

Parvest Latin America

August 2009



Contents

1. Latin America: confidence returns
2. Parvest Latin America
3. Appendices
 - Portfolio characteristics and performance



1. Latin America: confidence returns



Latin America markets: confidence returns

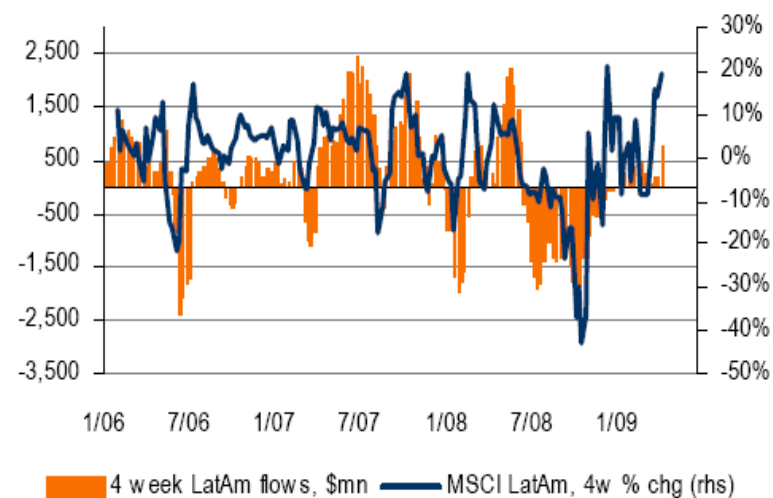
- In 2008, fund outflows & hedge fund redemptions accelerated Latin America's market fall
 - Latin American equity markets dropped by 51% in 2008
 - Brazil was the worst performing market in Latin America
- H1 2009: positive sentiment returns to the Latin America region
 - Negative fund flow from emerging market assets has been reversed
 - To end June 2009, MSCI Latin America displays one of the best returns in the emerging universe

MSCI GEM & Latin America countries
YTD, Monthly performance in %



Source: BNPP AM, Factset, BAS-ML, July 2009

Latin America and MSCI LatAm fund flows
in US\$, millions



Latin America: from overheating to slowing down

- Prior to the financial crisis, the main issue in Latin America was the overheating of the economy
 - Regional GDP grew by more than 5% in 2006 and 2007
 - Prior to October 2008, monetary and fiscal policies in the region were restrictive
- In the end of 2008 and early 2009, Latin America underwent a sharp economic adjustment caused by:
 - Contraction of credit
 - Fund outflows
 - Reduced investment
 - Increased risk aversion

Latin America: key macro indicators

2009 Forecast	GDP %	CPI %	Policy Rate %	Local ccy vs US\$*	Trade Balance, in US\$, bn	Exports, in US\$, bn	Exports / GDP %	Current Account, in US\$, bn	Current Account/ GDP %
Brazil	-0.4	5.1	8.75	1.80	18.0	167	12	-19.4	-1.4
Mexico	-5.5	5.3	4.0	13.00	-0.7	225	25	-10.1	-1.1
Chile	-1.5	2.0	0.5	570	1.9	50	32	-5.3	-3.4
Peru	2.2	3.0	1.5	3.10	-0.2	25	19	-4.43	-3.4
Colombia	0.5	4.4	4.5	2.200	-0.9	31	14	-6.2	-2.7
Argentina	-3.0	7.5	15.5	4.20	8.1	52	18	-3.1	-1.1

Source: BNPP AM Brasil, July 2009

Brazil: signs of recovery

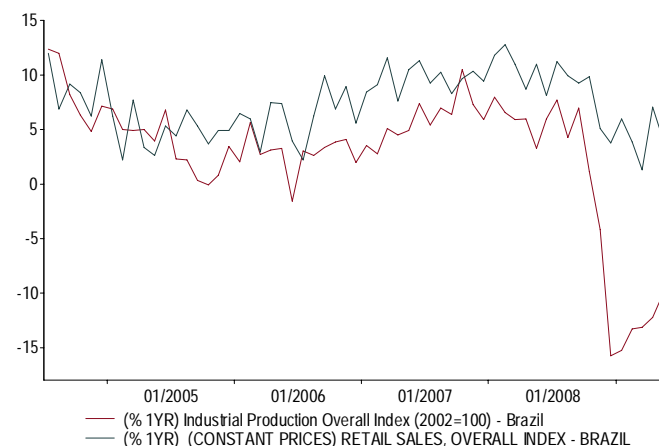
- Economy
 - The GDP contracted by just 0.8% in Q1 2009, following a 3.6% decline in Q4 2008, confirming Brazil's the consumption-led recovery
 - Macro indicators suggest a gradual but steady recovery:
 - Industrial production grew 1.3% m/m and 4.2% q/q in May
 - Business Confidence indicators improved to 93.8 points in June
 - In June domestic vehicle sales increased 21.5% m/m and 17.2% y/y
 - BNPP AM Brasil forecasts a slight fall in GDP of 0.4% in 2009
- Market
 - The Brazilian market was the worst hit by fund outflows
 - Earnings per share negative revisions were high because of the strong link to commodities
 - Brazil's market has been one of the best performers year to date pushing valuation levels above average
- Main risks
 - Credit contraction (consumption)
 - Negative earnings revisions
 - Global recession

Source: BNPP AM, Factset, MSCI, July 2009



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Brazil: retail sales and industrial production



Brazil: market valuation metrics

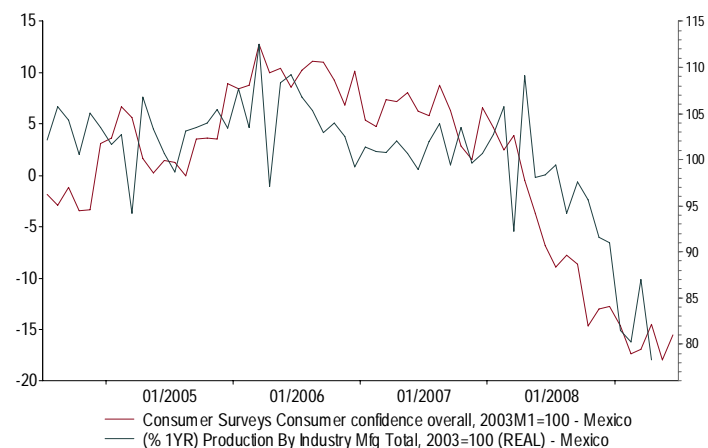


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Mexico: facing strong headwinds

- Economy
 - Mexico suffers from strong manufacturing links with the US – a disadvantage in the current context
 - The falling oil price was negative for the state budget
 - Growth expectations have worsened significantly: BNP Paribas CIB estimation for 2009 is -6.7%.
 - Mexico requested support from the IMF lending facility & has put in place a swap agreement with the Fed – two factors which contributed to the currency's stabilisation
 - Since September 2008 Banxico has lowered the overnight interest rate by 375bp, to 4.50%
- Market
 - Valuations remain relatively cheap compared to historical average and other countries in the region
 - Earnings revisions turned positive in June 2009 - for the first time since late 2007
- Main risks
 - Oil price
 - US industrial activity affecting manufacturing sector
 - Limited room for government stimulus
 - Swine flu outbreak

Mexico consumer confidence and manufacturing activity



Mexico: Market valuation metrics



Source: BNPP AM, Deutsche Bank, Factset, BNP Paribas CIB, July 2009



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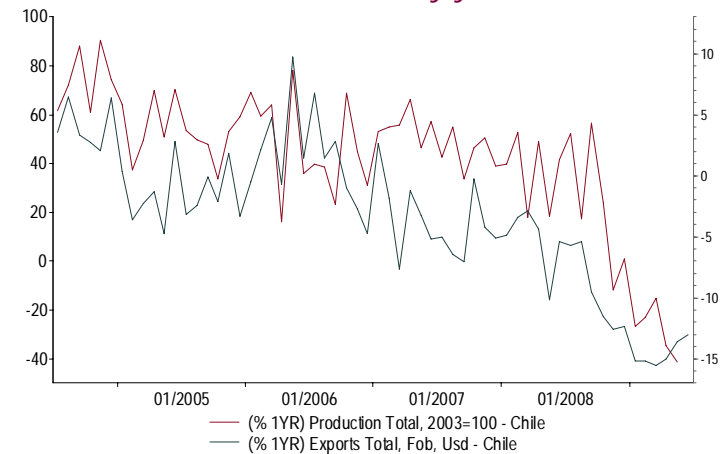
Chile: government to support the economy

- Economy
 - The Chilean economy has slowed more than expected, in Q1 2009 it contracted by 2.1% y/y
 - Private consumption fell by 1.4% y/y and investment by 9.3% y/y
 - The government's ample fiscal funds and the recovery in copper prices give the authorities plenty of scope to continue to expand public spending
 - The central bank has lowered the nominal overnight rate from 8.25% to 0.50% in just six months (to July 2009)

- Market
 - Valuations are relatively expensive
 - Local pension funds were sellers of Chilean equities in 2008 and were, in H1 2009, well below their equity allocation limits

- Main risks
 - Commodity prices
 - Government policies fail to stimulate demand

Chile: industrial production and exports
in %, y/y



Chile: market valuation metrics



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Source: BNPP AM, Citigroup Datastream, Factset, July 2009

Latin America: other countries

- Argentina - MSCI Latin America weight = 0.00%
 - Argentina's GDP is expected to contract this year
 - Argentinean peso: the government is trying to avoid devaluation at the expense of foreign reserves
 - Argentina has limited room for countercyclical fiscal policy
 - The country was dropped from the MSCI Emerging Markets indices in June 2009 and is now part of the "Frontier" universe*
- Peru - MSCI Latin America weight = 2.55%
 - Economy well positioned to weather the downturn
 - BNPP AM Brasil's growth rate expectation is +2.2% y/y
 - Almost two-thirds of total exports are commodities
 - The central bank dropped its policy interest rates to virtually zero from 8.25%
- Colombia - MSCI Latin America weight = 2.91%
 - Manufacturing production is falling
 - Banco de la Republica is on aggressive monetary easing mode

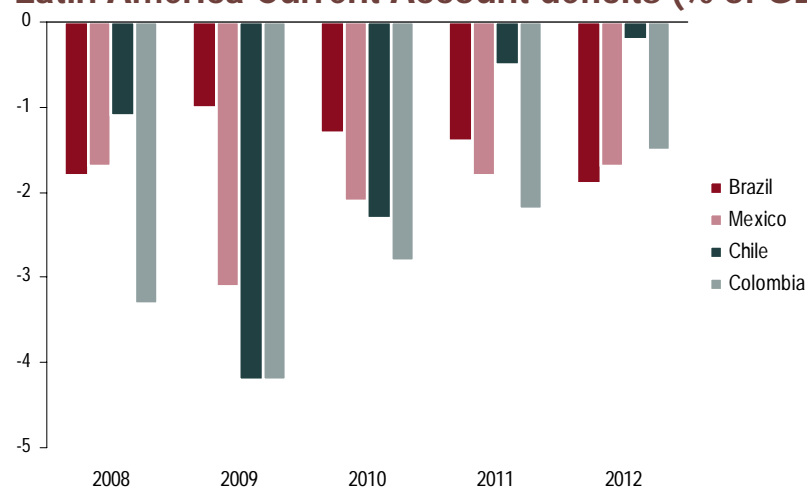
*Frontier markets (FMs) are investable but have lower market capitalization and liquidity than the more developed emerging markets

Source: BNPP AM, Deutsche Bank, HSBC February 2009

Latin America: how strong is its balance sheet ?

- Latin America's balance sheets are healthy enough: on aggregate, the region is well prepared to deal with funding gaps
 - Brazil: there are more than enough reserves to support any current account difficulty
 - Chile: sovereign funds will provide a hedge to the country's external imbalances.
 - Mexico: requested access to the IMF's new Flexible Credit Line and benefits from the US\$30bn Fed swap line – enough to deal with any balance of payments issues
- Two additional factors explain the quick market rebound in the Q1 2009
 - Local currencies have depreciated significantly and are now very competitive
 - Effective solution to funding gap issues

Latin America Current Account deficits (% of GDP)

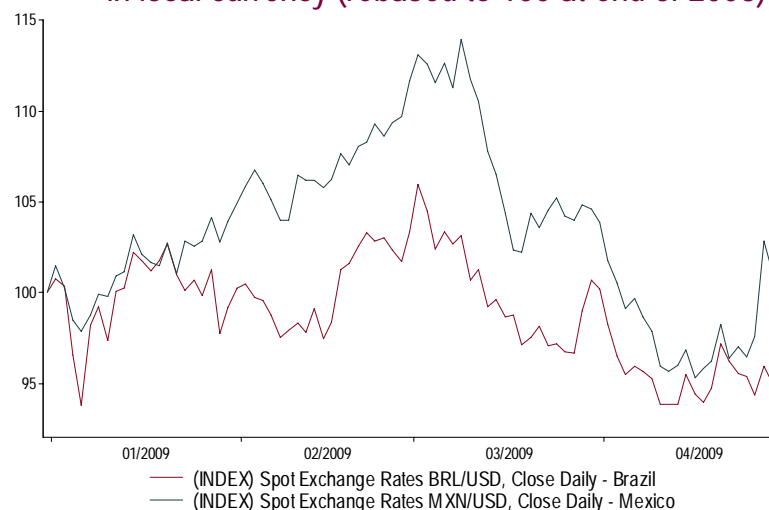


Source: BNP Paribas CIB, Factset – March 2009

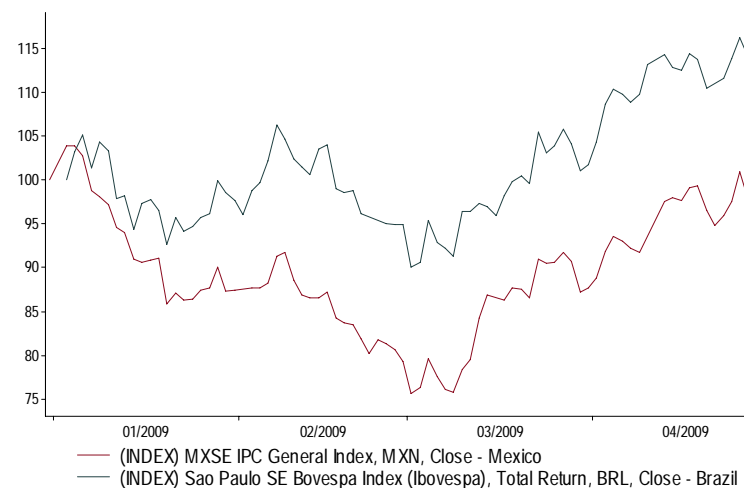
Latin America: Mexico vs Brazil

- BNPP AM Brasil continues to favour Brazil over Mexico
- The Mexican economy is not highly leveraged, the country has a healthy banking system, however it has strong manufacturing links with the US as well as significant exposure to oil prices
- Brazilian economy relies on internal growth drivers; temporary slowdown in consumption and credit growth was reversed in the Q2 2009

MSCI Mexico and Brazil absolute performance in local currency (rebased to 100 at end of 2008)



Mexican peso and Brazilian real versus US dollar absolute performance (rebased to 100 at end of 2008)



Source: BNPP AM, Factset Ecowin, May 2009

Conclusions

- The gap between economic conditions and market performance
 - We believe that, unlike the 1990s, Latin America is not facing a current account, sovereign default, or banking crisis
 - Equity valuations, prior to the rebound, came down to levels seen only during major local macro and earnings crises events
- Near term economic environment
 - GDP growth is now well below potential: plenty of room for non-inflationary growth
 - Current accounts are negative in most countries in the region, but remain at manageable levels
 - Bank funding costs are falling fast; credit growth is slowly recovering
- Market dynamics: driven by fund flows
 - Latin America has been hit worse than other emerging markets in terms of fund outflows
 - Fund outflows have put currencies under pressure aggravating equity losses for non-residents
 - Since end of 2008, local currencies have stabilised and many sectors have reached extremely attractive valuation levels
- Market catalysts
 - Commodities acted as a negative catalyst in 2H 2008; they are now proving to be a positive catalyst
 - The global growth outlook, the level of risk appetite, and the recovery in local activity are main catalysts in the near term

Source: BNPP AM, July 2009

2. Parvest Latin America



Product characteristics

- Investment objective:
 - Outperform the MSCI Latin America 10/40 (US\$ NR) index in the medium term by investing in quality Latin American companies
- Style:
 - Active fundamental approach
 - Stocks of all capitalisations
 - Growth at a reasonable price (GARP): small/medium and large sized companies with high visibility and durable growth, and which are undervalued by the market in relation to their medium term earnings prospects
- Indicative tracking error (ex-ante): 3-5%
- Parvest funds are UCITS III compliant and follow the European 5/10/40 prudential guidelines



Investment philosophy

- We believe that...
 - the inefficiency of Latin American equity markets allows managers to use an active fundamental approach to identify and exploit market opportunities
 - the local presence and the experience of the investment team is key to recognising and exploiting such opportunities
 - dynamic country /sector allocation is crucial to generating outperformance as Latin American markets are weakly correlated
 - long-term outperformance is achieved by investing in attractively valued companies with sound management and high earnings growth potential, operating in sectors with strong macroeconomic fundamentals
- We implement our beliefs through:
 - an active fundamental approach combining top-down analysis and bottom-up stock selection with rigorous risk control



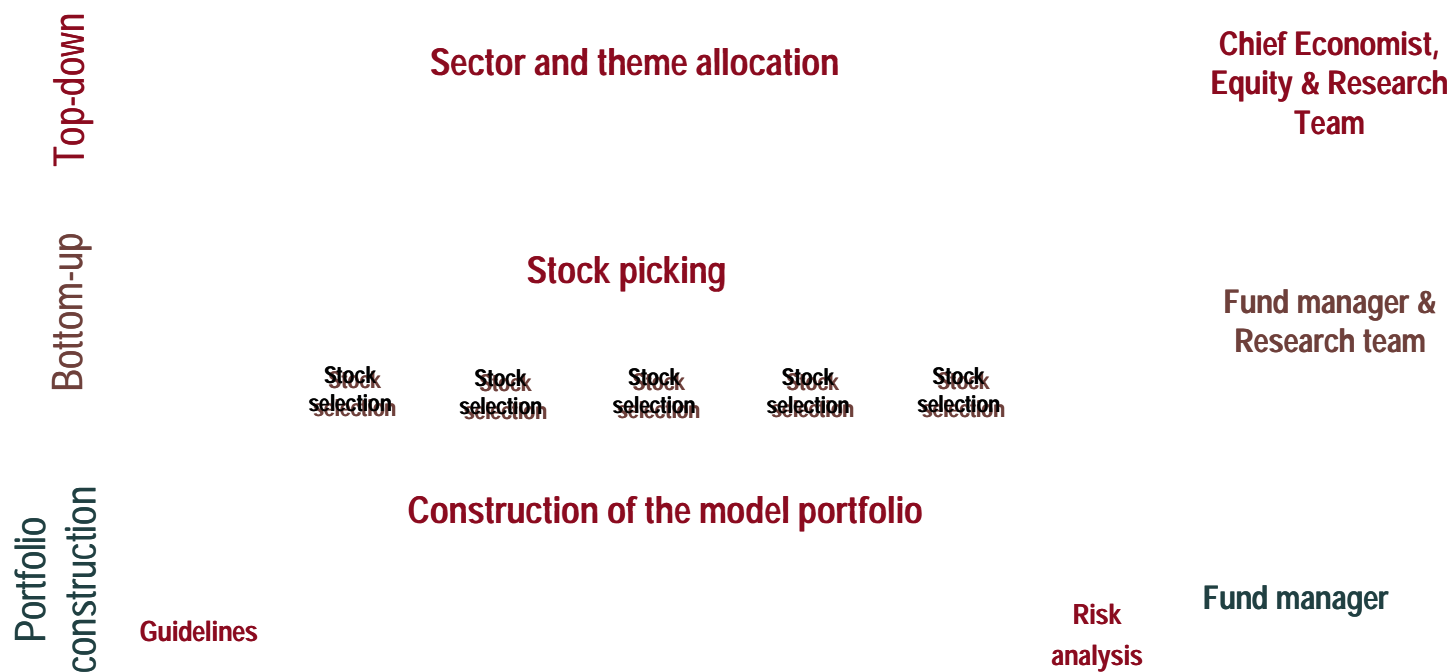
Investment process

Committee-driven approach

- BNPP AM Brasil makes extensive use of a committee approach, to ensure as many ideas as possible are discussed within the group. This allows us to fully explore the collective expertise of our team. Research analysts keep managers updated on company information and give their critical opinions on target companies. The main steps are as follows:
- Screening
 - To define the investment universe, i.e. the list of stocks that are considered potential investments for our portfolio
- Top-Down Committee
 - Managers define the general investment environment
 - Analysts update the main investment themes in each sector
- Bottom-Up Committee
 - Analysts present their selection of the best stocks in each sector
- Model Portfolio Committee
 - Ensures that all funds follow the same basic strategy
 - Managers select the best investment ideas from the two previous committee meetings as the basis for a coherent portfolio strategy, that will serve as a model for all managed portfolios

Investment process

An active fundamental approach



Investment process

Screening: defining the investment universe

- Definition of the investment universe, i.e. the list of stocks that can be considered as potential investments for our portfolio
- Objective: focus the research effort on stocks with the appropriate features
- Quantitative screening
 - Size: market cap > US\$300 mn
 - 30 days average trading volume > US\$1 mn
 - Revised quarterly
- Discretionary overruling
 - Waiver may be granted for specific reasons (e.g. IPOs, traditional names)



Investment process

Top-down – sector/theme allocation

- We look for the following features
 - Credible legal and regulatory environment
 - Solid macroeconomic drivers
 - Short and long term-growth prospects
- We rank sectors and themes in order of their risk/return potential
- Top-Down Committee
 - Macro: using the global macro scenario developed by our economic team, we draw comments and conclusions for the equity markets in the region.
 - Country: the main features and movements of local markets are described and commented on
 - Sectors: the main themes and changes within sectors in the region are updated and commented on
 - Themes: investment themes such as risk aversion or liquidity premium are also discussed here
 - Objective: update and discuss the global environment in which companies and stocks will be analysed



Investment process

Bottom-up stock picking

- Selection of the best companies based on the following analysis

Quantitative

- Earnings growth / margins
- Wealth creators
(ROE, earnings yield > cost of capital)
- Valuation
(P/E, P/E growth, discounted cash flow)

Qualitative

- Management quality *(around 150 visits/year)*
- Corporate governance
- Strategy
- Market position

Research recommendation list

- Sector team approach which covers both large and mid/small caps
 - Our local presence in Brazil enables us to meet regularly with company management and to cover under-researched companies (mid/small caps)

Investment process

Stock approval and portfolio construction

- Presentation of research reports to the Equity Committee* (EC), who:
 - review investment ideas
 - approve companies to be included / excluded from the buy list
 - determine the exposure levels in accordance with the internal guidelines given
- Construction of the final portfolio based on the model portfolio defined by the Equity Committee
- A sell discipline based on:
 - change in fundamental views e.g. business deteriorates; management changes
 - market movements e.g. strong price movements leading to a decline in relative upside
 - special situations e.g. takeovers; acquisitions; restructurings

* Equity Committee is composed of BNPP AM Brasil's management team, which includes its CEO and CIO

Risk management

- Diversified portfolio
 - 60-80 holdings
 - broad benchmark: MSCI Latin America 10/40
- Risk guidelines to minimise volatility versus the benchmark
 - country deviation +/- 10%
 - stock deviation +/- 5%
 - liquidity criteria e.g. small cap limit (1% maximum for each holding)
- Risk control duties are performed by the BNPP AM risk management team in Paris
 - Additional layer of controls at local level (BNPP AM Brasil) is performed by a New Markets dedicated risk officer



BNPP AM Brasil

An experienced local management team

- BNPP AM Brasil Ltda is a wholly owned subsidiary of BNP Paribas Group with US\$10 billion in managed assets (US\$3 billion in equities including Parvest Latin America)*
- The equity investment team is made up of seven investment professionals, with an average of more than 10 years experience, based in São Paulo and fully dedicated to Latin American markets.

Management: Three members

Head /Fund manager	20 years' experience
Fund manager	15 years' experience
Trader	8 years' experience

Research: Four members

Economist	8 years' experience
Head	17 years' experience
Analyst	20 years' experience
Analyst	9 years' experience

*Source: BNP Paribas Asset Management Brasil, figures as at end of December 2008

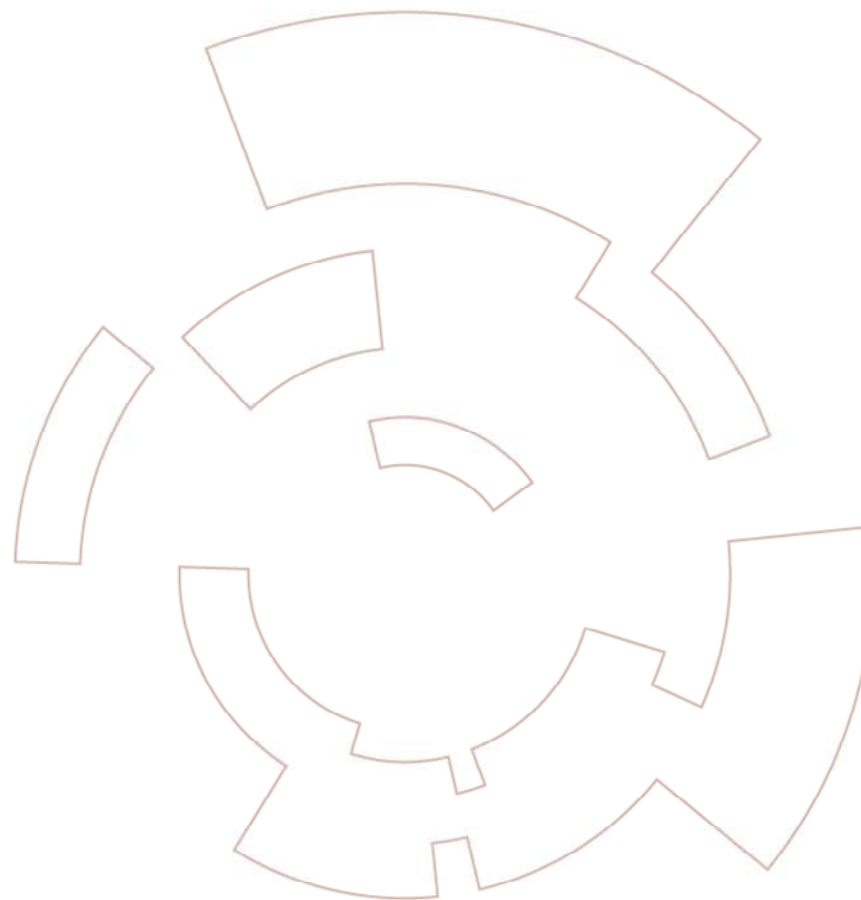


What sets us apart ?

- Dedicated and experienced team based in São Paulo
 - The fund is managed by specialists with an average of more than 10 years' experience in Brazilian markets
- Robust investment process
 - The active fundamental-driven investment process used by the team has proven efficiency, and is designed to capture opportunities across all market capitalisations while respecting rigorous risk controls
 - Team-based process contributes to the process integrity and aims to ensure its stability
- Consistent returns
 - Fund displays attractive returns
- Best practice and quality service
 - The application, at a local level, of BNP Paribas' standards enables us to offer our clients a service and products of the highest quality

*Source: BNP Paribas Asset Management Brasil, figures as at end of December 2008

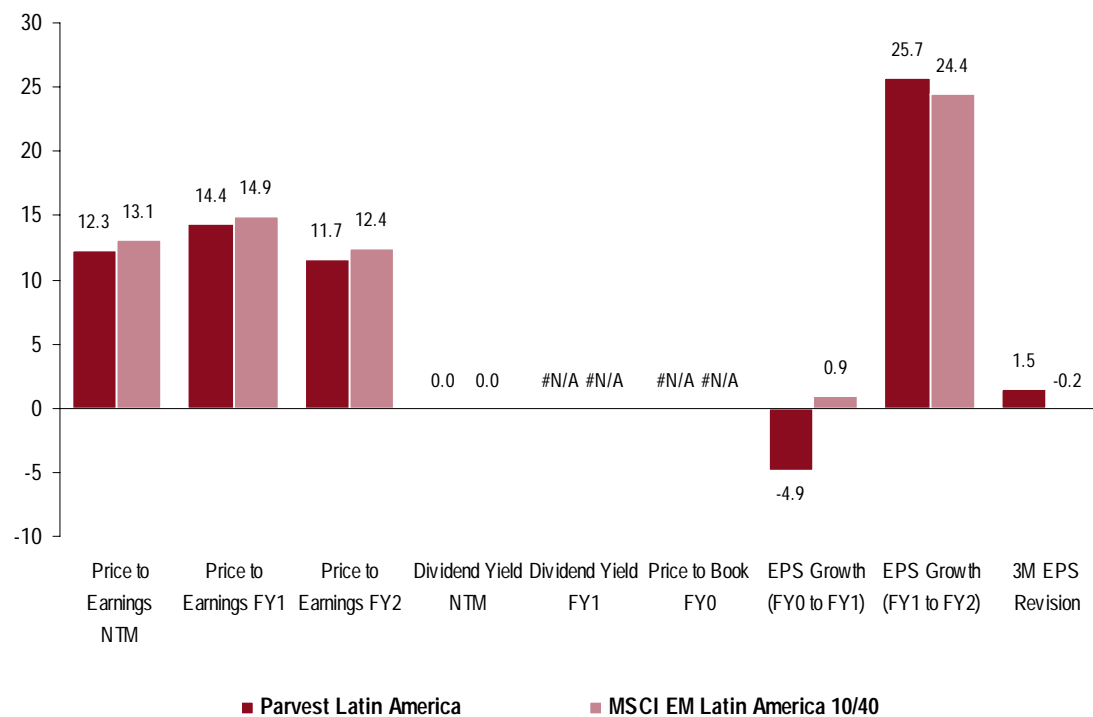
3. Appendices



Portfolio characteristics

As at end July 2009

Fundamentals



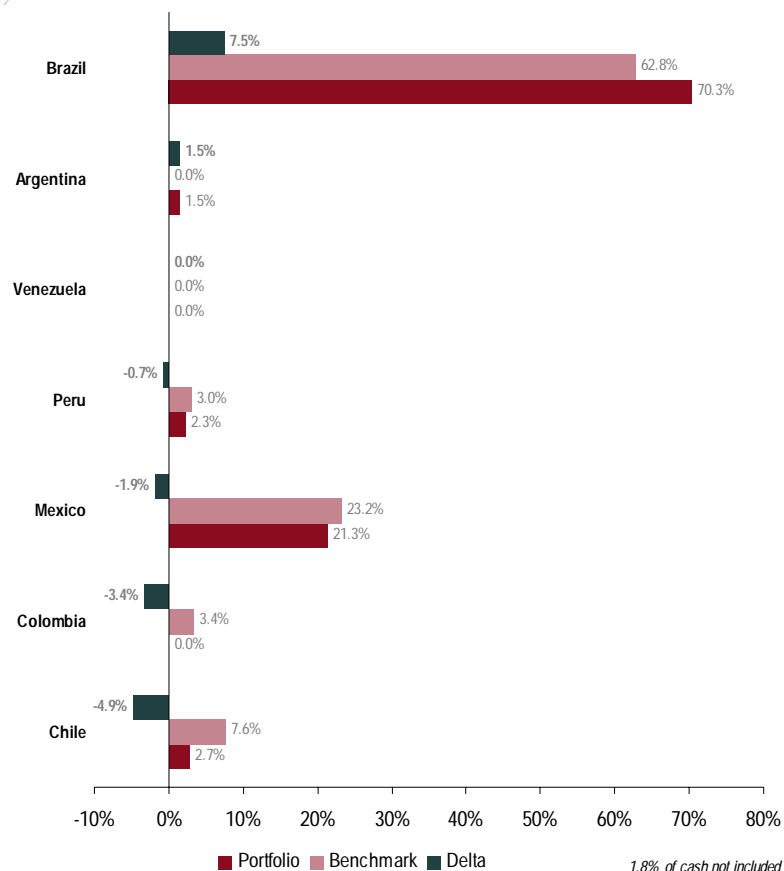
Source: BNP Paribas Asset Management, Factset



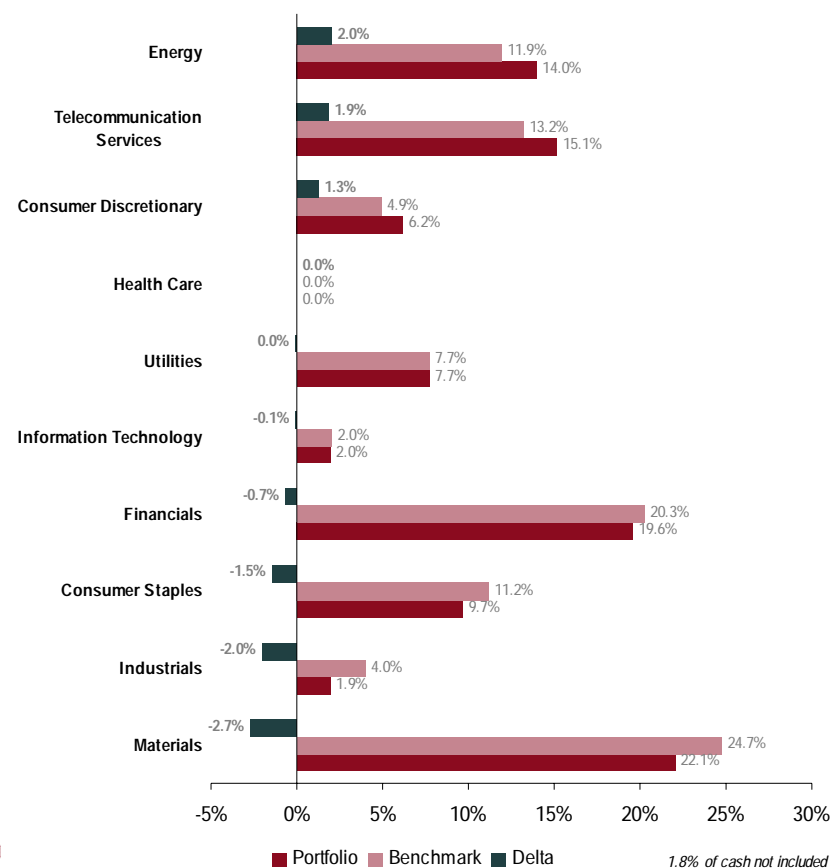
Portfolio characteristics

As at end July 2009

Country breakdown



Sector breakdown

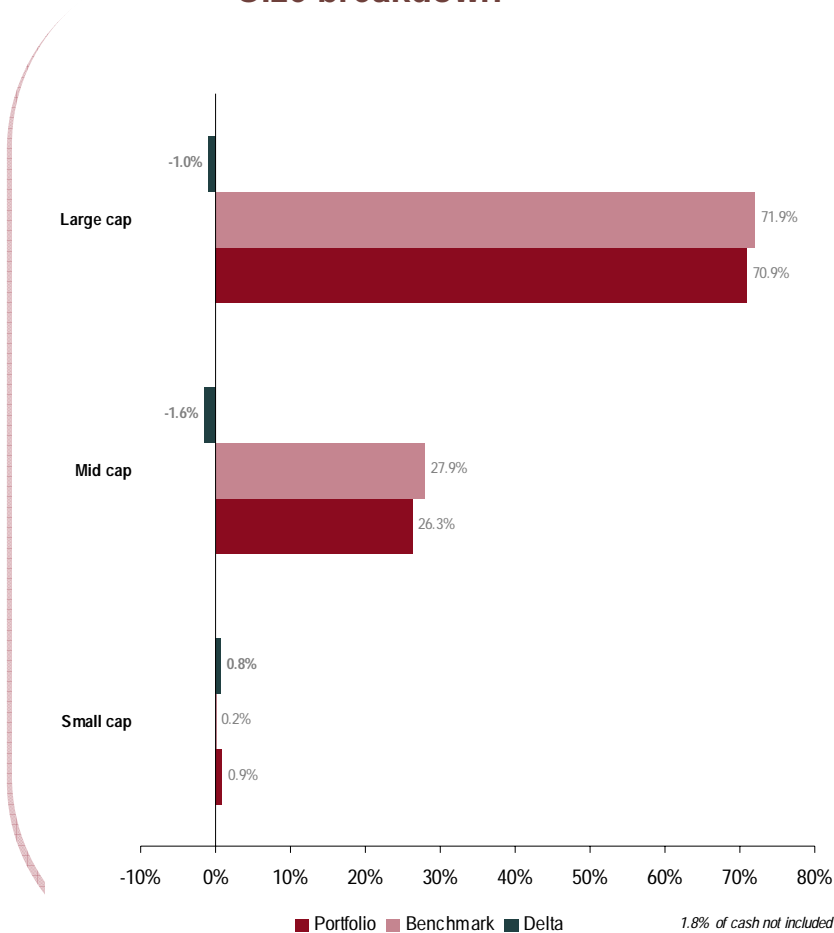


Source: BNP Paribas Asset Management, Factset

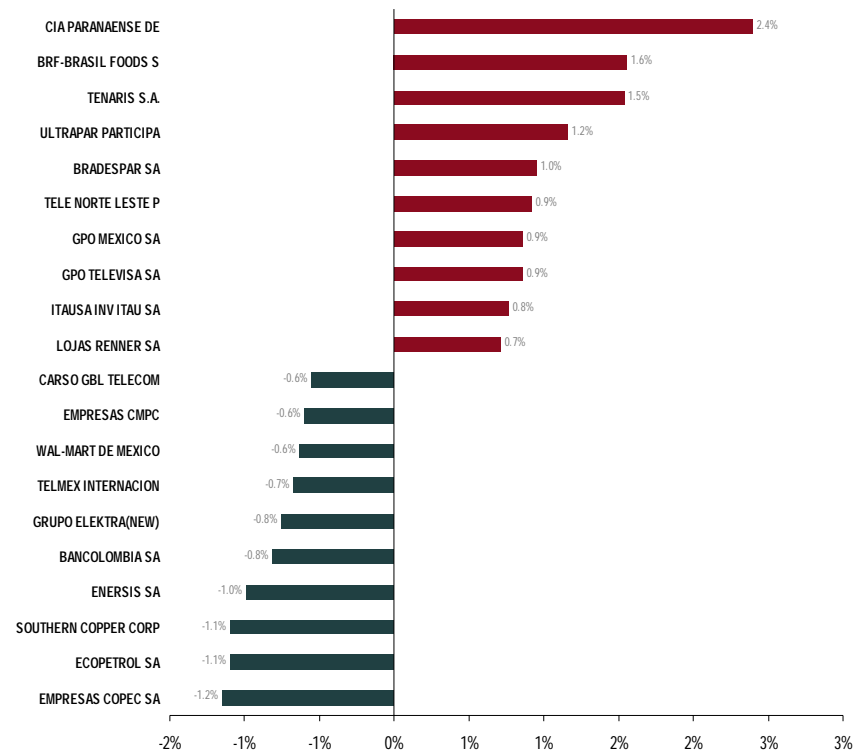
Portfolio characteristics

As at end July 2009

Size breakdown



Main active positions



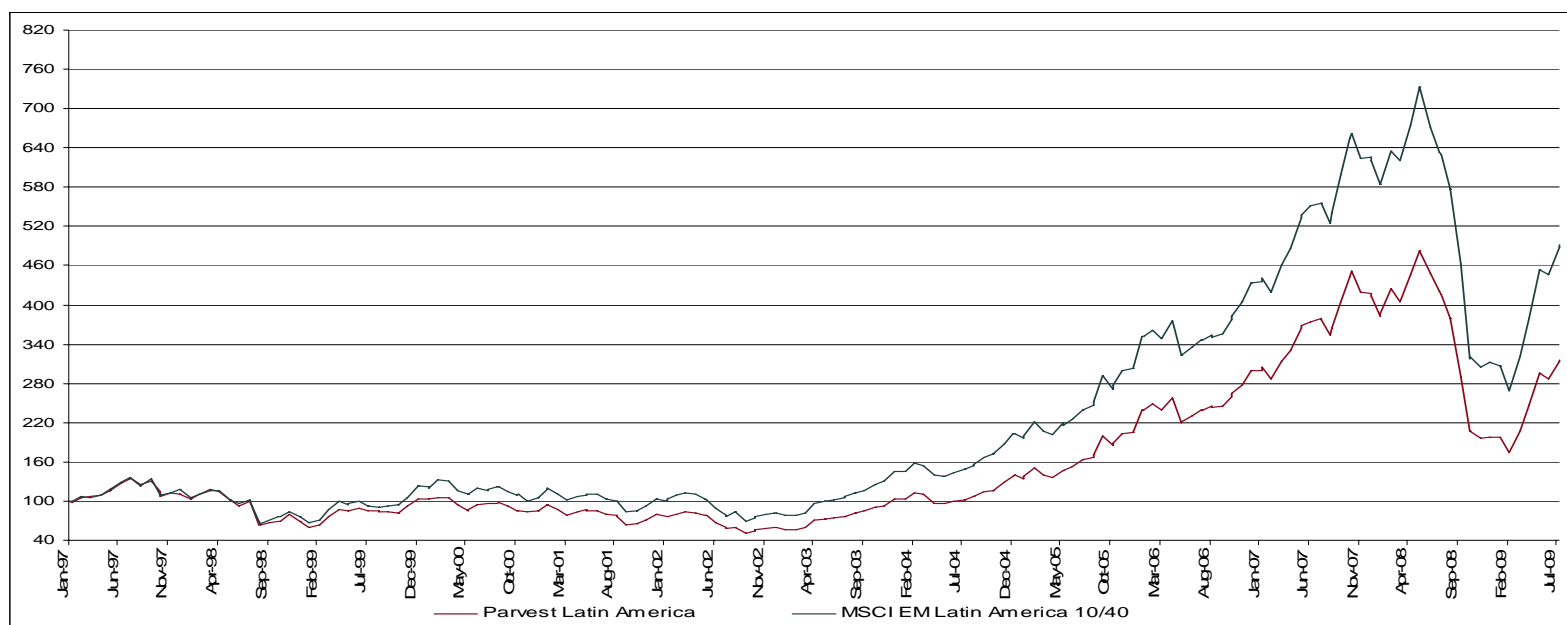
Source: BNP Paribas Asset Management, Factset, Large > US\$5bn / Small <US\$0.2bn

Performance

Net of fees performance (US\$), as at end July 2009

Net of fees performance (Classic share) 31 July 2009	Assets (million euros)	PERFORMANCE							Tracking Error			Inception date
		1M	3M	YTD	1Y	3Y*	5Y*	Since inception*	3Y*	5Y*	Since inception*	
Parvest Latin America USD	251,45	10.0%	28.4%	59.4%	-24.0%	9.7%	25.3%	9.6%				
MSCI EM Latin America 10/40		9.9%	29.9%	57.2%	-21.9%	12.4%	27.0%	13.6%	4.4%	3.7%	4.3%	Jan-97
Out/under performance		0.1%	-1.5%	2.2%	-2.1%	-2.6%	-1.7%	-4.0%				

(*) Annualised



Source: BNP Paribas Asset Management

Past performance is no guarantee of future performance. The value of any investment may go down as well as up



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