



# 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 4<sup>th</sup>, 2008

Fund manager:  
C<sup>ie</sup> Monégasque de Gestion SAM  
13 bd Princesse Charlotte  
Principality of Monaco

Depository bank:  
C<sup>ie</sup> 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](http://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 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.



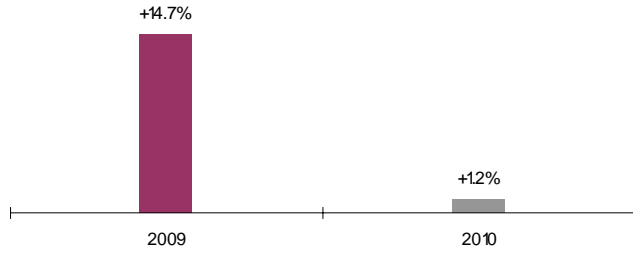


## MONACO CORPORATE BOND EURO Monthly report

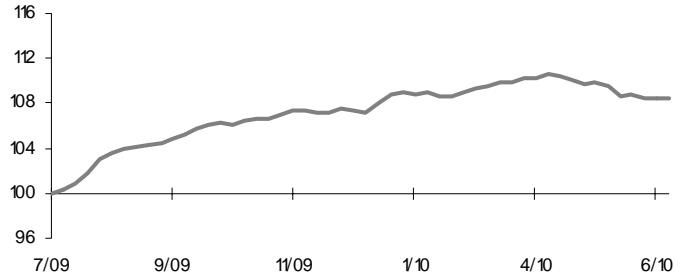
Net Asset Value as of June 30th, 2010: 1,126.12 €  
 Monthly Performance: -0.4 %

### Asset Allocation

**Historic performance**



**Trailing 12 months performance (basis 100)**



Past performance does not guarantee future performance. 2010 performance data is not audited.

### Market strategy

In June, financial markets remained jittery. Austerity budget plans and fiscal consolidation measures announced by various countries, particularly in Europe, did cast a shadow on the sustainability of the ongoing recovery, while the Greek crisis and its effects on other countries in the euro zone (notably Spain, Portugal and Italy) remained at the centre of investors' concerns. Stock markets fell sharply at the end of June and investor risk aversion remained high, in line with the implied volatility index of the S&P 500 index, which stayed at over 30%. At the macro-economic level, business indicators trended upward, but weakened at the end of the month. In the first quarter of 2010, GDP growth in the United States thus stood at +2.7%, lower than the expected +3.0% figure.

In terms of monetary policy, at its meeting of 10 June, the ECB maintained its target rate at 1%, as anticipated. Target rates are forecast to remain stable over the coming quarters. In this context of flight to quality, interest rates fell over the period. Indeed, 5-year Bund yields in the euro zone fell by 10 bp to a historically low 1.46% on 30/06. The 2/10 Euro swap rate differential fell to 152 bp at the end of the month, a drop of 8 bp.

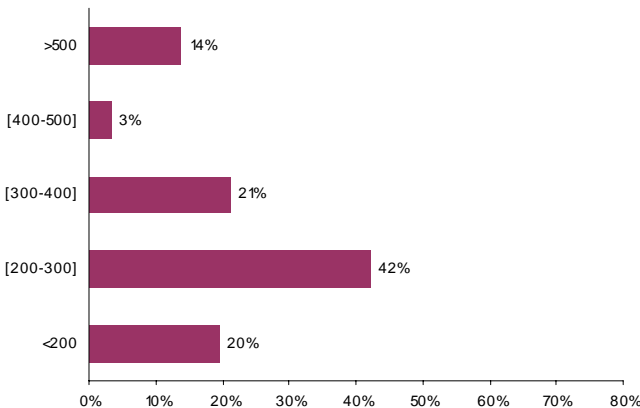
In this context, credit spreads narrowed very slightly during the month. The average spread over government bonds of the Merrill Lynch Corporate Euro index declined by 4 bp to 201 bp, on 30/06. Spreads of financial issuers were stable at 255 bp and spreads of industrial issuers dropped by 10 bp to 142 bp, at end-June. The month was also characterised by a re-opening of the new issues market in the amount of 4 billion euros.

In June, the fund's allocation by sector favoured financials to the detriment of industrials. Allocation by category still favoured BBB to the detriment of AA. At the end of the month, the fund showed a yield of 4.81% with an average maturity close to 4 years. The portfolio's average spread over government bonds stood at 367 bp. In terms of interest rate risk management, the portfolio's modified duration was below neutral at 2.88% on 30 June 2010.

#### Main positions

<b>Imerys 5.000% 2017</b> .....	<b>3.9%</b>	<b>General Electric Variable 2067</b> .....	<b>3.0%</b>
<b>Royal Bank Of Scotland 5.250% 2013</b> .....	<b>3.6%</b>	<b>Citigroup 7.375% 2014</b> .....	<b>2.9%</b>
<b>Gas Natural 4.375% 2016</b> .....	<b>3.0%</b>	<b>Dexia 5.38% 2014</b> .....	<b>2.8%</b>

#### Spread over Government



#### Sector distribution

