



MONACO EXPANSION USD 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:
US Dollar

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:
October 28th, 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 US Dollar.

Investment objective

The fund is suitable for clients looking to build an exposure to international bonds denominated in US-Dollar. 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 United States or other governments or supranational issues, denominated in US Dollar.

A small part of the portfolio may be invested in corporate issues, denominated in US Dollar, 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 US currency, like the Canadian or the Australian Dollar.

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





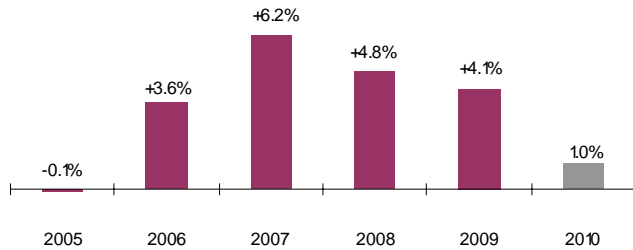
MONACO EXPANSION USD

Monthly report

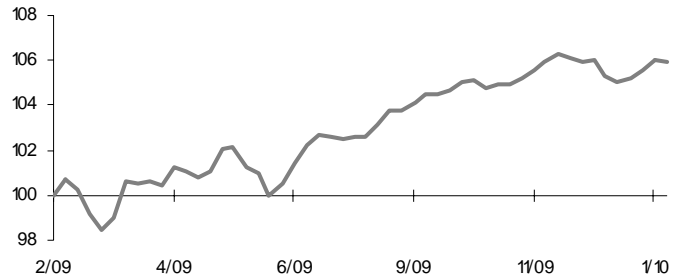
Net Asset Value as of January 29th, 2010: \$5,384.43
 Monthly Performance: +1.0 %

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.

In terms of monetary policy, at its meeting of 27 January, the Fed maintained its target rate unchanged at 0.25%. It is predicted that target rates will remain stable over the coming months, but initial rate increases are expected to take place in the second half of the year. In this environment, US interest rates adjusted after the sharp rise of December 2009 and fell in this period. In fact, US 5-year yields fell by 26 bp, reaching a level of 2.32% on 29/01. The 2/10 year US swap gradient rose, in spite of an adjustment at the end of the period, to reach a level of 260 bp at month end, representing a rise of 5 bp.

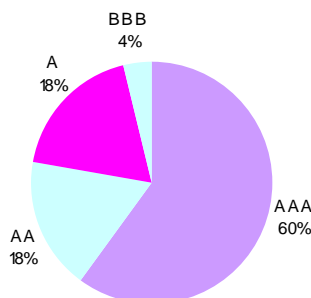
In this context, credit bond spreads reduced over the period. The average spread over government bonds of the Merrill Lynch Corporate US index declined by 9 bp to reach a figure of 181 bp on 29/01.

Credit diversification had a positive effect on portfolio performance over the month. The positioning of the fund towards a flattening of the curve was negative. Investments in inflation-indexed bonds under-performed traditional bonds. The portfolio's modified duration was maintained during the first part of the month at a level of around 3.30%. From 21 January, exposure to interest rates was gradually reduced. The portfolio's modified duration stood at 2.81% on 29 January 2010.

Main positions

United States 1.75% 2014	8.5%	EIB 3.25% 2013	6.2%
United States 3.625% 2013	8.5%	General Electric 5.45% 2013	5.6%
Temasek 4.5% 2015	6.3%	United States 1.875% 2015	5.1%

Rating distribution



Modified duration distribution

