

Quarterly newsletter

Summary



Interview of Julien Lepage
(manager of Sextant PEA)



**Eurozone stock markets:
always lower?**



**Quarterly reports of
Sextant funds**



Fiscal union since 1790

You've probably never noticed, but on \$10 US bank notes there is the portrait of Alexander Hamilton, one of the founding fathers of the United States of America. He died in 1804, on the banks of the Hudson River, in a famous duel against his sworn enemy, Aaron Burr. To defend his honour, and his ideas. In 1790, the thirteen American colonies, which had recently united by winning the War of Independence, were in the thick of a crisis. Each of the states was heavily indebted. The debt had a common origin: the war against the English. Hamilton had the brilliant idea that saved the young United States from disaster and secession: fiscal union. He proposed transferring the debts of the thirteen states to the federal government, which would repay them through a tax on imports and whisky. Instead of thirteen ledgers of account, debt servicing was greatly simplified, and a coherent fiscal policy was established which made it possible to meet the obligations of repayment. As nothing is simple, the situation of each of the states was very different, and some had already made a good start to repaying their debts. With a geographic divide: more spendthrift states in the North, richer states in the South. The fiscal union proposed by Hamilton aroused the fury of the wealthy planters of Virginia, who did not accept the idea of taking on a financial burden for which they felt in no way responsible. A shrewd negotiator, Hamilton proposed, as compensation for their effort, to transfer the seat of government to the edges of the Potomac.

Fiscal union enabled the United States to prosper, and especially not to break apart in the thick of the crisis. What seemed despicable to the most eminent politicians of that time finally appeared to them as the only solution to save their union and avoid war. There is no other solution for Europe. It will perhaps be harder to shift the seat of the Greek government to the edges of the Elbe, but German inspectors are

already in Athens. We shall follow the American example. The sense of history is a more closely knit Europe, with a common currency, army and tax inspectors. Churchill said to De Gaulle: "progress is as inevitable as that sugar melts in a teacup. But there is nothing to prevent stirring with the teaspoon". So all we need is to find our Alexander Hamilton.

The euro crisis has heavily impacted our funds' performances, with Sextant funds in negative territory in the year to date, but it has had slightly less impact on the value of the companies we hold in the portfolio. Because we can view it from a long-term perspective, in the light of history, development and growth. Of course, there has also been the structural decline of the US dollar and the slowdown of the US economy, and the threat of a crisis in China. Bad news follows bad news. For our part, we are well aware that the environment is recessionary, and that the European and US economies will remain without any real growth for many years. In any case, this is a scenario that should be considered seriously before taking investment decisions at present. The companies that we hold in the portfolio are financially sound, and on very low valuations. Their prices largely factor in a recession. Stocks such as Trilogiq, Passat, Precia and Entrepose, with cash-adjusted P/Es of 3, 3.5, 4 and 6.5 respectively, and Oeneo, a high-growth company which trades on 1x capital employed. Jacquet Metals and Vet'Affaires, for their part, have enterprise values lower than the value of their inventories. There are not just small companies, there is also Warren Buffett's company Berkshire Hathaway, which is valued at slightly more than 1x book value. We are therefore very confident for our portfolios. Almost optimistic, but that's a dirty word nowadays.

François Badelon

The interview



Julien Lepage

Manager of Sextant PEA

Following a "murderous summer" in the stock markets, Julien Lepage outlines to you the prospects for the Sextant PEA Fund. Although it was affected by the fall in the indices, Sextant PEA was more resilient than during the previous crisis of 2008. Julien Lepage admits that he drew lessons from the previous turmoil and displays confidence for the future given the quality of the companies held in the portfolio.

Before speaking of the stockmarket crisis affecting us, a word about your career record?

Julien Lepage: While equities have always been my passion, I began my career in the early 1990s in the foreign exchange derivatives market, advising industrial clients on their foreign exchange management policy. Then I joined Gilbert Dupont and then very quickly Exane where, for six years, I worked in the European equities sales team. In 2004, I joined Amiral Gestion, one year after it was founded.

The per-unit valuation has more than tripled since the fund's creation in 2003. What recipe do you apply to achieve such a performance?

J.L: In these times of anxiety, investors generally tend to consider that equities are risky, with the stock market at 10-year lows. Over this period, Sextant PEA posts an annualized performance of 12.5%. The initial subscription price was €100. Today, the per-unit value is more than €300. Of course, there has been a lot of volatility and we have not regained the pre-2008 highs. But despite investment errors, we have managed to achieve a very strong performance in an environment in which there have been three crises: 2001-2002, 2008 and the current crisis. Unfortunately, there's no recipe. To start with, we set ourselves no constraints of sector or market capitalization, nor regarding concentration on the strongest investment ideas. However, we have

built for ourselves a strong philosophy, based on an understanding of the businesses, very thorough work on valuation and the margin of safety, and close relations with the corporate environment. The most important - and most difficult - thing, even if this is a rather hackneyed concept, is really to have a very long-term perspective. We have been shareholders, in some cases significant shareholders, in certain companies for more than five years. And this is a genuine choice, it's not to track an index.

Following the market decline by about 20%, how do you act?

J.L: We are on a segment - small caps - that is not always liquid. The aim of the game is not to suffer from volatility but to profit from it, which is not easy. When the stock market falls 20%, many stocks fall 30% or more. Sometimes the market is indiscriminate, as in 2008, when all stocks fell in the same way, irrespective of the quality of the business, the balance sheet or the management. This time, we have the impression that there is some segmentation, probably because we now know which companies got through a difficult situation well in 2009 when, it should be remembered, GDP in the Western world fell 3% to 5% depending on the country. Our main task has been to examine, case by case, the companies in our portfolio to assess how they are impacted by the crisis and focus on those that have a strong specific story. Or on those more sensitive to the economic cycle, but whose valuation is so cheap that it already factors in a sharply deteriorated environment.

To illustrate this, in the "specific growth" category we have companies like Gameloft, 1000mercis, Oeneo and Stallergènes. In the "business resilient or growing in 2008-09" category, Trilogiq, Precia, Tessi,



Pharmagest, Francotyp and Vet'Affaires, and in the "sensitive to the economic cycle but rock-bottom valuation" category, we find, for example, Kesa, Jacquet Metal Service and Italcementi.

What are your strongest convictions?

J.L: For example, Jacquet Metal Service, resulting from the merger between Jacquet and IMS. This company is a steel distributor generating €1.4 billion in turnover. The share price halved this summer, at a time when the company is currently being restructured by Eric Jacquet. It is a company that we have visited on several occasions and that we know well, because we have now bought it three times, always below the value of its stocks, each time (2004, 2009 and 2011) when the market has been gloomy. These are stocks of specialty steels, they will not fly away, and there is high profit potential, the business is indispensable and the management is very professional.

You claim to invest for the long term, but that doesn't prevent you from making round trips on some stocks. Is that not inconsistent?

J.L: It should be realised that long-term investing means buying a company and being prepared to keep it in the portfolio for many years. This means having sufficient confidence in the products, the sector of activity or the management to say to yourself that in ten years' time you will still be there. But if the share price rises quickly and excessively, eliminating the margin of safety, and if at the same time you have another opportunity that is far more obvious and reassuring, I really don't see the interest in holding onto the stock, even if by chance the price rise occurs just after our purchase! Jacquet and IMS have been extremely volatile, and the market has given us some attractive entry points but also exit points that we did not want to miss.

That's clear. Another conviction?

J.L: Gameloft. This company of 5,000 employees has been established worldwide for ten years now. It achieves robust growth by developing downloadable video games, mainly on mobile phones. It has achieved great success in the emerging and poor countries where it is able to develop, sell and earn

money with games at 1 dollar. Another business is premium games, although still inexpensive (about 5 dollars) for smartphone users. Even in times of crisis, people don't put off the purchase of a game that costs between 1 and 5 dollars and that is starting to offer a good alternative to portable console games that still sell for more than 30 dollars. The balance sheet is very sound, because they have net cash, there has been fine sales growth for many years now, and there is no reason why that should stop given the very significant growth in smartphones. Stripping out the cash, the 2011 P/E ratio is 16, which is not expensive for a growth company very sensitive to emerging markets.

One last example?

J.L: Yes, 1000mercis. This is an internet marketing and advertising player which, even in a time of crisis, posted 12% turnover growth in the first half thanks to its business of developing customer loyalty. The customers of 1000mercis include big names such as PriceMinister and easyJet. These are companies that know internet perfectly but need 1000mercis to help them in their customer relationships, an aspect that has always reassured us. It is a very dynamic company, very well managed, recognized by its peers and which is reaching an interesting size in the market, with turnover of around €40m. The share price recently fell from 50 to 35 euros.

Apparently lessons have been learned from the 2008 crisis?

J.L: I think so. We approached the present situation with better diversification, owning companies whose business model is better established, sticking closely to our know-how, our management philosophy. It should be remembered that, in 2007-2008, few people predicted the crisis, which was exceptionally violent and very traumatic, especially after the Lehman bankruptcy. This time, we can't say that we weren't aware of this sovereign debt problem, although it is less easy to predict at what levels the stock market prices in the bad news expected. We were better prepared, with more cash and hedging. Sextant PEA nevertheless declined, because the small caps corrected sharply, but they are always more volatile and they will also recover more quickly.



Yet the question is whether the worst is ahead of us or behind us?

J.L: On the economic level, there's no doubt that the worst lies ahead, with massive deleveraging worldwide, especially by governments and banks. Everyone must stop living beyond their means and this means a recessionary environment for several years. Debt must be repaid, and the recession lies ahead of us. It's not very cheerful but, from a stockmarket viewpoint, in a few months' time the markets will rebound and look forward to better days, although growth will inevitably be lower in future. Valuations are very attractive, with yields seldom seen in the past. There remains one market uncertainty which disturbs and perplexes us in the short term: the US markets are still fairly high, far above the lows of 2009, unlike our European indices, whereas the debt crisis, even if its epicentre is in Europe, is on a global scale.

The stock market has really fallen out of favour, retail and institutional investors are worn out by 10 years of decline and volatility and many of them have pulled out of the market. This is probably positive, even though it gives no help with timing.

This is not the end of Western civilization. Companies are now highly globalized. Well known examples are LVMH, Air Liquide and Schneider, which sell a lot in Asia. In Sextant PEA, Gameloft and Trilogiq are highly internationalized, to mention just them. Even Precia, a family-run company operating in the market for weighing systems and traditionally viewed as very "French", is carrying out promising developments in India and Morocco.

Can Sextant PEA continue to post an annualized performance of 12.5%?

J.L: The goal is still to achieve the highest performance with the best-controlled risk. To achieve

this type of performance in the long term, the entry point is important. At present, we have a good entry point which resembles that of 2003. Equities seem risky, but it is one of the asset classes that will probably achieve the best performance over the next decade. Ten years ago, who would have bet that gold, then considered a "barbaric relic", sold massively by central banks and sold forward by the biggest producers in the world, would go from USD 270 in 2001 to USD 1900 this summer?

I think that, over ten years, we shall do better than government bonds which yield 2% and whose redemption could be problematic. Paris real estate? It sells for €10,000 per square metre and more in posh neighbourhoods, so if you want to earn 12% annually over ten years, it will have to be at €30,000 per m² in 2021. Gold is not a safe haven from everything, it should not be confused with all risks insurance and it yields nothing. At present, it's fashionable, so we're wary of it. If I had a choice at present, I'd buy equities on the basis of assets and yields. In our portfolio, Passat offers 8%, Oeneo 5%, Linedata 6%, the Crédit Agricole regional banks between 7% and 10%, etc. The list is long.

Apart from the stock market which keeps you very busy, what are your other hobbies?

J.L: If I hadn't done advanced studies, I would have been a bridge player. It's a game of probability, like the stock market. As a junior I had a very good ranking, but doing competitions seriously requires a huge investment, and I had to stop. In France, only about a hundred people make their living from bridge. They are mainly sponsored by enthusiastic amateurs who play tournaments with them. If Warren Buffett wants me to organize a good game, I'm ready, but I won't pay two million dollars to play with him!

Interview by Olivier Hamoir



Eurozone stock market: always lower?

The epicentre of the crisis is the euro zone and, at the market low, the Eurostoxx 50 had lost 30% in less than three months. The other indices reacted far less violently: about -15% for the FTSE 100, the SMI, the S&P 500 and the Nikkei 225, and -23% for the Hang Seng. Euro-zone markets were no longer very far from their lows of March 2009.

Pessimism has become the consensus. No one any longer sees a possible solution to the European debt problems, the market decline feeds on itself, and many can well imagine a further 30% fall in European markets (the CAC 40 at 2000). That would bring European stock markets back to their level in 1990.

European indices returning to the 1990 level would signal not a recession but a depression. Consider the case of France: nominal GDP there has doubled in 20 years, valuation multiples were around 12 in 1990, the large French companies have achieved significant global expansion (50% of their revenues versus 20-25% at the time). I have some difficulty in accepting the scenario that French companies will lose the benefit of twenty years' growth in the next two or three years.

Gloom engenders gloom, notably because of the perceived inability of the political class to react at the same pace as markets. Politicians are seen as inevitably incapable, with one eye on the next elections. Naively, I think that it is their job to find solutions, but it's not easy because we live in democracies; admittedly, it would be far easier in dictatorships. Incidentally, I see no greater capability of analysis in the financiers who scoff at the politicians: they did not play their role as a safeguard when debts in developed economies were spiralling, since they bought ever more sovereign bonds with increasingly low yields.

As in 2008, the situation is complicated, but there will be a turnaround point. I think that it will be at the G20 meeting in November. The Washington meetings at the end of September clearly showed a change of tone in coming to grips with the crisis, and we can already see a possible rescue plan for the euro zone taking shape:

- Orderly default on Greek debt with a 50% haircut;
- Leveraging of the EFSF to increase its firepower to €2 trillion (x4) to prevent Italy and Spain from finding themselves in turmoil similar to that in Greece;
- Bailout of problem banks if necessary.

This will happen only if a rigorous view of future European fiscal and financial policy is adopted by the euro-zone members, because Germany's agreement is necessary. Germany is the largest contributor to the EFSF and also the main lender to the ECB balance sheet, and it is duly entitled to demand more discipline from its partners. It will be flexible because it has committed itself firmly to European integration since the disaster of 1933-45, but it will be firm because its history has taught it the dangers of financial laxness. In any case, the other countries know that financial chaos will take them nowhere and that the costs of pulling out of the euro would be prohibitive.

This will have two consequences: far firmer fiscal policies and much stiffer bank regulations (especially to reduce the adverse effects of financial market activities, which are already on the rails in the United Kingdom, Switzerland and the United States).

A tempting alternative plan has been conceived by the strategy consulting firm Roland Berger. It involves transferring €120bn worth of Greek assets to a holding company controlled by the European authorities. That would enable Greek debt to be brought down instantly to less than 100% of GDP and would prevent assets earmarked for privatisation from being sold cheaply under pressure from the markets. This holding company could sell these assets over a period of more than ten years. This is probably a better solution than the previous plan, but the main problem is that it is hardly acceptable from a political viewpoint, because it would entail a loss of Greece's sovereignty over key assets such as public transport systems. At first sight, this plan could be likened to a takeover of Greek economic policy by Germany.

Once the euro risk has abated, this does not mean that we shall return to the optimism that prevailed from mid-2009 to the end of 2010. Firstly, growth in the euro zone will be lacklustre. Secondly, markets will turn their attention back to where they should have focused in August following the downgrade of US debt by S&P: the fiscal problems of the United States and that country's current inability to face up to them without ideological posturing. Lastly, if Europe and the United States have chronically low growth, emerging-country exports will suffer and it remains to be seen whether their domestic demand will be sufficient to compensate for this.

To come back to equity markets, it is here that relative levels will play a role. When markets' attention focuses on the United States, the S&P 500 is likely to suffer, since at the low of September 2011 it was still 68% above its lows of March 2009, compared with 12% for the Eurostoxx. Some emerging markets seem vulnerable, even allowing for the fact that their structural growth is far higher than that of the Western world. On the other hand, I think that European markets have probably bottomed.

Index	Country	Mar-09	Sept-11	% change
S&P 500	United States	676	1136	68%
Eurostoxx	Europe	1809	2026	12%
MIB	Italy	12621	13664	8%
CAC 40	France	2519	2810	12%
IBEX 35	Spain	6817	7955	17%
DAX 30	Germany	3666	5196	42%
FTSE 100	United Kingdom	3512	5041	44%
SMI	Switzerland	4307	5298	23%
Hang Seng	Hong Kong	11016	17585	60%
Nikkei	Japan	7054	8560	21%
Bovespa	Brazil	29435	53230	81%

Lows for the leading indices: March 2009 / September 2011

The real signal for equities will be when bond markets put a price on sovereign debt risks. The greatest paradox of the current period is that there is talk of a debt crisis but sovereign bonds are doing very well, except those of the most vulnerable euro-zone countries (PIGS). As nothing is ever simple, this factoring in of sovereign debt risk must not take place violently: a bond market collapse would merely make matters worse.

In the end, asset valuation is merely a rational story of supply and demand. Demand for equities has fallen heavily since 2000, as a consequence of a disastrous decade for equity markets in terms of risk/opportunity relative to all the other major asset categories (bonds, money markets, real estate, gold). Given the size of bond markets, the first signs of yield inversion could have a significant impact on equity markets.

Eric Tibi

MANAGEMENT COMMENTARY

Your Sextant PEA fund achieved a performance of -17.68% in the third quarter. It remains focused on French small and mid caps, which account for more than 70% of the portfolio. At 30 September 2011, the cash position had been increased to 7% and the fund no longer had any hedges, which were unwound in mid-August.

The half-year earnings were satisfactory for the leading positions in the fund with the exception of **Vet'Affaires** and **Kesa** which disappointed and were severely punished during the quarter with a 40% decline.

A single stock is in positive territory, **Kinepolis**, which rose 8% as a result of its share buyback and the strength of its business, cinema operation.

We made a few adjustments by selling **Delachaux**, **Benetton** and **Boiron**. We lightened up on **Tessi** and **TGS**. The steep fall of industrial companies provided us with a window of opportunity to buy **Jacquet Metal Service**, **Immsi**, **Renault** and the **Italcementi preferred share** at valuations which offer a substantial margin of safety. We also initiated a position in **Parrot** and added to our positions in **Kesa**, whose share price by no means factors in the value of its main asset, Darty.

Jacquet Metal, resulting from the merger between Jacquet and IMS, is a specialty steels distributor that we have been following since 2004. The halving of the share price this summer enabled us to enter for less than the value of the inventories and warehouses, a ratio which historically is a good entry point in the stock. The likely contraction in volumes and prices over the coming months will not prevent Eric Jacquet from completing the restructuring of the former IMS and strengthening its positions.

Renault has returned to valuations close to the lows of 2009. In the meantime, the carmaker has restored a significant cash position, partly through the sale of its Volvo B shares. The discount on the stake in Nissan is at present such that it means the Renault, Samsung Motor and Dacia makes are negatively valued by about 30 euros per share, which is completely unprecedented.

Parrot is a Parisian company specialized on the frontier between Bluetooth, acoustic, vocal and optical technologies. Its best known product is the hands-free kit, pre-installed or not, allowing car drivers to telephone and be connected. The company is growing and highly profitable, and recently devoted part of its cash holdings to two acquisitions in its core business. After the fall in the share price this summer, the available cash position still represents almost half the market capitalization, making the valuation, at less than 8x earnings, even more attractive.

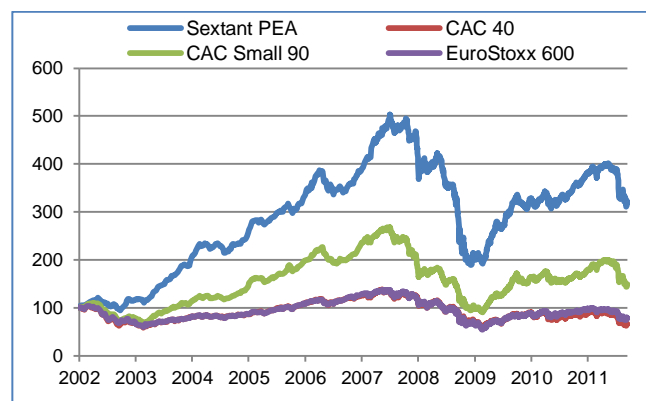
At the end of this gruelling quarter, the three leading companies were **1000mercis**, **Gameloft** and **Trilogiq**, all leaders in their respective markets and which have certain points in common, namely, they experienced robust growth in the 2009 recession and have a substantial cash position on the balance sheet.

The valuations of Sextant PEA offer a significant margin of safety and large upside potential.

PERFORMANCE

	Sextant PEA	CAC 40	CAC Small 90	DJ Stoxx 600
2011	-14.75%	-21.62%	-13.25%	-17.99%
2010	18.25%	-3.35%	10.91%	8.63%
2009	61.80%	22.33%	58.69%	27.99%
2008	-58.36%	-42.68%	-54.17%	-45.60%
2007	21.71%	1.31%	-4.91%	-0.17%
2006	19.92%	17.53%	16.40%	17.81%
2005	31.41%	23.40%	38.57%	23.51%
2004	29.99%	7.40%	28.07%	9.47%
2003	63.99%	16.12%	37.53%	13.68%
2002*	14.72%	-31.13%	-21.27%	-30.50%

* Sextant PEA was launched on 18 January 2002.



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

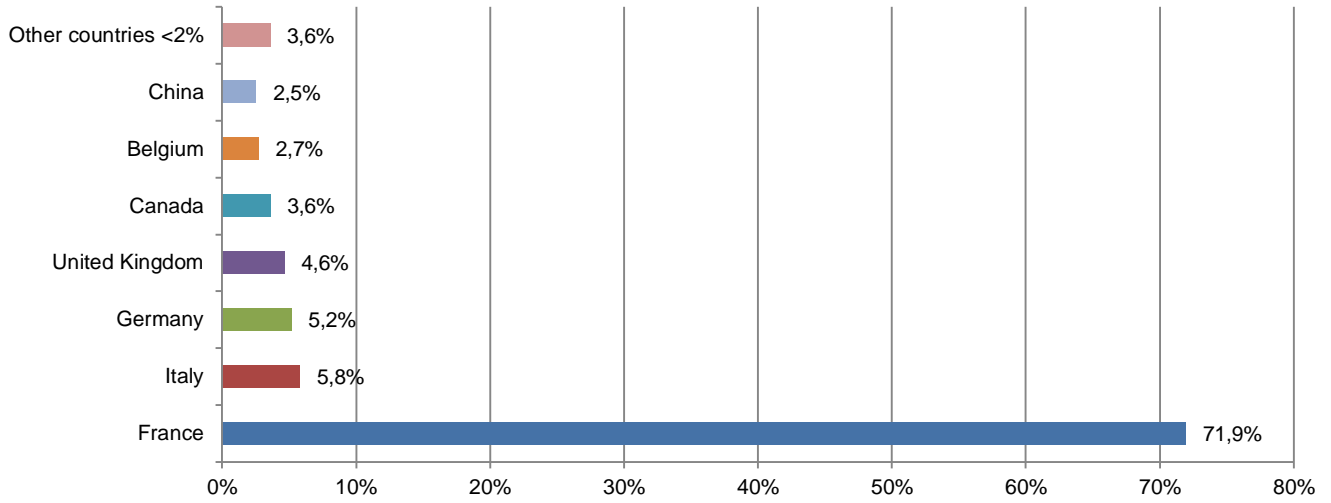
MAIN INVESTMENTS

Name	Country	Sector
1000Mercis	France	Media / Internet
Gameloft	France	Media / Internet
Trilogiq	France	Industry
Kesa	United Kingdom	Retailing
Francotyp	Germany	Business services
Stallergènes	France	Healthcare
Oeneo bond	France	Food processing
Bellatrix	Canada	Energy
Jacquet Metal Service	France	Retailing
Akka Technologies	France	Business services

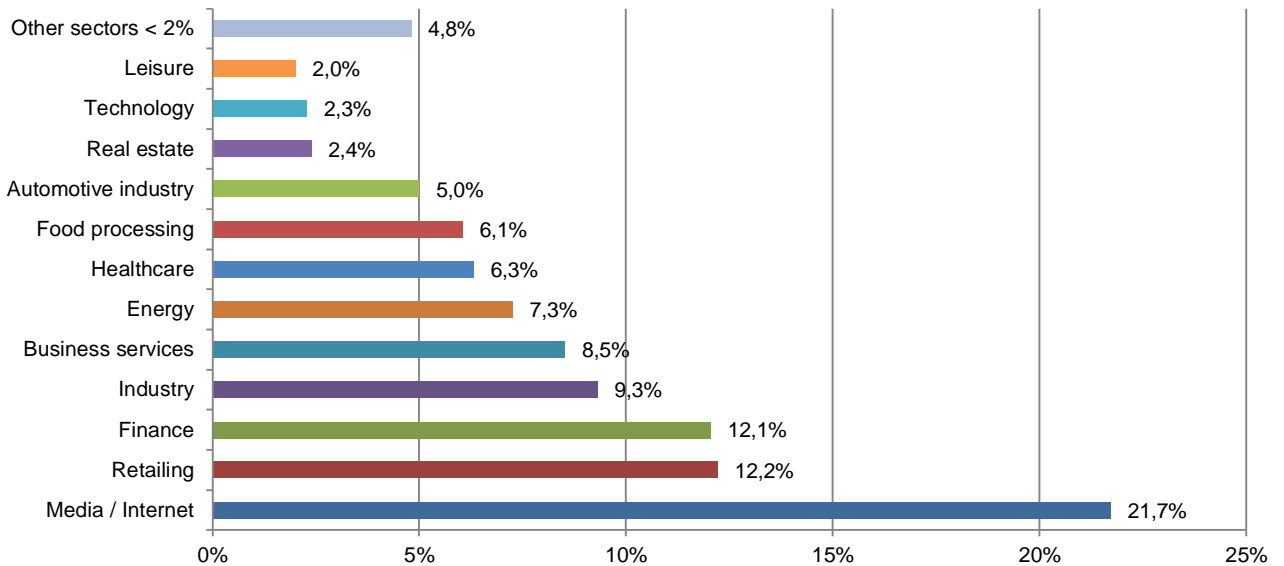




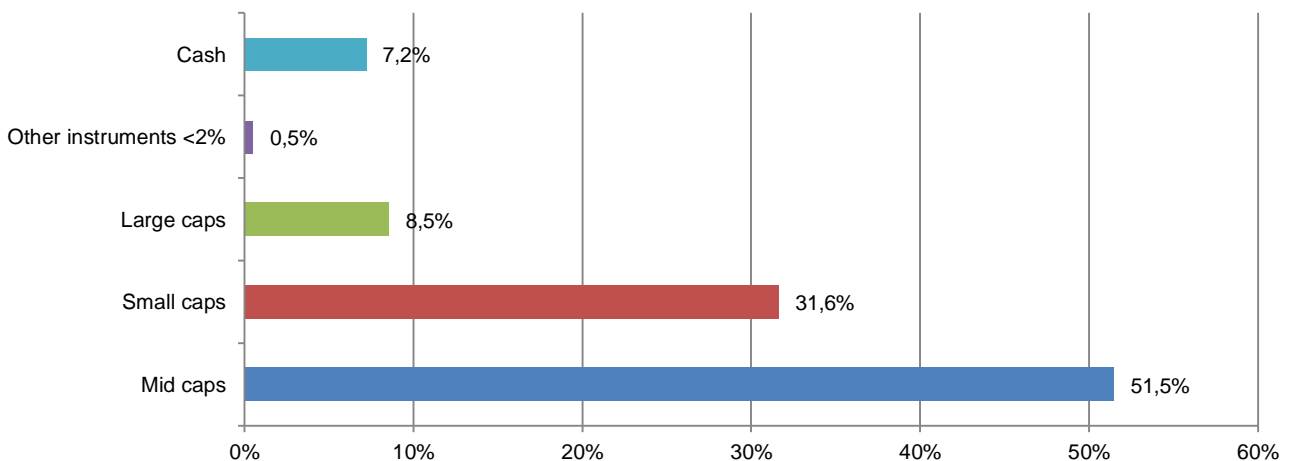
GEOGRAPHIC ALLOCATION OF INVESTED ASSETS



SECTOR ALLOCATION OF INVESTED ASSETS



ALLOCATION BY MARKET CAPITALIZATION



MANAGEMENT COMMENTARY

The first quarter of Sextant Europe's existence was marked by an across-the-board crisis in equity markets, with a 16% decline in the Stoxx 600 Index and an even sharper decline in the euro-zone indices (22% for the Eurostoxx 50).

Although the fund was relatively unexposed to financial institutions, it did not escape the general trend of market decline.

At the fund's launching, we emphasized four cross-cutting themes:

1. "Value" situations;
2. Cash return to shareholders;
3. Hidden growth;
4. Structural themes.

The theme of cash return to shareholders was very satisfactory, with an excellent performance by **Next** (+15%) and **Imperial Tobacco** (+12%). As a reminder, we are not looking here for stocks having a high yield, but companies managing their core business extremely well and paying the surplus cash back to shareholders via high dividends or share buybacks when their share price is low.

During the quarter, we initiated a position in **Ahold** which we believe offers characteristics of this type (focus on its supermarket businesses in the northeastern United States and the Netherlands, €5bn in share buybacks since 2007). We continue to search actively for stocks corresponding to this theme, which we consider very attractive in an environment of low growth and low interest rates.

The lowest-performing theme was value situations, with, in particular, declines of 38% for **Renault** and 35% for **Kesa**. These stocks are not supported by positive news flows and are especially vulnerable in tense markets. In both cases we built up our exposure during the quarter, because we consider they have very high upside potential in the medium term.

For example, **Renault** currently trades at a 50% discount to the valuation of its listed equity stakes alone (Nissan, Volvo, Daimler). As regards **Kesa**, the valuation of its property assets and its cash alone represents 85% of the current share price. For example, its subsidiary Darty, which generates an operating profit of €150m, is practically not factored into the current share price. We know from experience that such situations can last a long time, but will eventually be very profitable.

Three months ago we thought that the environment would be difficult, especially for countries such as Spain, Portugal and Ireland. We were nevertheless surprised by the violence of the debt crisis and we decided to reorganize our portfolio in order to eliminate risks not easily controllable due to this crisis. We

accordingly sold our shares in **April** (residual exposure of its insurance business to PIGS debt), **Folli-Follie** (excessive debt for a company that, although global, is based in Greece) and **Immobiliare Grande Distribuzione** (sensitivity of real estate operations to Italian interest rates). We also sold our **Omega Pharma** shares following the announcement of a planned takeover bid. We used the proceeds of these sales to invest in **Ahold** and in **Italcementi preferred shares** (60% discount to the ordinary shares), and increase our exposure to **Entrepose**, **Next** and **Dior**.

We believe that the debt crisis will not be resolved quickly because it requires major political steps forward to fiscal and economic integration. An ambitious rescue plan for the euro will have a high cost and will be accepted by Germany only if it is accompanied by very strict budget commitments. Faced with this situation, we remain cautious in the short term, staying underexposed to the financial sector and with our cash holdings at the high end of the range (10%). The earnings of the companies in which we are shareholders were generally good, often above expectations, and we therefore see little reason to change the composition of our main investments.

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.

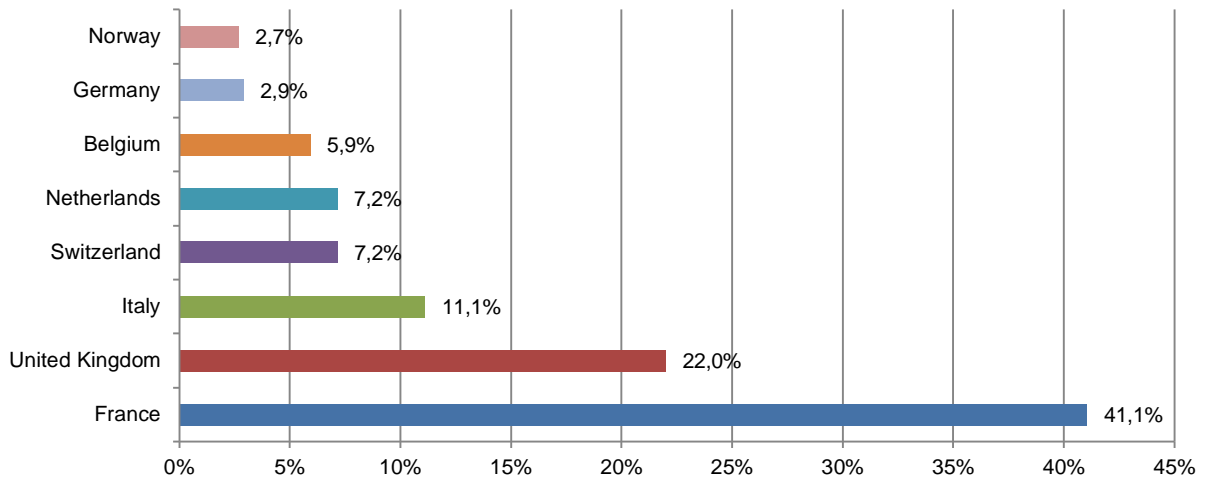
MAIN INVESTMENTS

Name	Country	Sector
Entrepose	France	Energy
Kesa	United Kingdom	Retailing
D'leteren	Belgium	Automotive industry
Renault	France	Automotive industry
Debenhams	United Kingdom	Retailing
Christian Dior	France	Luxury goods
Imperial Tobacco	United Kingdom	Consumer goods
KoninklijkeAhold NV.	Netherlands	Retailing
Marr Spa	Italy	Retailing
Next PLC	United Kingdom	Retailing

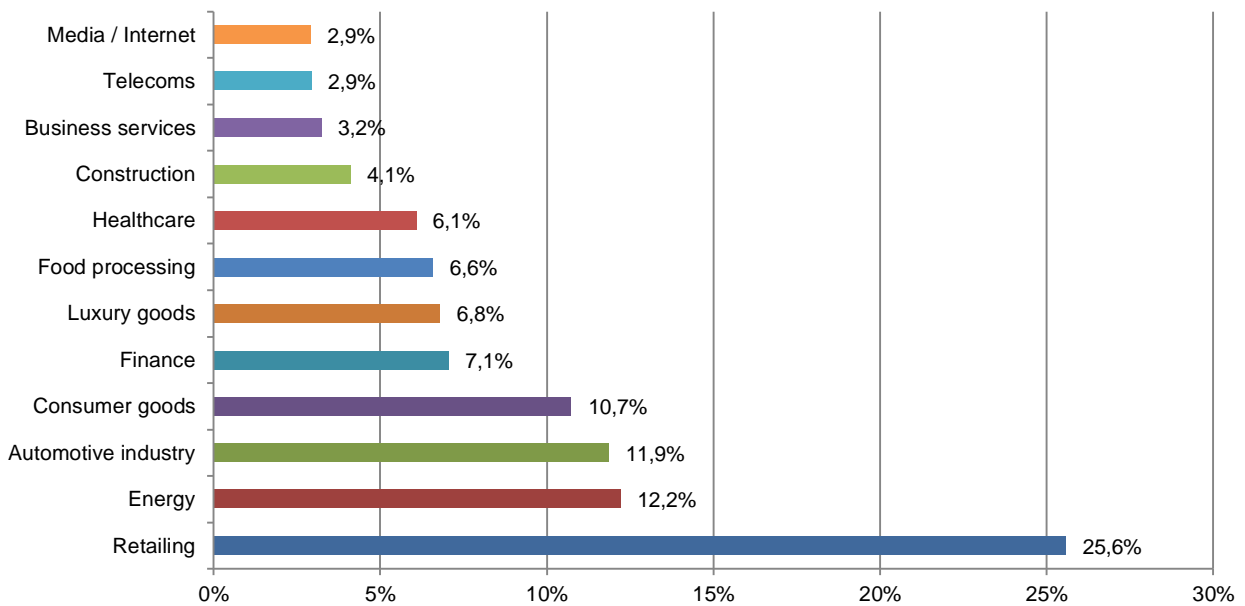




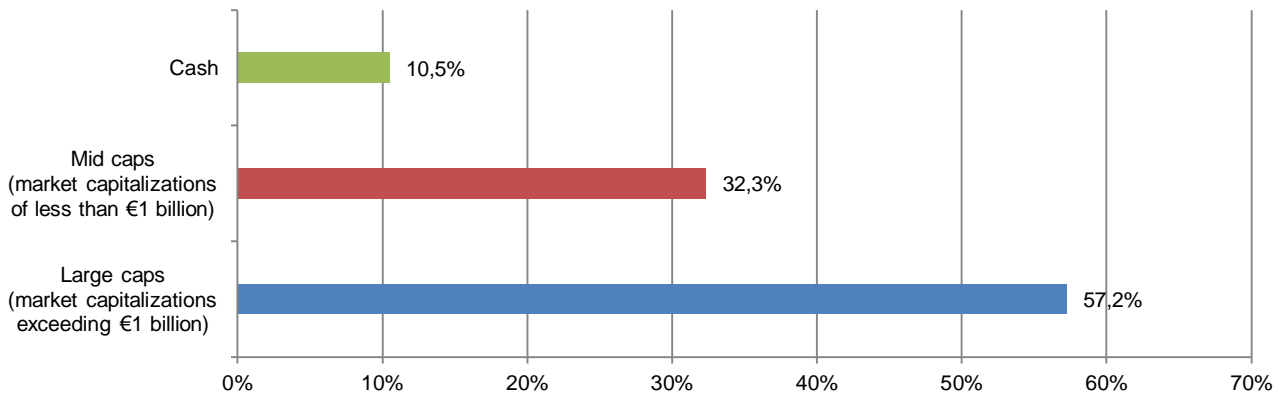
GEOGRAPHIC ALLOCATION OF INVESTED ASSETS



SECTOR ALLOCATION OF INVESTED ASSETS



ALLOCATION BY MARKET CAPITALIZATION





MANAGEMENT COMMENTARY

Since the start of the year, Sextant Autour Du Monde has fallen 24.69% versus a 15.65% decline in its benchmark index, the MSCI World in euro terms. All our investment themes suffered fairly uniformly from the recent market correction. This weak differentiation in stockmarket performance reflects the high risk aversion caused by the financial crisis that is currently buffeting Western economies.

The root cause of this crisis is the over-indebtedness of Western countries. In Europe, Greece's bankruptcy and the mistrust adversely affecting all the sovereign debts of the southern euro-zone countries have precipitated the banking system to the brink of the abyss. In the United States, household deleveraging is fuelling deflationary pressures that the Fed has not succeeded in arresting despite unprecedented money creation. Now, this is precisely the scenario that confirms our investment strategy. The Autour Du Monde fund is concentrated on emerging countries that have reasonable debt levels and still have very robust growth. More than 11% of the portfolio is invested in gold mining companies which profit from the rise in gold prices fuelled by the sovereign debt crisis. Lastly, our investments in France are concentrated on innovative businesses that are little impacted by the macroeconomic environment.

So why such a decline in the portfolio? Emerging markets were adversely affected by anti-inflationary policies, especially in China and India where the cycles of interest-rate hikes have lasted longer than we had imagined. In India, inflation has proved very resilient, leading the country's central bank to raise its policy rate further to 8.25% in September. In China, the government is still determined to curb an incipient real estate bubble and stabilize an overheating credit market resulting from the 2009 stimulus policy. These two economies are already slowing down, but unlike in the major Western powers this is a moderate slowdown, of a cyclical nature and brought about by restrictive monetary policies designed to control inflation and credit bubbles. Their growth potential remains intact and in the event of an excessively sharp slowdown the monetary authorities are bound to use the room for manoeuvre restored by more than a year of interest-rate hikes. We therefore remain very confident in the potential of our Indian and Chinese companies, whose valuations have reached historically low levels. In India, we are still mainly exposed to the infrastructure sector. In China, we give priority to consumer companies such as the luxury watch retailer **Oriental Watch**, whose market capitalization is equal to the value of its watch stocks, mainly Rolexes. Note, too, the valuation of **Shanda Games** which sells for 3 times earnings (ex cash) for a company growing at 5% to 10% annually.

The gold mining stocks did not fulfil their promise despite the rise in gold prices and the sovereign debt crisis dragging on in Europe. These companies have never been as cheap relative to gold prices. And yet we remain convinced that the Western democracies will continue to combat the deleveraging, which is now mandatory, of their governments and their consumers by policies of zero real interest rates and money creation. The euro and the dollar will therefore continue to depreciate against gold, which will gradually regain its status as the currency of last resort.

We remain cautious and weakly exposed (3.6% of the portfolio) to base metals due to the economic slowdown underway in China and doubts concerning the growth rate in the United States. On the other hand, we maintain a significant exposure to the energy sector (12.9% of the portfolio), since we believe its correction has already largely factored in a scenario of a fall in oil prices. Our oil companies currently factor in an oil price ranging between \$60 and \$70, a level that we do not think is sustainable in the long run.

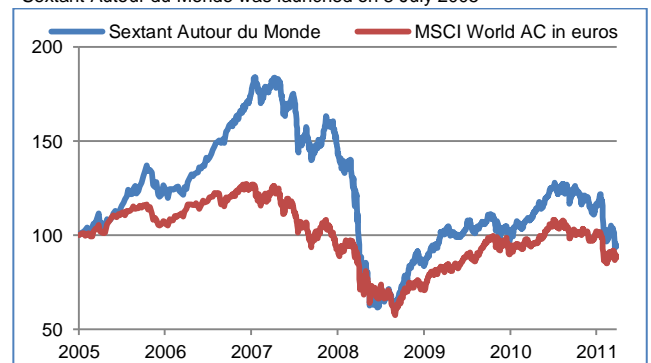
We therefore remain very confident in our investment strategy. The French companies in the portfolio, such as **Gameloft** and **1000mercis**, continue to post very good operating performances. We consider that the valuations reached by all our investments are excessively low and provide Autour Du Monde with high potential for price appreciation, although the portfolio is bound to remain volatile due to the regions and sectors on which it is positioned (emerging countries, commodities, French small caps).

Lastly, we have initiated new investments in South Korea to profit from the extraordinary discounts on preference shares. The **LG H&H preference** share trades at an 80% discount to the ordinary share for no valid reason. This discount enables us to buy an exceptional growth company, the Korean leader in cosmetics, household products and beverages, at less than 6 times earnings.

PERFORMANCE

	Sextant Autour du Monde	MSCI World AC in euros
1 year	-12.92%	-6.87%
3 years	-15.72%	-0.44%
5 years	-24.93%	-21.75%
2011	-24.69%	-15.65%
2010	21.30%	18.39%
2009	59.20%	28.04%
2008	-62.95%	-40.99%
2007	23.90%	-0.84%
2006	24.48%	6.57%
2005*	13.33%	10.53%

* Sextant Autour du Monde was launched on 8 July 2005



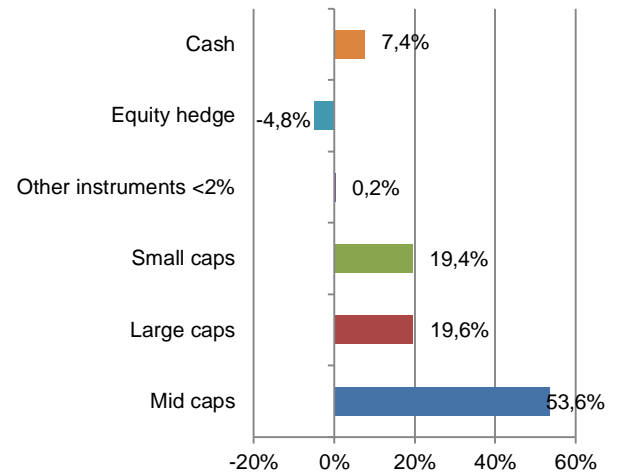
Note: Past performance is not necessarily a guide to the future results of the Fund; performance may vary over time.



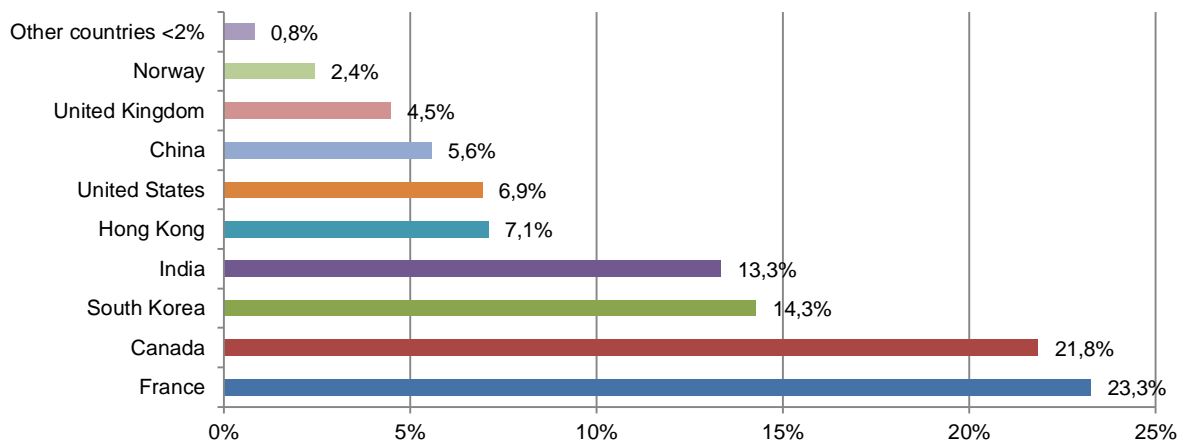


Name	% of net assets	Country	Sector
LG H&H Pref	9.10%	South Korea	Consumer goods
Gameloft	6.32%	France	Media / Internet
Bellatrix	5.62%	Canada	Energy
1000Mercis	5.40%	France	Media / Internet
Shanda Games	5.16%	China	Media / Internet
IDFC	4.95%	India	Finance
Kesa	4.15%	United Kingdom	Retailing
Oneo bond	3.97%	France	Food processing
Bear Creek	3.90%	Canada	Gold/Silver
Google	3.43%	United States	Media / Internet

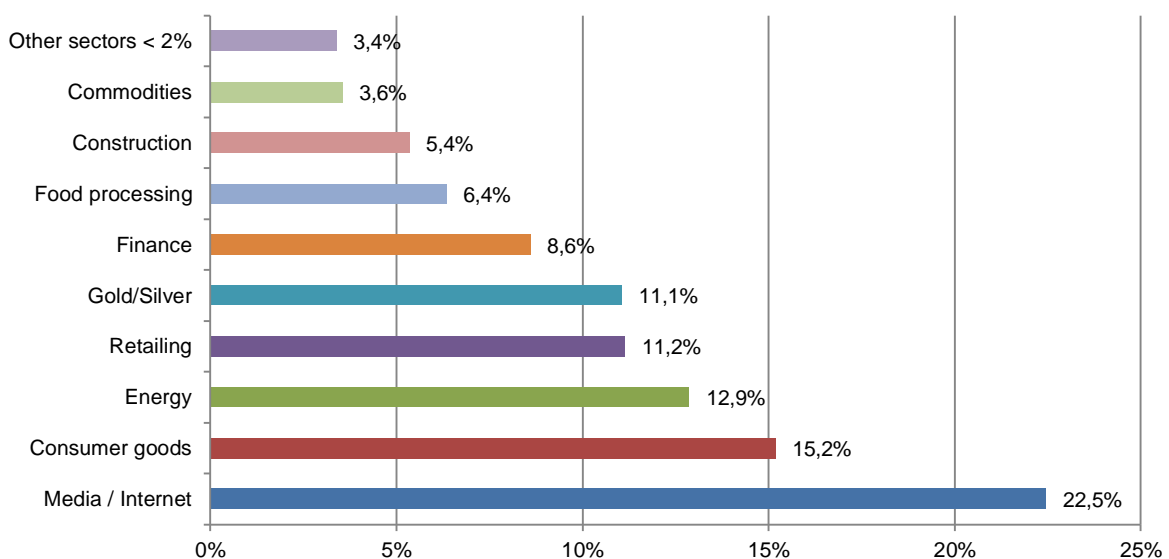
ASSET ALLOCATION



GEOGRAPHIC ALLOCATION OF INVESTED ASSETS



SECTOR ALLOCATION OF INVESTED ASSETS





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

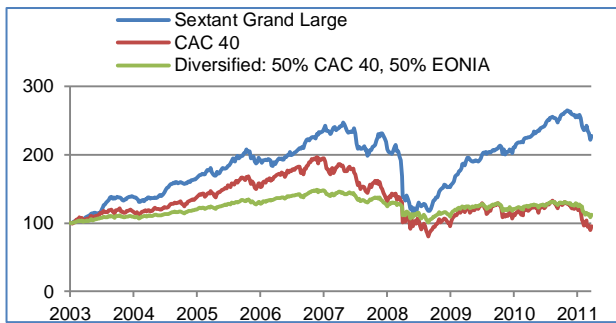
We therefore maintain a very high margin of safety on the stocks in Sextant Grand Large, in terms of both quality of investment cases and valuation.



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

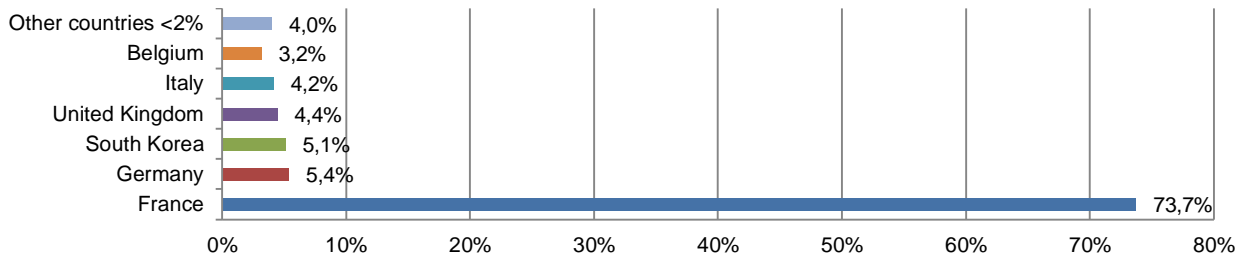


	Sextant Grand Large	CAC 40	Diversified: 50% CAC 40, 50% EONIA
1 year	0.75%	-19.74%	-9.45%
3 years	18.48%	-28.38%	-10.93%
5 years	20.25%	-43.20%	-16.81%
2011	-5.80%	-21.63%	-10.63%
2010	24.08%	-3.34%	-0.83%
2009	61.70%	22.32%	12.00%
2008	-49.19%	-42.68%	-21.19%
2007	16.16%	1.31%	2.98%
2006	12.69%	17.53%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

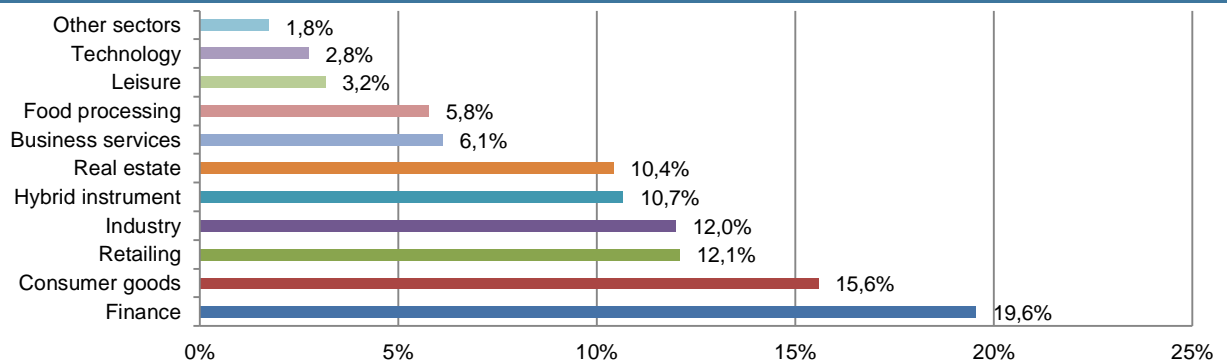
* Sextant Grand Large was launched on 11 July 2003

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

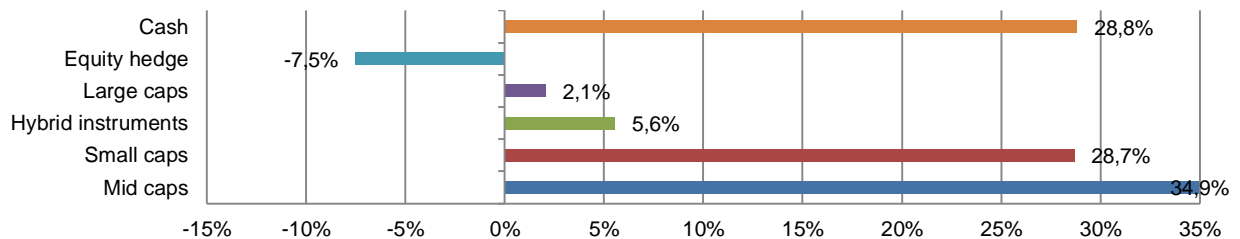
GEOGRAPHIC ALLOCATION OF INVESTED ASSETS



SECTOR ALLOCATION OF INVESTED ASSETS



ALLOCATION BY MARKET CAPITALIZATION AND PRODUCT TYPE





MANAGEMENT COMMENTARY

In a market environment marked by an across-the-board decline in all assets considered cyclical, Sextant Peak Oil fell heavily, by 23% in the third quarter. Faced with the apparent inability of the European authorities to take the initiative and calm fears of sovereign defaults which could endanger the euro and the global economy, the shares of oil producers and oil service companies collapsed, far more than the price of WTI (-12% in euro terms), even though the Brent oil price remained almost insensitive to the current financial concerns.

In a context of sustained global demand, the situation in the oil market remains very tight, given that Libyan output has disappeared and for the past month there has been an embargo on Syria's exports.

Our conviction regarding persistently high prices in the long term remains intact. As in 2008, a fall in the oil price below \$70 would cause a rapid collapse in global investment and severe shortages at a time when the two most populous countries on the planet are set to consume more and more oil. In recent years, the Chinese economy has been boosted by its exports and investment in its infrastructure, at the expense of domestic consumption, so that China consumes more than 40% of the world's copper, but only 10% of oil. Part of the solution to global imbalances lies in an increase in Chinese consumption. This rebalancing trend seems on the verge of accelerating. Moreover, political and social demands in the Gulf countries further reduce the budget leeway of OPEC, which will probably have to defend a higher price than in the past.

While we have no control over volatility in the sector, our portfolio is ready to profit from the opportunities that would be offered by a further decline in oil prices. No company in the portfolio is over-indebted, and many of them, on the contrary, have a balance sheet that would enable them to profit from the difficulties faced by their peers. It is always in times of severe stress that the best deals can be made, and as Rockefeller said in 1884: *"Hope if crude oil goes down again...our Executive Committee will not allow any amount of statistics or information... to prevent their buying. We must try and not lose our nerve when the market gets to the bottom as some people always do."* *"We will surely make a great mistake if we do not buy."* (*)

The producers' valuations are already extremely attractive, most factoring in an oil price of between \$60 and \$70 in the long term. In oil services, the industry leader **Halliburton**, after falling 40%, saw its 2012 PER down to 8, even when its leadership in North America is just getting stronger.

During the quarter, we took advantage of the significant market decline to build up positions in the stocks that we think offer the best potential based on our scenario of a long-term oil price of \$80. For example, we added to our purchases of **Hess**, an independent US company whose valuation factors in a long-term oil price of only \$60. Although the company has suffered a few exogenous shocks (temporary loss of its Libyan production, momentary halt in production on one of its North Sea platforms, hostile weather conditions in the United States holding up its drilling programme, etc.), the impact on the valuation is insignificant, whereas the share price lost 30% during the summer. We also bought shares in **Whiting**

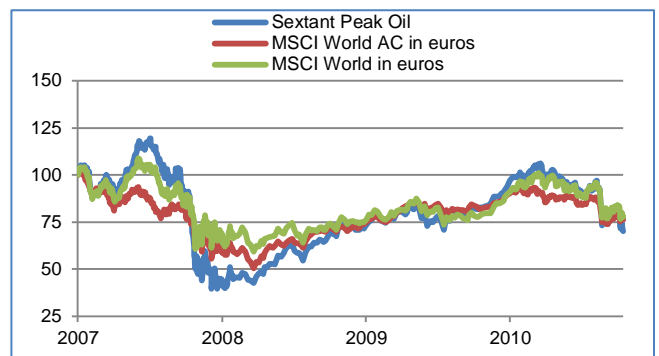
Petroleum, and initiated a position in **Arcan Resources**, a Canadian company starting operations on the Beaverhill Lake field in Alberta. The unsolicited build-up of a stake in its capital by the market leader Crescent Point Energy reinforced our confidence in the quality of Arcan's assets.

At the same time, we lightened up our position in **Baytex**, following a fine outperformance, and in **Prosafe**, whose defensive profile played its role perfectly in recent months. The position in **Pacific Rubiales** was also trimmed.

PERFORMANCE

	Sextant Peak Oil	MSCI World AC (in euros)	MSCI World AC Energy (in euros)
1 year	-15.03%	-6.86%	-0.24%
2 years	0.53%	6.38%	6.26%
3 years	-11.00%	-0.43%	-6.85%
2011	-28.94%	-15.65%	-15.84%
2010	29.69%	18.39%	17.44%
2009	73.18%	28.04%	19.64%
2008	-57.92%	-40.99%	-36.61%

* Sextant Peak Oil was launched on 17 December 2007



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

MAIN INVESTMENTS

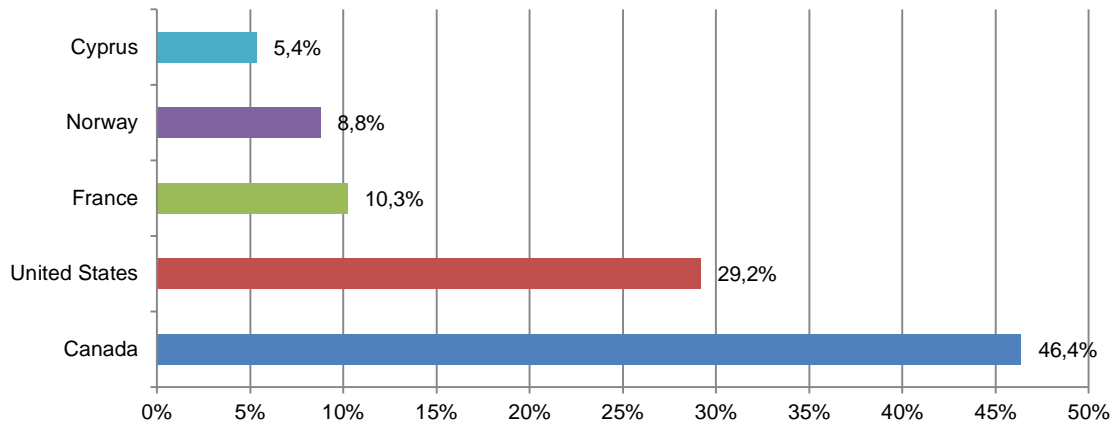
Name	% of net assets	Country	Sector
Entrepose	9.41%	France	Oil services: specialized
TGS	8.07%	Norway	Oil services: specialized
Bellatrix	7.79%	Canada	Independent oil companies
Hess	7.09%	United States	Independent oil companies
Whiting	5.70%	United States	Independent oil companies
Prosafe SE	4.94%	Cyprus	Oil services: specialized
Noble Corp	4.78%	United States	Oil services: platforms (onshore and offshore)
Halliburton Co	4.68%	United States	Oil services: diversified
Schlumberger	4.55%	United States	Oil services: diversified
Silverbirch	4.53%	Canada	Oil sands

(*) From "The Prize", Daniel Yergin.

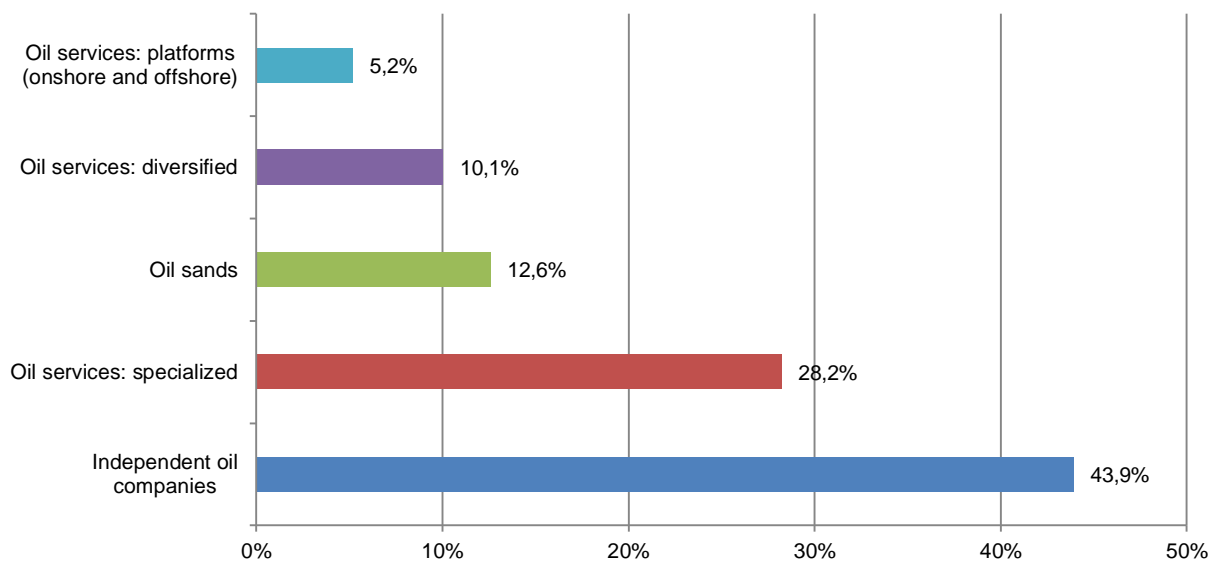




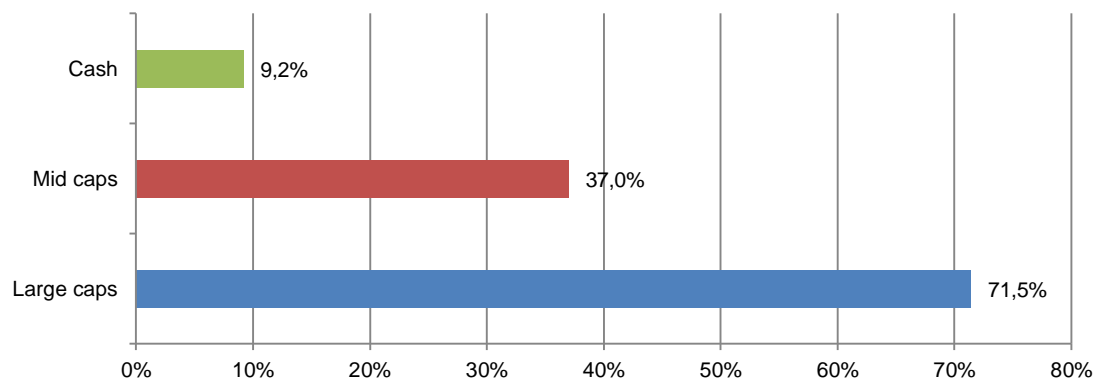
GEOGRAPHIC ALLOCATION OF INVESTED ASSETS



SECTOR ALLOCATION OF INVESTED ASSETS



ALLOCATION BY MARKET CAPITALIZATION





MANAGEMENT COMMENTARY

The goal of Sextant Inc. is to invest with a high concentration on the ideas of the Amiral Gestion team offering the greatest potential while having great freedom for hedging or overexposure (leverage) on indices or shares.

The fund fell 16% in the quarter, versus 25% for the CAC 40 and 12% for the MSCI World in euro terms. The decline was spread over the entire portfolio. As the market declined, we reduced our hedging to zero by the end of August before restoring part of it in the market lull in September. We continue to hedge the fund by short selling the US extended S&P 500 Index, but we have also hedged against euro/dollar currency risk. Now, it seems to us that the European indices are starting to factor in a serious crisis, whereas the US indices have as yet fallen only slightly, even though a severe crisis in Europe will also affect the United States and the US economic recovery is still hesitant. At the same time, in a situation of crisis, the US dollar could continue to rise.

We profited from the market volatility to perform numerous arbitrage operations this quarter. We lightened up on defensive stocks that were very resilient to the market decline, to add to positions which are among our strongest convictions and which offered interesting entry points.

For example, we sold **Google** which rose during this quarter, and the Chinese telephone operator **China Mobile**. We lightened up on the property firm **Terreis** and on **Detour Gold**, a gold mine which rose in the crisis.

We bought four companies that we know very well and which represent significant positions in our other funds: **Kesa**, **1000mercis**, **Vet'Affaires** and **TGS**.

Kesa owns the French firm Darty which generates all its profits. Darty gains market share regularly and has successfully moved into e-commerce on internet. The share of services in profits increases each year, so that the company is less sensitive to possible price wars. This jewel is valued at less than 5x earnings in **Kesa's** share price! At the same time, the subsidiaries in the UK and elsewhere in Europe are losing money, but despite this we do not think they have a negative value. Their restructuring is in progress and the competitors, especially in the UK, are themselves close to bankruptcy, so that the competitive situation can only improve.

1000mercis is a specialist in database management on the internet. The company is ideally positioned to profit from the explosion in marketing on social networks and mobiles, and the valuation ratios are very low, at 10x profits excluding cash.

The market valuation of **Vet'affaires** has fallen below the value of its inventories, and we consider that this is a good entry point for a company which has always made money and whose new store format is a success.

Lastly, **TGS** has returned to very low valuations in the across-the-board downturn in commodity-related equities, even

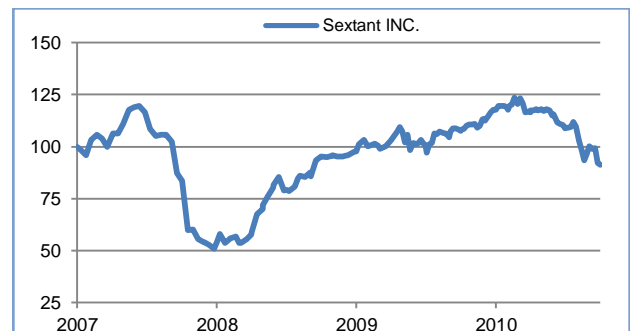
though the company proved in the last crisis that its earnings were very resilient.

Regarding short selling, we finished cutting our short positions in **Opentable** and **Glu**, unfortunately too early in the decline.

PERFORMANCE

Sextant INC.	
1 year	-15.17%
2 years	-4.17%
3 years	4.46%
2011	-22.45%
2010	20.33%
2009	78.70%
2008	-45.31%
2007*	2.94%

* Sextant INC. was launched on 7 February 2007 and was invested in from 31 December 2007



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

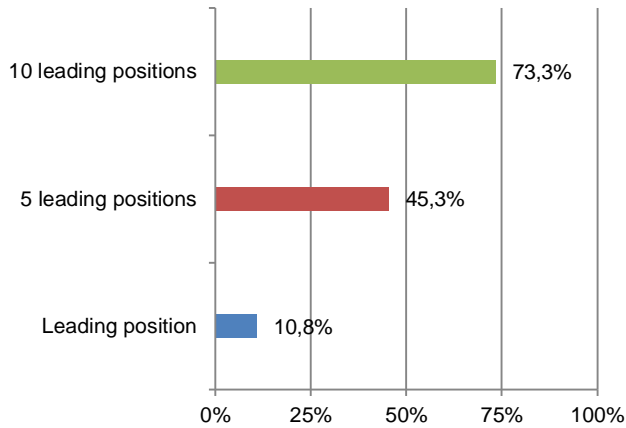
MAIN INVESTMENTS

Name	Country	Sector
Passat	France	Consumer goods
Francotyp	Germany	Business Services
TGS	Norway	Energy
Bellatrix	Canada	Energy
Tessi	France	Finance

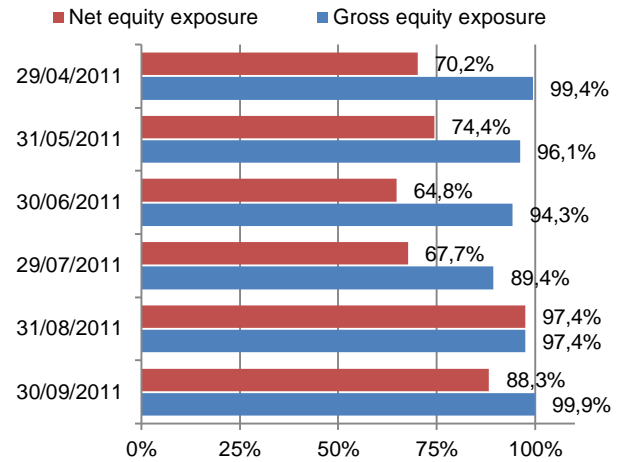




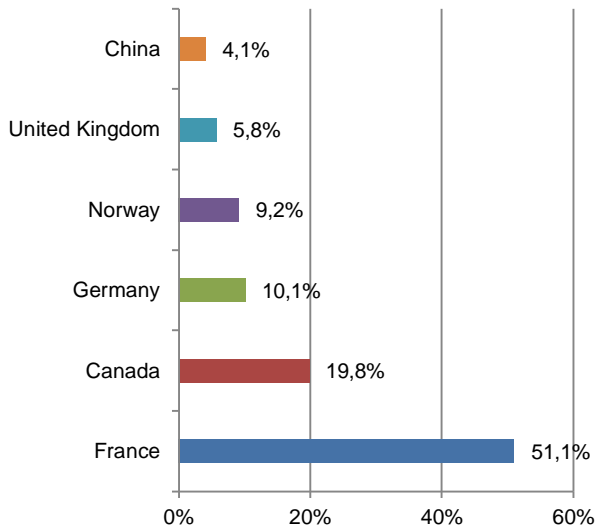
PORTFOLIO CONCENTRATION



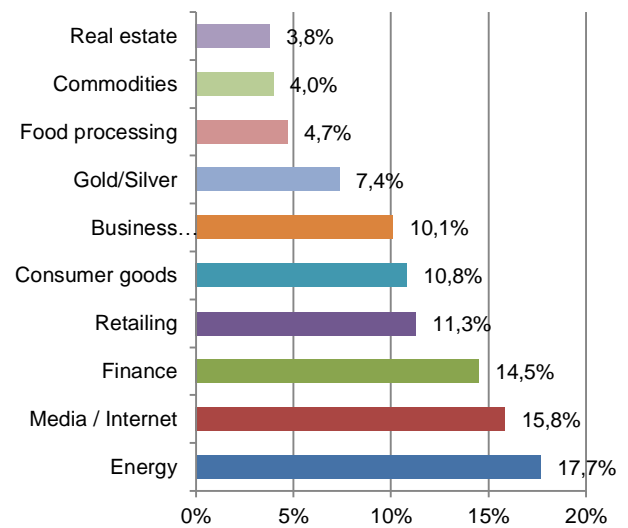
EQUITY EXPOSURE



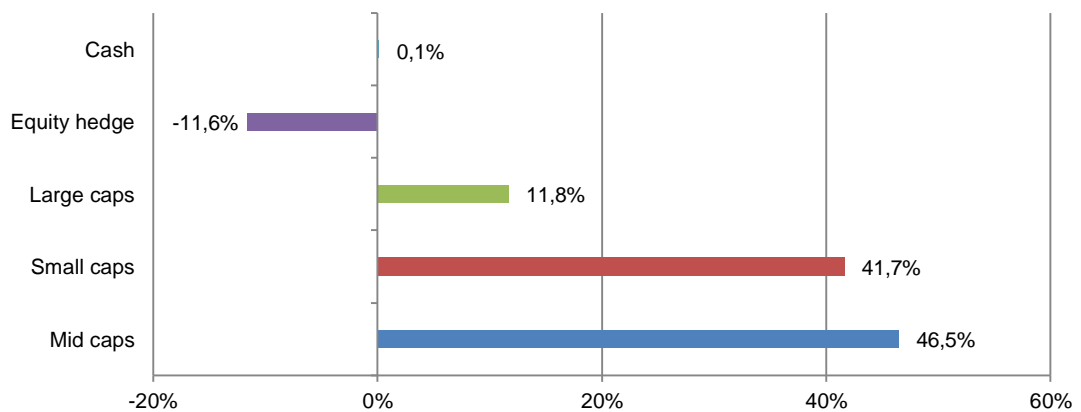
GEOGRAPHIC ALLOCATION OF INVESTED ASSETS



SECTOR ALLOCATION OF INVESTED ASSETS



ALLOCATION BY TYPE OF INSTRUMENTS



This document, of a commercial nature, provides a simplified presentation of the characteristics of the funds.

For further information, you can refer to the simplified prospectuses, which are authentic legal documents, available on the management firm's website or on request from the management firm.

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Portfolio management company – AMF accreditation N°. GP-04000038 – 445 224 090 RCS Paris

Past performance is not necessarily a guide to future performance; performance may vary over time.

The performances are presented net of management fees; the benchmark indices are calculated without dividends whereas the performance of the investment funds is calculated with dividends reinvested.

The recommended minimum investment period in Amiral Gestion funds is more than five years.

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