

AMIRAL GESTION AND SEXTANT GRAND LARGE March 2003 Newsletter

Dear Investor Friends,

- At 21 March, Sextant PEA had €8.2 million of net assets.
- The unit price on that date was €1,160, up 16% since the Fund was approved on 11 January 2002.
- Sextant PEA has outperformed the CAC 40 by 50% over 14 months. Beating the index so significantly is both surprising and unexpected. Hard work, commitment, conviction, and a spoonful of luck comprise the cocktail that we will need in 2003 in order to repeat this achievement. Mission impossible? Probably. But what we are most concerned with is preserving our capital and making it grow, with a minimum of risk; not beating the CAC 40.
- Seen in the papers: The 7 February edition of Le Figaro, in the Patrimoine supplement, describes Sextant PEA in an article titled “The Queens of PEA Investments (Les Foncières Reines du PEA)”:

“A small fund (€7 million) created barely one year ago, it has already taken first place amongst the top PEA1-eligible funds, gaining over 13% in one year. This is the Sextant PEA Fund, managed by François Badelon, formerly with Exane, who applies Warren Buffett’s beloved investment strategy. He invests only in companies that he can evaluate precisely and whose stock price is trading at a significant discount.”

- Come visit our website, www.amiralgestion.com.

AMIRAL GESTION: OPEN FOR BUSINESS!

It is with great pleasure that we announce the launch of the Amiral Gestion asset management company. Amiral Gestion is a public limited company with capital of €250,000, whose purpose is to manage mutual funds. This is of course a regulated business, and subject to strict oversight by the Commission des Opérations de Bourse (French stock market regulator). Your Sextant PEA Fund is now managed by Amiral Gestion. ING will still serve as the custodian, meaning that there is an account with ING, similar to your own PEA equity account, into which all the Sextant PEA cash and securities are safely deposited. Likewise, the Fund’s valuer remains Euro-VL, a subsidiary of Societe Generale and specialised leader in this field. Euro-VL continually updates the Sextant accounts, and calculates the Fund’s exact price on every Friday after the market close.

Amiral Gestion is a fund management company

We do not have right (or the desire) to manage personal asset portfolios.

Our OBJECTIVE is to offer management of your long-term “active” savings, meaning exposed to the inherent risks of the equity markets, but capable of generating a comfortable

¹ *Plan d’Épargne en Actions*, a type of French equity savings plan.

capital gain in return.

In order to meet this objective, we offer two funds, Sextant PEA, which you are already familiar with, and Sextant Grand Large, a diversified fund that has not yet been launched (the first subscriptions will most likely be made in mid-April; we will keep you updated).

SEXTANT GRAND LARGE and your long-term savings

You know our management philosophy (from the investor guide, our previous newsletters, or our website). This philosophy could lead us to invest in equity, convertible bonds, or traditional bonds, or in nothing at all while we wait for an investment opportunity we like.

Sextant Grand Large is in the “diversified” category of funds, which means that it could be 100% invested in equity, or not have a single stock in its portfolio. There are very few restrictions on its management, and that is exactly what we want. Amiral Gestion’s primary concern is an investment’s safety margin, because the best way to earn money in the long-term is to eliminate the risk of loss (which, of course, doesn’t mean that losses will never occur). Therefore we are happy to do nothing with Sextant Grand Large, if needed (although that is not the case today; we have plenty of ideas!). We will be patient and prudent. In fact, we aim to give ourselves a lot of room to manoeuvre, and not invest in equity because we are forced to by some regulation.

Generally, when you invest in equity, you look for good timing. If you are bullish (which generally means that everyone is bullish), you buy stock. When you are bearish (perhaps because you just had lunch with your mother-in-law, or because the CAC 40 fell 40% during the year) you sell stock and invest in money market funds. Sound reasonable?

But none of that goes on with Sextant Grand Large. You simply select the maximum amount that you feel comfortable investing in equity, and we determine the asset allocation for you. However, please realise that we will not follow the latest fad or rely on market timing. Not at all. We will simply invest with a great deal of discretion in the most promising assets. If these assets turn out to be equity, it’s because we feel strongly that they are high-potential investments. If these assets turn out to be money market funds, it’s because nothing else entices us, and we believe that stock prices are too high.

GRAND LARGE AND PEA: SEXTANT INVESTING

Sextant Grand Large will be our flagship Fund, allowing us to display our full talent as investors. Sextant PEA will be the core of our equity investments. Because its earnings are not taxed, it offers obvious advantages. It is also our purest equity fund, in that it will always have at least 75% of its assets invested in European equity.

Grand Large is less risky than PEA by nature, and will have a higher safety margin requirement because it has the option of holding cash.

In summary, with Grand Large and PEA, we can build an ideal portfolio with a minimum of regulatory restrictions and a maximum of tax benefits.

Why only two Funds?

Because we don't want to do any financial marketing. Marketing entails offering a range of products that are designed to please the largest number of customers at any instant T (i.e., today). A vital role in many fields (and we invest in companies which have well understood it!), but one that could have disastrous consequences on your financial savings. Do you want to invest in the Nouveau Marché, telecoms, or in Russia? Your investment bank will bend over backwards to serve you. Do you want to invest in backed securities? New products are created daily to better grab hold of your savings. At Amiral Gestion, we say no. If the Nouveau Marché has hidden treasures, we will find them and invest in them. But because we decided to, not because the public demanded it.

Sextant PEA and Sextant Grand Large allow us to invest according to our convictions and with a minimum of constraints. One Fund was not enough, because Sextant PEA, being eligible for PEAs, is subject to asset allocation restrictions (a minimum of 75% in European equity).

Your risk tolerance

Investing in the stock market does not have to be stressful. It is a long journey, at the end of which you don't know exactly where you will be... because it is money that you won't need for the next 10 years. So why fret about it? Our Funds' short-term risk is real; stock markets have seen 40% losses on already undervalued stocks for two centuries now, and that won't change. We encourage you to limit your risk to what you can comfortably live with. We are not psychotherapists, but investors to the core. Our primary ambition is to earn you money, and to do so, we are giving ourselves all possible resources. Learn more about us on our website, www.amiralgestion.com.

SUBSCRIPTION FEES: GOOD NEWS

Only 2% on Sextant PEA

The subscription fee for Sextant PEA has been reduced from 5% to 2%. Most of you haven't paid until now, but after 11 April, you will need to make a bit more effort.

- . Our subscription fees are very modest relative to our peers' funds.
- . If you buy securities directly, you will have to pay a broker commission plus a bid/ask spread, which will certainly be more than 2%.
- . You want us to favour the quality of the return over the amount of assets under management, but we still need to earn a living.
- . You can still subscribe with no fees until 4 April...

Talk to you again soon,

The Sextant Team