



### Laffitte Equity Arbitrage

Monthly Reporting March 2010

#### Fund objective

Isin FR0010807412 Fund's AUM : €5.23M

NAV 03/31/10 : 100.68

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».

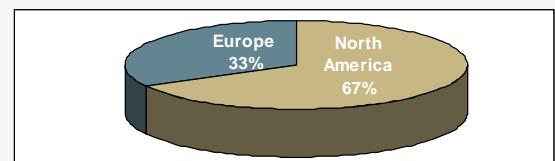
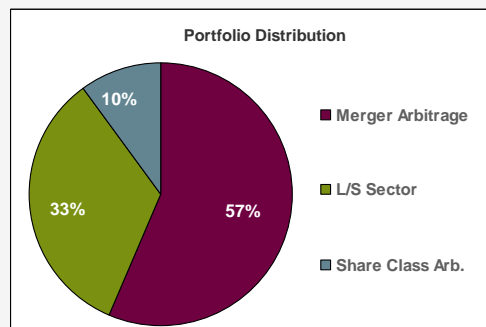
Then, the asset managers apply a probabilistic-statistical analysis of the arbitrage idea which determines the best level to open the position. This gives the arbitrage « Market Timing ».

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

### Performance Analysis

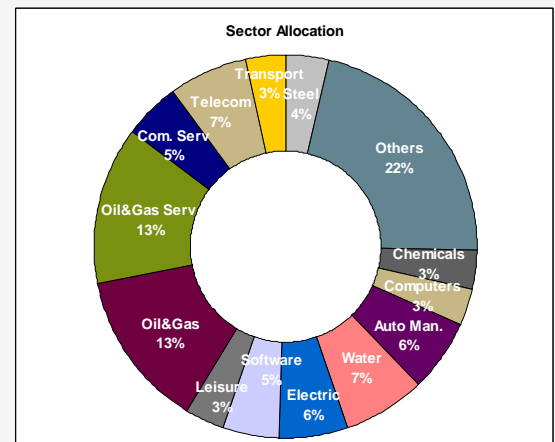
#### Performance mensuelle

	Jan	Feb	Mar	Avr	Mai	Juin	Juil	Aout	Sep	Oct	Nov	Dec	Perf. An.
2009												+0.71%	+0.71%
2010	+0.00%	+0.55%	-0.57%										-0.03%



#### Performance Analysis

Month to date performance	-0.57%
Year to date performance	-0.03%
Performance since inception	+ 0.68%
Weekly volatility	+2.01%
Maximum drawdown since inception	-0.57%
Number of strategies in the portfolio	44
New position over the month	20
Closed positions over the month	15



### Comments

#### Environment

Stocks markets surged in March (+7.43% for Eurostoxx 50 and + 5.88% for S&P 500) helped by economic data in line with expectations. A comeback of a stabilized economy is on track but the states remain heavily in debt. Moreover unemployment in developed countries will stay at a very high level and for a long time.

In such situations, it may be an opportune time for companies to consider external growth opportunities, namely merging or acquiring competitors to supplement what is likely to be tepid organic growth in the coming quarters. So M&A activity is still expanding in the United States. Europe is late due to a lack of economy's visibility. We remain convinced that big operations will be announced in this quarter on this zone.

#### Performance analysis

Laffitte Equity Arbitrage delivered a negative performance over the month -0.57%. This loss is coming from sector long/short positions especially in North America whereas Merger Arbitrage is flat.

#### Event Arbitrage

We can outline a number of offers in North America including MSCI Inc on Riskmetrics Group Inc for \$1.57Bln in the Financial services sector, Abry Partners on RCN Corp for \$1.19Bln in the telecom services sector and Quadra Mining Ltd on FNX Mining for \$1.19Bln in the Oil exploration sector.

We opened and closed a position on Corriente Resources Inc, a Canadian-based resource development and exploration company specializing in copper and copper-gold opportunities and operating in Ecuador. This company is in a selling process to Chinese companies CRCC (China Railway Construction Corporation Limited) and Tongguan (Chinese Mining Conglomerate). In fact we quickly closed our position as the stock was falling following bad comments from Ecuadorian President about a Chinese financing of a dam in his country. We considered that the market was exaggerating and we bought back the position at a lower level.

The Fund suffered from volatility on Skillsoft as Columbia Wanger, the main shareholder (22.16% stake) did not confirm its intention to tender its shares to a Private Equity group's bid. Finally, the group improved its offer to \$11.20 in order to convince shareholders.

In the intra sector long/short cluster, the Fund profited from buys and sells on Suez Environnement/Veolia and from Nucor Corp's underperformance vs its peers. On the other hand long positions on Imperial Tobacco in the tobacco sector and Weatherford international in the Oil services sector underperformed compared to their respective sectors.

Finally, in the covered pre-merger cluster, we opened a position on Aegis which main shareholder is Vincent Bolloré (29,7% stake) whereas Havas launched a €350M bond in October that could be useful to merge with Aegis.

#### Arbitrage linked to Capital Structure

Our decision to re-balance our portfolio to Share-Class arbitrage in Italy (Fiat, Intesa San Paolo) and in Germany since the beginning of the year has been profitable especially on Intesa-San Paolo and on BMW. We can mention that Fresenius decided to convert its preferred and ordinary shares.

#### Perspectives

We enter into an ideal era for M&A. Available cash in many companies, attractive stock prices, low interest rates and new buyers from emerging countries will contribute to the dynamism of the M&A market. Laffitte Equity Arbitrage is well positioned to take advantage of this market's situation.

#### 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

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