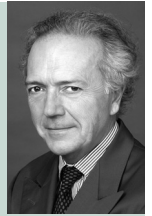




CARMIGNAC

Investissement

Management report at 31 December 2011



E. Carmignac

Net assets	€7,588,402,372.35	Value of the A share	€8,103.51
		Value of the E share	€123.54
		Value of the GBP share	£86.76

The fund saw quarterly performance of 3.07%, well below the 10.31% growth enjoyed by its performance indicator, taking its 9.95% decline on the year below the decline of 6.39% seen by the index.

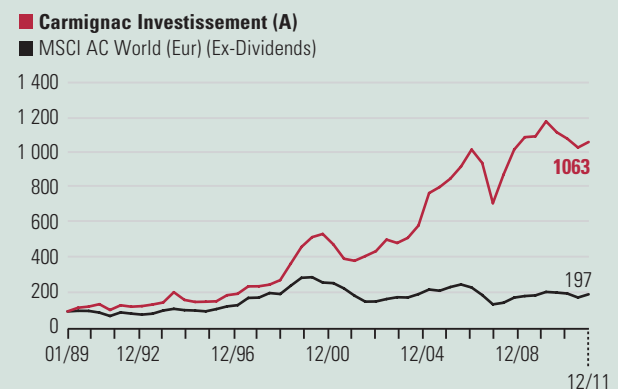
The year 2011 turned to be a particularly frustrating year for **Carmignac Investissement**. While the macroeconomic analysis that we conducted throughout the year was anything but unsubstantial, the fund's performance was nonetheless disappointing. Having rapidly taken the measure of the depth of the European crisis and the systemic risk that it implied for the global economy, we opted for limited exposure to equity markets, obtained largely by hedging against falls in European indices. During the year we also increased the fund's positioning in gold mines and its exposure to the dollar. The portfolio's protection provided by selling European indices in general and banking indices in particular worked very well but maintaining our overexposure to emerging equities weighed on performance. We believed they would more than overcome the European setbacks and that Chinese monetary relaxation would take place earlier. Gold mining stocks proved disappointing since, while gold prices went up more than 10% over the year, gold mines themselves lost more than 10%. The increasing popularity of ETFs linked to gold has for the time being reduced appetite for gold mining stocks. Finally, the fund's positioning in favour of external currencies made only a modest contribution to its performance, the euro having fallen only 3% against the dollar in 2011. However, our fear of systemic contagion of the European crisis, whose devastating potential was illustrated in August, made it possible to cushion the effects of one of the worst quarters in stock market history, but had a substantial relative cost in the fourth quarter, which saw a sizeable recovery in the equity markets. Faced with systemic risk, we favoured the objective of preserving capital above all else.

In our previous report, we expressed our profound mistrust as regards the European political cocktail: plenty of immediate budgetary rigour (usually by increasing fiscal pressure), too few structural measures to promote competitiveness and growth with, in the background, a central bank refusing to monetise the most vulnerable sovereign debt: «*It is up to monetary policy to make the decisive initial effort by promoting economic growth*», we wrote. The Greek and Spanish situations persist in testifying to the inadequacy of the economic and monetary response to the problems of the euro zone's overindebted countries. In the case of Greece, the debt reduction permitted by the organised default will quickly prove to be insufficient faced with the country's inability to grow and to raise taxes. Will Greece be forced to leave the euro zone? In the case of Spain, the tough medicine that the country is inflicting on itself to reduce the budgetary deficit is killing off growth, in turn preventing any improvement in the budgetary situation. Given these Greek and Spanish risks, plus the risks brought by the elections in France or even by Germany's economic situation, where negative growth is expected this quarter as seen in the last, the European economic environment

remains particularly difficult. But the ECB's decision to provide commercial banks with unlimited funding for three years (LTROs) is positive. This indirect quantitative easing – whereby the ECB provides the banking system with all the liquidity it needs along with the means to take the central bank's place as lender of last resort with sovereign issuers – averts systemic risk for the time being. It also gives banks the opportunity to regain their health by means of advantageous carry operations, assuming a definitive resolution of the European crisis. This mechanism may make it easier to cope with this quarter's very heavy timetable of sovereign issues and contribute to a more constructive sentiment in the short term as regards the European equity markets. Our management took account of this positive reorientation at the beginning of the year, but we fear that this partial transfer of responsibility to the banking system by the ECB represents only a very imperfect solution whose weakness will become apparent once new uncertainties emerge on the European growth front. We remain convinced that the ECB will not escape from its role of lender of last resort, which it is currently avoiding, and we continue to believe that deferring this important decision will weigh on European activity and undermine global financial stability.

The improvement in sentiment seen as regards the European markets is combined with that of the macroeconomic situation of the two most important countries for global growth, the United States and China. In the United States, leading economic indicators are recovering and at the same time the real estate and labour markets are seeing gradual improvement, while both consumption and investment remains relatively vigorous. Even though we doubt whether this dynamism can be maintained in the current environment (see the **Carmignac Patrimoine** report), we take note of the resilience of the US economy. In China, the long-awaited fall in inflation has made a spectacular start: inflation fell in four months from 6.5 to 4.1% and this deceleration should be

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.

maintained for the next three months, given the very favourable base effects. Furthermore, the rise in the housing component was no more than 2.1%, testifying to the success of the monetary policy conducted against the overheating of the real estate market. Besides, the first signs of monetary relaxation are already apparent: a 25 basis point cut in the coefficient of mandatory reserves and an increase in the level of authorised bank lending. So we are probably very close to a situation where liquidity will again become favourable in the Chinese market, which is more sensitive to this factor than any other.

This buoyant liquidity situation already exists in the United States, where the Federal Reserve has promised to keep interest rates at 0% for at least another 18 months and, if necessary, is not ruling out new measures to further promote the decline in long-term funding costs. To these favourable macroeconomic and liquidity situations are added valuations that are more than reasonable. In the United States, corporate margins measured in relation to GDP are at new historical highs, balance sheets have by and large been reduced since 2008 with companies' debt ratios more than halved, and competitiveness has constantly improved under the effect of persistent productivity gains and a decade during which the dollar has weakened. Thus, at 12.3x forecast earnings for 2012, with earnings expected to be 10% up on 2011, the US market presents a contained risk. In China, the 2012, earnings multiple is more than 9.5x, representing the lowest valuation level for at least 12 years, ignoring the blip in 2008. This attractive valuation comes on top of the looming cut in interest rates and the disillusionment with China manifested throughout 2011, creating what seems to us irresistible conditions for catching up. Such attractive valuations can also be found in Europe, where earnings forecasts for 2012 are only capitalised 9.5x (10.5x excluding financials stocks), testifying to market concerns about the future of the euro zone. But there is discrimination at work here, with a marked underperformance of sectors and companies that are overdependent on the European market and more favourable treatment of exporting companies, which have benefited from the relative strength of the rest of the world and, since the summer, the depreciation of the euro.

In this global environment substantially assisted by superabundant liquidity and favourable economic activity in the United States and in most emerging countries, it is only the European situation that could prevent a strong recovery in the equity markets after a difficult 2011. This European assumption creates a twofold situation that makes risk management tricky on account of the particularly high correlations between the various asset classes. This situation nonetheless reinforces two of our convictions: first, that the Chinese stock market will catch up, at least in relative terms, as monetary policy begins to be reversed, and, second, that the inevitability of the ECB becoming a lender of last resort will accentuate the decline in the euro that started last summer. This second conviction enables us to confidently envisage the earnings prospects of investments largely made in foreign currencies even before any more affirmed change in the ECB's operating method causes a boost in confidence on the equity markets.

Investment strategy

This new environment in which Chinese monetary policy is no longer adverse, where US policies seem to have decided to avoid any blockage ahead of November's elections, and where liquidity in Europe has clearly improved with the initiation of the three-year credit facility, leads us to a more offensive positioning at the beginning of the year. These major unblocking operations are in fact capable of pushing market valuations up towards their equilibrium level and will lead us to further raise the fund's level of exposure to more than 90%.

■ **The topic of the improving standard of living in the emerging countries has been further strengthened from 34 to 37.3%.** For the reasons stated earlier, we felt that the risk aversion that affected the emerging markets last year created a very attractive opportunity. Thus we have more than doubled the position in **Gome Electrical**, a distribution company undergoing a full recovery and able to take advantage of the Chinese consumption dynamic and the growth in social housing, and introduced the brewer **Ambev**, a pan-American leader in beers and soft drinks. The portfolio's presence in China has also increased through the US company **Yum! Brands**, which runs a rapidly growing fast food chain, and renewed purchases of **Mead Johnson**, a leader in baby food.

■ **Defensive stocks have been increased from 13.3 to 14.2% of assets under management** by introducing the cut-price distributor **Dollar Tree**. Conversely, we have sold our holding in Vertex, whose treatment against hepatitis C is facing fierce competition.

■ **The topic of innovation has been substantially reduced from 10.7 to 7.1% of assets under management.** Our holdings in Oracle, First Solar and Skyworks Solutions have also been fully sold off. Oracle was sold after reporting an unexpected but general weakness in its business. Belatedly, it became all too clear to us at the beginning of October that, despite its advanced technology, First Solar has been hit hard by increases in Chinese capacity and Skyworks has been suffering from **Apple's** decision to make less use of its technology in the iPhone 4S.

■ **The weighting of the energy sector has been increased from 12.2 to 13.9%,** mainly as a result of the strengthening of our holding in **EnSCO** and the sector's relative upward revaluation, well positioned to benefit from the monetary relaxation in China and the ongoing economic recovery in the United States.

■ **Gold mines maintain their 14.4% weighting of assets under management.** The introduction into the sector of **Franco Nevada** offsets the loss in value of the other mines during the past quarter. The activism of central banks around the world encourages us to keep our gold mining position, particularly since gold mines have some way to go before catching up with the gold price.

■ **Maintaining a cash reserve of 9%** contributes, alongside gold mines and defensive stocks, to a defensive position accounting for 37.6% of the portfolio, the other two-thirds being devoted to areas exposed to economic growth.

In this way, the Carmignac Investissement portfolio takes advantage of the improvement observed in the conditions for investing in equities. Its absence of exposure to the euro covers it against the ever-present risk of a new deterioration of the situation in Europe, to which the ECB is now responding with measures contributing towards weakening the single currency.

Among the best annual performances, we highlight:

Stocks	Performance
Mastercard* , payment services, United States	+66%
Hermès , luxury goods, France	+47%
Astra International , cars, Indonesia	+36%
Apple , computer hardware, United States	+26%
Randgold Resources , gold, Africa	+24%

* position partially sold at 31.12.2011

Accumulated performance (%)	Since 31/12/2010	3 months	6 months	1 year	3 years	5 years	10 years	Since the first NAV
Carmignac Investissement (A)	-9.95	3.07	-1.72	-9.95	48.63	24.36	167.81	963.10
Carmignac Investissement (E)	-10.62	2.88	-2.08	-10.62	43.99	-	-	-
MSCI AC World (Eur) (Ex-Dividends)	-6.39	10.31	-2.14	-6.39	40.86	-17.28	-14.41	97.39
Category average*	-8.83	8.69	-4.50	-8.83	41.12	-11.12	-7.91	193.77
Ranking (quartile)	3	4	2	3	2	1	1	1

* Europe Large-Cap Growth Equity

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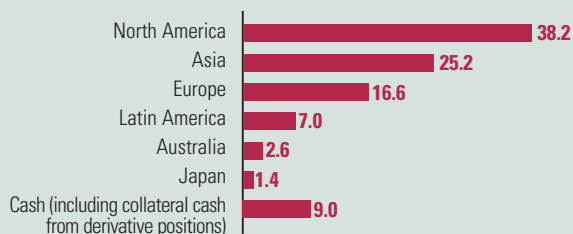
Quarterly gross performance contribution (%)

Portfolio	Equity & Bond Derivatives	Currency Derivatives	Total
6.38	-2.28	-0.66	3.44

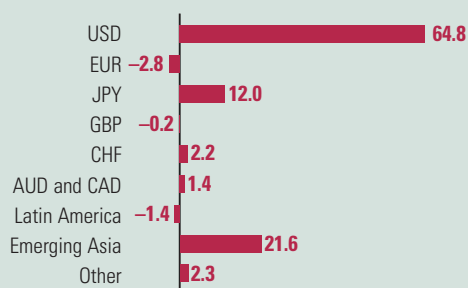
Value at Risk

Fund	Reference indicator
99% - 20 days (2 years)	13.80%

Geographic breakdown (derivatives excluded) (%)



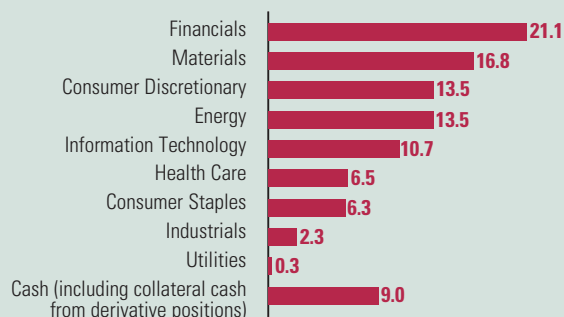
Net currency exposure of the fund (%)



Statistics (%)

	1 year	3 years
Fund volatility	8.28	13.95
Benchmark volatility	12.35	14.22
Sharp ratio	-1.11	0.84
Beta	0.34	0.63
Alpha	-0.68	0.53

Sector breakdown (derivatives excluded) (%)



Portfolio Carmignac Investissement at 31/12/2011

	Price in currencies	Total value (€) % of net assets
Cash, cash equivalents and derivatives operations		683 708 940.56 9.01
CASH (INCLUDING COLLATERAL CASH FROM DERIVATIVE POSITIONS)		152 195 684.53 2.01
120 000 000 US T-BILL 01/03/2012	Treasury bill in Dollar	92 436 499.50 1.22
340 000 000 US T-BILL 05/04/2012	Treasury bill in Dollar	261 902 102.00 3.45
230 000 000 US T-BILL 09/02/2012	Treasury bill in Dollar	177 174 654.53 2.33
DEVELOPED COUNTRIES EQUITIES		4 460 261 277.54 58.78
North America		2 899 635 803.42 38.21
6 255 000 ANADARKO PETROLEUM	Energy	76.33 367 788 121.56 4.85
944 000 APPLE INC	Information Technology	405.00 294 511 420.10 3.88
1 853 000 CELGENE CORP	Health Care	67.60 96 493 317.41 1.27
2 912 641 CHECK POINT SOFTWARE	Information Technology	52.54 117 883 263.21 1.55
358 900 CME GROUP	Financials	243.67 67 367 533.03 0.89
880 221 DOLLAR TREE INC	Consumer Discretionary	83.11 56 353 400.85 0.74
1 900 000 ENSCO PLC	Energy	46.92 68 673 111.74 0.90
3 129 998 FMC TECHNOLOGIES INC	Energy	52.23 125 932 901.08 1.66
878 149 INTERCONTINENTALEXCHANGE INC	Financials	120.55 81 547 480.61 1.07
531 453 MASTERCARD	Information Technology	372.82 152 629 748.07 2.01
1 462 549 MEAD JOHNSON NUTRITION	Consumer Staples	68.73 77 434 035.18 1.02
5 297 100 NEWMONT MINING	Materials	60.01 244 870 755.31 3.23
2 622 496 SCHLUMBERGER	Energy	68.31 137 998 460.70 1.82

Portfolio Carmignac Investissement at 31/12/2011 (continued)

			Price in local currencies	Total value (€)	% of net assets
1 456 123	YUM! BRANDS INC	Consumer Discretionary	59.01	66 190 978.11	0.87
5 508 000	BARRICK GOLD	Materials	45.25	191 993 991.45	2.53
1 909 067	DETOUR GOLD	Materials	25.15	36 322 604.72	0.48
4 946 250	FIRST QUANTUM MINERALS LTD	Materials	20.05	75 025 390.55	0.99
1 866 440	FRANCO-NEVADA CORP	Materials	38.78	54 757 002.08	0.72
7 341 357	GOLDCORP INC	Materials	44.25	250 244 615.22	3.30
5 140 100	HUBBAY MINERALS INC	Materials	10.14	39 430 051.82	0.52
21 904 871	KINROSS GOLD CORP	Materials	11.40	185 017 155.75	2.44
2 390 000	POTASH CORP	Materials	41.28	75 999 845.93	1.00
21 523 279	URANIUM-1 INC	Energy	2.16	35 170 618.94	0.46
Australia				195 086 139.27	2.57
5 490 593	CSL	Health Care	32.00	138 760 840.31	1.83
2 329 167	WOODSIDE PETROLEUM	Energy	30.62	56 325 298.96	0.74
Japan				109 373 406.21	1.44
927 350	FANUC LTD	Industrials	11 780.00	109 373 406.21	1.44
Europe				1 256 165 928.64	16.55
5 114 869	CIE FINANCIERE RICHEMONT (Switzerland)	Consumer Discretionary	47.51	200 187 351.67	2.64
1 540 387	ESSILOR SA (France)	Health Care	54.55	84 028 110.85	1.11
371 068	HERMES INTERNATIONAL (France)	Consumer Discretionary	230.35	85 475 513.80	1.13
5 289 708	JERONIMO MARTINS (Portugal)	Consumer Staples	12.79	67 655 365.32	0.89
1 469 500	LVMH (France)	Consumer Discretionary	109.40	160 763 300.00	2.12
3 334 500	NESTLE SA (Switzerland)	Consumer Staples	54.00	148 334 294.42	1.95
1 931 978	NOVO NORDISK AS (Denmark)	Health Care	660.00	171 561 549.17	2.26
1 184 000	PERNOD RICARD (France)	Consumer Staples	71.66	84 845 440.00	1.12
1 658 000	RANDGOLD RESOURCES LTD (Mali)	Materials	102.10	130 402 341.79	1.72
754 483	SAFT GROUPE SA (France)	Industrials	21.85	16 485 453.55	0.22
6 340 845	TULLOW OIL (United Kingdom)	Energy	14.02	106 427 208.07	1.40
EMERGING MARKETS EQUITIES				2 444 432 154.23	32.21
Latin America				530 632 758.55	6.99
13 373 800	ALL AMERICA LATINA LOGISTICA (Brazil)	Industrials	9.30	51 366 526.94	0.68
814 000	AMBEV (Brazil)	Consumer Staples	36.09	22 630 096.68	0.30
1 086 676	BANCOLOMBIA (Colombia)	Financials	59.56	49 857 429.85	0.66
798 060	CREDICORP (Peru)	Financials	109.47	67 298 561.95	0.89
15 163 165	CYRELA BRAZIL REALTY (Brazil)	Consumer Discretionary	14.84	92 934 197.26	1.22
1 230 342	GRUPO PAO DE ACUCAR (Brazil)	Consumer Staples	36.43	34 527 103.23	0.45
238 830	HRT PARTICIPACOES EM PETROLEO (Brazil)	Energy	568.00	56 024 713.49	0.74
3 602 800	ITAU UNIBANCO (Brazil)	Financials	33.99	50 574 750.45	0.67
4 836 800	PACIFIC RUBIALES ENERGY CORP (Colombia)	Energy	18.73	68 535 207.47	0.90
11 163 686	ROSSI RESIDENCIAL (Brazil)	Financials	8.00	36 884 171.23	0.49
Asia				1 913 799 395.68	25.22
23 575 000	ASTRA INTERNATIONAL (Indonesia)	Consumer Discretionary	74.00	148 207 758.04	1.95
1 550 000	BAIDU (China)	Information Technology	116.47	139 065 978.51	1.83
125 336 015	BANK CENTRAL ASIA (Indonesia)	Financials	8.00	85 183 089.21	1.12
63 663 662	BANK OF AYUDHYA (Thailand)	Financials	22.00	34 197 146.59	0.45
388 776 990	CHINA CONSTRUCTION BANK (China)	Financials	5.42	208 999 155.52	2.75
62 835 500	CHINA LIFE INSURANCE (China)	Financials	19.20	119 660 550.28	1.58
117 359 969	CHINA OVERSEAS LAND (Hong Kong)	Financials	12.98	151 091 269.53	1.99
14 213 000	DLF LIMITED (India)	Financials	183.10	37 749 729.65	0.50
65 563 252	GMR INFRASTRUCTURE (India)	Utilities	21.00	19 971 906.63	0.26
264 741 100	GOME ELECTRICAL APPLIANCES (China)	Consumer Discretionary	1.80	47 264 880.68	0.62
38 302 070	HANG LUNG PROPERTIES (China)	Financials	22.10	83 957 444.51	1.11
20 537 459	HOUSING DEVELOPMENT FINANCE (India)	Financials	652.05	194 252 789.58	2.56
343 267 500	ICBC (China)	Financials	4.61	156 956 138.05	2.07
16 354 493	ICICI BANK (India)	Financials	684.65	170 975 897.43	2.25
2 800 000	INFOSYS TECHNOLOGIES (India)	Information Technology	2 767.65	112 411 034.51	1.48
40 872 000	SUN ART RETAIL (China)	Consumer Staples	9.71	39 363 146.93	0.52
85 048 000	WYNN MACAU (China)	Consumer Discretionary	19.50	164 491 480.03	2.17
PORTFOLIO VALUE				6 904 693 431.77	90.99
NET ASSETS				7 588 402 372.33	100.00

*Production site