



### Laffitte Equity Arbitrage

Monthly Reporting April 2010

#### Fund objective

Isin FR0010807412 Fund's AUM : €5.23M

NAV 03/31/10 : 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 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.

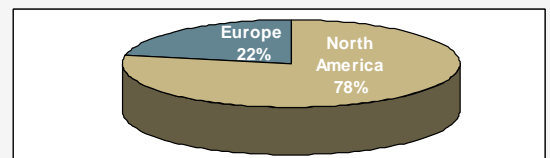
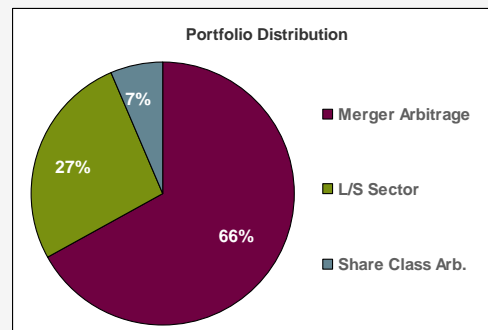
#### Characteristics of the fund

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

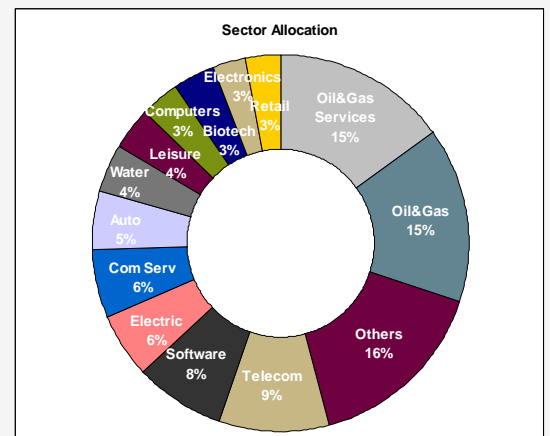
#### Monthly Performance

|      | Jan    | Feb    | Mar    | Apr    | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Year Perf. |
|------|--------|--------|--------|--------|-----|-----|-----|-----|-----|-----|-----|-----|------------|
| 2009 |        |        |        |        |     |     |     |     |     |     |     |     | +0.71%     |
| 2010 | +0.00% | +0.55% | -0.57% | +0.03% |     |     |     |     |     |     |     |     | +0.00%     |



#### Performance Analysis

|                                       |         |
|---------------------------------------|---------|
| Month to date performance             | +0.03%  |
| Year to date performance              | +0.00%  |
| Performance since inception           | + 0.71% |
| Weekly volatility                     | +2.01%  |
| Maximum drawdown since inception      | -0.57%  |
| Number of strategies in the portfolio | 40      |
| New position over the month           | 9       |
| Closed positions over the month       | 13      |



### Comments

#### Environment

Once again the market became aware of fact that the states will remain heavily in debt; Greece, Portugal and Spain weighed on the equity market in particular in Europe. Actually, it is interesting to notice a dichotomy between the European and the U.S zone in terms of economic growth. It has an impact on the equity market's performance: over the month Eurostoxx 50 fell by more than 4% whereas the S&P 500 is up 0.64%.

Regarding the M&A market, the activity is reaching a cruising speed in North America (almost a bid announced per day) and is rebounding in Europe.

#### Performance analysis

Laffitte Equity Arbitrage delivered a slightly positive performance over the month +0.03%. That confirms the fund's resistance in case of sharp decline of the equity markets. Merger arbitrage and long/short sector arbitrage had a positive contribution to the fund. Difficulties came from the share class arbitrage.

#### Event Arbitrage

We can outline in North America a nice offer from CenturyTel Inc on Qwest Communications for \$22.16Bln in the telecom sector and the oil sector is still very active with the offers from Apache Corp. on Mariner Energy Inc for 3.79Mds\$ and the offer from SandRidge Energy Inc on Arena resources for \$1.49Bln.

The fund profited from the spread's tightening on Corriente Resources Inc, a Canadian-based resource development and exploration company specializing in copper and copper-gold opportunities and operating in Ecuador. A good news came from Skillssoft, a stressing position from last month, after its buyer, a group of private equity funds, decided to improve its offer from 10.80\$ to \$11.20 in order to convince shareholders.

A few positions had a negative impact: FirstEnergy Corp. on Allegheny Energy in the U.S. electric sector widened as the companies sent their requests of approval from PUC (Public Utilities Commission) in the States where the companies operate. Finally, the U.S oil spill in the Gulf of Mexico had an impact on two current mergers in the oil sector (Smith International/Schlumberger and Mariner Energy/ Apache Corporation). This event cannot cancel these mergers but happens at a time when President Obama was looking at new concessions in the Gulf of Mexico.

We opened new positions on the recent offers: Arriva Plc, CKE Restaurants, Phase Forward, Mariner Energy, RCN Corporation and a small position on Qwest Telecom even if the offer could last more than one year.

In the intra sector long/short cluster, the fund profited from buys and sells on Suez Environnement/Veolia and on Dell/Hewlett Packard. On the other hand the fund suffered from Nvidia/Intel pair following explanations from Nvidia about technical limits on graphic cards and from Petrobras/Chevron pair due to strong earnings from Chevron (the short leg).

#### Arbitrage linked to Capital Structure

Following a tightening of Share-Class arbitrage in a period close to general meetings and dividend payments we took our profit on Henkel, Fondiaria and Intesa San Paolo. Unfortunately BMW share class widened. Finally we profited from the spin off announcement of Fiat to set up a position long saving-short ordinary.

#### Perspectives

After two years of consolidation and thanks to profits, companies are looking for external growth. The M&A market is at a cruising speed in the U.S. and is rebounding in Europe. The current period is ideal to enter the merger arbitrage strategy.

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

www.laffitecapital.com