



### Laffitte Equity Arbitrage

Monthly Reporting December 2009

#### Fund objective

Isin FR0010807412

Fund's AUM : €3.85M

NAV 12/31/09 : 100.71

Laffitte Equity Arbitrage's objective is to deliver an absolute performance which is uncorrelated to the stock market. To reach this goal the Fund invests in Long/Short positions on European and North Americas stocks.

#### Fund Management

From the universe of mid and large European and U.S. caps the asset managers detect arbitrage opportunities on two thematic of arbitrage: «Event» thematic and «Structure of Capital» thematic. This is the «stock picking» of the arbitrage idea.

The «Event» thematic aggregates long/short positions based on catalysts like merger, premerger or index re-balancing.

The «Structure of Capital» thematic has positions based on right issues, dual listing, «share class» arbitrage and holding arbitrage.

Then, the asset managers apply a probabilistic-statistical analysis of the arbitrage idea which determines the best level to open the position or « Market Timing ».

Finally the asset managers optimize in a discretionary way the portfolio's allocation by evaluating the risk/reward of each position.

#### Characteristics of the fund

INVESTMENT COMPANY: Laffitte Capital Mt

TYPE OF FUND : UCITS III (Diversified Fund)

CUSTODIAN : RBC Dexia

AUDITOR : Cabinet Sellam

SYNTHETIC PRIME BROKER : Various Cpties

NAV : Daily

RECOMMENDED DURATION OF INVESTMENT : 2y

ALLOTMENT OF RESULTS : Revenues capitalised

SUBSCRIPTION FEE : 2% TTC Max

PART FOR THE FUND : None

MANAGEMENT FEES : 2% TTC

PERF. FEES : 20% TTC over EONIA capitalized

INITIAL VALUE (11.23.09) : €100

MINIMUM INVESTMENT : €1000

CODE BLOOMBERG : LAFEARA FP Equity

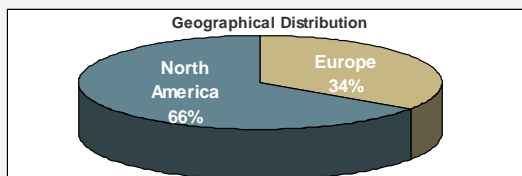
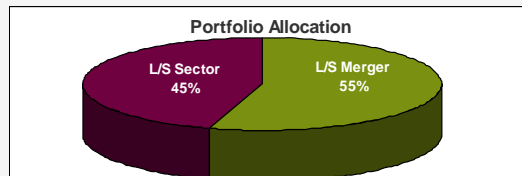
### Performance Analysis

#### Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Perf.	
2009													+0.71%	+0.71%

#### Performance Analysis

Month to date performance	+0.71%
Year to date performance	+0.71%
Performance since inception	+0.71%
Number of strategies in the portfolio	24
New position over the month	36
Closed positions over the month	-12



### Comments

#### Environment

Laffitte Equity Arbitrage has been launched at the end of November in a euphoric equity market that has largely anticipated the economic recovery. The monetary policy, especially in the U.S. will be the key issue: if the Fed durably leaves the rates unchanged at a very low level there is a real risk for inflation, if the Fed decides to raise the rates too fast there is a risk to strangle a weak growth.

The fund has also been launched in a positive environment for M&A and capital increases through right issues. There is actually a conjunction of positive elements for the M&A market: very low rates, a rebound of the equity market to finance deals with stocks and a come back of management confidence.

#### Performance analysis

Laffitte Equity Arbitrage is ending its first month with a positive performance: +0.71%. The performance came equally from Long/Short positions on mergers and on intra sector Long/Short arbitrage.

#### Event Thematic

This clusters profits from an improvement of the M&A market. We can mention in North America the offer from Exxon Mobil on XTO Energy for \$41.3Bln in the Oil sector, and the offers of the French companies Sanofi on Chatterm Inc for \$2.1Bln in the Pharmaceuticals distribution sector and Essilor on Fgx International holding in the optical distribution sector.

The Fund profited from the tightening of the spreads on Super de Boer, Tandberg and Aguas de Barcelona in Europe and in the U.S. profited from the rebound of Sun Microsystems share after Oracle seemed to convince the European competition commission in the U.S. about MySQL.

In the Long/Short sector arbitrage, we can mention the position on Sandisk, world supplier of memory sticks and data professional storage solutions whose demand is exploding since the first half of 2009, in particular thanks to the development of smart phones. There are many launches of the kind of phones since the end of 2009 and the beginning of 2010 (Google phone as an example). Then we took a long position on this stock and covered it by another stock of the sector in order to profit from these announcements.

We noticed in December a strong speculation in precious metals especially in the gold. The silver also rose but less than gold. Among the positions opened in December, we sold a stock correlated the gold and we were long Silver Wheaton Corp, active player of the silver market.

Finally, in the telecom sector, positions on Palm/Nokia, RDSA/Chevron had a positive performance to the Fund. In the paper pulp sector, a long/short on Stora Enso (world leader on this market) covered by a sector hedge has not yet converged. Nevertheless we are still confident of this position and we keep it.

#### Structure of Capital Thematic

The fund has been active on right issues in particular on ING and Nicox rights. Moreover, we tend to balance the portfolio on this thematic by implementing positions on « share class » arbitrage.

#### Perspectives

2009 ended on a positive note. We feel confident of the M&A strategy for 2010. Actually, visibility is back on specific sectors and the Corporate Bond market is still very active.

In the one hand, the current period is perfect for many companies that well passed the crisis, are long cash and look for external growth. On the other hand, many companies are weaker and are potential targets if they cannot reinforce their capital with right issues.

In both cases, Laffitte Equity Arbitrage is well positioned with its two thematics.

17 rue du Quatre Septembre  
75002 Paris - France  
Tél. : +33 1 55 04 79 30  
Fax : +33 1 55 04 78 28  
contact@laffittecapital.com

www.laffittecapital.com