

### CapitalatWork

Sub-fund of Luxembourg domiciled Sicav - Part 1

Report Issued: March 2009

#### Peer Group:

Euroland Equities

#### Fund Manager/Adviser:

Dominique Marchese (since launch)

#### Location:

Brussels

Launch Date: May 2007

Fund Size (February 2009):

€27m

#### Group Contact No:

+352 2 663 48 91

#### Website:

www.capitalatwork.com

S&P ID Number: OS256205

#### Share class screened:

Class A

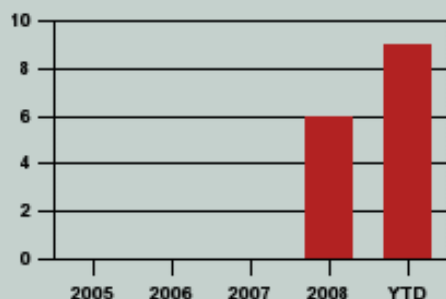


### INVESTMENT STYLE

	Value	Blend	Growth
Large-Cap			
Mid-Cap			
Small-Cap			

AS THE FUND IS UNDER THREE YEARS OLD THERE IS INSUFFICIENT PERFORMANCE DATA FOR RISK/RETURN ANALYSIS.

### CALENDAR YEAR DECILE RANKS



Decile ranking in discrete annual periods. 1st decile shown as rank 10, 2nd decile as rank 9, etc. to 10th decile as Rank 1.

Further information on S&P's fund coverage can be found at

[www.funds.standardandpoors.com](http://www.funds.standardandpoors.com)

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### STANDARD & POOR'S OPINION (MARCH 2009)

In February 2009 CapitalatWork was acquired by Foyer, a Luxembourg insurance group. Despite the change in ownership, this fund will continue to be managed by Dominique Marchese using the same investment approach.

Marchese started managing European equity funds in 1998 and he has over 16 years' total investment experience. He is the European equity specialist. In addition to managing funds, he is also responsible for researching energy, building materials and selective industrial companies.

The investment approach is bottom-up and looks for value through the analysis of total enterprise value and free cashflow. A quant screen is used to narrow the investment universe, by assessing industry cashflow generation and ROCE, to around 180 stocks. These are subjected to in-depth fundamental analysis using detailed DCF models.

Marchese has recently been making more use of the quant screen. This coincides with a reduction in the number of sector analysts from eight to five, and there is now no in-house coverage of financials. Although this is of some concern, we take comfort that the remaining analysts are the more experienced members of the team and that Marchese can draw on external research contacts for research on financials.

Marchese's experience and demonstrable track record on the S&P A rated pan-European European EquitiesatWork fund, support the S&P A (New) rating. However, we have some concern over the reduction of in-house research resources and will continue to follow developments in light of the change in ownership of the group.

### FACT FILE

**Group:** CapitalatWork was acquired by Luxembourg insurance company Foyer in February 2009. CapitalatWork will be combined with Foyer's existing asset management division to form a new asset management company with assets of close to €3.5bn under management.

**Team:** As a result of three junior analysts being cut from the team Marchese is now supported by five senior analysts and one quantitative analyst. The analysts have 10 years' average experience.

**Fund Manager:** Marchese has 16 years' investment experience. He is the group's European

equities specialist and also researches energy, building materials and selective industrials stocks.

**Style:** The style is long term and bottom-up, targeting companies that are undervalued on a free cashflow yield basis relative to the market's valuation. There is a bias towards Europe.

**Performance:** Since launch to 30/01/2009, the fund has returned -48.5%, compared with -49.5% for the sector median and -49.7% for the index\*\*, ranking 314/764.

### FUND MANAGER & TEAM

Luxembourg-domiciled CapitalatWork group was acquired by Luxembourg insurance group Foyer in February 2009. CapitalatWork will be combined with Foyer's existing asset management division to form a new asset management company with assets of close to €3.5bn under management. Marchese is the group's European equity specialist and, following the departure of three junior analysts, is now supported by one quant and five research analysts. They have sector responsibilities for European and US companies. All stocks are valued in the same way, based on a proprietary model.

Dominique Marchese - fund manager - mathematics (Catholic University of Louvain-la-Neuve), started his investment career in 1993, working with Banque Paribas, Banque Deway and CBC Banque before joining CapitalatWork in 2002. He manages European equity funds.

Ivan Nyssen - CIO - economics (RUCA Antwerpen), started his career with Lehman Brothers in 1987, moving to CapitalatWork in 1994. He is the chief strategist.

## PORTFOLIO CHARACTERISTICS

No. of holdings	44
Turnover ratio (%)	N/A
% in top 10	54

## TOP 10 HOLDINGS (01/02/09)

	%
Vinci	8.3
GBL	8.0
Total	6.8
GDF Suez	6.2
Siemens	5.7
Dassault System	4.3
Germany 4% 09-11-09	3.8
Adidas	3.7
Eutelsat	3.6
Publicis	3.5

\* In top 10 holdings a year ago

## ALLOCATION BREAKDOWN (01/02/09)

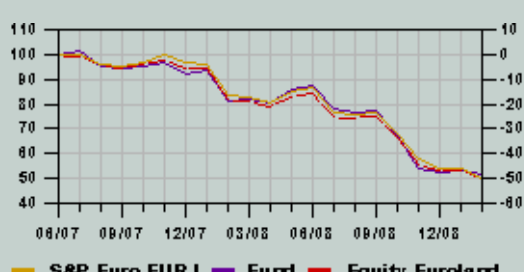
	Fund %
Consumer discretionary	20.0
Consumer staples	1.2
Energy	16.9
Financials	4.2
Healthcare	0.0
Industrials	26.1
Information technology	5.9
Materials	8.3
Telecoms	6.7
Utilities	10.7

Units III permits net fund exposure to be less or greater than 100%.

## PERFORMANCE STATISTICS

	Launch
Fund	-48.5%
Standard & Poor's Peer Median	-49.5%
Index**	-49.7%
Fund Rank	314/764
Standard Deviation	-
Relative Standard Deviation	-
Volatility Adjusted Ranking	-

## CUMULATIVE PERFORMANCE



# CONTRARIAN EURO EQUITIES AT WORK

Peer Group: Euroland Equities



## MANAGEMENT STYLE

- Marchese manages the fund in the same value-driven style applied throughout the CapitalatWork group.
- The universe of stocks is narrowed considerably by assessing industry cashflow generation and ROCE, with around 180 European stocks being subject to detailed DCF analysis. Assumptions are purposely conservative, with input from company meetings.
- Cashflow visibility and management quality are important qualitative criteria.
- Bottom-up stock selection based on DCF valuations drives portfolio positioning. The only constraint is to have at least seven

sectors. So the portfolio may differ markedly by country, sector and market capitalisation profile from eurozone peers and benchmark indices. There is often a bias to France and Belgium.

- The approach is clearly long term and holdings are built gradually, with the largest convictions usually limited to 7-8%. The portfolio is diversified through 40-50 holdings.
- Sales of call options on fully valued portfolio holdings may be implemented on a limited basis, to profit from high-volatility periods.
- The fund tends to run fully invested.

## PORTFOLIO REVIEW

In the 12 months following our last review, the number of holdings in the fund increased slightly from 43 to 44, while portfolio assets declined from €45m to €27m, as a result of market movement. Portfolio turnover was also slightly above the historical norm as Marchese repositioned the fund away from cyclical stocks most exposed to the economic downturn, towards defensive names.

fund's exposure to the sector from 19% to only 4% at review. Building material groups, such as Lafarge, and capital goods companies, including Schneider, were sold. The proceeds were reinvested into companies with good cashflow generation such as Eutelsat and Dassault Systèmes.

Holdings in companies exposed to emerging markets were sold and holdings in financials were cut back significantly, reducing the

Marchese also increased the fund's holding in Vivendi. Large-cap oil majors including Eni were favoured on a long-term contrarian view for their strong balance sheets and attractive valuations.

## PERFORMANCE ANALYSIS (FEBRUARY 2009)

Marchese has built a strong, albeit short, track record on this fund since launch in May 2007. Since then the fund has outperformed the peer median to rank 314 out of 764 to end-January 2009.

In 2008 the fund gained from the underweight in financials, which was extended during the year, and also from rotating out of cyclicals (Lafarge, St Gobain, Schneider) into defensives (Eutelsat, Dassault Systèmes, GDF Suez) provided a significant positive contribution to excess returns.

Stock selection has been the main driver of excess returns. However, Marchese has also been successful in adding incremental value through his use of writing covered calls and use of index futures to protect returns in the event of a sharp downturn in the market.

The fund gained from its holdings in the oil & gas sector in H1 2008, although these performed less well in H2. Writing covered calls added 100-150bps to annual returns and buying puts on the Eurostoxx 50 also helped.

## DISCRETE PERFORMANCE (CALENDAR YEARS)

	2005		2006		2007		2008		YTD 30/01/2009	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Fund		/		/						
Index**	26.4		22.6		9.2		-43.0	294/603	-3.5	112/604
Median	23.8		18.2		4.9		-43.2		-7.3	
									-5.9	

\*\* S&P Euro EUR

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