

MANAGEMENT REPORT, 1ST QUARTER 2012
MANAGEMENT COMMENTARY

The Stoxx 600 index regained 8.5% in the first quarter of 2012, thus returning practically to its level before the second euro crisis. The combination of an agreement on the Greek bailout and the ECB's introduction of inexpensive funding conditions for banks (LTROs) contributed to an easing of the market risk premium. In this environment, the highest-performing sectors were those related to the financial sector (insurance: +16%, banks: +12%) or considered cyclical (autos: +28%, chemicals: +16%, etc.). Conversely, the defensive sectors posted the weakest performance (telecoms: -1%, healthcare: 0% and oil stocks: +2%).

The 2011 earnings season was positive for most of the companies in your portfolio. For example, companies such as **Christian Dior** and **Swatch** confirmed the excellent health of the luxury goods sector, both in Asia and elsewhere. **Next** and **Debenhams** continued to demonstrate that well positioned clothing retailers are more than resilient to the difficult consumer environment in the United Kingdom. Companies such as **GFK** and **Edenred** saw their share prices rise by around 20% following the publication of their annual earnings. As we emphasised last January, we have only two companies in the portfolio whose financial performance is not in line with our initial expectations, (**Kesa** and **Entrepose**), but we believe their valuation does not at all reflect the intrinsic value of their assets.

The best performances in the portfolio were achieved by stocks that had suffered mainly from market sentiment at the end of 2011. And the publication of results in line or exceeding expectations was sufficient to trigger a sharp rise: **Renault** (+46% over three months), **Debenhams** (+38%) and **Marr** (+30%), for example.

The case of **Debenhams** is especially interesting. Last December, this UK department store company traded at a very low level (FCF yield of 15%, P/E 12 of 7x) due to fears regarding Christmas sales. The publication of stable sales over the Christmas period and the confirmation of this trend in January-February triggered a 38% rise in the share price.

Most of the portfolio achieved a good stockmarket performance and only five stocks rose less quickly than the Stoxx 600 index, mostly defensive stocks such as **Imperial Tobacco**. The only disappointment was **D'leteren**. Although the company reported a net profit 10% above expectations, it disappointed observers by giving the market guidance of a 25% decline in profit from ongoing operations in 2012. In our opinion this 2012 earnings guidance is over-cautious, and this world leader in windscreen replacement (Carglass) is trading on a very low valuation, with a 2012 P/E of 8x.

Given our investment philosophy, portfolio turnover was very limited. We initiated a position in **Maurel & Prom** and divested no stocks.

- Following the spin-off of its Nigerian operations, **Maurel & Prom** has become an oil production company focused on Gabon and Colombia. The company's valuation reflects only its Gabon operations, even though the start-up of production in Colombia seems very promising.
- Among the adjustments to the portfolio, note the strengthening of our positions in **Next** and **Edenred** and a lightening up of our positions in **Bic** and **Renault**.

We are confident in the medium-term outlook for the stocks forming your Sextant Europe portfolio. Last year we disposed of the stocks that seemed to us over-sensitive to the financial crisis (companies that are indebted or directly exposed to bond risks) and replaced them with profiles more appropriate in the current environment (**Ahold**, **Whitbread**, **Rexel**, **Maurel & Prom**).

PERFORMANCE

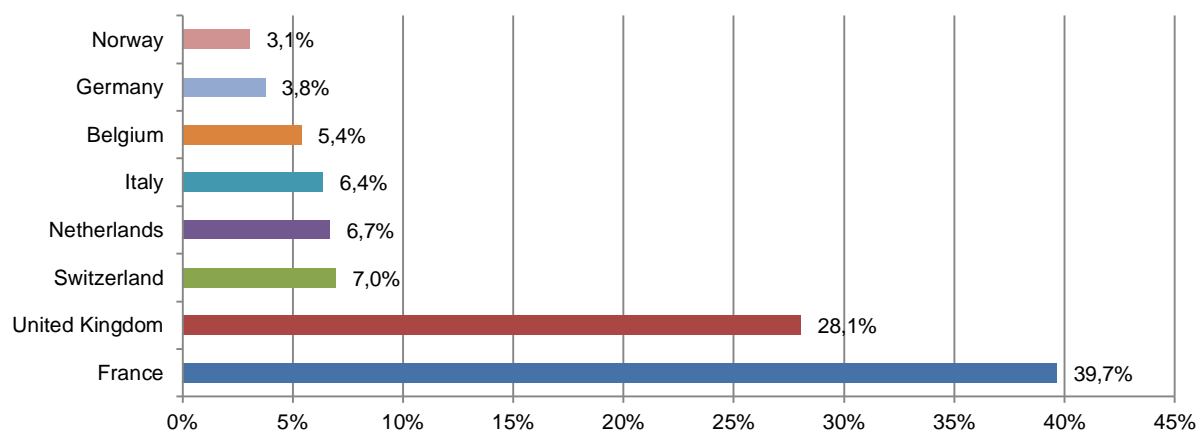
In accordance with the regulations in force, a performance calculated over a period of less than one year cannot be indicated.

Sextant Europe is an equity fund; the minimum recommended investment period is five years.

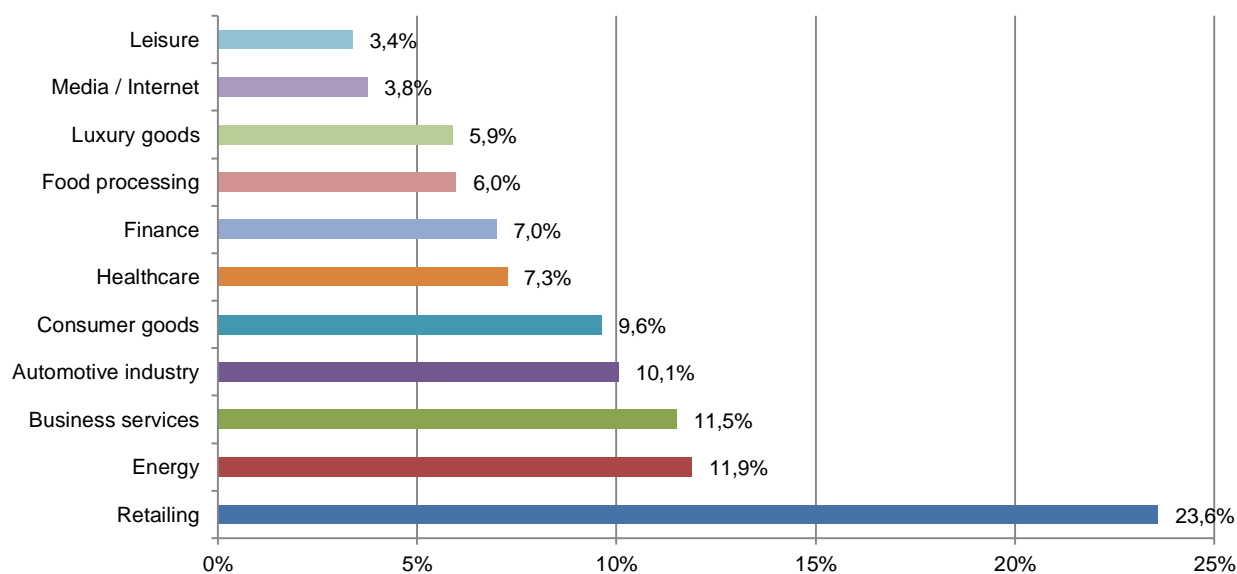
MAIN INVESTMENTS

Name	Country	Sector
Kesa Electricals	United Kingdom	Retailing
Debenhams	United Kingdom	Retailing
Christian Dior	France	Luxury goods
Next	United Kingdom	Retailing
D'leteren	Belgium	Automotive industry
Imperial Tobacco	United Kingdom	Consumer goods
Renault	France	Automotive industry
Stallergènes	France	Healthcare
Entrepose Contracting	France	Energy
Edenred	France	Business services

GEOGRAPHIC ALLOCATION OF INVESTED ASSETS



SECTOR ALLOCATION OF INVESTED ASSETS



ALLOCATION BY MARKET CAPITALISATION

