



Laffitte Equity Arbitrage - Ucits III

Monthly Reporting May 2011

Isin FR0010807412

Fund's AUM : €7.70M

NAV 03/31/2011 : 104.54

Fund's 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 is invested in Equity Long/Short positions in Europe and in North America.

Fund's Management

From the universe of mid and large European and U.S. caps the asset managers detect opportunities of arbitrage on these strategies:

- « Merger Arbitrage », arbitrage on announced deals ;
- « Special Situations » on a specific stock or sector included « Pre-Merger » ;
- « Capital Structure Arbitrage »: right issues, share class and holding arbitrage.

Then, the asset managers apply a probabilistic-statistical analysis of the arbitrage idea which determines the best level and timing to open the position.

Fund's Characteristics

INVESTMENT COMPANY: Laffitte Capital Mt

TYPE OF FUND : UCITS III (Diversified Fund)

CUSTODIAN : RBC Dexia

AUDITOR : Cabinet Sellam

NAV : Daily

RECOMMENDED DURATION OF INVESTMENT : 2y

ALLOTMENT OF RESULTS : Revenues capitalised

SUBSCRIPTION FEE : None

PART FOR THE FUND : None

MANAGEMENT FEES : 2% TTC

PERF. FEES : 20% TTC above EONIA capitalised

INITIAL VALUE (11.23.09) : €100

MINIMUM INVESTMENT : €1000

CODE BLOOMBERG : LAFEARA FP Equity

Disclaimer

Past performance is not a reliable indicator of future results. No assurance is or can reasonably be given that the Fund's investment objectives will be achieved.

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This report is neither an offer to sell, nor a solicitation to buy, an interest in the Fund. Any such offer, if made, would be made only by way of the offering documents of the Fund and only in jurisdictions where such offer would be lawful.

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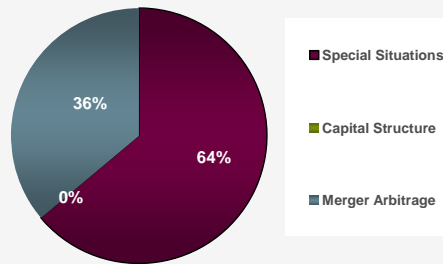
www.laffittecapital.com

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%	-0.06%	+0.52%	+0.36%	+0.52%	+0.33%	-0.56%	-0.03%	+0.40%	+1.49%
2011	+1.29%	+0.52%	-0.14%	-0.22%	+0.82%								+2.28%

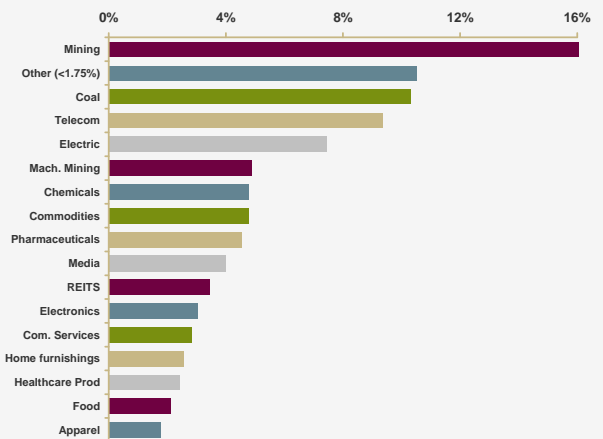
Portfolio Distribution



Performance Analysis

Month to date performance	+0.82%
Year to date performance	+2.28%
Last 12 months performance	+ 3.86%
Performance since inception	+4.54%
Weekly volatility since inception	2.14%
Maximum drawdown since inception	-0.57%
Sharpe Ratio since inception	1.42
Sharpe Ratio (last 12 months)	
Beta since inception	0.031
Number of strategies in the portfolio	28
New position over the month	+ 11
Closed positions over the month	- 17

Sector Allocation



Geographical Distribution



Comments

Environment

The macroeconomic data has begun to weigh on equity markets and much heavier in metals and commodity markets which have suffered from significant redemptions from investors. We are at a pivotal moment in the crisis where growth has to offset an unavoidable rise of interest rates and the burden of sovereign debts.

Performance analysis

Laffitte Equity Arbitrage was up **+0.82%** over-the-month. This demonstrates the ability of the fund to have a significant portion of its allocation in special situations while maintaining a low-correlation to the equity market and with volatility under control. Laffitte Equity Arbitrage also exhibits a one year rolling Sharpe ratio close to 2.

Special Situations

Special Situations positions accumulated at the end of March and during the month of April began to deliver performance. This part of the portfolio generated over 1% for the month of May.

More specifically, we took advantage of the Continental strategy that has delivered performance as expected due to a gradual re-rating after the offering of **Continental's** securities by Schaeffler which was indicated in our previous letter. Although covered, our positions in the commodities sector have suffered due to the sharp decline in this sector during the month. Our conviction that there will be a wave of M&A on quality assets and with low values in this sector remains strong. The takeover bid of Arch Coal for **International Coal**, which was our biggest position in the portfolio (5.3%), generated approximately a 30% premium. Aquarius Platinum announced an operation just over \$ 100m in the Bushveld region thus validating its strategy to expand its resources in platinum with a low capital cost, while potentially extending the length of time for their mining operations. In anticipation that during June markets could start to adjust sharply, therefore the decision has been taken to reposition the largest portfolio positions towards more defensive sectors (Telecom and Utilities) where which we have strong convictions. Furthermore, we have neutralized in beta the riskiest positions, in order to preserve the performance recently generated.

Merger Arbitrage

The merger arbitrage positions were slightly negative during the month (-0.20%). As indicated last month, the activity across Europe showed the greatest increase in volume since the beginning of the year (+110%) followed by the North American zone (+28%). M&A worldwide have exceeded one trillion dollars at the end of May which is six weeks earlier than in 2010.

The fund has benefited earlier this month from the bid of DuPont on **Danisco**, our main position. Later in the month, the **L1-identity** position detracted performance as we are still waiting from the green light of CFIUS. We have halved our position when the stock value began to decline. The response from CFIUS is expected by end of July at the latest. Over the period, we have opened new positions on Timberwest Forest Corp. and EDF Energies Nouvelles. The Fund also benefited from the payment of several offers including Alberto Culver and Dionex.

Capital Structure Arbitrage

We traded Intesa Sanpaolo rights.

Outlook

In times of crisis recovery, Laffitte Equity Arbitrage positioned itself to take advantage of the fact that many companies are prone to rely on external growth to optimize their huge level of cash and extend their business opportunities.