



Laffitte Equity Arbitrage

Monthly Reporting February 2010

Isin FR0010807412 Fund's AUM : €4.96M

NAV 02/26/10 : 101.26

Fund objective

Laffitte Equity Arbitrage's objective is to deliver an absolute performance which is uncorrelated to the stock market. To reach this goal the Fund detects Events and invests in Equity Long/Short positions in Europe and in North America.

Fund Management

The Fund is focused on arbitrage linked to mergers (mergers, covered pre merger, indices re-balancing following a merger, share class arbitrage) and arbitrage linked to other corporate events (right issues, dual listing, holding arbitrage and intra sector arbitrage following a special event).

From the universe of mid and large European and U.S. caps the asset managers detect such catalysts. This is the arbitrage «stock picking».

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

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

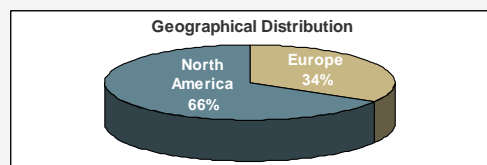
Characteristics of the fund

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 capitalised
 INITIAL VALUE (11.23.09) : €100
 MINIMUM INVESTMENT : €1000
 CODE BLOOMBERG : LAFEARA FP Equity

Performance Analysis

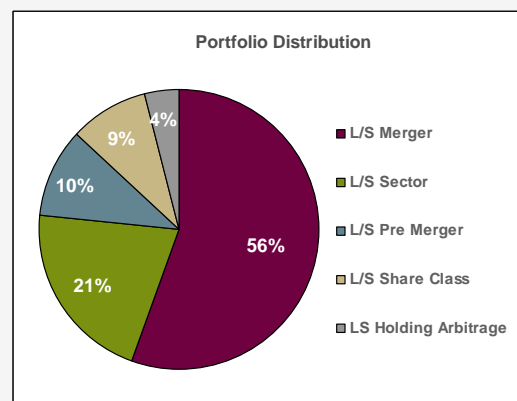
Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Perf.	
2009													+0.71%	+0.71%
2010	+0.00%	+0.55%												+0.55%



Performance Analysis

Month to date performance	+0.55%
Year to date performance	+0.55%
Performance since inception	+ 1.26%
Weekly volatility	1.26%
Number of strategies in the portfolio	39
New position over the month	14
Closed positions over the month	-15



Comments

Environment

We are in recovery but with a huge lack of visibility and economic data are either encouraging or disappointing. Thus the equity market is erratic. Moreover the states have more and more debt which is a pressure on their rating and a risk of insolvency. Southern Europe and especially Greece shook the markets. The asset managers have to be more reactive and have to adapt their positions to a more volatile equity market.

On the M&A side, activity is back. Key drivers are a search of growth in lower operating margins environment and a restructuring activity continuing. Access to cash is easier and many companies have cash rich balance sheets. A lack of corporate confidence from European managers in uncertainty over economic outlook is the last hurdle to a strong rebound of the activity. Nevertheless many rumours fuel the market. In the short term, many offers could arise in specific sectors such as the pharmaceutical industry, IT sector, industry, oil and oil services sector and certainly the financial and insurance sectors.

Performance analysis

Laffitte Equity Arbitrage delivered a positive performance over the month **+0.55%**. Volatility has been lowered thank to a re-balancing of the portfolio toward merger arbitrage positions to the detriment of sector Long/short positions. Two thirds of the Profit came from Merger Arbitrage; North America represents 80% of the profit.

Event Theme

The come back of investors on Merger Arbitrage strategies made the spreads to tighten. Hence, as in January, almost all the positions contribute positively to the fund's performance. We can mention in the U.S the success of the offer on IMS health and the convergence of 3Com Corp toward Hewlett Packard \$7.90 bid. In Europe, the asset managers were active on Kraft's Cadbury bid and sold short Cimpor by anticipating a fail of Cia Siderurgica Nacional's offer (« reverse deal »).

We reduced our exposure in the intra sector long/short cluster in order to limit volatility in a period of earnings. On the one hand, we profited from a fall of Nucor vs its peers in the steel sector and from an excellent performance of Weatherford international in the oil services sector. On the other hand Qualcomm dropped following worst than expected forecast in the Telecom equipment sector. We closed this position.

Moreover a position on Unibail linked to Stoxx re-balancing was a bad option. The stock suffered from weak annual results despite this technical event on the stock. Finally, regarding covered pre-merger, our decision to keep the position on Man Group was profitable because the stock rebounded after its earnings. We took our profit.

Structure of Capital Theme

We continued to increase our positions on Share-Class arbitrage in February especially in Italy (Fiat, Intesa San Paolo) and in Germany (BMW). We favour a dynamic approach of this kind of arbitrage instead of a pure carry trade. Hence we did trading on Telecom Italia saving and ordinary shares over the rumours on a potential merger with Telefonica. In the holding arbitrage cluster we closed our position on Christian Dior/LVMH due to a lack of visibility explained by the CEO at the earnings conference.

Perspectives

M&A are back. We enter in an exciting time where companies may choose either to reinforce their structure of capital or to opt for external growth in order to improve their operating margins. Laffitte Equity Arbitrage is well positioned to take advantage of this market's situation.

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