

Paris, January 18<sup>th</sup>, 2012

Dear Investor,

At the beginning of this New Year, please allow me to present my very best wishes to you and your loved ones. May 2012 fully live up to your hopes and expectations, both personal and professional!

And we are obviously all hoping for quieter financial markets this year! But beyond these good wishes that are traditional at this time of year, your expectation of us is solid and above all, low risk investment performance, for that is the main objective of personal wealth management. That is the objective on which you based your investment management choice.

Our investment results were disappointing in 2011 with returns of – 12.3 %. This was the most difficult of all the 8 years our fund Convictions Premium has been in existence (2008 turned out to be a relatively unworried time for our investment business). Despite these difficulties and thanks to your support, outstandings in the fund have grown by 37 million euros (discounting market movements).

We have kept you informed of movements in the portfolio through our regular fund reports. We have also provided you with more detail in the form of 4 letters addressed to you at the more critical moments during the year (22/07, 05/08, 12/09 and 29/11).

2011 is now over and the time has come to analyse what happened and see what lessons can be learned.

Without revisiting everything that happened during the year (especially during the second semester), everyone would agree that, from the Fukushima incident on March 11th to the various European Union summits and G20 meetings, it has been a year full of events, rumours and surprises. Some radical and violent market shifts (and at times the indecision of European political leaders) wrong-footed our portfolio managers.

Our investment process was hit by simultaneous excessive volatility and contracting liquidity in some asset classes.

The main factors impacting the performance of our fund Convictions Premium were our investments in bank subordinated bonds (-3.8%) and rallies in equity markets (-5%).

While our macro-economic research was accurate at the end of July, we held on to some significant positions (17%) in Tier One issues by top quality European banks (BNP, SG, Santander, Crédit Mutuel, Crédit Agricole etc.) and in insurance company perpetual subordinated debt. Both these types of securities were offering good yields and could be expected to benefit from proposed changes in

banking regulations leading to a strengthening of their capital position. Disappointment with the July 21<sup>st</sup> summit on Greece created an extremely high level of stress in both equity and debt markets, particularly sovereign and bank debt. Brutal changes in correlations rendered hedging strategies ineffective and, worse than that, they lead us to over-accumulate risk. We ought to have closed out these positions in July as suggested by our macro-economic analysis. That was a mistake, and the subsequent liquidity crisis then prevented us from selling, with a substantial negative impact on the fund performance. The 2011 crisis was in fact a liquidity crisis leading to market dislocation. Instead of a return to overall correlation of markets, various asset classes developed sharp de-correlation that was impossible to hedge. This was a rare and also durable situation that we had not anticipated, but one that we will recognise and know how to deal with in the future.

We have learned a number of lessons from these events: on the one hand, the need for in-depth analysis of trends in spreads (the difference between buy and sell prices) which is a good indicator for underlying pools of securities whose liquidity can suddenly be restricted. In the event of market stress, carry trades are not a good strategy. With that in mind, we would have closed out our positions earlier and so in better conditions. On the other hand, limits must be set on the portfolio weighting of potentially illiquid fixed income securities that cannot be hedged efficiently.

Equities are the second asset class that had a significant negative impact on fund performance. The year got off to a great start for our equity positions, but in view of the succession of events at the time (Fukushima, downwards revision of U.S GDP forecasts, uncertainties about Europe etc. ) we maintained relatively limited positions (between 0 and 24%). Decisions on this asset allocation were made on the basis of our macro-economic analysis and risk allowances. Our investment process, particularly with regards risk management, includes using stop-loss orders for equity positions. As mentioned above, equity market volatility was extremely high (VStoxx at 60% on 9th August) and our stop-loss orders were activated. From that moment on, our portfolio management team was faced with the question of the appropriate timing to take out new equity positions in the portfolio. However, intraday volatility (8.9% on 17th August) was such that as soon as any new positions were taken, the stop-loss level was breached, and the position closed out, so losses accumulated.

We can draw the following conclusion from this experience: when equity markets are showing volatility greater than 30%, it is no longer possible to take strategic equity positions as part of our investment process. If at any point in time we are obliged to close out equity positions, they can only be taken on again once the macro-economic context justifies it and when volatility levels make it possible. Rumours cannot be anticipated, but certain situations such as high volatility levels, do make it easier for them to happen.

Our investment process is based on analysis of economic scenarios and a prudent and progressive approach in constructing the portfolio. Any trading transactions or "average down" strategies are incompatible with our investment process.

As a final point, the extreme risk hedging process ("CARE") that we systematically apply to our portfolios is intended to reduce immediate losses in the event of market shocks. 2011 was a very difficult year in terms of volatility, disruption in market trends and changes in correlations. The "CARE" methodology is meant to amortise markets shocks such as the Lehman crisis, LTCM, or the

9/11 terrorist attacks in the course of which markets plunged by 15% to 20% or more. Fortunately that was not the case in 2011 as the sharpest daily decline was -6.12% (on August 10th).

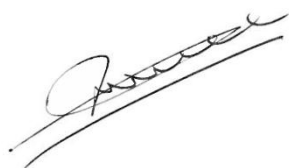
To turn now to the year just starting, our analysis of the political and economic environment encourages us to be optimistic. Things appear to be improving in Europe despite slightly negative growth that the decline in the euro will partially compensate for. Active intervention by the ECB and its accommodative monetary policy together with the resources of the IMF and ESM will enable a more favorable situation for Italy and Spain to emerge. Greece appears to be clinically dead from an economic point of view, and its fate will be decided before March which is the cut-off date for rolling out the new refinancing package. European interest rates should decline, thereby generating good performances for fixed income investments. Macro-economic statistics are better than anticipated in the U.S., and the Fed continues to support the economy actively and effectively, especially the real estate sector. Inflation in China appears well under control. We therefore expect global growth in the region of 3% in 2012.

For all these reasons, we favour a strategic asset allocation of 80% bonds and 20% equities at this point in time. While the European situation does have a significant influence on global financial markets, our investment horizon includes a significant international portion (outside Europe). In this frame, U.S. equities represent 50% of our equity positions. With regards the fixed income segment of the portfolio, U.S. High Yield represents 7.5% and emerging sovereign debt 7% (Poland, Indonesia, Philippines, Russia). We also believe that currencies are an important source of diversification, and we have long positions on the dollar (17%), the yuan (7%) and other Asian currencies (Korea, Singapore, Malaysia) 6%.

At this point in time we have a diversified portfolio aiming for good returns, with yields currently above 5% for the fixed income segment, and good potential for capital gains given the prospects for lower European interest rates and good performance by equity markets.

We have taken on board the lessons learned from 2011, and our investment management team stands ready to take advantage of any opportunities and avoid the pitfalls that markets no doubt hold in store for us in 2012. We are of course at your disposal should you require any further information. We have analysed the two problems (liquidity and volatility) that we encountered last year. Our investment process has been modified and we are now better armed to deal with them going forward. Benefitting from this experience, the whole team is highly motivated to meet the fund's objectives.

We thank you for your trust and support.



Philippe Delienne  
Président