



#### Objective

Laffitte Equity Arbitrage Fund is a Ucits Event Driven Fund on European and U.S. stocks regulated under French law.

Laffitte Equity Arbitrage's objective is to deliver an absolute performance, uncorrelated to the equity market.

#### Fund's Management

The Fund has three complementary engines of performance in terms of beta and volatility:

- « 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 CM
- TYPE OF FUND : UCITS (Diversified Fund)
- CUSTODIAN : RBC Dexia
- AUDITOR : PWC Sellam
- NAV : Daily
- RECOMMENDED DURATION OF INVEST. : 2years
- ALLOTMENT OF RESULTS : Revenues capitalised
- SUBSCRIPTION FEE : None
- PART FOR THE FUND : None
- MANAGEMENT FEES : 2% TTC
- PERF. FEES : 20% TTC above EONIA capitalized
- CENTRALIZATION: D-1 before 11.00 Paris Time
- SUBSCRIPTIONS : D at the closing - Delivery D+3
- REDEMPTIONS : D at the closing - Delivery D+5
- INITIAL VALUE (11.23.09) : €100
- MINIMUM INVESTMENT : €1000
- CODE BLOOMBERG : LAFEARA FP Equity

Isin FR0010807412

Fund's AUM : €23.42M

NAV as of November, 30<sup>th</sup> : 103.44

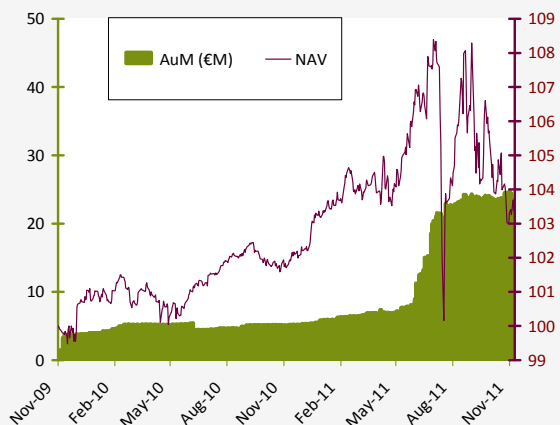
### Performance Analysis

#### Monthly Performance

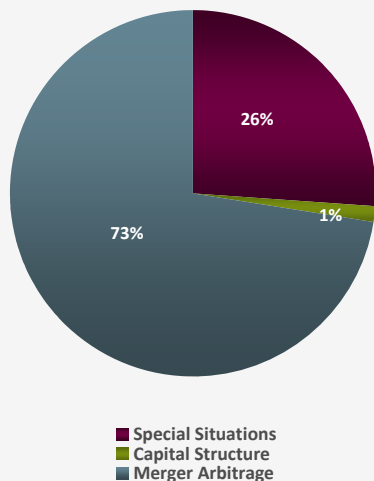
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year Perf.	
2009													+0.71%	+0.71%
2010	+0.00%	+0.55%	-0.57%	+0.03%	-0.06%	+0.52%	+0.36%	+0.52%	+0.33%	-0.56%	-0.03%	+0.40%		+1.49%
2011	+1.29%	+0.52%	-0.14%	-0.22%	+0.82%	+1.89%	+1.10%	-1.70%	-0.20%	-1.68%	-0.41%			+1.20%

#### Performance Analysis

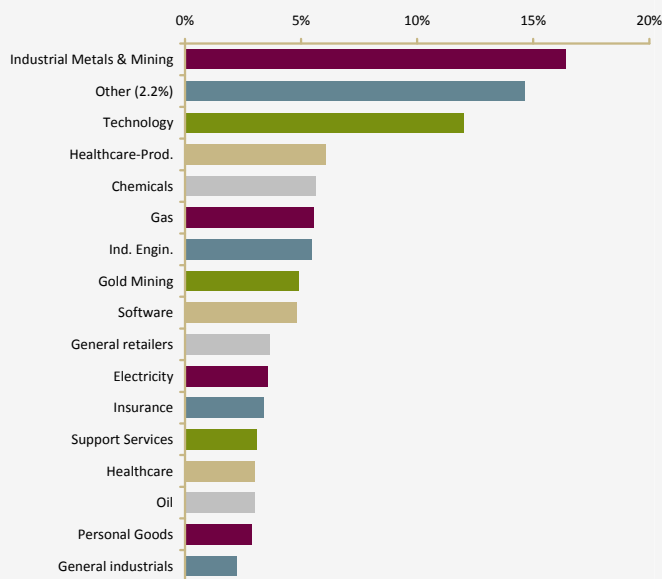
Month to date performance	-0.41%
Year to date performance	+1.20%
Last 12 months performance	+1.61%
Performance since inception	+3.44%
Annualized performance since inception	+1.69%
Weekly volatility since inception	2.77%
Weekly volatility (last 12 months)	3.51%
Maximum drawdown since inception	-1.70%
Sharpe Ratio since inception	0.38
Sharpe Ratio (last 12 months)	0.21
Beta since inception	0.073
Number of strategies in the portfolio	41
New position over the month	+10
Closed positions over the month	-14



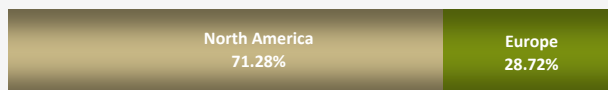
#### Portfolio Distribution



#### Sectors Distribution



#### Geographical Distribution



### Comments

#### Environment

November has again shown an extreme volatility. Even if the indices were stable over the month, they lost nearly 10% and then recovered it in less than a week by month end. The valuation of the shares has become very dependent on the market participants' psychological perception on the ability of European leaders to stem the debt crisis.

This situation is most likely to persist because, once fiscal discipline is applied, solutions to the current situation are structural and therefore will only be effective in the long run.





### Performance analysis

Laffitte Equity Arbitrage finished the month with a drop of -0.41%. Performance since the beginning of the year amounts to +1.20%. We continued to reallocate the portfolio to more positions in Merger Arbitrage and Share Class arbitrage at the expense of Special Situations that are more volatile in the current market.

### Special Situations

The pocket of Special Situations shows a decrease of -1.16% over the month.

The fund has suffered from the underperformance of four securities: the Portuguese cement company Cimpor, the German fertilizer producer K + S, which had performed well last month and the jewelry company Tiffany following the announcement of poor results. The first two positions were sold and the position on Tiffany is kept.

The fund benefited from the outperformance of ARM Holdings, a manufacturer of electronic components whose clients include Apple and Texas Instruments. The added value for this company is that they manufacture chips with lower power consumption than their competitors, which is an edge for the smart phone and tablet markets.

We also noted the interest in copper stocks which could become the target of a takeover. Chinese buyers are in effect continuing their purchase programs in the mining sector in order to meet their future internal consumption.

The contribution to the performance of our pre-merger positions is nearly flat. The good performance of Kalahari Minerals on which we expected an offer from the Chinese CGNPC was offset by the continued decline of Edison. The latter position was settled earlier this month.

### Merger Arbitrage

Positions in "Merger Arbitrage" showed a positive performance of +0.72% in November.

While October was marked by many operations in the mining sector, we saw in November that there was a return towards more traditional sectors, like the pharmaceutical industry.

Gilead announced an offer of \$ 11 billion on Pharmasset to take ownership of a new treatment for hepatitis C which is currently in a clinical trial phase.

This area should be very promising for our strategy in the coming years. Indeed, a recent study by KPMG shows that 83% of pharmaceutical executives who were surveyed expect their company to be part of a merger or acquisition within the next two years. Their main motivation is to obtain new patents, in order to renew product ranges where the exclusivity for a number of molecules are coming close to their expiration dates. Needless to say that this situation will lead to greater competition on their high-margin drugs from generic products.

Among the positions that have contributed positively to performance, we would like to mention the convergence of the following mergers spreads: the acquisition by Johnson & Johnson's manufacturer of Synthes medical implants and the offer of the consortium Maple Group Acquisition Corp on the Toronto Stock Exchange. None of the announced merger spreads the Fund was invested in had a significant negative contribution.

Over the period, we opened new positions including Pharmasset Inc. and Canmarc Real Estate. Bids were settled for: Man AG, Emdeon Inc., Kinetic Concepts Inc. and Variant Semiconductor Equipment.

### Capital Structure Arbitrage

The performance is stable on this type of arbitrage but we have taken advantage of announcements and opened new positions, in particular, relating to the decision by Fiat to assimilate its common shares, savings and preferred dividends.

### Outlook

At the end of the year in a difficult market environment, we decided to reposition the funds towards more defensive positions such as arbitrage of announced mergers and acquisitions and share-class arbitrage.

We believe that the ingredients are still there to support the current wave of mergers. On the one hand there are companies that are full of cash, with need to create value for their shareholders, accomplishing it through the acquisition of new products and new customers. On the other hand there are companies stuck in a complicated business climate which make them more prone to takeover discussions.

### Laffitte's News



**Laffitte Capital Management nominated by Morningstar for its "Tremplin Award" in the "Alternative Asset Management" category**

This prize rewards the capacity of innovation and the dynamism of the new French asset managers (among 200 asset managers).

### 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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