CMB
Compagnie Monégasque de Banque

January 2010

MONACO CORPORATE BOND EURO
FUND UNDER MONACO LAW

The fund has obtained the permit n°2008-01 dated July the 21st 2008 by the Commission de Contrôle des Activités Financières

The complete prospectus is available to clients at any CMB branch

Type of fund:
international bonds

Reference currency:
Euro

Recommended investment horizon:
minimum 3 years

Allotment of results:
capitalized

Frequency of net asset value calculation:
daily

Pricing method:
closing prices

Conditions of subscription-redemption:
with CMB, valued at the day's close as calculated on the following day, for orders placed until 11.00 am

Inception date:
August 4th, 2008

Fund manager:
Cie Monégasque de Gestion SAM
13 bd Princesse Charlotte
Principality of Monaco

Depository bank:
Cie Monégasque de Banque SAM
23 avenue de la Costa
Principality of Monaco

Publication of Net Asset Value:
in the "Journal Officiel de Monaco" and posted in the head office of CMB and its branches.
The Net Asset Value of our funds is published and updated on a regular basis on our web page www.cmb.mc

Description

The fund seeks to enhance the performance of an investment in medium-maturity Euro bonds with additional returns obtained through the active management of a portfolio of investment-grade corporate bonds.

Investment objective

The fund is suitable for clients looking to build an exposure to the Euro denominated corporate bonds market. It is a financial instrument in which the client may invest part of his assets, with a recommended investment horizon of at least 3 years. The objective is to generate capital gains in the medium run. In the case where an investment for a shorter time horizon is considered, the client should be informed about the levels of volatility and risk inherent to bond markets in the short run.

Management style

The fund is managed actively, with a focus on issuer selection.
The management process follows a 3-step agenda, with a Top – Down approach.
The first step in the creation of the portfolio consists in defining a portfolio allocation by industry sector, maturity, and credit rating. Investment opportunities are identified through the analysis of macroeconomic trends, valuation levels (levels of credit risk premiums, or spreads), and technical criteria (demand and offer of issues, volatility…).
The second step encompasses the selection of issuers on the basis of to their fundamentals (analysis of the main financial soundness ratios, liquidity levels…), as well as on their relative valuations.
The last step aims at selecting the most appropriate investment vehicles, in order to set up the strategic orientations as defined in the first two phases (allocation and issuer selection).
The fund seeks optimal diversification in order to minimise risks while aiming at producing capital gains in the medium run.
The fund is taking advantage of the cooperation with well-known financial intermediaries and institutions, to access top information in order to elaborate economic and market analysis and to select the corporate issues included in the portfolio.
The degree of risk of the overall portfolio is controlled on a regular basis, in order to assure the right positioning in regard to the evolution of the yield curve and, credit spreads and overall market volatility.

Investment universe

The portfolio will be invested in investment grade corporate bonds denominated in Euro. A part of the portfolio may be invested in convertible bonds, money market products, or kept in cash, in an effort to take advantage of market conditions. A diversification can be considered in corporate debt denominated in currencies other than Euro (essentially US Dollar and British Pound). These holdings will then be hedged against currency risk.

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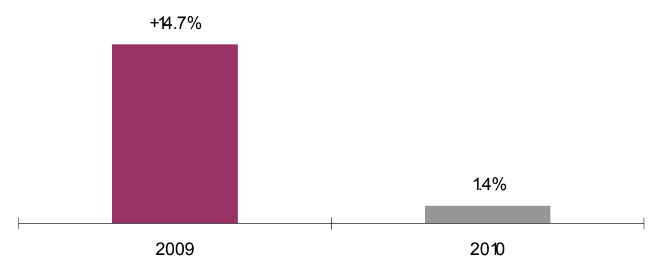
Monthly report

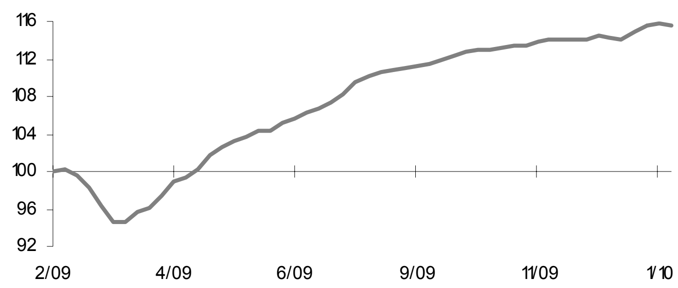
Net Asset Value as of January 29th, 2010: 1,128.88 €
Monthly Performance: +1.4 %

Asset Allocation

Historic performance



Trailing 12 months performance (basis 100)



Past performance does not guarantee future performance. 2009 performance data is not audited.

Market strategy

In January, stock markets fell considerably after their rise in recent months. Investor risk aversion increased, in line with the implied volatility index of the S&P 500 which rose from 20% to 25%. At the macro-economic level, activity indicators such as the US consumer confidence indices have returned to their pre-crisis levels. Furthermore, the employment market, which is still causing concern as regards the sustainability of this recovery, has shown initial signs of a turnaround with job creations versus job losses almost on the positive side.

In terms of monetary policy, at its meeting of 14 January, the ECB maintained its target rate at 1%, as anticipated. Target rates are forecast to remain stable over the coming months. In this context, interest rates, after their sharp rise in December, have now adjusted themselves. 5-year yields in the Euro zone fell by 20 bp to a level of 2.28% on 29/01. The 2/10 year Euro gradient rose in spite of an adjustment at the end of the period to reach a level of 175 bp at the end of the month, representing an increase of 5 bp.

In that context, credit bond spreads continued their downward slide. The average spread over government bonds in the Merrill Lynch Corporate Euro index declined by 12 bp to 155 bp on 29/01. The average spread of financial issuers tightened by 22 bp, settling at 193 bp, while the average spread of industrial issuers declined by just 2 bp to 111 bp. The new issues market was relatively inactive during this period.

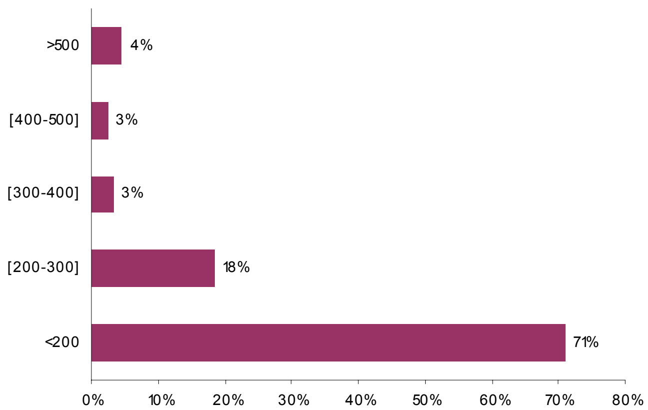
Sector allocation remained balanced between financials and industrials within the portfolio. Allocation by category favours BBB to the detriment of AA. At the end of the month, the fund showed a yield of 3.64% with an average maturity close to 4 years. The portfolio's average spread over government bonds amounted to 210 bp. In terms of the management of interest rate risk, the portfolio's modified duration was below neutral at 2.69% on 29 January 2010.

Main positions

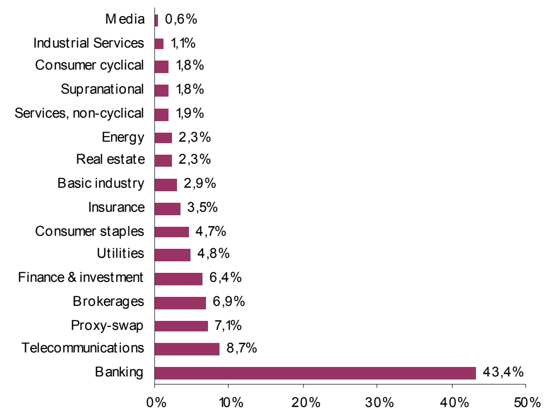
Banque Psa Finance 8.500% 2012 ....2.8%
Dexia 5.375% 2014..2.6%
Royal Bank Of Scotland 5.250% 2013 ....2.6%

Deutsche Telekom 6.00% 2017 .... 2.4%
Morgan Stanley Variable 2012................................... 2.3%
Gaz Capital 8.13% 2015.. 2.2%

Spread over Government



Sector distribution



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