

## FCP Valeur Intrinsèque Portfolio Highlights on December 31<sup>st</sup>, 2009

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### Lowe's (United States)

Portfolio weight: 6.7% - Market capitalization: \$34,431M - Revenues: \$48,230M - Net Income: \$2,195M - 2009 stock performance excluding dividends: +8.7% - Position in portfolio since 2006.

Lowe's is the second largest home improvement retailer in North America. Its main competitive advantages consist of its very large offer (around 40,000 different items in stores, and hundreds of thousands more available through the "Special Order Sales" system), its purchasing power, its dense geographical cover, stores in good condition and generally bigger than competitors' (generally 110,000 ft<sup>2</sup>), as well as a reputation for good quality service.

With close to 1,700 stores in the United States as of the beginning of November 2009, Lowe's has recently been placing more emphasis on its international presence with the opening of 16 stores in Canada over the last 3 years and the planned launch of its first 2 stores in Mexico in January 2010, as well as the announcement of a joint-venture in Australia. The severity of the housing crisis and its duration had the company reduce its domestic store opening program. Nevertheless, as its main competitors (including Home Depot) are being even more defensive, the Group should be able to grow its local and national market shares.

The magnitude of the housing crisis in the United States in 2009 has affected the Group's comparable store sales, especially because of a lower average ticket, and has significantly dented the Group's net profits. However, we remain confident about the long term return potential of this investment, because of Lowe's strong financial structure, the quality of its management team, its considerable assets (especially its optimized network of stores and distribution centers) and the consistency of its development strategy over time.

### Premier Farnell (United Kingdom)

Portfolio weight: 9.6 % - Market capitalization: £629M - Revenues: £804M - Net Income: £52M – 2009 stock performance excluding dividends: +23.9% - Position in portfolio since 2001.

This British group, world leader in the distribution of small quantities of electronic components, pursued in 2009 its growth strategy focused around the E.D.E. segment (Electronic Design Engineers). This has led to the development of a dedicated community website, Element14, and to the acquisition of Cadsotf Computer (for £7M), the German editor of the Eagle software, used by more than 40,000 E.D.E. to design printed circuit boards. The freeware version of this program is now available on Element14 to enable design and solution exchanges between engineers. This web of relationships to its end-customers should help expand sales, especially online ones that are more profitable and more recurring. As a reminder, online sales already account for 40% of the “components” division's revenues. The Group's manufacturing arm, generating almost 10% of its revenues, remains very profitable. Being non-core, one would expect it to be sold or spun off once markets recover.

Despite a difficult economic environment, the Group has succeeded in 2009 in maintaining satisfactory margin levels. As it managed to renegotiate some its bank loans during the year, it ended the year with a more secure financial profile with a limited level of net debt and a lengthened maturity schedule.

The management team is made up of first-class industry veterans, with a clear and consistent vision of the group's future. Under these circumstances, we would expect this investment to generate, over the long term, a satisfactory to superior rate of return.

### Randstad (Netherlands)

Portfolio weight: 6.5% - Market capitalization: €5,918M - Revenues: €14,038M - Net Income: €478M - 2009 stock performance excluding dividends: +139.9% - Position in portfolio since 2008.

In 2009, this leading staffing company successfully completed the integration of the Vedior Group that it acquired in 2008. Thanks to these two players' complementarities, this integration has already resulted in reduced central costs, an optimized worldwide distribution network through branches and websites, and a unified brand identity around the Randstad logo. In France where Vedior used to be a key player, this process took longer but is now nearly completed.

The 2008 Vedior acquisition initially resulted in a weaker financial structure for the combined group. But the cost reduction and optimization program implemented by the management team as well as the cyclical decrease in working capital thanks to the economic slowdown led to a quick improvement in the net debt position that has now come back to a more sustainable level.

The Randstad group is headed by the same management team that led the 2002-2004 restructuring drive and had again proved its mettle in succeeding its integration of Vedior despite an unfavorable economic environment. This team's success rests in part upon the rationality and adequacy of the strategy it has consistently implemented since 2002 (growing the network by splitting and specializing existing agencies or Unit Splitting Model-USM...).

### Randstad (Netherlands) (cont.)

Moreover, its founder remains a major shareholder and still sits on its board.

Thanks to Randstad's sustainable competitive advantages, listed above, as well as its current stock price level, this Fund's investment should generate a satisfactory to superior rate of return over the long term.

### Uponor (Finland)

Portfolio weight: 5.9% - Market capitalization: €1,098M - Revenues: £949M - Net Income: £30M - 2009 stock performance excluding dividends: +94.8% - Position in portfolio since 2008.

Uponor is a Finnish manufacturer of plastic pipes for plumbing and indoor climate solutions, for both the residential and the commercial building markets as well as for public infrastructure projects. The Group is among the leaders in the countries where it operates (mainly Germany, Northern Europe, the United States, Spain and Italy). These strong positions translate into important economies of scale for the company, all the more so as most of its competitors are local players. In order to enhance its control of and access to end-users, the group trains thousands of installers each year and provides them with a proprietary tooling system so as to build and maintain their loyalty.

Since it became the main shareholder in 1999, the Paasikivi family has sold non-core divisions to refocus the Group on the manufacture of plastic pipes, it has rationalised the production tool and unified the different brand names under the sole Uponor brand. The company is now trying to expand its offer to the high rise market, which still represents a minor part of its revenues.

Even though the group's financial results have been heavily hit by the construction market crisis in 2009, both in Europe and in the United States, Uponor's sound financial structure and consistent strategy should help it maintain and even reinforce its competitive position. Therefore we believe that this investment should, in the long run, generate a satisfactory performance.

### USG Corp. (United States)

Portfolio weight: 8.4% - Market capitalization: \$1,395M - Revenues: \$4,608M - Net Income: \$-225M - 2009 stock performance excluding dividends: +74.8% - Position in portfolio since 2007.

USG is the leading wallboard manufacturer in North America with a market share of around 25% in the United States. The high level of output produced and sold by USG in its markets (around 4.5 billion ft<sup>2</sup> of wallboard in 2009) has allowed the group to develop both an industrial tool and a supply chain that are more efficient than most of its competitors'. Thus, by operating supersized factories, with annual capacities of more than 800 million square feet, that require between \$150M and \$200M of investment, the group generates significant economies of scale that keep newcomers from invading its turf. Moreover, the market is very concentrated, as the three main players represent 70% of wallboard sales in the United States. USG has strengthened its control of distribution thanks to its L&W subsidiary through which it sells 36% of its wallboard production.

USG Corp. (United States) (cont.)

The members of its management team are all veterans of the building industry. Their longtime industry experience was key in helping USG to cope with the housing market downturn and streamline its operations as required. However, management has been careful, at the same time, to maintain enough production and distribution power in place so as to be able to benefit from the recovery that will eventually come.

In 2009, the group was still heavily in the red, although it managed to materially improve its financial structure through the sale of contingent convertible senior notes to Berkshire-Hathaway (USA) and Fairfax Financial (Canada).

USG benefits from strong competitive advantages and, after factoring in the current stock price level, we believe that the Fund's investment in USG should generate from hereon a good to superior long term rate of return.

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