



Laffitte Equity Arbitrage - Ucits III

Monthly Reporting June 2011

Isin FR0010807412

Fund's AUM : €12.45M

NAV as of June, 30th : 106.52

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 Management

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 capitalized

INITIAL VALUE (11.23.09) : €100

MINIMUM INVESTMENT : €1000

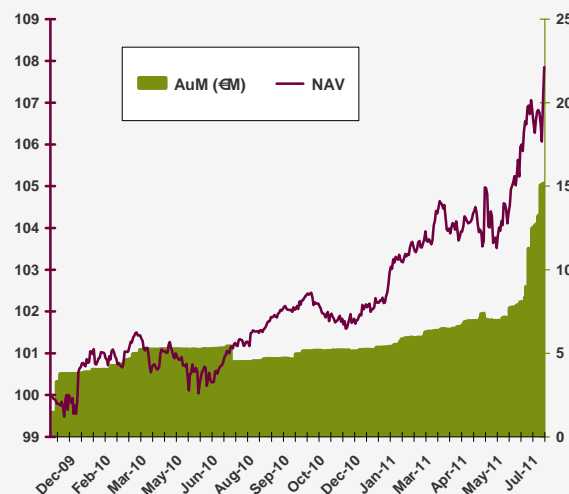
CODE BLOOMBERG : LAFEARA FP Equity

Performance Analysis

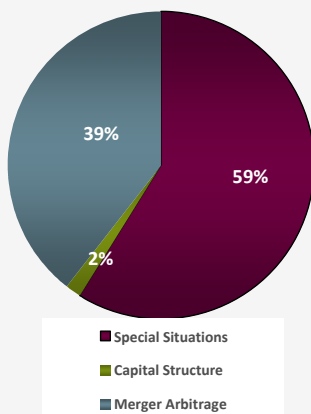
	Monthly Performance									
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
2009										
2010	+0.00%	+0.55%	-0.57%	+0.03%	-0.06%	+0.52%	+0.36%	+0.52%	+0.33%	-0.56%
2011	+1.29%	+0.52%	-0.14%	-0.22%	+0.82%	+1.89%	+1.30%			

Performance Analysis

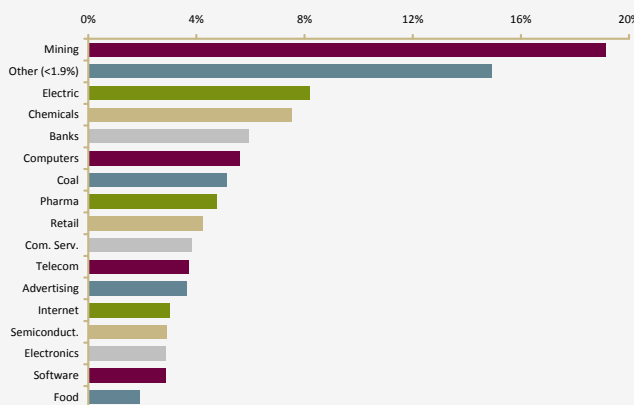
Month to date performance	+1.30%
Year to date performance	+5.57%
Last 12 months performance	+6.65%
Performance since inception	+7.90%
Annualized performance since inception	4.82%
Weekly volatility since inception	2.37%
Weekly volatility (last 12 months)	2.65%
Maximum drawdown since inception	-0.57%
Sharpe Ratio since inception	1.80
Sharpe Ratio (last 12 months)	
Beta since inception	0.031
Number of strategies in the portfolio	44
New position over the month	+ 29
Closed positions over the month	- 13



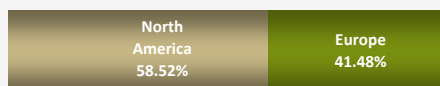
Portfolio Distribution



Sectors Distribution



Geographical Distribution



Comments

Environment

June was a typical month of market uncertainty and investors' low visibility. Equity markets slumped during the first three weeks of the month and then experienced a turnaround and a sharp recovery after the Greek Parliament approval of the austerity plans. This approval gave temporary relief to investors in relation to sovereign default concerns. Volatility went back to lower levels by the end of the month, which is a good indicator of investors' sentiment.

Performance analysis

Laffitte Equity Arbitrage completes the month posting a positive performance of **+1.89%**.

The special situations allocation, we decided to increase this spring, drove most of the performance. The merger arbitrage bucket had a positive performance as well, despite a few deals that went under market stress.

Thereby, for the first semester the performance of Laffitte Equity Arbitrage arises to **+4.22%** with a maximum monthly drawdown of -0.22% over the period.



Special Situations

The decision to hedge in beta the riskiest positions, mentioned in the previous monthly letter, as well as the profit taking on completed events (Continental, Rémy Cointreau) drove the performance of the special situations bucket which exhibits a positive performance of **+1.50%** for the month.

Hedging on high beta exposures like luxury or mining securities (U.S coal, copper) generated profits while these stocks were declining during the month.

This is our first month without any completion of expected events, as the market environment was not fostering the finalization of the deals we were working on. Meanwhile, many risk factors as the tensions linked to Greece's debt burden, the struggle against inflation in China or the disrepair of US macro figures clearly abate. We consider that the rebound of risky assets will be consistent and that the M&A momentum will be buoyant.

We abided with our stop loss policy on the Spanish Press stock Prisa, security we deemed as being priced clearly under its intrinsic value. We are waiting for the measures of debt reduction called forth by the management to take effect, in order to reconsider our investment.

Our precious metal-mining exposures suffered as well. We are staying in the course because we believe that the mispricing is partly due to analysts' estimates which do not take into account the "contango" on the forward price curve in their valuation computation.

Finally, the two positions mentioned in the previous monthly letter on telecom and utilities sectors performed very well in comparison with their comparable chosen to hedge the strategies (RWE and Telecom Italia). We therefore generated alpha on our main exposures. We came to the decision to lock the profits on the telecom position before the earnings (risk of earnings below the consensus). We think that the utilities position will deliver performance in a short term period.

Merger Arbitrage

Merger arbitrage allocation had a positive contribution as well (**+0.39%**).

Mainly middle-sized M&A deals have been heralded in June. North-America has been active with announcements such as the offer from Energy Transfer Equity on Southern Union or as the New-Zealander Rank Group's offer on the U.S. group Graham Packaging, one of the major players in the packaging industry.

Following an encouraging first semester in Europe, markets were slightly quieter. The only announcement above one billion dollars was an offer from Stanley Black & Decker on Niscayah, a high-tech security company.

By applying methodically our investment process, the fund benefited from a good stock-picking on M&A trades, averting notably three deals that went under stress this month (Dollar Thrifty Automotive Group, Exco Ressources and Harbin).

During the month, **L1-Identity**, for which Safran made a bid for, went to higher levels following reassuring comments from Safran management, still waiting for the green light from the CFIUS to finalise the deal (Committee on Foreign Investment in the United States - the committee in charge of validating the purchases of strategic American companies by foreign companies).

The position on the exchange offer from the Swedish Nibe Industrier AB on the Swiss heating manufacturer **Schulthess Group** was profitable as well. We were able to set up this trade by borrowing scarce securities to arbitrage: most of the arbitrage profit was due to the repo cost.

During the month we opened new positions on Mediamind Technologies Inc and Graham Packaging. The Fund benefited from many payment offers that were supposed to close before the end of the semester.

Capital Structure Arbitrage

We cannot mention any specific move on this cluster during the month.

Perspectives

Laffitte Equity Arbitrage with a more balanced Event Driven positioning (the special situations bucket gaining more weight in the portfolio allocation) ended the semester with a **+4.22%** increase.

In this period of crisis way out, the recovery of the M&A activity and the new strategic decisions for the companies are a good omen for the Laffitte Equity Arbitrage's environment.

Laffitte's News

New staff addition at Laffitte Capital Management

After the arrival last January of **Matthieu Raimbault**, portfolio manager on the "special situations" bucket for our two funds, especially Laffitte Equity Arbitrage - Ucits «Event Driven» Fund - **Martin Dauce** (ESC Toulouse, Amundi AI) and **Gregory Garnik** (ENSAE, Master in Mathematics applied to Finance) respectively joined the teams business development and portfolio management.

We want to take this opportunity to thank our investors for their trust, which enables us to develop our company and to enhance day by day the quality of our portfolio management and the closeness to our clients.

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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