

Talents Newsletter

February 2010

10 March 2010

Dear Friends, Investors and Colleagues,

The USD continued to strengthen over the month on the back of the financial problems assailing PIIGS countries, which potentially jeopardize the stability of the European Monetary Union.

After last month's sell-off, investors appetite for emerging markets equities increased again, which drove the performance of our emerging markets stocks.

Please find our monthly comment for each fund below.

We will be pleased to answer any questions you may have by email: talents@axa-im.com

Yours sincerely,

Charles Firmin-Didot and Team

AXA WF Framlington Talents (Global Equity – F share)

AXA WF Framlington Talents was up 1.7% in February while the MSCI World was up 3.3%. (1)

The fund was up less than the index this month as the US dollar continued to gain vs. the Euro.

Our Chinese stocks performed well, rising on average more than 10%. North American Palladium and Tanzanian Royalty were also strong as gold edged up following China's show of interest to buy more gold. This trend also benefited Patrice Mosepe's African Rainbow that announced good interim results and benefited from a more bullish sentiment on the stock.

Also, our entrepreneurs made other positive announcements in February: Bolloré secured the raw material to produce his electric car battery by creating a joint venture with Eramet to extract Lithium in Argentina. Piaggio announced Q4 results 50% above expectations and a 39% dividend increase. Aker Biomarine announced a capital increase to reduce debt and its stock price plunged by 30%, even though its parent company Aker will subscribe to all the shares that are not subscribed to by minority shareholders. Aker announced an increase of its dividend to 3% of its NAV, or 5.2% at current stock price.

You will find a short description of our 6 largest holdings for this month on the next page.

Most of the portfolio is invested in companies that can create value regardless of economic growth in the developed world: 36% of the portfolio is invested in holding companies of flexible entrepreneurs who know how to grow in tough economic environments by building new businesses and playing the cycle well (Odet, Aker, Immsi, UB, RHJ...). 6% is invested in "new growth companies" that mostly depend on the success of their new ventures rather than on the overall economic environment (Tanzanian, Aker Bio, Soitec...), a further 27% in emerging markets companies and 32% in established growth companies (such as Dell).

Our portfolio is invested 43% in Europe, 27% in Asia ex-Japan (China, Malaysia, South Korea, Taiwan and India), 10% in Japan, 16% in North America and 4% in other countries. We continue to be fully committed and keep our personal assets invested in the fund, as we believe that the entrepreneurs we choose will create value by reacting fast, using arising opportunities and being more creative. (2)

Our top 6 holdings as of 26/02/2010:

Vincent Bolloré | French | Financière de l'Odet | 8%
Kwok Ho | Chinese | Chaoda | 5%
Masayoshi Son | Japanese | Softbank | 5%
Michael Dell | American | Dell | 4%
Roberto Colaninno | Italian | Immsi | 4%
George Kaiser | American | North American Palladium | 4%

AXA WF Framlington Talents 6 largest holdings:

Financière de l'Odet (8% of our portfolio): Most of the group's assets are in transport and logistics, mainly in Africa. It also owns large plantations (oil palm, rubber trees, vineyards), oil and agricultural products storage facilities, media and communication assets such as Havas, Aegis, DirectTV, Direct Soir. Bolloré set up a factory in Brittany that now produce promising electric car LMP batteries. He strongly believes that his LMP batteries, which are heat-resistant up to 180°C, are superior to the LI batteries chosen by Renault-Nissan, Peugeot, Volkswagen, Mitsubishi or Toyota, which can burn at 60°C.

Softbank (5% of our portfolio), founded by Masayoshi Son, is well positioned to become Asia's Google. It controls Yahoo! Japan, a 30% stake in Alibaba and 40% in Oak Pacific Interactive, both leading internet businesses in China, and owns Softbank Mobile, the fastest growing mobile phone company that sells the iPhone in Japan.

Chaoda (5% of our portfolio): Kwok Ho's vegetable production company. Mr. Kwok saw the great potential for quality food and created Chaoda, which combines large-scale standardized farming with an extensive sales network. The business model not only aids the progress of industrialization, scale production and standardization, it also increases local farmers' incomes. The company recently announced the acquisition of organism technology patents and appointed Nobel Prize winners Professor Wiesel and Professor Lam as consultants to develop edible vaccines derived from plants such as vegetables, fruits, and seeds against viruses and bacteria.

Dell (4% of our portfolio): Established in 1984 by Michael Dell with a USD1,000 investment, Dell revolutionized the computer industry by offering tailor-made products on the mass market. Michael started his business as a college student by assembling computers from single parts in his dormitory and selling them to classmates at huge discount compared to computers sold in stores.

Immsi (4% of our portfolio): Roberto Colaninno is a "turnaround specialist" who saved Olivetti in 1997 and scooter maker Piaggio in 2004. It also owns €70 million worth of real estate in Rome and Sardenia, Rodriguez shipyards and a 7% stake in the new Alitalia - perhaps Colaninno's next turnaround story. Piaggio increases its market share with innovative products, such as the hybrid three-wheeler scooters launched end September in France. Immsi trades at a 49% discount to its net asset value.

North American Palladium (4% of our portfolio) is under control of American smart investor George Kaiser who made his fortune in oil. North American Palladium (PAL) is a diversified mining company focusing on palladium which for example is used for filters in clean diesel cars. About one year ago, PAL acquired the Sleeping Giant gold mine to benefit from the bullish outlook on gold. First exploration tests show promising results.

AXA WF Framlington Emerging Markets Talents (F share)

« Formerly known as AXA WF Talents BRICK »

In February, AXA WF Framlington Emerging Markets Talents was up 4.7% while the MSCI EM Index was up 2.2%.(1)

In China our major positions recovered quickly from last month's drop following the news of a steep recovery in Asia. Chaoda (Kwok Ho) was up 13%, Cogo (Jeffrey Kang) +12%, Focus Media (Jason Jiang) +18%, and West China Cement (Zhang Jimin) +25%.

In India Hindalco (Kumar M. Birla), India's largest aluminium maker, was up as well, after it announced a \$1.05 billion debt-raising plan to achieve a refinery project in the eastern state of Orissa. On the downside, UB Holdings (Vijay Mallya) fell further this month despite positive news, as did Bharti Airtel (Sunil Mittal) following the public announcement of its plan to make a \$9 billion offer to buy the African mobile-phone operations of Kuwait's Zain.

In Indonesia Bhakti Investama, 45 year-old Hary Tanoesodibijo's holding company appreciated 150% in a few days; the company announced its intention to raise about \$800 million from the sale of its stake in a pay TV operator and to buy coal, oil and gas, and insurance companies this year. We had increased our stake in August 2009 because we were confident the company was undervalued and Hary Tanoesodibijo himself was buying more shares.

In Latin America, Mexican microfinance institution Banco Compartamos (Carlos Labarthe & Carlos Danel) rose as it continues to attract more clients and to surprise investors. Also, Mexican restaurant chain operator Alsea (Alberto Torrado) showed better than expected quarterly results with sales up 10% and soaring net income. In Brazil, textile manufacturer Coteminas (Josué Gomez Da Silva) went up significantly as well, thanks to its turnaround efforts that continue to bare fruits.

In Africa gold explorers Tanzanian Royalty (Jim Sinclair, Tanzania) and Patrice Motsepe's African Rainbow Minerals (South Africa) were both up. In South Africa again, generic medicine player Aspen Pharmacare (Stephen Saad) announced better than expected results and new acquisition targets in Latin America.

We maintain a diversified portfolio: 33% invested in China, 18% in India, 18% in other Asian countries (mostly South Korea, Malaysia, Indonesia, Taiwan, Philippines, Vietnam), 15% in Latin America (mostly Brazil, Mexico, Chile, Argentina, Colombia), 9% in Africa (mostly Tanzania, South Africa and Egypt), 3% in Turkey, 2% in Israel, and 2% in Russia. We remain confident that AXA WF Framlington Emerging Markets Talents' stocks have great potential.(2)

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Our top 6 holdings as of 26/02/2010:

Kwok Ho | Chinese | Chaoda Modern Agriculture | 5%
Jeffrey Kang | Chinese | Cogo Group | 4%
James E. Sinclair | American | Tanzanian Royalty | 3%
Jason Jiang | Chinese | Focus Media Holding | 2%
Kumar M. Birla | Indian | Hindalco | 2%
Zhang Jimin | Chinese | West China Cement | 2%

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(1) Performances are calculated with dividends, net of withholding taxes and management fees, in €, F share, as of 28/02/2010. The figures provided relate to past months or years and past performance is not a reliable indicator as to future performance. Investors should be aware that the price of shares and the income from them may go down as well as up and is not guaranteed. All data and performance information into the document have not been yet certified by the Fund's auditors.

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