



Laffitte Equity Arbitrage - Ucits III

Monthly Reporting May 2010

Isin FR0010807412

Fund's AUM : €5.26M

NAV 05/31/10 : 100.65

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.

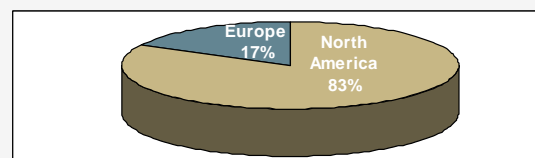
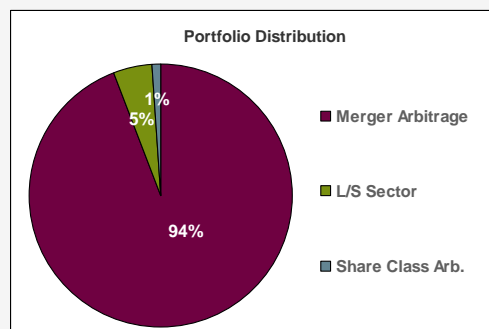
Characteristics of the fund

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

Performance Analysis

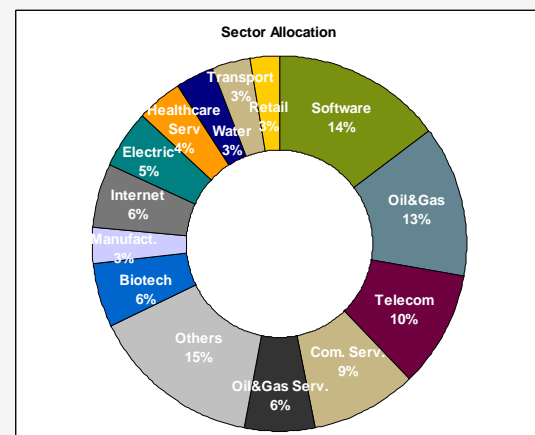
Monthly Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Perf.	
2009													+0.71%	+0.71%
2010	+0.00%	+0.55%	-0.57%	+0.03%	-0.06%									-0.06%



Performance Analysis

Month to date performance	-0.06%
Year to date performance	-0.06%
Performance since inception	+0.65%
Weekly volatility	+1.88%
Maximum drawdown since inception	-0.57%
Number of strategies in the portfolio	33
New position over the month	8
Closed positions over the month	15



Comments

Environment

The Euro crisis lasted in May due to a lack of cohesion between the European countries. The Euro fell sharply against the Dollar. Greece and Spain have been downgraded by Fitch. Finally, the U.S. market followed the European equity markets: S&P 500 and Eurostoxx 50 both lost around 8% over the month. Improvement is confirmed in the M&A market in North America with daily mergers' announcements in various sectors: healthcare, commercial services, oil production and exploration, software and even the air transport.

Performance analysis

Laffitte Equity Arbitrage delivered a slightly negative performance over the month -0.06%. That confirms the fund's resistance in case of sharp decline of the equity markets. Gains came from Merger Arbitrage have been compensated by loss on long/short sector positions. In this very volatile market, fund managers continued to reallocate the portfolio to merger arbitrage which offers in those days a better visibility and attractive return in terms of risk/reward.

Event Arbitrage

We can outline a number of offers in North America including the offer from Sap AG on Sybase for \$5.32Bln in the software sector, the offer from United Airlines on Continental Airlines for \$3.19Bln in the air transport sector and the offer from Universal Health Services on Psychiatric Solutions Inc for \$3.11Bln in the medical center sector.

The fund profited from the completion of the offer on Corriente Resources Inc, a Canadian-based resource development and exploration company specializing in copper and copper-gold opportunities and operating in Ecuador from Chinese companies CRCC and Tongguan. The tightening of Smith International/ Schlumberger spread had also a positive impact. A few positions had a negative impact: Interactive Data Corp and Mariner Energy. IDC is a LBO deal on which the managers took a position because they considered that the spread was too wide compared to the risk of financing. Finally, the U.S oil spill in the Gulf of Mexico had an impact on Mariner Energy/Apache Corporation. The market is anticipating a rise of exploration costs in order to secure oil rigs. Nevertheless, the merger agreement is safe and gives very few opportunities to break the deal. Moreover Apache confirmed that they were committed to the deal and were expecting to close the transaction during this summer.

We opened new positions on the recent offers: Arriva Plc, Phase Forward and Psychiatric Solutions Inc.

In the intra sector long/short cluster, the fund suffered from U.S. positions: Dell/HP, Nvidia Corp/Intel and Royal Caribbean Cruises/Carnival. We reduced the portfolio's exposure on this cluster because we are waiting for better market conditions. We opened a long/short position in Europe on Schneider/Legrand.

Arbitrage linked to Capital Structure

Following a tightening of Share-Class arbitrage in a period close to general meetings and dividend payments we reduced our positions on this cluster. BMW share class tightened over the month and we closed the position. We kept positions on Fiat and Telecom Italia.

Perspectives

Laffitte Equity Arbitrage proved its effectiveness as a vehicle uncorrelated to equity markets. In order to improve the fund's performance, the managers decided to focus the fund to merger arbitrage; arbitrage less volatile and helped by an improved M&A environment.

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