

## Equity Management

### EARNINGS FORECASTS

- **The upward revisions** of the analysts' consensus mainly concern 2010 and are less rosy for 2011.
- We are not changing our profit expectations and remain more cautious than the consensus.

### VALUATIONS

- **Valuations are falling**, due to the retreat of the equity markets and the decline in long rates, and are once again very attractive.
- Is the persistence of valuations at these levels down to a lack of visibility in the markets or a paradigm shift?

### OTHER FACTORS

- **Small caps return to favour:** few financial issuers, but many industrial in this asset class.
- The performance of small caps is expected to continue in 2011, favoured by M&A activity and higher earnings growth.
- **Flows: return of subscriptions in equity funds on both sides of the Atlantic.** Return of IPOs (Verallia, Moncler, Ferragamo), but declining M&As.

■ **Chart analysis: the markets take a break.** In the very short-term, the markets are at an oversold level and could rebound. The current configuration of the indices suggests a trend within a broad corridor. This trend could continue during the summer and thus form the expected interim top.

### OUTLOOK

#### ■ Markets caught between macro and micro...

- After striking the top of the channel observed for many months, the markets are reversing course under the dual threat of the debt crisis and the economic slowdown in the United States, thus conforming to the "risk-on, risk-off" pattern.
- On the macroeconomic side, the environment is tense, but not disastrous: conditions in the United States are deteriorating as expected; in Europe, we anticipate a resolution—albeit an overdue and painful one—to the Greek debt crisis. The question, however, is still open as to the consequences of the conclusion of QE2 and the effects of the end of the cash infusion into the financial markets.
- As regards microeconomics, while analysts expect upcoming earnings releases to be solid, the focus will be on the corporate outlook. Nevertheless, valuations are once again attractive, even

according to the sharply lower "post-crisis" standards. This is demonstrated by the companies themselves, which aren't hesitating to offer a substantial premium when pursuing a takeover target.

- Lastly, the contrarian reading of sentiment indicators is rather encouraging, with the "Bull / Bear" balance returning to its lowest levels of the past 18 months.
- As such, we haven't changed our target levels, anticipating a very slight rise at 3 months, with no geographical bias, and a somewhat more sustained increase at 12 months.

### A WORD ABOUT THE INVESTMENT STRATEGY

- **We are adopting a more cautious outlook** on financial shares, fearing that a solution to the Greek crisis will come a bit later than expected and will probably offer only momentary relief.
- **We continue to favour companies capable of preserving their margins:** strong brands, oligopolistic situations, i.e. automobiles, chemicals, healthcare and industrials.

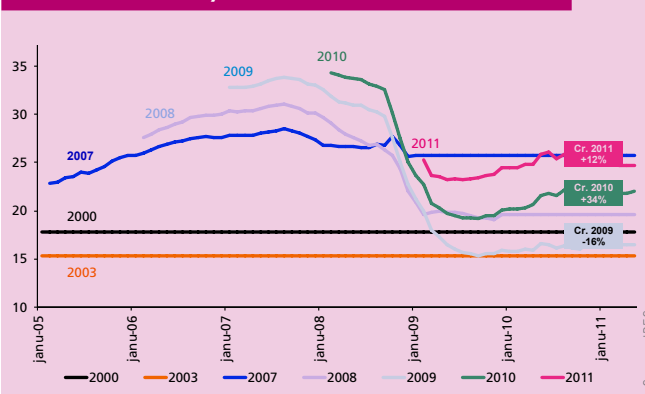
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### Performance of the main indices since the start of the year

	15/06/11	Var. 2011 in euros
DJ Euro Stoxx 50	2731	-2,20%
SBF 250	2824	0,82%
CAC 40	3807	0,05%
FTSE 100 (UK)	5743	-5,14%
S&P 500	1265	-5,55%
Nasdaq	2631	-6,88%
Topix (Japon)	825	-13,36%

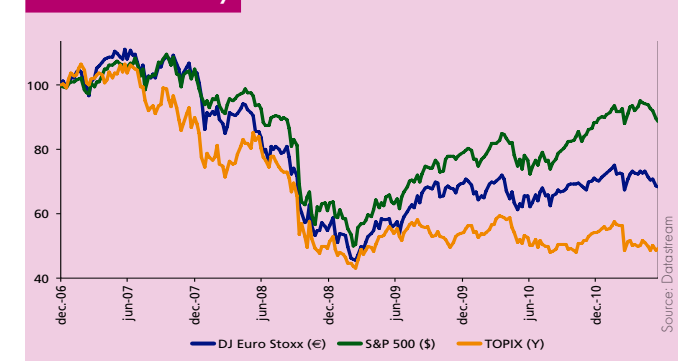
Source: Datastream

### Profits forecast by the consensus on Euro Stoxx



Source: IBES

### Performances of international stock market indices in local currency



Source: Datastream