

# Monthly Performance Update

## Dexia Sustainable Global Equity Fund



CERTIFIED BY RIAA

### January 2010

#### Market Comment

January 2010 turned out to be a difficult month for the global stock markets amid a combination of worries about US bank regulations, China's monetary policy and Greece's financial health.

On the macro-economic front, investors enthusiastically welcomed China's trade figures. Indeed, Chinese exports climbed 17.7% last month while imports soared 6%, demonstrating the health of the global economy. In monetary policy terms, however, the Chinese central bank increased the reserve requirement ratio for banks by 50 basis points, in an attempt to curb inflation and a possible credit bubble if the government maintains its stimulus plans.

In the US, the Fed kept its interest rates unchanged, reiterated its pledge to keep them low "for an extended period" and noted that the economy "continues to strengthen".

In Europe, too, the ECB, as expected, kept its rate at 1%. Jean-Claude Trichet, the ECB president, said that, with the euro zone facing a "bumpy road" and "great level of uncertainty", the current interest-rate level was appropriate, signalling thereby that any rate hike in the near future was not on the agenda.

#### Fund Comment

The top three contributors to performance in January included Procter & Gamble (Consumer Staples), WW Grainger (Industrials) and Amgen (Health Care). Procter & Gamble, an overweight position based on a good 'Profitability' quantitative score, reported second-quarter results that topped analysts' estimates after price cuts helped boost volume. Sales increased by 6.4% after four quarters of declines. WW Grainger, an overweight position based on its good 'Operating Efficiency' and 'Financial Strength' quant scores, saw stronger sales over the past two months which led it to raise its outlook for the current year. Management now expects sales to rise between 6% and 10%, up from the prior forecast of a 4% to 8%. Finally Amgen, an overweight position based on its good 'Profitability' and 'Financial Strength' scores, stated that annual revenue will rise by as much as 6% in 2010.

Stock holdings detrimental to returns in January 2010 included overweight positions in Google (IT) and Texas Instruments (IT) and a non-holding in General Electric (Industrials). Google's share price suffered following the company's 4Q09 earnings report and the possible loss of Google's growth opportunity in China. Despite Texas Instruments' profit and sales beating analysts' estimates, the stock retreated over the course of the month. General Electric outperformed during the month following the announcement that the key trouble spot of Commercial real estate was manageable. The real estate division of GE Capital has about USD 7bn in unrealised losses. Plans to shrink the unit's balance sheet, however, are well ahead of schedule.

#### Performance\* (as at 31st January 2010)

	Portfolio%	Benchmark**%	Value Add%
One Month	-3.16	-3.00	-0.16
Three Months	3.64	3.26	0.38
One Year	0.10	-2.29	2.39
Two Years	-9.42	-10.44	1.02
Three Years	-11.86	-11.51	-0.35
Four Years	-5.93	-5.81	-0.11
Five Years	-1.25	-1.16	-0.09

\* Before Fees and Taxes \*\* MSCI World (net divs reinvested)

#### Top 10 Holdings (as at 31st January 2010)

Holding	Country	%
Procter & Gamble	United States	3.11
Cisco Systems	United States	1.67
Grainger	United States	1.67
Google	United States	1.67
CH Robinson Worldwide	United States	1.66
Manpower	United States	1.57
Amgen	United States	1.47
PepsiCo	United States	1.30
Johnson & Johnson	United States	1.25
BP	United Kingdom	1.16

#### Fund Information

Style	Core / Neutral
Benchmark	MSCI World (net dividends reinvested) in A\$
NAV Calculation	Daily
Currency Risk	Unhedged

Dexia AM's sustainable management philosophy seeks to generate outperformance from two distinct sources. The first source is derived from identifying risks and opportunities linked to social, environmental and governance issues that are often out of the scope of traditional financial analysis but which can have a significant impact on long-term performance.

The second source results from detailed quantitative analysis of the sustainable universe coupled with a risk controlled portfolio construction process. Sector, region and style biases in the portfolio are minimised to ensure stock specific factors drive portfolio performance rather than predetermined investment themes.