

Equity Management

PROJECTED RESULTS AND VALUATIONS

■ Projected earnings: 2012 profits revised downward

- In Europe, earnings guidance has been lowered. Downward revisions also started in the U.S., which was previously stable...
- The 'net up' is now at its highest level since May 2009.

■ Equity market valuations are collapsing.

- The extremely low levels of the crisis have been exceeded!
- Europe, as the U.S., has entered into implicitly negative growth in the long term. A level previously unseen, and extremely distant from the valuations of 2003-2007 (growth years, to be sure...).

OTHER FACTORS

■ Flows: Significant withdrawals from equity funds

- In June and July withdrawals reached their highest level since October 2008.
- Reduced appetite: Several IPOs delayed.... M&A activity is mainly involving cash-rich sectors.

■ Chart analysis: A year-end rally? In a bear market...

- Early autumn could be a buy zone for equity markets - meaning any downturn would be a time to buy with a medium-term perspective (end 2011/early 2012). However, the long-term momentum remains negative and confirms that we are still in a bear market.

OUTLOOK

■ Outlook: Hope in the Eurozone, worries about corporate earnings

- The equity markets are operating under the dual pressure of a recessionary threat and eurozone difficulties. The sovereign debt crisis has spread to such a degree that the supposed 'U.S.' recession could originate in the eurozone, with the contagion spreading to the rest of the planet, including emerging countries: at least that's why the markets panicked.
- We have not changed our earnings expectations for the eurozone, which are still far behind those of the market, and we now expect zero growth in the United States. But even with our very conservative figures, current market levels imply a highly attractive

valuation (10x 2012 for the eurozone). Similarly, indicators of risk aversion are in a position of extreme panic, far below the levels reached in March 2009.

- Beyond the possibility of a temporary resolution of the debt crisis (in the coming weeks?) or a more integrated fiscal governance (in the coming years?), it can be said that equity markets are already anticipating the worst and that current levels are points of entry.
- But uncertainties remain, both at the macro- and micro-economic levels. Both our 3-month and 12-month forecasts therefore remain very modest. We are maintaining our bias for Asia and Japan, whose growth prospects—even as they slow—are still better than those of Western countries.

A WORD ABOUT THE INVESTMENT STRATEGY

■ We continue to favour companies benefiting from emerging market consumption (luxury goods, automobile).

We are more cautious about capital expenditures (capital goods, raw materials). Lastly, we are closing our short bet on financial securities, which should be helped by decisions taken in the coming weeks.

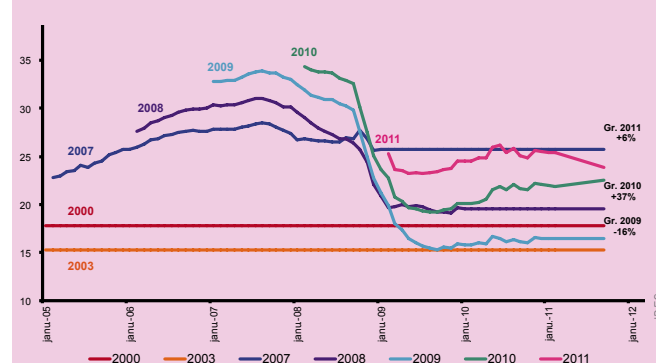
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Performance of the main indices since the start of the year

	13/10/11	Var. 2011 in euros
DJ Euro Stoxx 50	2333	-16,48 %
SBF 250	2374	-15,24 %
CAC 40	3187	-16,24 %
FTSE 100 (UK)	5403	-9,94 %
S&P 500	1204	-6,32 %
Nasdaq	2620	-3,32 %
Topix (Japan)	759	-12,76 %

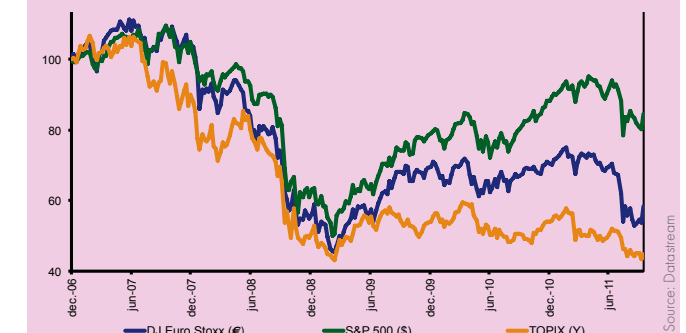
Source: Datastream

Profits forecast by the consensus on Euro Stoxx



Source: IBES

Performances of international stock market indices in local currency



Source: Datastream