



MANAGEMENT COMMENTARY

The Sextant Grand Large fund is a flexible investment fund whose goal is to invest in equities with a concern for capital protection. For this purpose, the fund has three levers:

1. Preference for shares having limited downside potential in the long term: companies whose business is sustainable, whose financial position is sound, which own substantial tangible assets, etc.
2. Varying the proportion of assets invested in equities between 0% and 100%, said proportion depending on the investment ideas of the Amiral Gestion team rather than on macroeconomic considerations.
3. Investing in other asset classes (bonds, etc.).

At the start of the year, we decided to place more emphasis on the second and third levers, bearing in mind the stock market rebound since 2009.

This decision to diversify the asset allocation of Sextant Grand Large has so far proved astute. For example, the fund was very resilient during the summer turmoil, posting a 10.7% decline during the quarter and 5.8% in the year to date, versus declines of 25.1% and 21.6% respectively for the CAC 40 index.

In the third quarter in particular, the fund's asset allocation changed as follows:

- Gross equity exposure was reduced slightly to 63.5% (vs 68%).
- An index hedge reduces the net equity exposure to 53% (vs 60%).
- This equity portfolio includes three property companies accounting for 7.4% of the fund's assets (vs 7%) and a bond redeemable in shares accounting for 3.6% of assets.
- The hybrid instrument portfolio accounts for 7.6% of assets (vs 9.7%).
- Cash accounts for 26.1% of the portfolio (vs 15%).
- The exposure to physical gold (7% as at 30 June) was sold completely at the end of the quarter after fully playing its cushioning role in the market decline; note that this sale followed an amendment to the Code Monétaire et Financier (French Monetary and Financial Code) which now prohibits mutual funds from being exposed to physical gold.

The equity portfolio

With modest assets under management, Sextant Grand Large is still able to invest without any constraints in the small and mid caps segment where we find a large number of high-quality companies that we consider deeply undervalued.

The Cooperative Investment Certificates issued by the Crédit Agricole regional banks are still the fund's leading position, accounting for around 10% of assets. Apart from very low valuation ratios (65% discount to shareholders' funds, 7% yield), we consider these institutions low-risk: retail banking business with high market shares, surplus capital, no loss or dilution of shareholders during the crisis. Moreover, the fall in the share prices during the summer (20% on average) was far smaller than the fall in the share prices of the large universal banks (-48% for those in the CAC 40).

The other main equity positions remain **Trilogiq**, **Passat**, **Precia**, **the Oeneo bond redeemable in shares**, and **Tessi** (each representing 3.5% to 4.5% of the fund).

This quarter, we established a new position in **LG Household and Healthcare**. LG H&H is a South Korean company present

in cosmetics, household products and the distribution of Coca Cola beverages, with market shares of 35%, 30% and 35% respectively. The company is well managed and growing strongly. Not surprisingly, the valuation ratios of the ordinary share reflect the company's quality, with a PER of about 25 times earnings. The appeal of this investment case lies in the fact that we invested in the preference share which trades at a discount of... 78% to the ordinary share.

The geographic and sector allocation of shares reflects the lack of macroeconomic allocation in the fund and is based on strong convictions on individual stocks.

Moreover, we are still invested in listed real estate. Apart from its advantages over physical real estate (liquidity, possibility of investing at a discount), we believe this sector is a perfect instrument for protection against a resurgence of inflation: rents move in line with price rises while property companies can take on fixed-rate debt opposite this. The regularity of rental income also provides support for valuations in times of economic crisis. Note that the listed property companies invest in commercial real estate, with a satisfactory return (e.g. 6% for office space in Paris), and not in the residential real estate bubble. The positions in **Foncière Paris France** and **Terreïs** held up well, returning to their start-of-year prices. In contrast, the price of **Immobiliare Grande Distribuzione**, a property firm owning shopping malls in Italy, bore the brunt of markets' lack of confidence in Italy and now trades 58% below its NAV.

Hybrid instruments

We have identified an opportunity in the hybrid instruments issued by financial institutions. By hybrid instruments are meant perpetual subordinate bonds which come somewhere between the debt and equity of an institution. These instruments function like bonds for the holders, but the issuer is allowed to include them in its capital adequacy ratios. Paradoxically, the 2008 financial crisis caused a very limited number of defaults on this paper (mainly the Irish banks and a few unpaid coupons on German banks and Dexia). This non-absorption of losses proved so flagrant that the regulators have provided that the paper currently in circulation would no longer be taken into account in the future Basel III standards. It can therefore reasonably be expected that these instruments, inexpensive for equity but very expensive for ordinary debt, will be redeemed over the coming years.

Universal mistrust of the banking system this summer caused a sharp fall in these instruments, by 26% on average for those that we held in the portfolio. The fixed-rate paper that we had bought on yields to call ranging between 9% and 11% now trade on yields of 19% to 35%. Papers continuously yielding the 10-year interest rate now trade at between only 40% and 45% of nominal value, also affected by the historically low level of long-term interest rates.

With the notable exception of **Groupama**, which is facing difficulties, the objective quality of the issuers in the portfolio (**BPCE**, **Raiffeisen**, **BNP Paribas**) does not in our opinion justify this return to prices close to those reached during the 2008-2009 crisis. As a reminder, to suffer a loss on this paper, shareholders must first have been ruined, and in addition the bank must be unable to carry out a capital increase.

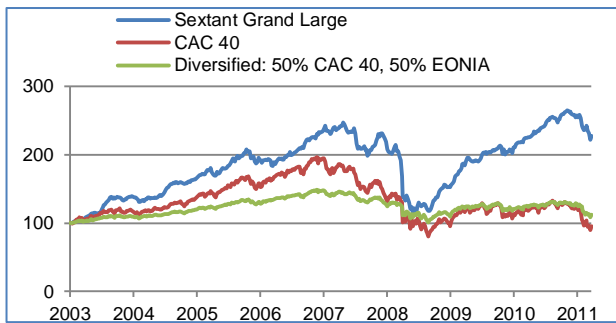
Outlook

We therefore maintain a very high margin of safety on the stocks in Sextant Grand Large, in terms of both quality of investment cases and valuation.

MAIN INVESTMENTS

Name	Country	Sector
Trilogiq	France	Industry
Passat	France	Consumer goods
Precia	France	Industry
Oeneo bond redeemable in shares	France	Food processing
LG Household Pref	South Korea	Consumer goods

PERFORMANCE

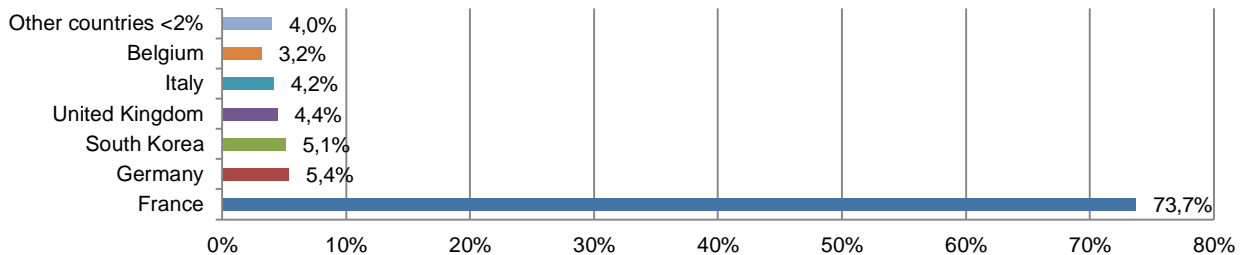


	Sextant Grand Large	CAC 40	Diversified: 50% CAC 40, 50% EONIA
1 year	0.75%	-19.74%	-9.45%
3 years	18.48%	-28.38%	-10.93%
5 years	20.25%	-43.20%	-16.81%
2011	-5.80%	-21.63%	-10.63%
2010	24.08%	-3.34%	-0.83%
2009	61.70%	22.32%	12.00%
2008	-49.19%	-42.68%	-21.19%
2007	16.16%	1.31%	2.98%
2006	12.69%	17.53%	10.26%
2005	26.71%	23.40%	12.41%
2004	24.72%	7.40%	5.61%
2003*	14.26%	13.37%	6.39%

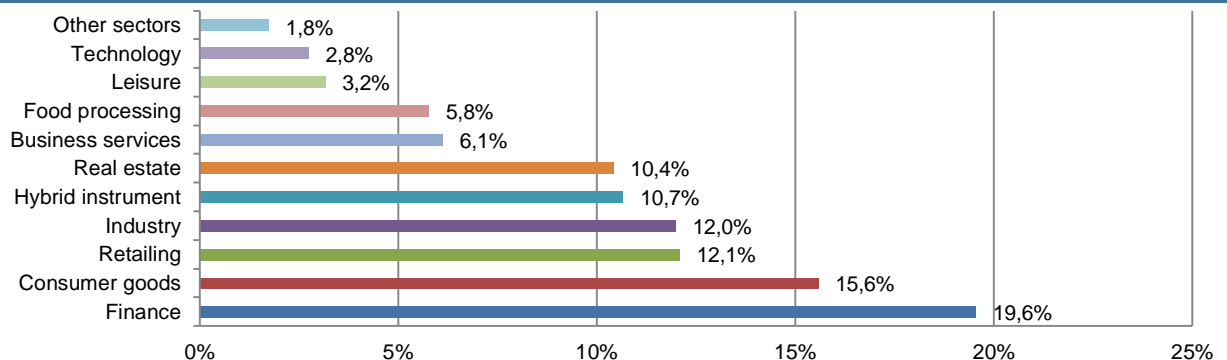
* Sextant Grand Large was launched on 11 July 2003

Note: Past performance is not necessarily a guide to the future results of the Fund; performance may vary over time.

GEOGRAPHIC ALLOCATION OF INVESTED ASSETS



SECTOR ALLOCATION OF INVESTED ASSETS



ALLOCATION BY MARKET CAPITALIZATION AND PRODUCT TYPE

