

Results forecasts and evaluation of the markets

PROFITS OUTLOOK

■ Projected results: excessive optimism?

- We no longer view more favourably a scenario of continuous improvement in profits, given the austerity plans and forthcoming tax pressures in Europe. We are reducing our earnings projections for 2010, to +20% in the eurozone, +30% in the United Kingdom and +35% in the US, thus demonstrating a more prudent outlook than that of the consensus.
- We are adopting a conservative view of stable earnings for 2011.

OTHER FACTORS

■ Very attractive valuations: the continuing paradox between declining markets and a rising consensus on net earnings. Whom should we believe?

- The US and Europe reported declines in the historic valuation levels of 2003-2007, and are approaching the 2009 low points.

■ Liquidity:

- US equity funds were still posting subscriptions in April, but inflows seemed to decline in May; slowdown of the flows even in Europe.
- Scant merger and acquisition movement, and slowdown in the rate of IPOs.

Performance of the main indices since the start of the year

	10/06/10	Var. 2010 in euros
DJ Euro Stoxx 50	2 609	-12%
SBF 250	2 554	-8,4%
CAC 40	3 517	-10,7%
FTSE 100 (UK)	5 132	2%
S&P 500	1 087	15,5%
Nasdaq	2 219	15,9%
Topix (Japon)	857	14,1%

Source : Datastream

EQUITY MANAGEMENT

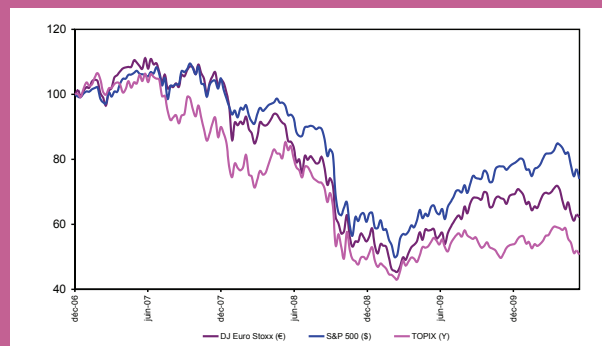
■ Small caps: 2010... still a year of out-performance?

- The current problems are specifically concentrated in financial securities, which hardly exist in this class of assets.
- The Mergers & Acquisitions cycle is focusing primarily on this asset class.
- Expectations are still far from the peak of the 2007 results, unlike those of the large caps.

■ Graphic analysis: return to a bear market

- Levels of surplus sales in the short term lead us to expect a rally, but this could be limited.
- The sharp decline in the indices has resulted in changing trends, i.e. a return to the bear market in the medium/ long terms.
- The indices will probably be testing the March 2009 levels.

Performances of international stock market indices

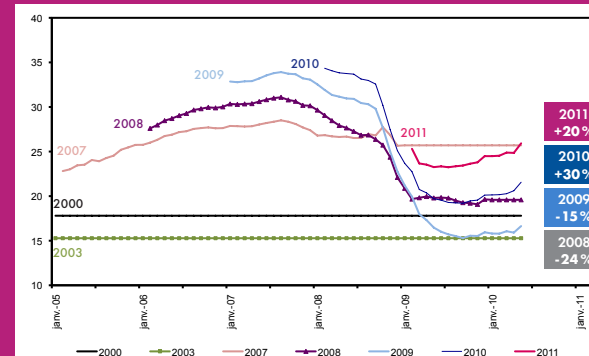


Source : Datastream

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Head of Equity Management



Profits forecast by the consensus on Euro Stoxx



Source : IBES

Market outlook

■ Prospects: the micro/macro battle

For several weeks now we have noted a growing inconsistency between declining indices and expected gains, which are still upgraded. The anomaly can only be resolved by a recovery in the equity markets... or a sharp downward revision in business income.

Unfortunately, it is the second hypothesis that seems most likely: a multiplication of plans for belt-tightening, increased tax pressure, pressure on domestic demand, particularly in Europe, risk of deflation, likely disappointment among raw materials producers, more restrictive regulation and demand for increasing levels of shareholders' equity: not only does growth in earnings in the eurozone risk being eaten away in 2010, but it could disappear entirely in 2011.

We have therefore not changed our objectives (revised sharply downwards at the end of May), either in the long-term or short-term.

Alternating between the stress of macroeconomic events and the publication of results, which should still be solid for this quarter (for how long?), the markets are expected to experience quite a shake-up and volatility around a pivot slightly lower than the current level, with the possibility of occasional dips to points that are clearly lower (3000 on the CAC 40).

Despite the progress made since the start of the year, we are maintaining our preference for the US and Japanese markets.