



MONACO EXPANSION EURO FUND UNDER MONACO LAW

Adjustment of the complete prospectus in accordance with the regulations of the Loi 1.339 as of September 7th, 2007 and of the Ordonnance Souveraine 1.285 of September 10th, 2007, approved as of November 24th, 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 2 to 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:
March 11th, 1994

Fund manager:
C^{ie} Monégasque de Gestion SAM
13 bd Princesse Charlotte
Principality of Monaco

Depository bank:
C^{ie} Monégasque de Banque SAM
23 avenue de la Costa
Principality of Monaco

Publication of the 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 invests in bonds with an international diversification. The fund manager may also invest part of the portfolio in convertible bonds, in money market instruments or keep a part in liquidity depending on market conditions. Investments are focused on the Euro.

Investment objective

The fund is suitable for clients looking to build an exposure to international bonds denominated in Euro. It is a financial instrument in which the client may invest part of his assets, with a recommended investment horizon of at least 2 to 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.

The first step in the creation of the portfolio consists in an investment strategy which is split between an analysis of economic conditions and a detailed analysis of markets and yield curves.

The conclusion of these analyses is shaping the outlook for interest rates. According to the circumstances, the fund manager seeks to position the portfolio to take advantage of the shape of the yield curve. In the case of an expected decrease in long-term rates, investments in bonds with longer-term maturities are privileged. Inversely, in the case of an expected increase in long-term rates, the fund focuses on bonds with shorter maturities.

The fund returns are coming from coupon payments on the one hand and from possible capital gains on the other hand which the fund may generate in an environment of falling interest rates.

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.

Investment universe

The major part of the portfolio will be invested in government bonds of the Euro Zone or other governments or supranational issues, denominated in Euro.

A small part of the portfolio may be invested in corporate issues, denominated in Euro, depending on the yield pick-up linked to the issuer.

A diversification can be considered in government or supranational bonds, denominated in currencies which have a strong correlation with the European currency, like the Swedish, Norwegian or Danish currencies.

Investments are concentrated in bonds with an AAA rating. The minimum rating accepted in the fund is BBB.





MONACO EXPANSION EURO Monthly report

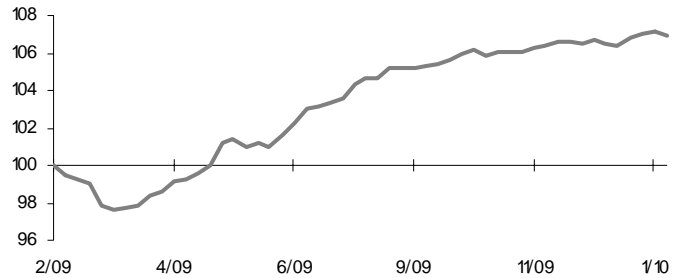
Net Asset Value as of January 29th, 2010: 5,030.58 €
 Monthly Performance: +0.5 %

Performance

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 as an adjustment 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.

At its 27 January meeting, the Fed left its target rate unchanged at between 0% and 0.25%. By repeating its commitment to maintain its target rate at a low level for a prolonged period, the Fed is also giving an indication of the gradual withdrawal of its liquidity programmes and support for the credit markets. At the end of the month, the markets were not expecting to see an increase in rates before the third quarter this year.

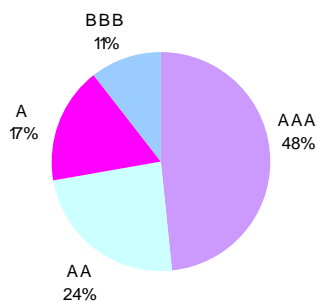
In this environment, credit bond spreads continued their downward slide. The average spread over government bonds in the Merrill Lynch Corporate Euro index declined by 12 bp to 155 bp on 29/01. The average spread of financial issuers contributed to virtually the whole fall, whereas industrial issuers remained fairly stable in this period.

Credit diversification had a positive effect on portfolio performance over the month. The positioning of the fund towards a flattening of the curve was neutral in terms of its impact on performance. The portfolio's modified duration was maintained during the first part of the month at a level of around 2.70%. From 20 January, exposure to interest rates was gradually reduced. The portfolio's modified duration stood at 2.11% on 29 January 2010.

Main positions

France 4% 2014	10.6%	Dexia 2.63% 2014	6.5%
France 4% 2013	7.9%	Germany 1.5% 2016	6.4%
France 4.25% 2017	6.8%	France 4% 2013	6.4%

Rating distribution



Modified duration distribution

