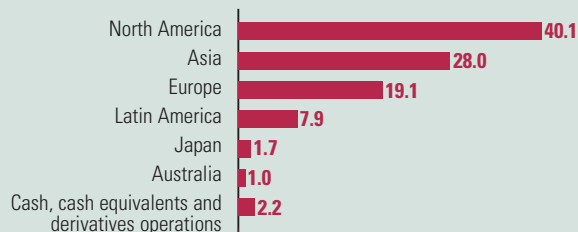
#### Value at Risk

Fund	Reference indicator
99% - 20 days (2 years)	10.70%
	14.02%

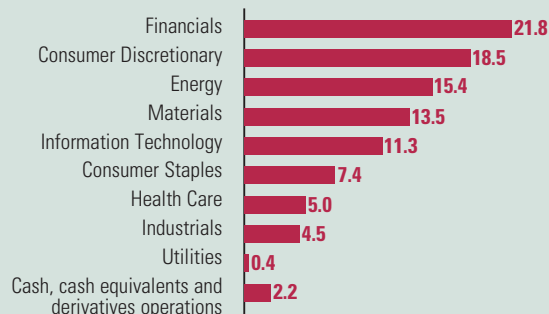
#### Statistics (%)

	1 year	3 years
Fund volatility	10.19	13.55
Benchmark volatility	13.86	12.86
Sharp ratio	0.05	1.01
Beta	0.51	0.69
Alpha	0.21	0.26

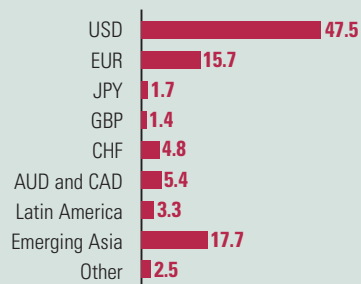
#### Geographic breakdown (derivatives excluded) (%)



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



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



#### Portfolio Carmignac Investissement at 31/03/2012

	Price in currencies	Total value (€) % of net assets
<b>Cash, cash equivalents and derivatives operations</b>		<b>178 288 809.65 2.15</b>
CASH (INCLUDING COLLATERAL CASH FROM DERIVATIVE POSITIONS)		152 927 751.47 1.84
PENSION		25 361 058.18 0.31
<b>DEVELOPED COUNTRIES EQUITIES</b>		<b>5 135 264 779.09 61.93</b>
<b>North America</b>		<b>3 327 368 530.88 40.13</b>
6 255 000 ANADARKO PETROLEUM	Energy	78.34 367 963 280.00 4.44
767 000 APPLE INC	Information Technology	599.47 345 268 070.90 4.16
1 500 000 CATERPILLAR	Industrials	106.52 119 981 977.90 1.45
1 853 000 CELGENE CORP	Health Care	77.52 107 865 555.30 1.30
2 912 641 CHECK POINT SOFTWARE	Information Technology	63.84 139 628 295.70 1.68
299 656 CME GROUP	Financials	289.33 65 104 355.70 0.79
1 200 000 DOLLAR TREE	Consumer Discretionary	94.49 85 145 303.00 1.03
2 150 000 ENSCO PLC	Energy	52.93 85 454 306.53 1.03
2 129 998 FMC TECHNOLOGIES INC	Energy	50.42 80 644 664.08 0.97
5 920 001 HALLIBURTON	Energy	33.19 147 544 366.70 1.78
751 891 INTERCONTINENTALEXCHANGE INC	Financials	137.42 77 588 692.06 0.94
4 774 292 LAS VEGAS SANDS CORP	Consumer Discretionary	57.57 206 394 826.50 2.49
1 642 549 MEAD JOHNSON NUTRITION	Consumer Staples	82.48 101 732 703.70 1.23
2 677 100 NEWMONT MINING	Materials	51.27 103 067 445.40 1.24
2 997 496 SCHLUMBERGER	Energy	69.93 157 403 991.40 1.90
3 290 000 YUM! BRANDS INC	Consumer Discretionary	71.18 175 852 068.80 2.12

## Portfolio Carmignac Investissement at 31/03/2012 (continued)

			Price in local currencies	Total value (€)	% of net assets
4 408 000	BARRICK GOLD	Materials	43.48	143 921 183.50	1.74
1 913 267	DETOUR GOLD	Materials	24.87	35 751 117.84	0.43
4 946 250	FIRST QUANTUM MINERALS LTD	Materials	19.02	70 684 604.98	0.85
1 866 440	FRANCO-NEVADA CORP	Materials	42.89	60 146 220.07	0.73
7 341 357	GOLDCORP INC	Materials	45.06	248 405 456.50	3.00
5 140 100	HUDBAY MINERALS INC	Materials	10.94	42 250 042.45	0.51
21 904 871	KINROSS GOLD CORP	Materials	9.79	154 549 818.05	1.86
4 670 000	POTASH CORP	Materials	45.69	160 225 501.20	1.93
21 523 279	URANIUM-1	Energy	2.77	44 794 682.62	0.54
<b>Australia</b>				<b>84 674 275.69</b>	<b>1.02</b>
3 126 940	WOODSIDE PETROLEUM	Energy	34.81	84 674 275.69	1.02
<b>Japan</b>				<b>141 184 435.90</b>	<b>1.70</b>
1 054 000	FANUC LTD	Industrials	14 680.00	141 184 435.90	1.70
<b>Europe</b>				<b>1 582 037 536.62</b>	<b>19.08</b>
5 114 869	CIE FINANCIERE RICHEMONT (Switzerland)	Consumer Discretionary	56.60	240 519 740.30	2.90
382 930	CORE LABORATORIES (Netherlands)	Energy	131.57	37 832 920.40	0.46
1 966 000	EADS (Netherlands)	Industrials	30.71	60 366 030.00	0.73
1 540 387	ESSILOR SA (France)	Health Care	66.83	102 944 063.20	1.24
411 068	HERMES INTERNATIONAL (France)	Consumer Discretionary	252.65	103 856 330.20	1.25
756 086	INDITEX (Spain)	Consumer Discretionary	71.82	54 302 096.52	0.65
5 289 708	JERONIMO MARTINS (Portugal)	Consumer Staples	15.28	80 800 289.70	0.97
1 639 500	LVMH (France)	Consumer Discretionary	128.85	211 249 575.00	2.55
3 334 500	NESTLE SA (Switzerland)	Consumer Staples	56.80	157 354 380.40	1.90
1 991 978	NOVO NORDISK AS (Denmark)	Health Care	772.50	206 839 481.30	2.49
1 045 000	PERNOD RICARD (France)	Consumer Staples	78.40	81 928 000.00	0.99
1 658 000	RANDGOLD RESOURCES LTD (United Kingdom)	Materials	87.98	109 537 313.20	1.32
754 483	SAFT GROUPE SA (France)	Industrials	24.30	18 333 936.90	0.22
6 340 845	TULLOW OIL (United Kingdom)	Energy	15.27	116 173 379.50	1.40
<b>EMERGING MARKETS EQUITIES</b>				<b>2 978 689 919.09</b>	<b>35.92</b>
<b>Latin America</b>				<b>656 114 946.33</b>	<b>7.91</b>
8 959 976	ALL AMERICA LATINA LOGISTICA (Brazil)	Industrials	9.05	33 377 699.35	0.40
3 026 000	AMBEV (Brazil)	Consumer Staples	41.32	93 890 756.18	1.13
1 086 676	BANCOLOMBIA (Colombia)	Financials	64.66	52 762 987.28	0.64
840 835	CREDICORP (Peru)	Financials	131.82	83 231 110.39	1.00
14 855 679	CYRELA BRAZIL REALTY (Brazil)	Consumer Discretionary	16.15	98 758 508.72	1.19
1 230 342	GRUPO PAO DE ACUCAR (Brazil)	Consumer Staples	47.62	43 995 559.09	0.53
187 450	HRT PARTICIPACOES EM PETROLEO (Brazil)	Energy	632.26	48 784 529.93	0.59
3 654 665	ITAU UNIBANCO (Brazil)	Financials	34.93	52 546 903.95	0.63
4 858 355	PACIFIC RUBIALES ENERGY CORP (Colombia)	Energy	29.14	106 369 484.00	1.28
10 446 274	ROSSI RESIDENCIAL (Brazil)	Financials	9.86	42 397 407.44	0.51
<b>Asia</b>				<b>2 322 574 972.76</b>	<b>28.01</b>
27 537 881	AIA GROUP (Hong Kong)	Financials	28.45	75 774 251.11	0.91
23 575 000	ASTRA INTERNATIONAL (Indonesia)	Consumer Discretionary	73.95	143 168 418.30	1.73
1 954 000	BAIDU (China)	Information Technology	145.77	213 887 947.70	2.58
95 956 532	BANK CENTRAL ASIA (Indonesia)	Financials	8.00	63 040 823.51	0.76
64 345 022	BANK OF AYUDHYA (Thailand)	Financials	27.00	42 287 995.24	0.51
380 351 773	CHINA CONSTRUCTION BANK (China)	Financials	6.00	220 721 967.40	2.66
65 133 900	CHINA LIFE INSURANCE (China)	Financials	20.15	126 937 808.70	1.53
117 717 569	CHINA OVERSEAS LAND (Hong Kong)	Financials	14.76	168 049 221.80	2.03
14 213 000	DLF LIMITED (India)	Financials	201.75	42 266 022.00	0.51
65 563 252	GMR INFRASTRUCTURE (India)	Utilities	31.05	30 006 418.82	0.36
178 145 273	GOME ELECTRICAL APPLIANCES (China)	Consumer Discretionary	1.61	27 740 165.15	0.33
38 302 070	HANG LUNG PROPERTIES (China)	Financials	28.45	105 393 391.40	1.27
20 537 459	HOUSING DEVELOPMENT FINANCE (India)	Financials	673.30	203 820 183.57	2.46
328 750 978	ICBC (China)	Financials	5.01	159 299 217.50	1.92
16 354 493	ICICI BANK (India)	Financials	890.20	225 308 114.96	2.72
2 800 000	INFOSYS TECHNOLOGIES (India)	Information Technology	2 866.30	118 296 460.50	1.43
141 875	SAMSUNG ELECTRONICS (South Korea)	Information Technology	1 275 000.00	119 883 818.00	1.45
49 111 000	SUN ART RETAIL GROUP (China)	Consumer Staples	10.52	49 969 313.20	0.60
85 048 000	WYNN MACAU (China)	Consumer Discretionary	22.70	186 723 433.90	2.25
<b>PORTFOLIO VALUE</b>				<b>8 113 954 698.18</b>	<b>97.85</b>
<b>NET ASSETS</b>				<b>8 292 243 507.83</b>	<b>100.00</b>