



FINANCIERE DE L'ECHIQUIER

REPORT ON THE EXERCISE OF VOTING RIGHTS 2010 FINANCIAL YEAR

In accordance with the provisions of article 314-101 of the General Regulations the Autorité des Marchés Financiers (French Financial Markets Authority), Financière de l'Echiquier hereby informs you of the terms and conditions under which it has exercised its voting rights at the General Meetings of Shareholders of issuers whose shares are held by the UCITSs for which it ensures financial management.

This report covers the 2010 financial year.

1- PRINCIPLES OF THE VOTING POLICY AT FINANCIERE DE L'ECHIQUIER

- Financière de l'Echiquier is a portfolio management company whose core business is stock picking. Our management consists in rigorously selecting securities by implementing a process that entails direct meetings with the companies that the fund invests in.

This is followed by a fundamental analysis of each dossier, backed up by a rating system developed internally.

Objectives are set for the securities chosen in terms of purchase prices and selling prices based on a medium-term valuation.

The dossiers chosen have therefore undergone a highly selective qualitative process. The methodology involving setting a purchase price and a selling price makes positioning possible on dossiers with potential for future appreciation in the market.

- When the UCITS managers at Financière de l'Echiquier invest in listed securities, it is because they fully trust in the management teams and agree with the strategy set by them.

The management company invests in companies that create value for their shareholders.

Consequently, there is no fundamental reason *a priori* to disagree with the management on the resolutions for which they request approval at General Meetings of Shareholders. These are decisions leading to changes in the articles of association, the approval of the accounts and allocation of income, the nomination and revocation of corporate bodies, and the designation of statutory auditors.

- Financière de l'Echiquier carefully studies all resolutions that go against the company's interests or those of the minority shareholders and is particularly vigilant on four particular points, i.e.:

- share issues without preferential subscription rights for existing shareholders.
- capital increases in the case of a takeover bid and all other anti-takeover measures.

- issues of share subscription warrants or any other warrants opening access to the capital to the exclusive benefit of a category of shareholders (employees, for example), thus leading to a dilution of the other shareholders.
- approval of regulated agreements, if their content is contrary to the rules of good governance or is not easily accessible.

Consequently, in these particular cases concerning the defence of minority shareholders, who indirectly hold shares through Financière de l'Echiquier mutual funds, the management company reserves the right to vote against such resolutions or to abstain.

- Voting rights are exercised for French shares and, since the beginning of 2008, for European shares.

2 - PRACTICES FOR EXERCISING VOTING RIGHTS IN 2010

- **Participation in General Meetings of Shareholders:**

Through the UCITSs it manages, Financière de l'Echiquier has invested in 378 French and European companies, which represent 418 General Meetings for the 2010 financial year.

Effective participation by Financière de l'Echiquier concerned 165 companies, for a total of 177 General Meetings.

- **Perimeter defined by the voting policy:**

The voting perimeter defined by the voting policy is determined by a threshold of 2% of the capital or voting rights.

For the 2010 financial year, it included 71 companies (30% of the total number of companies in which the UCITSs have invested), for a total of 81 General Meetings.

The companies concerned are for the most part listed in Paris and, for 24%, on other stock markets in Europe (Frankfurt, Milan London, etc.), but also internationally (New York, Shanghai).

- **Exercising voting rights outside the perimeter defined by the voting policy:**

In application of the rights recognised in the voting policy, Financière de l'Echiquier took part in 77 other General Meetings of companies in which it held less than 2% of the capital and voting rights.

Financière de l'Echiquier effectively exercised its voting rights for the UCITSs it manages with the exception of 6 General Meetings.

- **Reasons for not exercising voting rights within the perimeter defined in the voting policy:**

In 6 cases, and only for companies that are not French (5), the management company did not exercise its voting rights even though it held more than 2% of the capital or voting rights.

The reasons are due to particular situations, including "escrow" (Greek and Swiss markets), in another case there was no related voting right (preferred share), lastly, in one case, FDE chose not to grant power of attorney (POA requested by the sub-depository due

to the country regulations and required for voting by post and sometimes only valid for one year for each voting fund).

● **Analysis of the votes:**

At 177 of the General Meetings it took part in, Financière de l'Echiquier either abstained, or voted against at least one resolution in application of the four particular points for which the management company is particularly vigilant (issue of shares without preferential subscription rights for existing shareholders, capital increases in the case of a takeover bid and all other anti-takeover measures, issues of share subscription warrants or any other warrants opening access to the capital to the exclusive benefit of a category of shareholders, and approval of regulated agreements, if their content is contrary to the rules of good governance or is not easily accessible).

Thirty-four General Meetings were concerned by these topics, of which 27 General Meetings were concerned by abstentions, sometimes with several abstentions per General Meeting, and 7 “no” votes on these subjects.

● **Managing conflicts of interest**

Financière de l'Echiquier did not detect any conflicts of interest in the votes cast. Financière de l'Echiquier is a fully independent management company owned by its management and employees. It performs its own research and is not linked to any other financial establishment in charge of intermediation or any other financial activity.
