de Pury Pictet Turrettini & Cie SA

CADMOS-GUILÉ EMERGING MARKETS ENGAGEMENT FUND

Buy & Care® Responsible Investment Fund

Activity Report 2014–2015

Guilé Funds

de Pury Pictet Turrettini & cie sa

In 1996 David de Pury, Guillaume Pictet, Henri Turrettini and Christian Berner joined forces to create their company. *de Pury Pictet Turrettini & Cie S.A.* (PPT) provides wealth management services. The firm has developed advanced skills in asset management for both private and institutional clients and currently manages around CHF 3 billion.

de Pury Pictet Turrettini & Cie has always demonstrated a great capacity for innovation, notably as a pioneer of responsible investment. It is the owner of the Buy and Care® strategy, manager of the Cadmos-Guilé European Engagement Fund compartment and promoter of the Cadmos Fund Management funds (Guilé Funds), and ensures the Funds' consistency, transparency and distribution. PPT is a signatory to the United Nations-supported Principles for Responsible Investment (PRI).

Fondation Guilé

RESPONSIBILITY CREATES VALUE

Guilé is a contraction of the first names of Maguy and Léon Burrus. The Burrus family company was the first in Switzerland to introduce a pension fund and family allowances. When the business was sold, the sixth generation decided to set up the Guilé Foundation, whose mission is to promote corporate responsibility in terms of respect for human dignity and the environment.

The Guilé Foundation, to which the Guilé Funds return a significant portion of their management fees, has signed a Memorandum of Understanding with the United Nations Global Compact (UNGC). The Foundation embraces the universal values enshrined in the ten principles of the Global Compact and acts as a catalyst by helping companies to put those principles into practice. The company assessments, known as the GuiléReportingAssessment©, and the ensuing dialogue are services provided by the Guilé Foundation to the Guilé Funds.

ABSENCE OF CONFLICT OF INTEREST DECLARATION:
The mission of the Guilé Foundation requires strict attention to matters of independence and impartiality in order to preserve the integrity of its engagement process. It is extremely important that the extra-financial analysis of companies in the Guilé Funds, a critical part of these products, is not compromised by any conflict of interest on the part of the analysts. Therefore, the Guilé Foundation formally states that BHP, the company that provided the specialists on the Guilé Engagement Team, received no fees in 2014–2015 from the companies that compose the Guilé Funds.

Welcome

For the fifth consecutive year, de Pury Pictet Turrettini & Cie S.A. (PPT) is publishing a transparent, exhaustive report on the Cadmos-Guilé Emerging Markets Engagement Fund (GEMEF). The GEMEF, managed by Comgest and promoted by PPT, is a compartment of the Luxembourg-based umbrella fund Cadmos Fund Management (Guilé Funds). Launched in March 2009, the GEMEF applies the same Buy & Care investment strategy as the original, flagship product of 2006, the Guilé European Engagement Fund (GEEF). Comgest was selected for its long experience in the emerging markets and its management style, which is very close to PPT's style and therefore particularly suited to shareholder engagement (see chapter 2.1).

The Fondation Guilé, in its capacity as advisor to the Guilé Funds, organises, coordinates and maintains an on-going dialogue with the governing bodies of all the companies in which we invest. This year again, the expertise of the Guilé Engagement Team (GET) resulted in dialogue with a record number of companies that do not necessarily open their doors to other investors. The privileged partnership established with the United Nations Global Compact (UNGC) guarantees the credibility of the Fondation Guilé and its corporate assessment methodology. Details are provided in chapter 2.3.

> The expertise of the Guilé Engagement Team (GET) resulted in dialogue with a record number of companies that do not necessarily open their doors to other investors.

The shareholder engagement with the underlying companies represents a key distinguishing feature of our Buy & Care strategy as applied to the Guilé Funds. Through this dialogue, the portfolio managers obtain a deeper insight into the sustainability of each company's business model and can thus integrate its environmental, social and governance (ESG) characteristics into their financial analysis and valuation. The dialogue is also an important aid to the companies, as it improves their ability to judge the impact and quality of their ESG communications. In addition, the GET constantly stimulates the companies to find practical ways of achieving further progress and increasing their efficiency. Chapter 5 provides a detailed analysis of the impact of our shareholder engagement.

This report covers all our asset management, voting and engagement activities during the 2014 calendar year. The shareholder engagement carried over into the first three months of the following year to accommodate our dialogue with the many companies that still publish their extra-financial report at a later date. The present document therefore contains all the discussions held with the companies up to the end of March 2015.

The portfolio managers take charge of all the investment and voting decisions. Furthermore, to ensure that they may fully assume responsibility for the fund, they are neither bound by nor reliant on best-in-class restrictions, analyses or ratings. When voting, the managers are supported in their decisions by governance consultants, who analyse the annual general meetings and make voting recommendations. The voting results are detailed in chapter 4.

The first five chapters consist of open information and are available on the website: www.ppt.ch/guilefunds. The sixth chapter contains individual pages on each of the GEMEF companies, with details of the assessment and dialogue conducted by the Guilé Fund's experts. The report naturally places the emphasis on those voting and engagement activities where the performance calls for a more qualitative account.

The complete report is reserved for our current and prospective investors and is distributed solely in hard copy form. The content of the discussions with the companies must be accessible only to a restricted readership. This confidentiality, together with the wealth of skill and advice provided by the experts from the Fondation Guilé, contributes to the efficient, transparent and non-indulgent dialogue that underpins the Guilé Engagement Funds' success.

We hope that you will enjoy reading this 2014–2015 Activity Report. We also take this opportunity to thank our investors for their trust in us year after year.

Table of contents

Summary of results in 2014-2015

FINANCIAL PERFORMANCE

The Cadmos-Guilé Emerging Markets Engagement Fund (GEMEF), managed and promoted by PPT, is a compartment of the Luxembourg-based umbrella fund Cadmos Fund Management (Guilé Funds). Wojciech Stanislawski, an expert in emerging markets, has been with Comgest since 1999 and has managed the compartment as from its launch in March 2009. Since inception, the compartment (Class B) has delivered an outstanding performance of 121.42 per cent. Over the same period the benchmark, the MSCI Emerging Markets (Net Return), has returned 125.86 per cent. It is hardly surprising that in the post-2008 rush to make up lost ground companies with weak qualities have outperformed those selected for the compartment. But recently, that gap has narrowed considerably.

In terms of NAV, classes A and B of the Guilé Emerging Markets Engagement Fund rose 1.9 per cent and 2.8 per cent respectively in 2014, while the MSCI Emerging Markets index fell 2.2 per cent.

The persistence of the macroeconomic uncertainties in some emerging-market countries and the frequent falls followed by rapid rebounds tend to argue favour of active management already in the medium term. As can be seen from the monthly report for December 2014 presented overleaf, the underperformance since the launch of the Fund (Class B) in 2006 is now only 4.4 per cent.

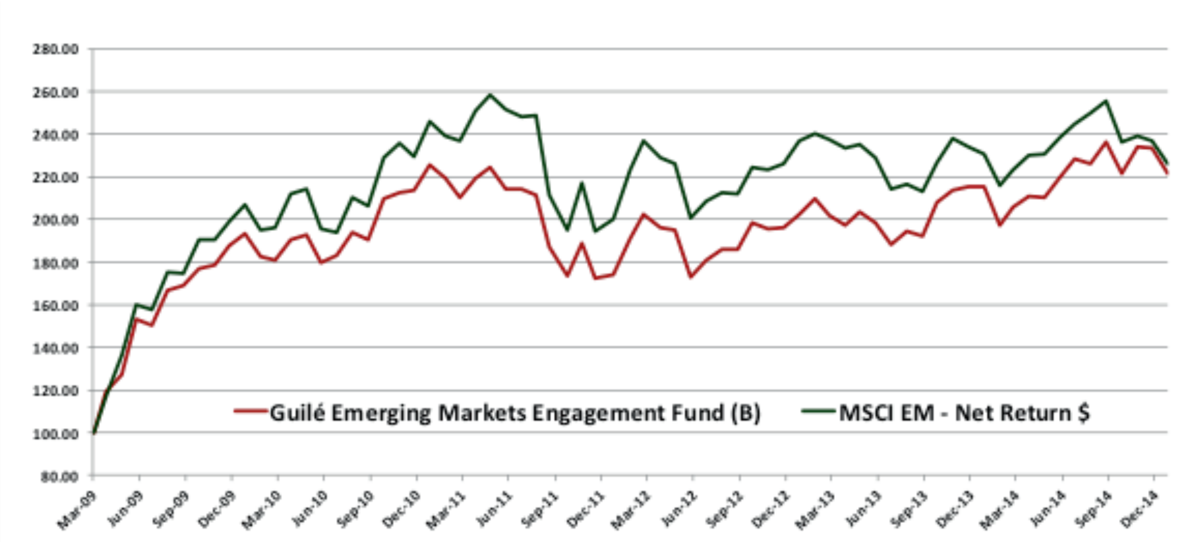
This is the second consecutive year in which Comgest has generated positive performances on the emerging markets while the indices remain slightly negative. Stock picking was the main driver of this outperformance, largely owing to:

- very good selection in China, India and Brazil,
- limited exposure to Korea,
- structural underweighting of energy, and no exposure to materials.

Comgest remains heavily invested in the emerging-markets consumer sector. Two thirds of the portfolio is exposed to businesses targeting households – classic consumer goods, life insurance, mobile telephony and the Internet. Industrials, infrastructure and the global emerging-market leaders make up the final third.

Among the most promising new entrants in 2014 was Bharti Infratel, India's largest telecom tower provider. This company is benefiting from the fast growth of data in India and from the nascent smartphones market, which increases the need for telecoms infrastructures.

The context remains difficult for emerging-market equities, with commodities and energy continuing to decline while the dollar rises. China's growth is flagging and the geopolitical situation is deteriorating. In addition, the emerging-market countries are slow to implement their structural reforms.



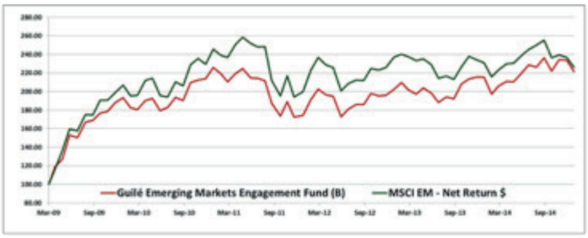
GUILÉ EMERGING MARKETS ENGAGEMENT FUND – CL. B

December 2014

PERFORMANCE (monthly)

PERFORMANCE %

	2014	12/14	2013	2012	2011	Since launch
Fund	2.77	-5.21	6.59	15.96	-22.81	121.42
MSCI EM	-2.19	-4.61	-2.60	18.22	-18.22	125.86
Difference	4.96	-0.60	9.19	-2.26	-4.59	-4.44



MANAGER'S COMMENT

The end of the year did not herald any major change to the trend witnessed throughout 2014. The emerging markets remain subject to much tension, rendering their performance weaker and more volatile than in the previous decade. The dramatic decline in crude oil prices adds complexity to these already fragile markets. In this context, the optimism surrounding the weakness of crude oil is probably premature. It is true that in the long term, cheaper oil is favourable to purchasing power and therefore to economic growth. In the current environment however, the situation is somewhat different and certainly more distinctive bearing in mind numerous equilibriums which have become unbalanced by the ultra-rapid slump in crude oil. The economic system will need some time to find a new optimum. Faced with low oil prices, the main potential losers in the emerging world may be Russia, Colombia and Malaysia, while Chile, India, Korea and Ukraine should benefit.

The slump in the price of energy is most likely part of the broader and longer trend of the structural decline in commodity prices. After more than a decade of investment, the supply of resources now exceeds demand which has been weakened by economic gloom. If confirmed, the fall in the price of raw materials could restore the cost-effectiveness of manufacturing processes, rendering certain manufacturing sites in the emerging world less attractive by favouring a certain reindustrialisation of the developed world. In any case, it is mainly the final consumer who will benefit from the weakening of this commodities complex and thus today's current trend is encouraging.

The portfolio has no exposure to the commodities sector, while energy is present in a purely indirect manner (Tenaris, Copec, Hutchison Whampoa). The relative performance should therefore be enhanced by low commodity prices, representing a real change from the years 2002-2012 when we were somewhat victim of our de facto anti-commodity bias.

INFORMATION

10 TOP HOLDINGS

China Life Insurance	7.46
Taiwan Semiconductor	6.62
China Mobile	5.16
Power Grid Corporation of India	4.67
Infosys ADR	4.24
MTN Group	4.19
Sanlam Limited	3.14
Hutchison Whampoa	3.00
NetEase	3.00
Bharat Heavy Electricals	2.85

GENERAL INFORMATION

ISIN	LU0412997628
Bloomberg	CADGEMB LX
Value Number	2036329
Launch date	5.3.2009
Benchmark	MSCI EM
Fund Manager	Comgest SA
Custodian	Pictet & Cie (Europe) SA
Fund Type, reg.	SICAV - UCITS IV
Dealing	Weekly
Distribution	None, accumulation
Management fee	1.25%

QUANT. & STAT. INFORMATION

Fund Size (USD mios)	36.43
NAV USD	221.42
Number of holdings	40

GEOGRAPHICAL BREAKDOWN

China	22.46
India	17.23
Brazil	15.17
Taiwan	9.16
South Africa	8.41
Cash	5.14
Russia	3.64
Hong Kong	2.98
South Korea	2.82
Mexico	2.59
Chile	2.46
Holland	2.44
UK	2.41
Argentina	1.93
Others	1.14

INVESTMENT POLICY

- Guilé Emerging Markets Fund aims to beat its benchmark by constantly researching and investing in companies for which value creation potential is significantly under-estimated by the market.

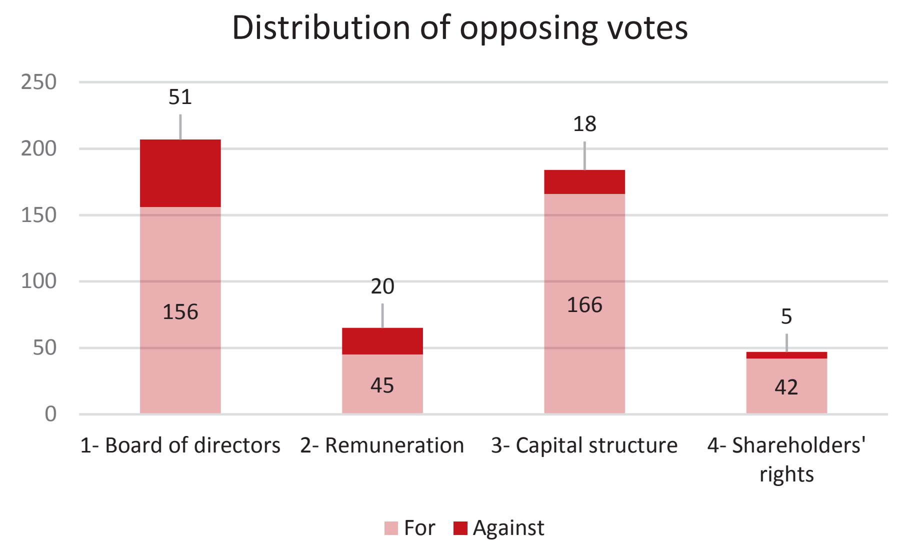
- A significant part of the fund's management fee is used to finance the activity of the GUILE ENGAGEMENT TEAM whose objective is to assist the companies to sign the UNITED NATIONS GLOBAL COMPACT initiative and to implement these 10 principles in their core business management.

- The Global Compact is today the world's largest corporate citizenship initiative, broadly recognized by business, civil society, and governments. Its 10 principles pertain to human right, labor, environment and anti-corruption. More than 8'000 companies have already signed.

VOTING PERFORMANCE

During the period under review, we expressed an opinion on 503 items on the agendas of the annual general meetings (AGMs) of thirty-four companies. Contrary to the developed countries, the emerging-market countries saw no increase in the number of resolutions submitted to the vote as a result of important developments or governance reforms. The overall rise in the opposition rate from 11.4 to 18.7 per cent was mainly due to a significant hike in the rate of opposition to remuneration proposals. That in turn is partly the result of recent adjustments to Comgest's voting guidelines. The latter are now more demanding in terms of the transparency required of the companies. At the same time, we note that some companies are becoming less opaque and that occasionally it is possible to protest against pay packages that are overly focused on the short term or tied to performance targets that are insufficiently binding.

As in 2013, so in 2014 the AGM season was marked by the boards of directors' lack of independence. **The table below shows that the boards' structure and independence is still the main point of contention** (24.6 per cent of votes against managements' recommendations). That rate is up significantly from the 17.4 per cent of 2013, reflecting the fact that boards in the emerging-market countries are struggling to make their structure and independence meet our standards of transparency. This was a recurring theme in all the regions and has always been seen as their weak point. There are still meetings where one is expected to vote on directors' elections without access to information about the nominees' skills or independence. The corruption scandal that has rocked Petrobras will increase the pressure to implement sweeping structural reforms throughout the region. In view of the legal actions, estimated at more than one hundred billion dollars, we are pleased to note that the GEMEF is not directly exposed to that company.



Themes	No. of votes	Against	%
1- Board of directors	207	51	24,6%
2- Remuneration	65	20	30,8%
3- Capital structure	184	18	9,8%
4- Shareholders' rights	47	5	10,6%
Total	503	94	18,7

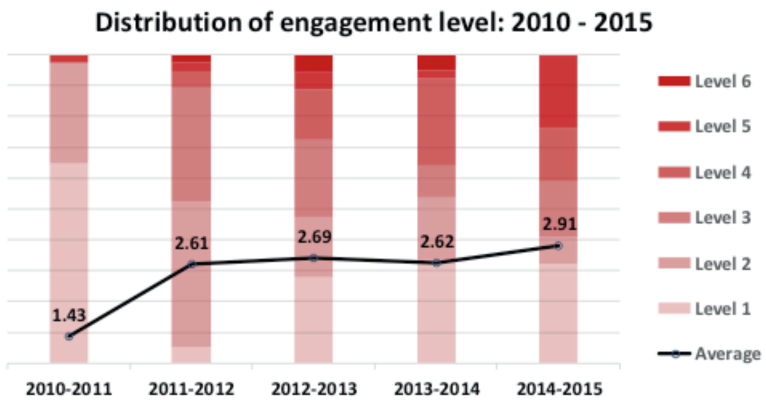
Engagement performance

Of the forty positions in the portfolio at 31 December 2014, thirty-four have been assessed according to the ten principles of the Global Compact.[1] [2]Credit for this success must go to the professional skills of the Guilé Engagement Team (GET) and the stability of the portfolio managed by PPT.

On the basis of the assessments carried out, an active dialogue was conducted with twenty-two companies, through six visits to sites in locations including Beijing, Cape Town and Johannesburg (18 per cent) and sixteen conference calls (47 per cent).

The face-to-face meetings and conference calls generally take place in a highly constructive atmosphere, with astonishing transparency on the part of the companies. The latter particularly appreciate the presence of the experts from the Fondation Guilé. As a result, 65 per cent of the companies maintain a regular dialogue with us. This rate is admirable, considering that as a rule fast-growing emerging-market businesses do not accord the same importance to the ESG issues as do their European competitors. Furthermore, the low portfolio turnover enables us to deepen the dialogue year after year. Some companies contact the Fondation Guilé on their own initiative to continue the conversation begun in previous years.

Even though there is only a slight increase in the proportion of companies with whom we engaged in dialogue, note that the level of engagement has improved significantly. **On our scale of six levels, the average quality of the engagement has risen from 2.62 to 2.91. Eight companies[3]–six of which were new –showed improvements on at least one weak point raised by Guilé.** As from 2013–2014, we have given priority to advancing the companies with which we already enjoyed excellent relations, even if sometimes at the expense of those that had proved more reticent. That decision explains and justifies the slight dip registered in 2013, which enables us to announce tangible results today. Details are provided in chapter 5.



As a result, 65 per cent of the companies maintain a regular dialogue with us.

[1] As the investments in Kweichow, Saic Motor and Mail.Ru occurred late in the year –up to and including end-December –we were unable to carry out the assessment and the engagement dialogue concerning 2014. And of course, the portfolio's three positions in external funds cannot be assessed. It is also important to note that the assessment of Tenaris is identical to that of 2013, owing to the delay in publication of the company's extra-financial report.

[2] See chapter 2.3 for a detailed description of the assessment methodology.

[3] China Mobile, Coca-Cola Hellenic, Empresas Copec, JBS, MTN Group, Natura Cosmeticos, Odontoprev and Weg.

Testimonials from some of the companies with whom we are engaged in dialogue.

"...Many thanks Pascal for sharing your thoughts and insights yesterday, which we very much appreciate...

Jan-Willem Vosmeer, Corporate Social Responsibility Manager, Heineken International

Fifth dialogue with Heineken. The 2013 report mentioned already that we were in contact.


HEINEKEN Sustainability Report 2012

Overview — Brewing a better future for our stakeholders and communities | Improve — Improving the environmental impact of our business | Empower — Empowering our people and communities | Impact — Positively impacting the role of beer in society | Appendices — Additional information, tables, and backgrounds

Overview

Stakeholder Engagement and Dialogue

continued

for 2015–2020.

Investors

Brewing a Better Future is embedded in our regular communications with investors, such as road shows, results presentations and financial market conferences. In addition, we hold dedicated sessions with investors.

In 2012 we had focused discussions about all areas of our agenda. As a listed company, we maintain regular dialogue with shareholder groups and regulators, including the Dutch Association of Investors for Sustainable Development (VBDO), the Guilé Foundation and the Nomura ESG Conference. This is done through a combination of meetings, correspondence, the Annual General Meeting (AGM) and discussions on specific topics or issues.

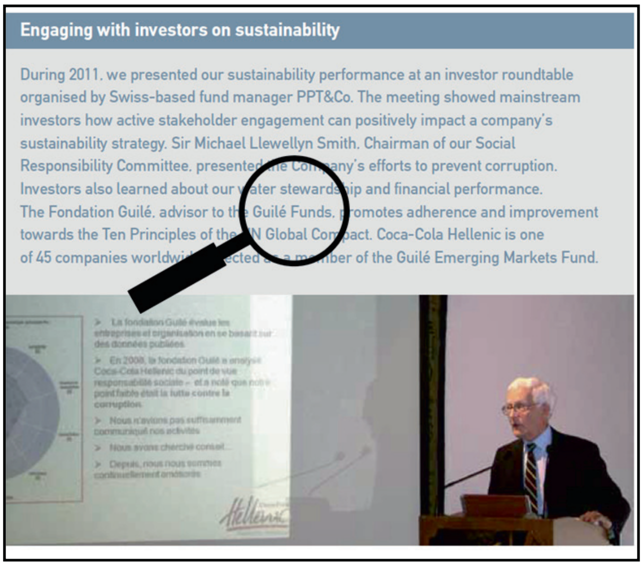
NGOs and International Organisations

Early in the year, we consulted NGOs via the expert meetings, focusing on the areas of environment, water, agriculture and

" ...Eda and I also enjoyed our time today and very much appreciated your fielding our pointed questions. I will definitely contact you over the next weeks to gain a broader understanding of SRI expectations..."

Gary Brewster, Operational Sustainability & Primary Packaging Director, Coca-Cola HBC

Sixth dialogue with Coca-Cola HBC. The 2012 report mentioned already that we were in contact.


Engaging with investors on sustainability

During 2011, we presented our sustainability performance at an investor roundtable organised by Swiss-based fund manager PPT&Co. The meeting showed mainstream investors how active stakeholder engagement can positively impact a company's sustainability strategy. Sir Michael Llewellyn Smith, Chairman of our Social Responsibility Committee, presented the Company's efforts to prevent corruption. Investors also learned about our water stewardship and financial performance. The Fondation Guilé, advisor to the Guilé Funds, promotes adherence and improvement towards the Ten Principles of the UN Global Compact. Coca-Cola Hellenic is one of 45 companies worldwide selected as a member of the Guilé Emerging Markets Fund.

"...Thank you very much for all the links – they are extremely useful!
... Also, I will let you know where we have additional information on the discussed areas ..."

Ekaterina Zhukova, Head Investor Relations, Yandex

We greatly appreciate these testimonials, which bear witness to the results that can be obtained by maintaining an influential dialogue conducted professionally and courteously.

Outlook

The impact of our dialogue –a reflection of how closely the companies are listening – has grown steadily since 2006, the year of our first shareholder engagement. Looking beyond the expressions of thanks from senior managements, we are proud of the tangible results that we publish every year, which tend to show that the Guilé Funds are exerting an influence on businesses' social responsibility. The shareholder dialogue has also enhanced our portfolio managers' ability to assess the financial impact of the environmental, social and governance issues and thus enabled them to develop unique expertise.

Hence the importance of the multipartite meetings between the GET experts and the company's representatives. Through this unique and innovative practice the Guilé Funds are ideally positioned to achieve the delicate but necessary integration of the financially material ESG factors into the investment processes.

As promoter of the Guilé Funds, PPT works each year to consolidate and strengthen that acquisition. We consider it our fiduciary responsibility to integrate the companies' ESG situation into our models, especially when the impact on revenue, margins, capital structure or cost of capital (risks) is substantial and therefore financially material. In practice, this is a difficult and delicate exercise that most financial institutions neglect, having wrongly assumed that the financial impact will be negligible at best.

Overall, the financial studies published in recent years, whether by industry sources (Mercer, Deutsche Bank, etc.) or universities (Margolis et al. 2007; Eccles et al. 2014) have tended to agree with that assumption; namely, that it is not possible to establish the existence of a positive correlation between businesses' sustainability and their financial performance. Remember that the objective of those studies was primarily to show that there is no negative correlation; that is, that sustainability is not prejudicial to financial performance.

We would point to a recent study by Harvard University that sheds new light on the subject by differentiating between general and financially material ESG information.[4] We found this study illuminating because it corresponds more closely to our reality. It concludes, first, that businesses that are better at managing their financially material ESG issues also outperform. Furthermore, according to the same data, the positive correlation does not exist if one considers only the ESG issues in general. In other words, the financially material ESG issues can be used to generate alpha, while the general ESG issues do not destroy it. This academic study, although newly published, reaches the same conclusions as the Guilé Funds. Another of its findings splendidly corroborates the logic of integration and engagement: the top-performing companies are those whose overall ESG status is less satisfactory but that are best able to manage their financially material ESG issues. That is precisely the goal of the Guilé Funds' shareholder engagement: to ensure that the sustainably profitable businesses in which we invest are able to integrate the financially material ESG factors based on a clear understanding of their worth. Contrary to some socially responsible investment funds (SRI funds), we do not exclude investment in companies that do not always comply with the ESG best-in-class criteria; however, we take action as a responsible shareholder by encouraging such companies to meet those criteria, to the benefit of our shareholders and civil society.

When our portfolio managers bring up these financially material ESG factors and express their desire to see the company give them more thought and communicate them more clearly, senior management listens closely. We are thus able to gain the attention of the financial directors and support the persons in charge of social responsibility, who are sometimes poorly integrated into the company's global strategy. The adjustments that we

In other words, the financially material ESG issues can be used to generate alpha, while the general ESG issues do not destroy it. This academic study, although newly published, reaches the same conclusions as the Guilé Funds.

[4] Mozaffar Khan, George Serafeim and Aaron Yoon: " Corporate Sustainability: First Evidence on Materiality"; 2015.

deem necessary and that we present as a means of creating value therefore appear more modest. Businesses are prepared to consent, particularly since the request comes from a loyal investor.

Testimonials from companies in favour of this approach of integrated dialogue motivate us to continue on this path. Accordingly, for the 2015–2016 engagement cycle, we identified a Financial Materiality Focus (FMF) for each of the companies in our flagship compartment, the Cadmos-Guilé European Engagement Fund, and in the Cadmos-Guilé Swiss Engagement Fund. Early in the process, the portfolio managers, together with the GET experts and PPT, determine the topics that will form the common thread of our shareholder dialogue. We address both the risks and the potential business opportunities related to the ESG issues. The preliminary identification of the FMFs confirms what we had foreseen: the principles relating to human rights and complicity in human rights abuses in the value chain cover the issues that we consider the most financially material (for some 40-50 per cent of our companies). They embrace broad concepts that deal with the physical integrity (health, safety etc.) and moral integrity (human dignity, right to personal image and honour, respect for the private sphere etc.) of consumers and communities. Businesses in the food, healthcare, telecommunications or media industries are particularly vulnerable and are directly penalised by reputational issues.

> The preliminary identification of the FMFs confirms what we had foreseen: the principles relating to human rights and complicity in human rights abuses in the value chain cover the issues that we consider the most financially material (for some 40-50 per cent of our companies).

In the case of the chemical, oil and construction-materials industries, together with insurers and public electricity suppliers, (about 30 per cent of the companies) we are more concerned about the three environmental principles. For industry and services in particular (about 20 per cent of the companies) the anti-corruption principle is a major risk factor. Lastly, and primarily for our rare companies active in distribution, travel and leisure, the four principles related to international labour standards constitute a financially material threat.

However, we remain convinced that the application of the UN Guiding Principles on Business and Human Rights, known as the "Ruggie Principles", continues to represent the main challenge for large multinational companies. These Principles, endorsed unanimously by the UN Human Rights Council in June 2011 and supported by the OECD, the European Union and some leading businesses, require that states and companies take new measures to avoid direct or indirect human rights abuses in their cross-border activities. In Switzerland and Europe the debate around institutionalising the Ruggie Principles has intensified, though apparently the process could take several years. The greatest challenge may consist of enabling victims of human-rights abuses and breaches of the environmental standards of Swiss companies to lodge a complaint in Switzerland and receive compensation. In April 2015, a broad coalition of organisations launched the Responsible Business Initiative in Switzerland. This initiative calls for the introduction of stringent rules obliging businesses to respect human rights and the environment in particular in their activities abroad. By demanding that the duty of due diligence prescribed by the Ruggie Principles be written into Swiss law, it aims at establishing a common base of the minimum human rights standards that every company must respect.

This initiative will foster a healthy and necessary debate that we have already begun. To help businesses grasp the issues at stake and incite them to play a leading role, the Fondation Guilé organised a conference in January 2014 at the Graduate Institute in Geneva, addressed by Professor John Ruggie and attended by more than five hundred people[5] (see picture on page 12).

One of the points that Professor Ruggie made at the conference was the difficult balance that must be struck between businesses' voluntary self-regulation and a form of coercion. The Initiative provides that businesses shall be required to exercise reasonable due diligence in order to prevent all forms of human rights abuse and shall report on the action taken. Though hard to quantify, the majority of companies in the Guilé Funds already comply with the main recommendations. For them, such regulation may even represent a competitive advantage over their peers.

[5] *Institut de Hautes Études Internationales et du Développement – IHEID.*

The Initiative also provides that victims of human rights abuses may seek redress from the company in question before a Swiss civil court. Unsurprisingly, all the companies view that provision with some concern, even those that have implemented best practices. In our opinion, however, the critical issue is to be found elsewhere: namely, in the human rights abuses by sub-contractors or suppliers that the multinationals do not control. At present, the Initiative lacks details about this difficult distinction, one that could actually incite businesses to offload their responsibilities by delegating more tasks to local subcontractors. Indeed, during the conference, Professor Ruggie dwelt on the complexity of a business's task of controlling its value chain and suppliers. The shareholder engagement also makes one realise how each of the companies –even within the same sector –has its own culture and constraints that make standardised solutions difficult to apply. We believe that the companies must continue to implement individual measures that are not formally required by law. In all such cases, the Guilé Funds will be at their side, helping them to anticipate these social movements and take appropriate steps to reconcile responsibility and profitability.

> In all such cases, the Guilé Funds will be at their side, helping them to anticipate these social movements and take appropriate steps to reconcile responsibility and profitability.

Conference - Human rights «without borders»: Risks and challenges for Swiss Companies - Fondation Guilé, Janvier 2015

The Guilé Funds' Buy & Care® strategy

For eight years now we have been demonstrating that active management can be reinvented to reconcile profitability with responsibility. Active portfolio management, based on thorough fundamental analysis is the keystone of the Buy & Care investment strategy. The strategy developed by PPT has now matured to a point where it may be useful to restate its three founding principles. They have proved particularly reliable in the long term and through changing financial and economic cycles:

1. We do not invest in a stock but in a company. Every effort will be made to visit the companies and increase our understanding of their business model and their senior managements' ability to ensure its longevity.

2. The main aim is to create added value for our investors in the medium and long term. We are proud to have advanced active management as a whole, particularly by working with a longer time horizon that requires strict discipline in the fundamental analysis.

3. We build concentrated portfolios. Our deep analysis strengthens our convictions and reduces portfolio turnover and transaction fees, while also enabling us to deviate from the benchmarks.

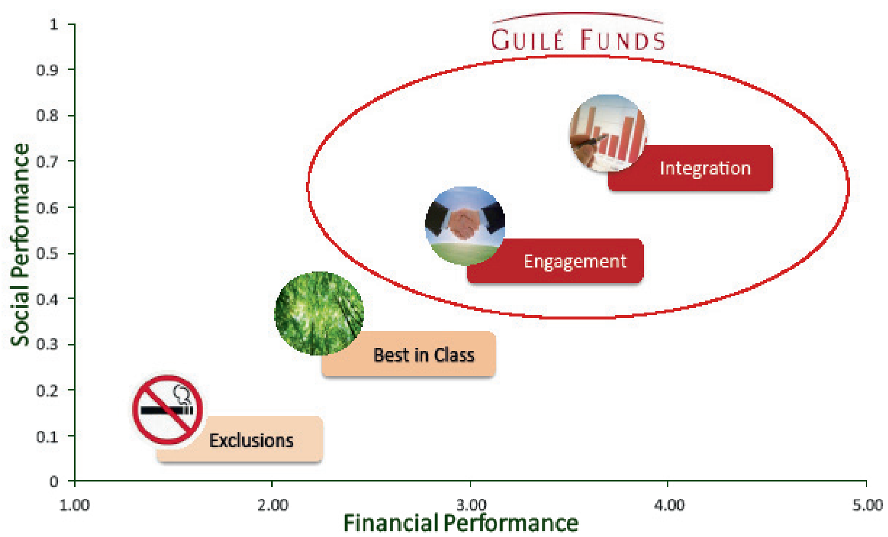
The shareholder engagement that underpins the Buy & Care strategy is applied to all the Guilé Funds. We are convinced that continuous, non-indulgent dialogue with the companies creates value for all the stakeholders. It also enables the portfolio managers to integrate the ESG risks and opportunities into their investment decisions. Through this approach we strengthen our understanding and fundamental analysis of the companies. Our managers' assessments of the risks and sustainability of the companies' business models are sharpened, and their investment convictions are more solidly based. With time, the markets perceive and reward the uptrend in the companies' quality and this is reflected in the value of our investments.

ACTIVE PORTFOLIO MANAGEMENT, BASED ON THOROUGH FUNDAMENTAL ANALYSIS IS THE KEYSTONE OF THE BUY & CARE INVESTMENT STRATEGY.

This work calls for a portfolio management team with the skills required to integrate the ESG factors and link them to the classic financial valuation models.

In place since the launch of each compartment, the Guilé Funds managers apply the Buy & Care strategy together with deep fundamental analysis, a low turnover rate and shareholder engagement as conducted by the GET.

Compared with the usual SRI methods, based on exclusions and best in class, the Guilé Funds' innovative combination of integration and engagement strategies presents a number of advantages. First, our managers are not subject to dogmatic rules and possibly arbitrary ESG ratings. Free of these external constraints, they are fully responsible for the fund's performance. We believe that in all but a few exceptional cases, dialogue is preferable to exclusion. Sometimes the Guilé Funds remain the



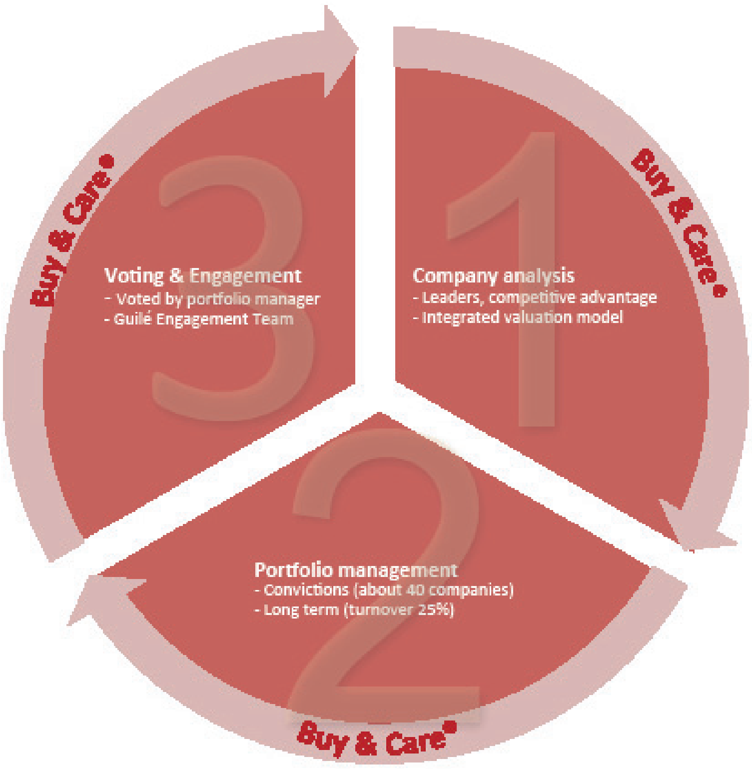
only responsible investor still maintaining the dialogue and suggesting areas with potential for progress on the ESG issues. Either the companies refuse to converse with shareholders that adopt an overly inflexible stance, removed from the economic realities; or the shareholders themselves decide to exclude certain companies from the dialogue.

The Guilé Funds also stand out from the best-in-class strategy, where investment decisions often depend on highly qualitative ESG ratings. These ratings, which rarely integrate the financial parameters or take the trouble to understand the companies' business models, lead to sub-optimal investment decisions. This strategy has difficulty convincing traditional investors, whose scepticism increases when they consult a list of best-in-class businesses, whose social and environmental vocation is not always apparent.

THE BUY & CARE STRATEGY IS A VIRTUAL, CYCLICAL PROCESS BUILT AROUND LISTENING TO INVESTORS' CONCERNS. APPLIED TO THE GUILÉ FUNDS, IT PUSHES BACK THE FRONTIERS NOT ONLY OF RESPONSIBLE INVESTMENT BUT OF ACTIVE MANAGEMENT.

By taking care not to ostracise profitable businesses that will probably continue to grow, and by concentrating on their progress, so as to ensure that they learn from their mistakes and from our dialogue, the Guilé Funds play a complementary and perhaps significant role in the responsible investment universe.

The Buy & Care strategy is a virtual, cyclical process built around listening to investors' concerns. Applied to the Guilé Funds, it pushes back the frontiers not only of responsible investment but of active management. The following diagram provides a simplified view of the three-step Buy & Care process as it applies to the Cadmos-Guilé Emerging Markets Engagement Fund.



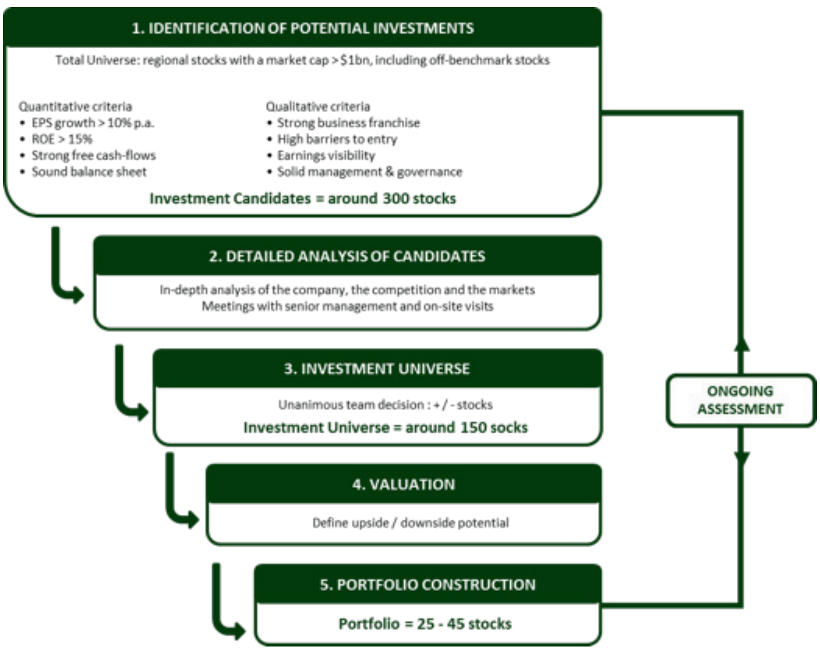
Company analysis

Comgest, manager of the GEMEF since the latter's inception in 2009, has ensured that its investment process continues to evolve. As a signatory to the Principles for Responsible Investment since March 2010, it looks for companies that enjoy visible and sustainable long-term growth. Comgest begins by identifying businesses with earnings growth of more than 10 per cent, above-average profit margins and return on equity, a sound balance sheet and low debt. As can be seen from the investment process shown below, it then analyses the quality of the companies as franchises (barriers to entry, strong competitive advantages etc.). Lastly, a five-year forecasting model based on systematic use of discounted profits and dividends leads to the selection of reasonable valuations in this universe.

In 2011 Comgest launched a programme aimed at integrating the ESG criteria into its company analyses. To do so it adopted a risk-based approach. Evaluating the risks associated with the ESG factors serves to strengthen the fundamental-analysis model. Two dedicated analysts assign a level of ESG risk to each company. The level is adjusted continuously as new ESG information is obtained. At present, the results of the ESG analysis are incorporated qualitatively, by the financial analyst, into the overall assessment of each company's risks.

> Comgest begins by identifying businesses with earnings growth of more than 10 per cent, above-average profit margins and return on equity, a sound balance sheet and low debt.

Comgest investment process as applied to the GEMEF compartment



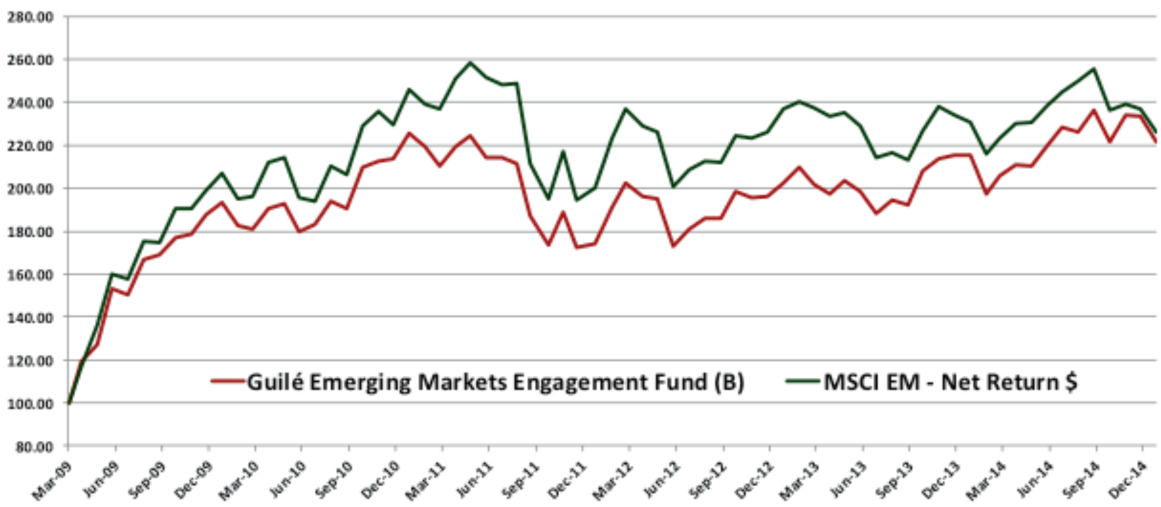
PORTFOLIO MANAGEMENT

Comgest follows a pure stock-picking approach, without reference to the composition of the benchmark index. It may favour or avoid certain industries or regions. The sectoral and geographic allocations are reviewed only after the stocks are identified. Constructing the portfolio involves the selection of twenty-five to forty-five companies with strong potential for outperformance in the medium and long term. This concentration is desirable in the case of an engagement fund, since it means that the cost of the shareholder dialogue can be contained. And that concentration is combined with an extremely low turnover rate, which increases the quality of the dialogue. **For the past five years, the GEMEF turnover has been less than 50 per cent, which implies that on average, a company remains in the portfolio for more than two years. This ratio is significantly better than the average for emerging-market equity funds.** As a comparison, a 2010 study by Mercer, based on one thousand active portfolios, puts the average turnover rate at 72 per cent, and 55 per cent for the responsible investment funds.[6]

IN TERMS OF NAV, CLASSES A AND B OF THE CADMOS-GUILÉ EMERGING MARKETS FUND ROSE 1.9 PER CENT AND 2.8 PER CENT RESPECTIVELY IN 2014, WHILE THE MSCI EMERGING MARKETS INDEX FELL 2.2 PER CENT.

Since launched in March 2009, the compartment (Class B) has delivered an outstanding performance of 121.42 per cent. Over the same period the benchmark, the MSCI Emerging Markets (Net Return), has returned 125.86 per cent. It is hardly surprising that in the post-2008 rush to make up lost ground companies with weak qualities outperformed those selected for the compartment. But recently, that gap has narrowed considerably.

In terms of NAV, classes A and B of the Cadmos-Guilé Emerging Markets Fund rose 1.9 per cent and 2.8 per cent respectively in 2014, while the MSCI Emerging Markets index fell 2.2 per cent. Class A is intended for private investors and Class B for institutional investors placing USD 1 million or more. A large portion of the management fees is allocated to the Fondation Guilé to finance the activities of the GET, which initiates and conducts the shareholder engagement.



[6] Mercer LLC, "Investment horizons - Do managers do what they say?"; 2010.

Voting and engagement

In the past, company visits and participation in the annual general meeting (AGM) were standard practice for investors. Today, electronic trading and information systems, while clearly useful and efficient, have unfortunately made some primary sources of information obsolete. In our opinion, voting and shareholder engagement should once again be closely linked to the portfolio manager's investment decision and therefore be part and parcel of his responsibilities. The real long-term financial impact of the decisions made at an AGM is clearly documented. Few professionals would deny that a board of directors' skills, independence and availability are critical to a company's future. Indeed, the effects of a capital increase will be felt immediately. **Therefore, for Comgest and for PPT, exercising the right to vote is first and foremost a financial responsibility.**

> The Guilé Funds shareholder engagement is based on the ten principles of the United Nations Global Compact.

To make this task easier, Comgest has elected the independent proxy Institutional Shareholder Services (ISS) to exercise its vote. ISS is responsible for studying the resolutions and providing voting recommendations in accordance with responsible investment principles. These recommendations, prepared by the specialised ISS analysts, provide valuable support to Comgest's own thinking. However, the ultimate voting decision rests with Comgest's analysts and portfolio managers.

Our portfolio manager has discretion to deviate from those recommendations should he find that the companies' business models and particularities are not fully taken into account and the recommendations do not correspond to our updated voting guidelines.

In this activity report, we divide the items under discussion at an AGM into four topics: the structure of the board of directors; the transparency and coherency of the remuneration policy; capital structure and distribution; and respect for the rights of long-term shareholders. Our analysis of voting in the 2014 AGM season, presented in chapter 4, is broken down according to that new classification.

Our investment strategy is further distinguished by the continuous dialogue that we seek as a shareholder. The Guilé Funds shareholder engagement is based on the ten principles of the United Nations Global Compact.

Global Compact's 10 principles

HUMAN RIGHTS

1.- support and respect the protection of internationally proclaimed **human rights**

2.- make sure that they are not **complicit** in human rights abuses

LABOR STANDARDS

3.- uphold the **freedom of association** and recognise the right to collective bargaining

4.- eliminate all forms of **forced and compulsory labor**

5.- abolish **child labor**

6.- eliminated **discrimination** in respect of employment and occupation

ENVIRONEMENT

7.- support a **precautionary approach** to environmental challenges

8.- undertake initiatives to promote **greater environmental responsibility**

9.- encourage the development and diffusion of **environmentally friendly technologies**

ANTI-CORRUPTION

10.- work **against corruption** in all its forms, including extortion and bribery

The Global Compact is a unique self-regulatory initiative signed by more than eight thousand companies, who strive to align their current operations with ten universally accepted principles in the areas of human rights, international labour standards, environmental standards and the fight against corruption.

The signatory company's sole obligation is to communicate the progress achieved, so that stakeholders are better informed about its challenges. To ensure that the universal values contained in the ten principles are

permanently embedded in and linked to the engagement process, the Fondation Guilé has signed a Memorandum of Understanding with the Global Compact. In this way, the Fondation also acts as a catalyst by helping businesses to implement the principles. The dialogue is established and maintained by means of a four-step process, illustrated below.

A team of qualified analysts and senior consultants, the Guilé Engagement Team (GET), begins by assessing the comprehensiveness and quality of all the information published on the ten Global Compact principles. The GET experts forward their assessments to the portfolio management team, to have the latter validate the improvements and shortcomings noted. Once the assessment is validated (COP - Communication On Progress - Analysis) and completed by the portfolio manager, a summarised version (Assessment Results) is sent to the companies' highest executive and operational bodies. This document focuses their attention on their company's strengths and weaknesses and not on ESG ratings, whose weighting systems can seem obscure. We are convinced that the awarding of points, which are rarely accepted as they stand, leads to long and fruitless discussions. In contrast, the critical, neutral assessment by the GET arouses the companies' interest. It opens the way to a constructive on-going dialogue in which our experts may suggest concrete improvements and monitor their implementation. We begin by expanding on the results of our assessment, and then explore together the most realistic and financially material paths to progress. The partnership formed in 1996 between the Fondation Guilé and the Global Compact in New York has done a great deal to accelerate awareness and acceptance of the Fondation's shareholder dialogue. The quantity and quality of the influential dialogues conducted since then are attributable to these specific features of the Guilé Funds.

The quality of the dialogue is also enriched by our ability to distinguish between the comprehensiveness and the quality of the companies' extra-financial reporting. The comprehensiveness analysis is carried out for each of the ten Global Compact principles according to the eight criteria on the following page.

Comprehensiveness analysis: Eight criteria to analyse the implementation of each of the ten principles

1) How does the company describe the **importance** of the principle
   - *the impact of this principle on its activities and performance throughout its value chain*
2) To what extent does the company express **commitment** to the principle
   - *explicit and practical undertaking to treat the principle as a responsibility and priority*
3) How does the company integrate the principle into its **strategy**
   - *its practical integration into the company's strategy and processes*
4) Are the **objectives** clearly defined
   - *how does the company transform its engagement into tangible objectives*
5) Are the necessary **measures** properly described
   - *are the actions ensuring proper integration into the company's day-to day- activities*
6) What performance-measurement **indicators** has the company identified
   - *relevant, reliable, ascertainable, comparable*
7) Is the **control** system in place
   - *Surveillance and audit procedures as well as corrective actions*
8) What is the **impact** of the measures taken
   - *results, performance, successes or failures*

In contrast, the analysis of information quality covers all ten principles and is aimed more at determining whether the information published is sufficiently credible and accessible and is likely to be taken into account by the financial markets.

This formal distinction between the comprehensiveness and the quality of the information enables us to focus the company's attention on the questions of materiality and content when one of the key Global Compact principles has not been properly addressed. On the other hand, when the ESG risks and opportunities appear to have been well managed but the information seems poorly communicated or inaccessible to investors, the experts from the Fondation Guilé focus the dialogue on the quality and transparency of the reporting. Companies that publish convincing, comprehensive, high-quality information will probably be able to reduce their risk premium and boost their share price. Successful shareholder engagements should therefore be of direct benefit to the Guilé Funds' investors.

Quality analysis: six criteria to assess the quality of the reporting

1) Accessibility (information easy to find)
2) Clarity (information precise and easy to understand)
3) Comparability (year-on-year comparison with competitors)
4) Accuracy (relevance of the collected information)
5) Reliability (confidence in the accuracy of information)
6) Rapidity (consistent frequency)

Management report 2014

Performance report

2014 was not a great year for the world's stock markets. The 4.2 per cent return in USD terms generated by the MSCI All Country World Index derived mainly from the US. On the emerging markets (-2.2 per cent in USD), Asia was the main performance driver, while Europe, the Middle East and Africa (EMEA) and Latin America disappointed. EMEA had to contend with geopolitical problems, Europe's tepid growth and the collapsing oil price, and Latin America continued to suffer from the commodities slump, which is hurting its exports. In addition, Brazil is battling political headwinds.

In contrast, euro-denominated performances were excellent, thanks largely to the decline in the single currency. Generally, Comgest is wary of weakness in the emerging-market currencies against the greenback, as currencies often act as a fuse in our asset class. For the developed markets, investors see the bond markets as the anchor; in our asset class currencies often pull the other markets in their wake, because many emerging financial systems still lack capital. The reason for the emerging markets' disappointing performance in US dollars is the declining return on capital and slowing growth, as evidenced by the downward revisions to earnings per share. In 2014, the MSCI Emerging Markets index lowered its EPS growth rate from 12 per cent to 3 per cent. In this context, our portfolio posted EPS growth of 11 per cent. For 2015, the market is betting on an increase of 12 per cent, a figure that could be hard to achieve.

The portfolio delivered a satisfactory performance in 2014, advancing in USD terms. Stock picking was again the main driver, owing largely to:

• very good selection in China, India and Brazil,

• limited exposure to Korea,

• structural underweighting of energy and no exposure to materials.

In the period under review, the NAV of classes A and B of the Cadmos-Guilé Emerging Markets Fund rose 1.9 per cent and 2.8 per cent respectively, while the MSCI Emerging Markets index fell 2.2 per cent.

In the period under review, the NAV of classes A and B of the Cadmos-Guilé Emerging Markets Fund rose 1.9 per cent and 2.8 per cent respectively, while the MSCI Emerging Markets index fell 2.2 per cent.

Portfolio positioning and company updates

Comgest remains heavily invested in the emerging-markets consumer sector. Two thirds of the portfolio is exposed to businesses targeting households – classic consumer goods, life insurance, mobile telephony and the Internet. Industrials, infrastructure and global emerging-markets leaders make up the final third.

The portfolio is not exposed to materials, and the exposure to energy is limited and largely indirect. Commodity cycles are often long, owing to the time required to rebalance supply and demand. During the last bear phase of the materials market, commodity prices declined for more than fifteen years, before rebounding for around thirteen years. That recent super-cycle led to significant overcapacity, as evidenced by the current price trend. In this context, our structural underweighting of commodities should bolster the portfolio's relative performance.

The other cloud hovering over our asset class is an underperformance by banks. The latter are likely to fall victim to the dwindling solvency of households and businesses, given an environment of rising interest rates in many heavily indebted emerging-market countries. The weakness of the emerging-market currencies at the end of the year increases this risk and reflects the extent of the capital outflows. Comgest fears that the most vulnerable countries could see a major banking crisis. Fortunately, banks are not represented in the portfolio.

Comgest continued to reduce its exposure to consumer staples in view of the valuations. This exposure is now at a ten-year low, while the technology weighting is at its peak. The selection of stocks in the IT sector constitutes the portfolio's core holding, despite the profit-taking on Internet assets in 2014.

Among the most promising new entrants in 2014 was Bharti Infratel, India's largest telecom tower provider. This company is benefiting from the speed of data growth in India and the nascent smartphones market, which increases the need for telecoms infrastructures. Bharti Infratel is thus set to see an uptrend in the number of customers per tower, enabling it to achieve positive operating leverage while increasing the number of its towers. Its contracts have an average duration of seven years, giving this activity very good visibility.

Portfolio movements

Comgest liquidated few positions in 2014. Among those sold were Walmex, on fears for the company's long-term growth, and MTS and China Resources Power, where there are governance issues.

It also sold Richemont, owing to concerns about the cyclical nature of the luxury goods sector. Tencent and Naver were closed for reasons of valuation.

It increased the exposures to China Life, MTN and Femsa and opened positions in the Indian company Power Grid; in Mail.ru, Russia's leading provider of social networks; and in Netease, in China.

The increase in volatility is beginning to reveal the opportunities that Comgest was patiently waiting to see and will be ready to seize.

Outlook

The context remains difficult for the emerging countries' equity markets, with commodities and energy sliding further while the dollar rises. China's growth is flagging and the geopolitical situation is deteriorating. In addition, the emerging-market countries are slow to implement their structural reforms.

At first glance, the high weighting of sectors with a low price-to-earnings ratio (materials, energy and banking) appears to reduce the emerging equities' valuation. But when one excludes these sectors, the valuations are fairly high. Our portfolio is valued at 16 times 2015 earnings, for earnings growth of 11 per cent.

One of the main risks is a currency war, now that the eurozone has followed Japan's example and lowered its exchange rate; and there is no guarantee that China will not do the same. But that seems less likely in the short term, given that the country's balance of trade is improving significantly and devaluation would halt that trend.

Another risk is the emerging countries' credit cycle, meaning that emerging-market debt held by foreign funds must be watched closely. Over the past three years, international investors bought emerging debt to the value of USD 968 billion (source: IFI). But the weakness in the developed countries' sovereign yields does not signify that their emerging counterparts' structural challenges have disappeared. It is true that this time a large portion of that debt is denominated in the local currency, and not in US dollars as was the case in the previous crises; nevertheless, that simply means that the foreign-exchange risk has passed from the issuer to the buyer. If the demand for emerging-market bonds were to slow, or even decline, that would create a liquidity trap and lead to a surge in interest rates. Comgest's selection of high-quality growth stocks results in a portfolio of businesses that generate free cash flow and have low levels of leverage, making them less vulnerable to such potential risks.

The context remains difficult for the emerging countries' equity markets, with commodities and energy sliding further while the dollar rises. China's growth is flagging and the geopolitical situation is deteriorating. In addition, the emerging-market countries are slow to implement their structural reforms.

Composition of the portfolio as at 31 December 2014

Country	GEMEF Portfolio as at 31.12.2014
Argentina	TENARIS
Brazil	BRF
Brazil	CIA DE CONCESSOES RODOVIARIAS
Brazil	CIELO
Brazil	JBS
Brazil	LOCALIZA RENT A CAR
Brazil	NATURA COSMETICOS
Brazil	ODONTOPREV
Brazil	WEG
Chile	EMPRESAS COPEC
China	BAIDU
China	CHINA LIFE INSURANCE
China	KWEICHOW MOUTAI COMPANY
China	NETEASE
China	PING AN INSURANCE
China	SAIC MOTOR
Hong Kong	CHINA MOBILE
Hong Kong	HUTCHISON WHAMPOA
India	BHARAT HEAVY ELECTRICALS
India	BHARTI INFRATEL
India	GAIL (INDIA)
India	INFOSYS
India	POWER GRID INDIA
India	TATA MOTORS
Korea	SAMSUNG LIFE INSURANCE
Mexico	FOMENTO ECONOM.MEXICANO
Netherlands	HEINEKEN
Other	COMGEST GROWTH LATIN AMER.
Other	COMGEST GROWTH-GEM PROM.
Other	COMGEST GROWTH-GROWTH INDIA
Russia	MAGNIT
Russia	MAIL.RU GROUP
Russia	YANDEX
South Africa	MTN GROUP
South Africa	NASPERS
South Africa	SABMILLER
South Africa	SANLAM
Taiwan	MEDIA TEK
Taiwan	TAIWAN SEMICONDUCTOR
United Kingdom	COCA-COLA HBC

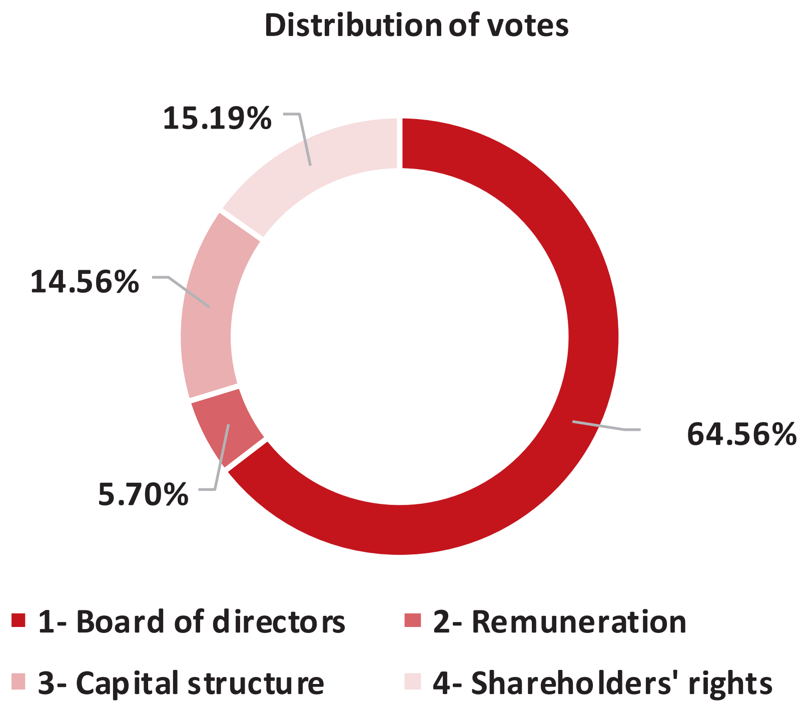
Exercise of voting rights in 2014

Distribution of votes in 2014

At the end of December 2014, the portfolio of the Cadmos-Guilé Emerging Markets Engagement Fund comprised forty lines, of which six did not carry voting rights.[7] Technically, we could have voted on thirty-seven companies, as we divested ourselves of five after their AGMs (Tencent Holding, Naver Corp, America Movil, Wal-Mart de Mexico and Richemont) and brought two into the portfolio late in the year (Bharti Infratel and Mail.Ru Group). But owing to transmission problems with Femsa, Tenaris and JBS, (only the AGM missed) we exercised our voting rights on thirty-four companies. These technological problems are unfortunately a frequent occurrence in cross-border voting and concern the necessary coordination between custodians and the electronic voting platform. The automatic warning system set up by Comgest to reduce this type of incident has made a difference, but it cannot eliminate the problems entirely.

During the period under review, we expressed an opinion on 503 items on AGM agendas, compared with 500 in the previous year. In the emerging-market countries, unlike the developed countries, there was no significant increase in the number of voting decisions to be made. The demands for greater transparency noted particularly in Europe have as yet had little impact on the structure of the AGMs of companies in the emerging-market countries. Indeed, contrary to what was seen in Europe, the votes on remuneration actually decreased, falling from 17.4 per cent to 12.9 per cent.

Nevertheless, the companies are pressing on with their efforts, described in the previous report, to catch up and provide greater transparency. More than 75 per cent of the resolutions submitted to the vote now concern the structure of the board of directors and the capital structure. In both these areas, the standards are still lagging behind those of the European companies today. But we should not forget the situation prevailing in western companies less than twenty years ago, before a series of scandals served as a wake-up call to consciences and the law. Good governance is a learning process and in this, as in other areas, the emerging-market countries are learning fast. The analysis presented here reveals the board of directors, its structure, its skills and its independence as the main area with potential for progress. Active shareholders such as the Guilé Funds, supported by an inexorable underlying trend, are encouraging businesses to adopt more acceptable standards of governance. Even though international investors tend to underestimate the importance of these issues, they nevertheless find progress on them reassuring. This increased confidence gradually begins to pay off for investors in the Guilé Funds by enhancing the valuations of the underlying companies.



[7] *The three Comgest investment funds, together with Baidu, which does not hold an AGM, and Kweichow Moutain and Saic Motor, where the securities are P-Notes without voting rights.*

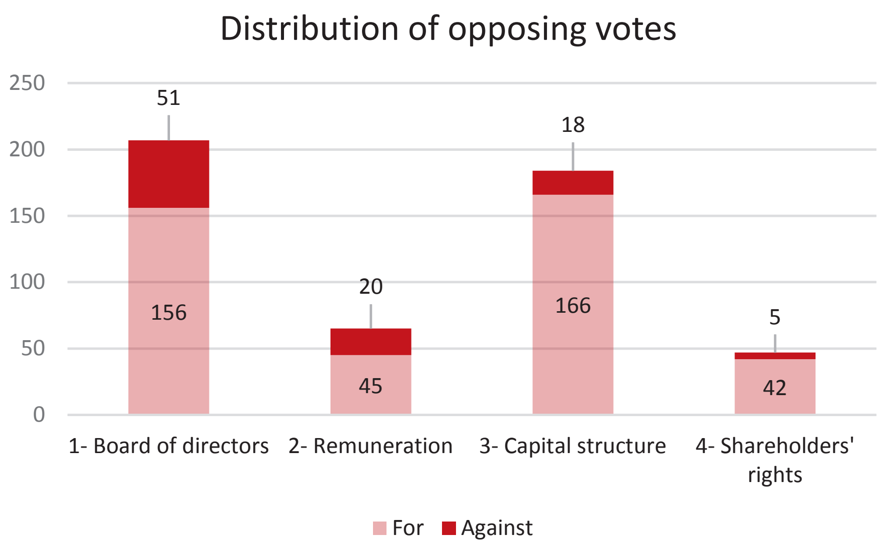
Main oppositions in 2014

In the 503 votes cast, we opposed the companies' resolutions ninety-four times, or in 18.7 per cent of cases. The table chart below shows that the board of director's structure and independence is still the greatest point of contention (fifty-one votes or 24.6 per cent against management's recommendation). That rate is up significantly from the 17.4 per cent of 2013, reflecting the fact that boards in the emerging-market countries are struggling to make their structure and independence meet our standards of transparency.

The table chart below shows that the board of director's structure and independence is still the greatest point of contention (fifty-one votes or 24.6 per cent against management's recommendation).

Our rate of opposition to remuneration is even higher, with 30.8 per cent of the vote against management's recommendation. The main cause of the oppositions is the lack of transparency and consistency in remuneration policies. Part of the rise is the result of recent adjustments to Comgest's voting guidelines. The latter are now more demanding of the companies in terms of transparency. At the same time, we note that some companies are becoming less opaque and that occasionally it is possible to protest against pay packages that are overly focused on the short term or tied to performance targets that are insufficiently binding.

A regional breakdown of opposing votes provides an insight into the characteristics of the different types of governance model. Even though these figures cover only the companies in the fund and therefore have no statistical significance they can help us to identify each company's controversial issues according to its head office. In addition, this analysis leads to a better understanding of local practices, which are rooted

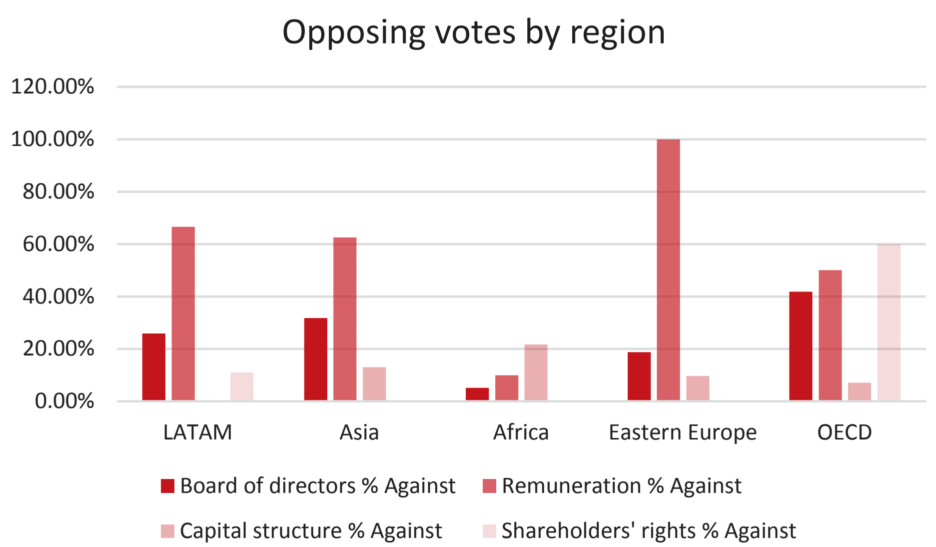


Themes	No. of votes	Against	%
1- Board of directors	207	51	24,6%
2- Remuneration	65	20	30,8%
3- Capital structure	184	18	9,8%
4- Shareholders' rights	47	5	10,6%
Total	503	94	18,7

in each region's own economic model and history. That background knowledge also contributes to the open, respectful dialogue championed by the Guilé Funds.

This year the African companies presented the best picture. All four of the South African businesses included have adopted governance standards largely inspired by the Anglo-Saxon model. In addition, Gold Fields, a company that was opposed on 50 per cent of the resolutions proposed at its AGM, has since been sold. The data for eastern Europe are not statistically significant. On the one hand, the two companies concerned, Magnit and Yandex, are considered exceptions and models of good governance in Russia; and on the other, only one resolution concerning pay was put forward, and we voted against it.

As regards Latin America, Asia and the three predominantly exporting OECD companies, we note that their governance issues tend to converge. Lack of independence in the boards of directors and excessive executive pay are issues that have emerged in all these regions. The former has always been considered the emerging-market countries' weak point. There are still general meetings where one is expected to vote on directors' elections without access to information about the nominees' skills or independence. The corruption scandal that has rocked Petrobras will increase the pressure to implement sweeping structural reforms in the region. In view of the legal actions, estimated at more than one hundred billion dollars, we are pleased to note that the GEMEF is not directly exposed to that company.



The corruption scandal that has rocked Petrobras will increase the pressure to implement sweeping structural reforms in the region. In view of the legal actions, estimated at more than one hundred billion dollars, we are pleased to note that the GEMEF is not directly exposed to that company.

Analysis of the votes by topic

The first topic addressed in our voting guidelines –**the structure of the board of directors** –is of fundamental importance to a company's development. After the AGM, the board is the highest organ of management, defining the strategy to follow, appointing the senior management that will apply that strategy, and rewarding or sanctioning it according as the objectives are reached. A board of directors must be a cohesive and competent team, available to attend the meetings and able to discuss and evaluate management's performance freely and openly.

The table below lists the nineteen companies where we challenged at least one item on the agenda concerning the board structure.

THE TABLE BELOW LISTS THE NINETEEN COMPANIES WHERE WE CHALLENGED AT LEAST ONE ITEM ON THE AGENDA CONCERNING THE BOARD STRUCTURE.

Vote concerning: Board of directors				
Name	**Country**	**Vote**	**Against**	**% Against**
NASPERS	South Africa	22	2	9.09%
SABMILLER	South Africa	14	1	7.14%
CIA DE CONCESSOES RODOVIARIAS	Brazil	2	1	50.00%
CIELO	Brazil	1	1	100.00%
NATURA COSMETICOS	Brazil	11	2	18.18%
ODONTOPREV	Brazil	3	1	33.33%
EMPRESAS COPEC	Chile	2	1	50.00%
SAMSUNG LIFE INSURANCE	Korea	3	1	33.33%
HEINEKEN	Netherlands	6	1	16.67%
CHINA MOBILE	Hong-Kong	5	2	40.00%
HUTCHISON WHAMPOA	Hong-Kong	5	5	100.00%
BHARAT HEAVY ELECTRICALS	India	6	4	66.67%
GAIL (INDIA)	India	3	3	100.00%
INFOSYS	India	9	1	11.11%
POWER GRID INDIA	India	4	1	25.00%
TATA MOTORS	India	7	3	42.86%
AMERICA MOVIL	Mexico	1	1	100.00%
YANDEX	Russia	6	3	50.00%
RICHEMONT	Switzerland	23	17	73.91%

This table shows that Comgest was particularly critical of the companies Hutchison Whampoa, Gail, Cielo, America Movil, Bharat Heavy Electricals and Richemont. The main reason for these dissenting votes was the board's lack of independence. America Movil and Richemont were on this list already in 2013. Both positions have now been sold, for several reasons that meant that their valuations were no longer justified.

"Against" votes concerning: board of directors			
Name	**Description**		**Comgest's objections**
CCR S.A.	4	Fix Board Size and Elect Directors	Lack of independence
Cielo SA	3	Elect Directors, Fiscal Council Members, and Approve Remuneration…	Lack of independence and grouped vote
Natura Cosmeticos S.A.	4.5	Elect Julio Moura Neto as Director	No information
	4.8	Elect Raul Gabriel Beer Roth as Director	No information
Odontoprev S.A.	4	Fix Board Size and Elect Directors	Lack of independence
Empresas Copec S.A.	2	Elect Directors	Names not published
China Mobile Limited	3b	Elect Sha Yuejia as Director	Too many mandates
	4a	Elect Lo Ka Shui as Director	Too many mandates
Hutchison Whampoa Limited	3a	Elect Fok Kin Ning, Canning as Director	Too many mandates
	3b	Elect Lai Kai Ming, Dominic as Director	Too many mandates
	3c	Elect Kam Hing Lam as Director	Too many mandates
	3d	Elect William Shurniak as Director	Director + 80 years old
	3e	Elect Wong Chung Hin as Director	Director + 80 years old
Bharat Heavy Electricals Ltd.	3	Reelect R. Krishnan as Director	Lack of independence
	4	Reelect W.V.K.K. Shankar as Director	Lack of independence
	7	Elect A. Sobti as Director	Lack of independence
	8	Elect S.K. Bahri as Director	Lack of independence
Gail India Ltd.	3	Reelect P. Singh as Director	Lack of independence
	4	Reelect P.K. Singh as Director	Lack of independence
	7	Elect A. Karnatak as Director	Lack of independence
Infosys Ltd.	7	Elect K. Mazumdar-Shaw as Independent Non-Executive Director	Too many mandates
Power Grid Corporation of India Ltd	6	Elect P. Kumar as Director	Lack of independence
Tata Motors Ltd.	5	Elect N. Wadia as Independent Non-Executive Director	Too many mandates
	7	Elect N. Munjee as Independent Non-Executive Director	Too many mandates
	8	Elect S. Bhargava as Independent Non-Executive Director	Too many mandates
America Movil S.A.B. de C.V.	1	Elect Directors for Series L Shares	Names not published
Heineken NV	1f	Approve Discharge of Supervisory Board	No information
Yandex NV	4	Elect Herman Gref as a Non-Executive Director	Too many mandates
	6	Reelect Alfred Fenaughty as a Non-Executive Director	Director + 80 years old
	7	Reelect Elena Ivashenseva as a Non-Executive Director	No information
Naspers Ltd	5.3	Re-elect Boetie van Zyl as Director	Audit Committee member + 70 years old
	6.4	Re-elect Boetie van Zyl as Member of the Audit Committee	Audit Committee member + 70 years old
Samsung Life Insurance Co. Ltd.	2	Elect Two Inside Directors and Three Outside Directors	Lack of diversity
Compagnie Financiere Richemont SA	4.1	Elect Yves-Andre Istel as Director	Lack of independence
	4.2	Elect Lord Douro as Director	No information
	4.3	Elect Jean-Blaise Eckert as Director	Lack of independence
	4.6	Elect Ruggero Magnoni as Director	Lack of independence
	4.7	Elect Joshua Malherbe as Director	Lack of independence
	4.8	Elect Frederic Mostert as Director	No information
	4.9	Elect Simon Murray as Director	No information
	4.10	Elect Alain Dominique Perrin as Director	No information
	4.12	Elect Norbert Platt as Director	No information
	4.13	Elect Alan Quasha as Director	No information
	4.15	Elect Lord Renwick of Clifton as Director	Lack of independence
	4.16	Elect Jan Rupert as Director	No information
	4.17	Elect Gary Saage as Director	No information
	4.18	Elect Juergen Schrempp as Director	No information
	5.1	Appoint Lord Renwick of Clifton as Member of the Compensation Committee	Lack of independence
	5.2	Appoint Lord Douro as Member of the Compensation Committee	No information
	5.3	Appoint Yves-Andre Istel as Member of the Compensation Committee	Lack of independence
SABMiller plc	7	Re-elect Dinyar Devitre as Director	Lack of independence

We have already discussed **executive pay**, an issue that led us to oppose the recommendations of almost a third of the AGMs. This represents a major deterioration compared with 2013, when we challenged the remuneration proposals of six companies. The negative trend is partly explained by the introduction of Comgest's new, more stringent voting guidelines. The latter are more demanding in terms of transparency and healthy structures and have been adjusted in line with the European norms. Below we present the thirteen companies where we were unable to back all the pay resolutions in 2014.

As the table below shows, it is still the lack of transparency, rather than evidence of excessive or poorly structured remuneration that prompted our main oppositions. So the six companies that were nevertheless punished for inappropriate pay plans or amounts that seemed hard to justify (BRF, Weg, Tencent Holding, Yandex, Naspers and SAB) at least deserve credit for being transparent.

Vote concerning: Remuneration				
Name	**Country**	**Vote**	**Against**	**% Against**
NASPERS	**South Africa**	31	3	**9.68%**
SABMILLER	**South Africa**	5	1	**20.00%**
BRF	**Brazil**	3	2	**66.67%**
CIA DE CONCESSOES RODOVIARIAS	**Brazil**	1	1	**100.00%**
JBS	**Brazil**	1	1	**100.00%**
LOCALIZA RENT A CAR	**Brazil**	1	1	**100.00%**
NATURA COSMETICOS	**Brazil**	1	1	**100.00%**
WEG	**Brazil**	3	2	**66.67%**
TENCENT HOLDINGS	**China**	1	1	**100.00%**
COCA-COLA HBC	**United Kingdom**	2	2	**100.00%**
GAIL (INDIA)	**India**	1	1	**100.00%**
TATA MOTORS	**India**	3	3	**100.00%**
YANDEX	**Russia**	1	1	**100.00%**

"Against" votes concerning: remuneration			
Name	**Description**		**Comgest's objections**
BRF SA	3	Amend Stock Option Plan	No information
	4	Approve Stock Option Performance Plan	Vesting period -3 years and no performance criteria
CCR S.A.	6	Approve Remuneration of Company's Management	Lack of transparency
JBS S.A.	5	Approve Remuneration of Company's Management	Lack of transparency
Localiza Rent A Car S.A.	3	Approve Remuneration of Company's Management	Lack of transparency
Natura Cosmeticos S.A.	5	Approve Remuneration of Company's Management	No information
WEG S.A.	2.1	Amend Stock Option Plan Re: Item 7	Overgenerous and no performance criteria
	2.2	Amend Stock Option Plan Re: Item 16	No information
Tencent Holdings Ltd.	9	Adopt the Option Scheme of Riot Games, Inc.	Excessive dilution (+3%)
Gail India Ltd.	8	Approve Remuneration of Executive Directors	Lack of transparency
Tata Motors Ltd.	1	Approve Payment of Remuneration to R. Pisharody	Lack of transparency
	2	Approve Payment of Remuneration to S. Borwankar	No information
	3	Ratify Excess Remuneration Paid to K. Slym	No information
Yandex NV	11	Amend Company's Equity Incentive Plan	Excessive dilution (+3%)
Naspers Ltd	1.2.3	Approve Remuneration of Board Member	Impact on independence
	7	Approve Remuneration Policy	No performance criteria
	1.2.3	Approve Remuneration of Board Member	Impact on independence
Coca-Cola HBC AG	2	Approve Remuneration Report	Lack of transparency
	3	Approve Remuneration Policy	Lack of transparency
SABMiller plc	3	Approve Remuneration Policy	Excessively high pay

Our third topic relates to all the AGM resolutions regarding **capital distribution or structure**. We also include in this category the approval of the accounts and election of the auditor. These two subjects are closely linked to the required financial and accounting consistency. While this was the least controversial topic, with only 9.8 per cent opposition to the board's proposals, the financial consequences of each vote are direct and often material. Voting on a capital increase intended for an acquisition or a redistribution of capital requires an excellent understanding of the company, its balance sheet and, above all, its business model. Our portfolio manager's voting recommendations are directly linked to his financial analysis. He, better than anyone else, can express an opinion based on a global vision of the company. Below are the ten companies that received at least one opposing vote regarding their capital structure.

Comgest has established strict rules to prevent existing shareholders' suffering discrimination or dilution in the event of a capital increase with or without preferential subscription rights. This topic concerned most of the companies mentioned, except Richemont and SABMiller, which were challenged on the possible lack of independence of the auditor. PwC has held this mandate for more than fifteen years.

Vote concerning: Capital structure

Name	Country	Vote	Against	% Against
NASPERS	South Africa	9	4	44.44%
SABMILLER	South Africa	6	1	16.67%
CHINA LIFE INSURANCE	China	12	1	8.33%
PING AN INSURANCE	China	7	1	14.29%
TENCENT HOLDINGS	China	7	2	28.57%
CHINA MOBILE	Hong-Kong	6	2	33.33%
HUTCHISON WHAMPOA	Hong-Kong	6	2	33.33%
TATA MOTORS	India	7	1	14.29%
YANDEX	Russia	8	3	37.50%
RICHEMONT	Switzerland	3	1	33.33%

"Against" votes concerning: capital structure

Name	Description		Comgest's objections
China Life Insurance Co. Limited	11	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Discriminates against existing shareholders
China Mobile Limited	7	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Discriminates against existing shareholders
	8	Authorize Reissuance of Repurchased Shares	Discriminates against existing shareholders
Hutchison Whampoa Limited	5a	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Discriminates against existing shareholders
	5c	Authorize Reissuance of Repurchased Shares	Discriminates against existing shareholders
Ping An Insurance (Group) Co. of China, Ltd.	9	Approve the General Mandate to Issue and Allot Additional H Shares ...	Discriminates against existing shareholders
Tencent Holdings Ltd.	5	Approve Issuance of Equity or Equity-Linked Securities without Preemptive Rights	Discriminates against existing shareholders
	7	Authorize Reissuance of Repurchased Shares	Discriminates against existing shareholders
Tata Motors Ltd.	12	Approve Invitation and Acceptance of Fixed Deposits from Public and Members	Lack of justification
Yandex NV	13	Grant Board Authority to Issue Shares	181% of existing capital, valid for 60 months
	14	Authorize Board to Exclude Preemptive Rights from Share Issuances Under Item 13	Limit fixed at 10%
	15	Authorize Repurchase of Up to 20 Percent of Issued Share Capital	Limit fixed at 10%
Naspers Ltd	8	Place Authorised but Unissued Shares under Control of Directors	Excessive dilution and multiple share classes
	9	Authorise Board to Issue Shares for Cash up to a Maximum of 5% of Issued Share Capital	Multiple share classes
	3	Approve Financial Assistance in Terms of Section 44 of the Act	Resolution must be broken down
	6	Authorise Repurchase of A Ordinary Shares	Lack of transparence
Compagnie Financiere Richemont SA	6	Ratify PricewaterhouseCoopers as Auditors	PwC auditor for more than 15 years
SABMiller plc	19	Reappoint PricewaterhouseCoopers LLP as Auditors	PwC auditor for more than 15 years

In the fourth topic, on **shareholders' rights**, we have grouped all the items related to equal treatment of shareholders, anti-takeover measures and statutory changes. The four companies concerned by at least one negative note are presented below.

In three cases, we opposed the item "Transaction of Other Business", which would authorise the vote on a new resolution proposed during the AGM. We thus avoid giving the board a blank cheque and discriminating against shareholders that vote remotely. Coca Cola HBC has its head office in Switzerland and was therefore concerned by the ordinance against excessive remuneration in listed joint-stock companies (ORAB), which entered into force on 1 January 2014 and calls for significant statutory amendments. Comgest decided not to support the statutory changes proposed. In our view the changes ran counter to the shareholders' interests.

		Shareholders' rights		
Name	Country	Resolutions	Against	% Against
Jbs S.A	Brazil	8	1	12.50%
Empresas Copec SA	Chile	2	1	50.00%
Wal-Mart de Mexico	Mexico	2	1	50.00%
YUM! Brands, Inc.	USA	2	1	50.00%

"Against" votes concerning: shareholders' rights			
Name	Description		Comgest's objections
Empresas Copec S.A.	7	Other Business (Voting)	Others subjects unknown - refused
America Movil S.A.B. de C.V.	2	Authorize Board to Ratify and Execute Approved Resolutions	Lack of transparency
Coca-Cola HBC AG	6	Amend Articles of Association Re: Ordinance Against Excessive Remuneration	Overgenerous principles
	10	Transact Other Business (Voting)	Others subjects unknown - refused
Compagnie Financiere Richemont SA	8	Transact Other Business (Voting)	Others subjects unknown - refused

Shareholder engagement in 2014 –2015

Rate of engagement

In 2014–2015, the GET was able to hold discussions with twenty-two of the thirty-four companies in the portfolio, representing a fairly stable engagement rate of 65 per cent. This was achieved through six visits to sites in locations including Beijing, Cape Town and Johannesburg (18 per cent) and sixteen conference calls (47 per cent). These remarkable and stable results testify to the credibility that the Guilé Funds have acquired in the eyes of the emerging-market countries' leading companies.

The slight dip compared with the previous year's 67 per cent is not statistically significant. However, it is explained by our decision to give priority to high-quality dialogue with the more receptive companies. Largely owing to movements in the portfolio, the number of businesses that are not signatories to the Global Compact has dropped from twenty-one to fifteen.[8] But the Brazilian company Weg, with whom we have conversed regularly for the past three years, decided to sign. We congratulate Weg on this step forward, which we have constantly encouraged it to take.

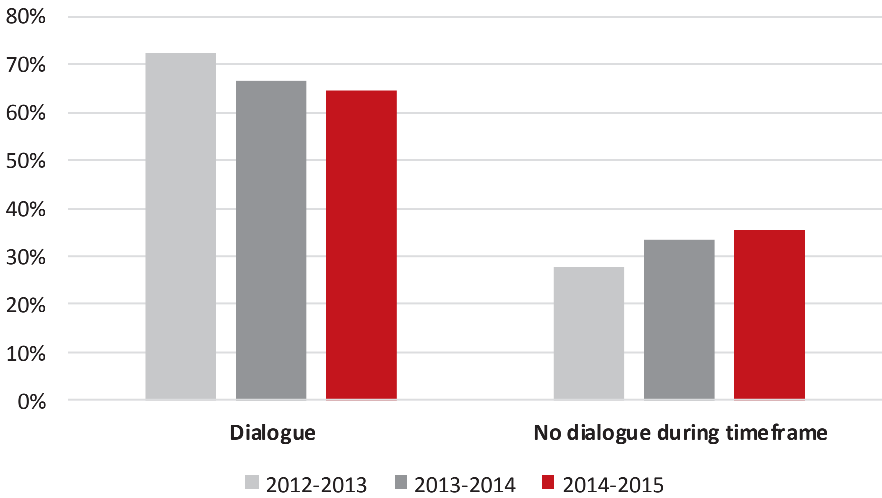
Of the twelve companies that were assessed by the GET but with whom we did not actively seek a dialogue half are not signatories to the Global Compact.[9] It is always more difficult to address the ten principles with such companies, some of whom may be unaware of the very existence of this worldwide initiative.

For the 2015–2016 engagement cycle, however, we plan on gradually taking active steps to launch the dialogue with some of these companies. Our first step will be to motivate them to become signatories to the Global Compact, so that they publish information on their progress.

The majority of the companies speak out publicly about their desire for a healthy dialogue with their stakeholders. But they are also increasingly critical of over-simplified exclusion criteria and the ratings and other ESG classifications that are often compiled once a year based on laborious questionnaires. The Guilé Funds' "soft power" engagement is clearly conducive to an influential, always constructive dialogue.

The Guilé Funds' "soft power" engagement is clearly conducive to an influential, always constructive dialogue.

Contacts with companies in the compartment



[8] *Bharti Infratel, China Life, Hutchison Whampoa, JBS, Localiza Rent A Car, Magnit, Mediatek, Naspers, Netease, Ping An Insurance, Power Grid, Samsung Life Insurance, Tenaris, TSMC and Yandex.*

[9] *Bharat Heavy Electricals, BRF-Brasil Foods, Cielo, Gail (india), Hutchison Whampoa, Infosys, NetEase, Ping An Insurance, Power Grid, Samsung Life Insurance, Tata Motors and Tenaris.*

Effectiveness of the engagement

Companies	Level	Description
0	(6)	(Publicizes Guilé's recommendations)
8	5	Shows improvement on at least one weak point raised by Guilé
6	4	Approves the progress objectives clearly specified by the Guilé assessment
6	3	Displays awareness and accepts the principle of a regular (annual) dialogue
3	2	Agrees to a detailed discussion about our assessment
11	1	Acknowledges receipt of our assessment

Although the dialogue must maintain a certain rate of engagement to be influential, that ratio does not suffice to judge its effect. With that in mind, the Fondation Guilé has developed a scale of six levels, designed to provide a transparent measure of the extra-financial impact of the engagement with the companies.

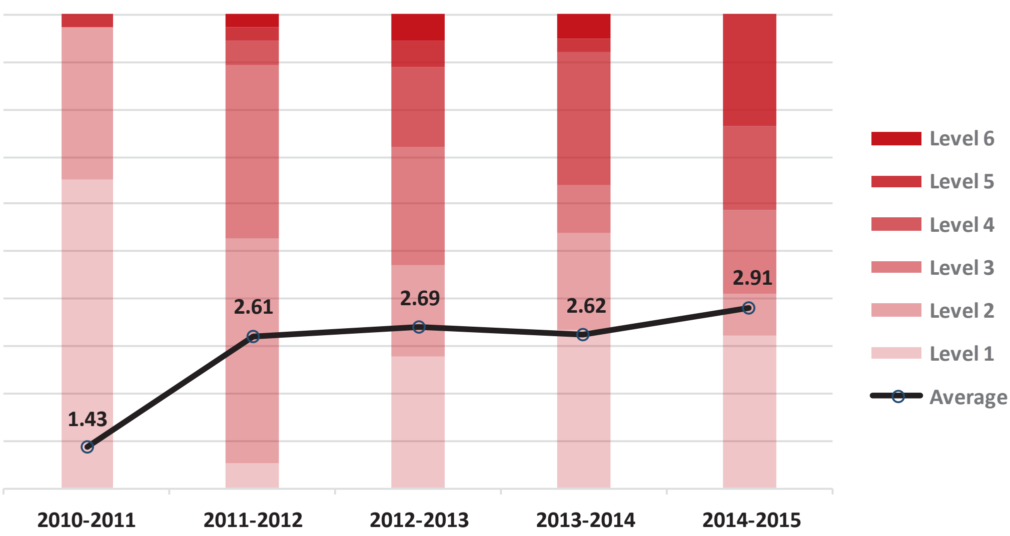
The effectiveness targets set for the Guilé Funds are ambitious. We want to create a continuing dialogue with all the companies, so that we reach at least level 3. This first goal has been reached with twenty companies; that is, 59 per cent of the portfolio. All these companies respond regularly to the GET's approaches.

> We want to create a continuing dialogue with all the companies, so that we reach at least level 3. This first goal has been reached with twenty companies; that is, 59 per cent of the portfolio.

The second objective is to demonstrate that year on year we are increasing the proportion of companies that have reached levels 4 and 5, and that they agree with clearly defined progress targets and are showing improvement on at least one of the weak points raised by the GET. We have met this goal in the case of fourteen companies in the portfolio, or 41 per cent.

This means of measuring the extra-financial impact corresponds to our measurement of the compartment's financial performance. By continuing to demonstrate that this dual performance can be delivered, the Buy & Care investment strategy will become established as a true alternative. The graph below charts the results of the level of engagement since 2010 and shows that it was indeed possible to improve the effectiveness significantly. **While in 2010, only one company had reached level 4, today 41 per cent of the companies engage in regular dialogue and approve the progress targets suggested by the Guilé Engagement Team.** This evolution can be quantified by tracking the average level of engagement over time. Today the average stands at 2.9, whereas it was only 1.43 four years ago.

Distribution of engagement level: 2010 - 2015



Following are two examples of the tangible impact that can be achieved through credible shareholder engagement. One of the companies is Chinese and the other Brazilian.

In January 2015, two members of the Guilé Engagement Team, one of whose mother tongue is Mandarin, travelled to Beijing to meet the senior managements of Baidu, China Life and China Mobile. The GET was already engaged in dialogue with these companies by means of conference calls, but the latter are always difficult to organise and conduct with Chinese businesses. For the first time the discussions were taking place at the companies' headquarters. The meetings were a great success. First, they proved yet again that personal contact is hard to replace: it significantly strengthened the relations of trust that we had gradually established in recent years. It is neither possible nor necessary to meet each year, but the progress made at these occasional get-togethers is an acquisition on which we can build afterwards. These visits enabled us to discuss openly and in Chinese all the results of our assessment, addressing the ten principles of the Global Compact.

In particular, we should like to highlight the meeting with China Mobile, for whom we performed a full and detailed assessment for the sixth consecutive year. The company is a signatory to the Global Compact, publishes a corporate social responsibility report in English and is relatively advanced in terms of its treatment of the environmental, social and governance issues. In the past, the company had already acted on some of the Guilé Engagement Team's recommendations. The GET had suggested that China Mobile do more to explain and document how the published data were collected and checked internally. This time we raised the question of the financial materiality of their ESG issues. We suggested several paths to progress and pointed out the potential for involving their main stakeholders in redefining the company's major risks and opportunities. Our proposals were well received and could help China Mobile to focus its efforts on its key ESG issues. To that end, we also addressed the principles of respect for human rights and the labour standards, especially as this company employs temporary migrant workers on the construction and maintenance of its mobile network. At the end of the meeting, the company expressed its desire to come back to us in the near future, with the aim of identifying further concrete means of advancing the implementation of its social responsibility policy. For all these reasons, we have raised China Mobile's engagement level, which now stands at 5.

This example testifies to the relations of trust that we are sometimes able to build, thanks to the combined strengths of our status as long-term active investors and the GET's expertise.Natura Cosmeticos, a Brazilian company that we have already cited in previous reports, was also raised to level 5. The company specialises in cosmetics and personal hygiene products in Brazil and Latin America and compares well with its competitors. This year saw its third assessment by the GET. Once again, the results reveal an excellent level of quality and comprehensiveness. The CSR report and other publications are well structured and present a convincing strategy for sustainable development. And the company has acted on our recommendations that all the documents be made available in English. An English version of the Code of Conduct may now be downloaded from the website. Natura Cosmeticos also continues to strengthen its role as a model of corporate social responsibility for many other South American businesses. It has published its first –and very fine –integrated report, sending a clear message that businesses in the emerging-market countries can rapidly catch up with the best-in-class European and American companies.

As a responsible shareholder, we encourage most of the companies in the GEMEF to give greater consideration to the tangible financial risks of inaction, negligence or even unlawful behaviour. The companies are often aware of their challenges or ready to consent to some adjustments, particularly as these are proposed by a loyal investor.

LONG-TERM RESULTS

A number of recent studies and surveys indicate that engagement and integration are the strategies that institutional investors interested in SRI find most convincing and request most frequently.[10] Even if those findings plead in our favour, caution should be exercised, as the surveys that attempt to estimate the proportion of ISR investments produce figures ranging from a few per cent to 25 per cent. Their divergence is explained, first, by the different definitions of SRI, some of which are broader than others. If we screen out the strategies that simply exclude controversial industries or whose only ESG characteristic is the exercise of voting rights, the proportion does seem to be closer to 4 per cent. A recent Eurosif publication nevertheless confirms that in Europe, the global distribution between private investors and institutional investors has swung towards the latter, who represent 96.6 per cent of the market.[11] Switzerland, with its joint expertise in private banking and SRI, is the European country with the most balanced distribution: private investors now hold 41 per cent of SRI assets. Its status as leader and pioneer of SRI was established in the 1990s, when large institutional investors pushed for this innovation. Since then, Switzerland's biggest neighbours have made up for lost time. Today, major international institutional investors are seizing the lead and implementing investment strategies that integrate environmental, social and governance risks. Indeed, some of them have opted for the PPT Buy & Care® strategy. We are confident that shareholder engagement will also take hold in Switzerland and give rise to a new generation 2.0 of responsible investors that have never really been satisfied with the exclusion criteria or the best-in-class funds.

WE ARE CONFIDENT THAT SHAREHOLDER ENGAGEMENT WILL ALSO TAKE HOLD IN SWITZERLAND AND GIVE RISE TO A NEW GENERATION 2.0 OF RESPONSIBLE INVESTORS THAT HAVE NEVER REALLY BEEN SATISFIED WITH THE EXCLUSION CRITERIA OR THE BEST-IN-CLASS FUNDS.

This confidence is underpinned by the positive developments in the portfolio's companies in relation to the ten principles of the Global Compact. While we cannot prove that this improvement translates into better performance that is what we are observing. Responsible companies are more successful at protecting their competitive edge, tend to gain more market share and find it easier to access new markets. Some studies also show that high ESG quality reduces their risk and their cost of capital.[12] By winning the loyalty of their customers and most talented employees these companies can compensate for the capital invested and even increase their margin. They seem to be better equipped to meet their shareholders' expectations, while also responding to society's increasing demands.

The stability of the analytical methodology developed by the Fondation Guilé guarantees the homogeneity of the measurements over time. The stable track record since 2006 **enables us to select about fifty companies per year, of which 25 per cent are taken from the GEMEF, and follow their evolution over a period of eight years.**

We observe a continuous overall progression of about 5.5 per cent a year in relation to all ten principles of the Global Compact. It reveals the added value created by the Guilé Funds. The improvement in ESG performance indicates, first, that the company is generating more value for all its stakeholders and therefore for society. But it also signals that the portfolio is exposed to fewer extra-financial risks. In principle, when the markets become aware of this progression, a corresponding contraction in the risk premium will register directly in the share price, to the benefit of existing shareholders.

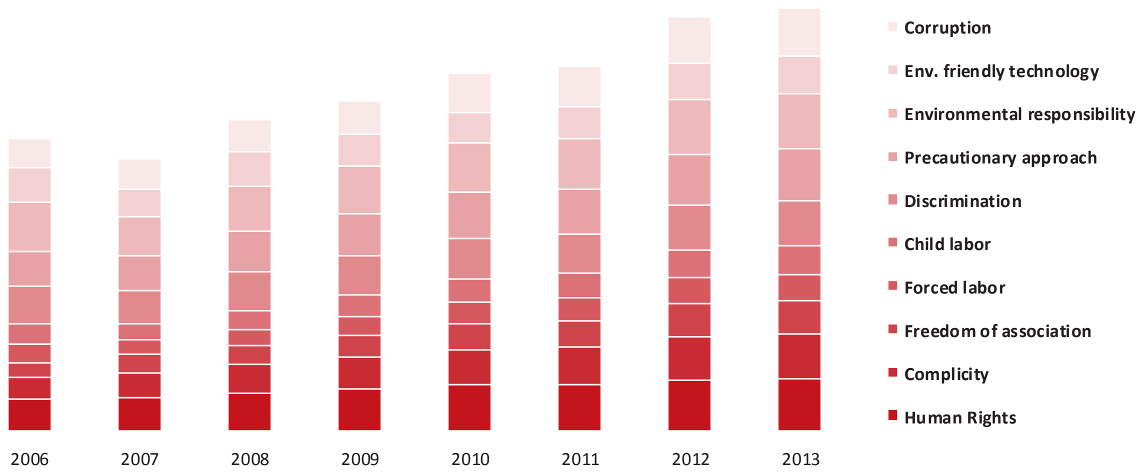
Implementation of the "Complicity" and "Freedom of association" principles has advanced more than 100 per cent since 2006. Businesses have realised that reputation pays little heed to legal distinctions and national borders. The progress seen, particularly on the "Complicity" principle, is therefore related to the integration of suppliers and other members of the value chain into the companies' social responsibility policies.

[10] Survey by Voxia communication and Conser presented at the Geneva Forum for Sustainable Investment 2014.

[11] Eurosif: European SRI Study 2014.

[12] Cheng, Beiting, Ioannis Ioannou, and George Serafeim. "Corporate Social Responsibility and Access to Finance."; Harvard Business Review, 2011.

Trend in the quality of the ten Global Compact principles



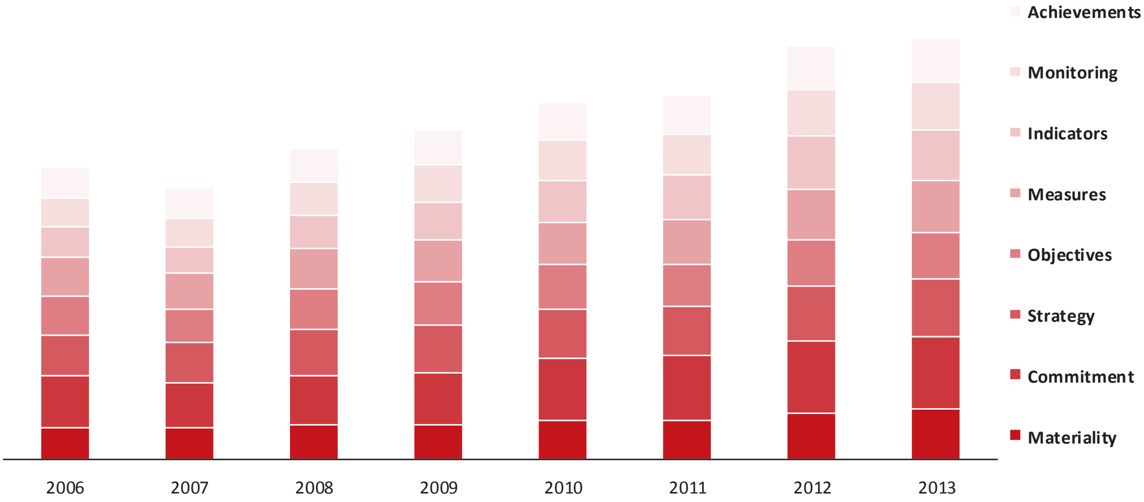
Performance on the "Human rights", "Forced labour" and "Corruption" principles has also made great strides of more than 50 per cent during the same period. The average improvement on all ten principles now stands at 44 per cent. This trend cannot be credited solely to the influence of the Guilé Funds but rather to all the participants everywhere that are working to create a more sustainable world. In addition, businesses have understood that managing opacity has become more difficult. The increased transparency that we enjoy today, aided by the Internet, rarely leaves abuses unpunished. Yet it is not possible to assert that businesses emit 44 per cent less carbon dioxide or that they now employ little more than half as many children as eight years ago. These figures do not claim to quantify, much less praise, the concrete progress that the companies have achieved. But they do reflect in concrete terms a clear increase in awareness of the need to provide quality information on the ESG issues. This awareness and this transparency are the first essential step, prior to assessing the quality of the structures in place.

That is what we try to analyse with the eight comprehensiveness criteria, which allow us to measure the quality of implementation of the ten Global Compact principles.[13] Not surprisingly, the overall progress is the same as for the ten principles, that is, 5.5 per cent a year.

These figures do not claim to quantify, much less praise, the concrete progress that the companies have achieved. But they do reflect in concrete terms a clear increase in awareness of the need to provide quality information on the ESG issues.

[13] See chapter 2.3.

Trend in the comprehensiveness of information



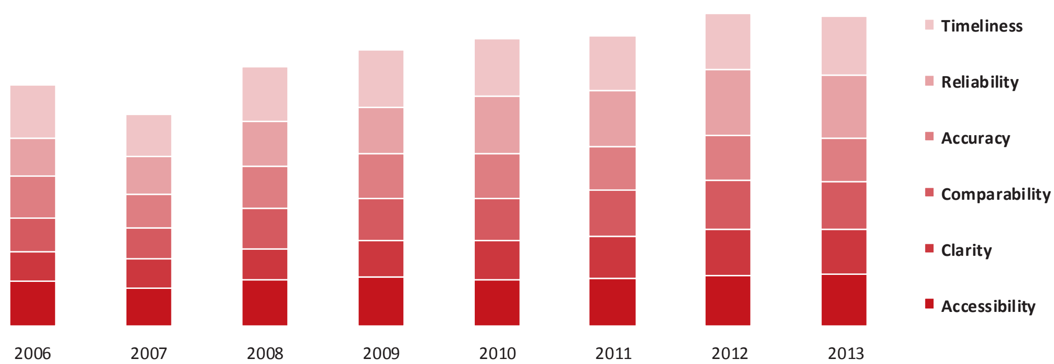
The chart above shows that the implementation has moved in tandem with the transparency. We note an increasing professionalism in the way the companies implement their social responsibility. The most striking improvements appear both upstream and downstream of the eight-step process.

The companies have understood. They are now far more adept at describing the importance and materiality (+62 per cent) of each principle in relation to their business model. The next criteria on the chart: definition of consistent strategies and tangible objectives, and publication of explicit commitments from senior management, were already established practice in 2006 and even then obtained the best scores. To improve their estimation of the ESG and financial impacts of their activities the companies have increased the relevance of their performance indicators and monitoring. In fact, it is in those areas that we note the most significant progress (+63 per cent and +65 per cent respectively).

THE MOST STRIKING IMPROVEMENTS APPEAR BOTH UPSTREAM AND DOWNSTREAM OF THE EIGHT-STEP PROCESS.

We also observe a gratifying uptrend in the quality of the ESG information (see the chart below). Particular progress is noted in the clarity, comparability and reliability of the data published. In those three areas, and since 2006, the improvements range between around 40 per cent and 70 per cent.

Trend in the quality of information



The increased reliability is explained primarily by the growing number of companies that appoint authorised independent third parties to validate or certify their ESG reports. For the past twenty years, considerable sums have been invested in improving businesses' ability to communicate their ESG qualities to investors and stakeholders. But this effort can prove counterproductive if the communication is not fit for the purpose. The feedback provided by the GET is highly valued by the companies, who tell us that we are still one of the very few investors to analyse their ESG communication in detail. At the same time, we help them to target their communication to their investor and stakeholder audiences, whose needs are relatively divergent. It is not uncommon for us to recommend that they summarise the information and incorporate it into an integrated financial report. The link between improvements in the effectiveness and quality of the companies' ESG approach and their financial ratios is only partially established. The reduction in waste, energy consumption, emissions, technical problems, accidents and lawsuits may have a direct and sometimes major impact not only on a company's reputation but on its operating margin. A recent CDP study of the main electricity providers in Europe reveals a striking heterogeneity among the different players.[14] The carbon intensity as measured by CO2 emissions according to electricity production can vary by a factor of seven. Similarly, the impact on margins (EBIT) of an increase of one euro in the price of carbon will be twenty-five times less significant for companies with a diversified energy mix that favours renewable sources. **We encourage businesses that are well positioned and take good decisions in these areas to demonstrate the links to tangible improvements in their competitive advantages and their financial results, including their risk management. To spark a response from the financial markets, this communication must be targeted and succinct. In addition we have a direct interest in fostering broad awareness of the fundamental qualities of the companies in which we invest. This awareness is conducive to an increase in the share price and the Guilé Funds' investors are the primary beneficiaries.**

> THE FEEDBACK PROVIDED BY THE GET IS HIGHLY VALUED BY THE COMPANIES, WHO TELL US THAT WE ARE STILL ONE OF THE VERY FEW INVESTORS TO ANALYSE THEIR ESG COMMUNICATION IN DETAIL.

[14] *Magness, Chan and Fruitiere, "Flicking the switch", CDP, 2015*

CONFIDENTIAL REPORT

The assessments of the underlying companies presented in the following pages were compiled by the Fondation Guilé. They provide an account of the dialogue conducted, on behalf of the Guilé Funds investors, with each company in the portfolio as at 31 March 2015.

Prepared by:

Dominique Habegger, Head of Institutional Asset Management (de Pury Pictet Turrettini & Cie S.A.)
Melchior de Muralt, Partner (de Pury Pictet Turrettini & Cie S.A.)
Wojciech Stanislawski, Portfolio Manager (Comgest)
Juliette Alves, Portfolio Manager (Comgest)
Doris Rochat-Monnier, Director (Fondation Guilé)
Thomas Streiff, Head of the Guilé Engagement Team (Fondation Guilé)
All the members of the Guilé Engagement Team : http://www.guile.org/whoweare/organization/operational/

De Pury Pictet Turrettini & Cie S.A.
12, rue de la Corraterie
P.O. Box 5335
CH-1211 Geneva 11
Tel. +41 22 317 00 30
Fax +41 22 317 00 33
www.ppt.ch

Should you have any questions about this report,
please contact:

Dominique Habegger
Head of Institutional Asset Management
habegger@ppt.ch
www.ppt.ch

THE GLOBAL COMPACT
WE SUPPORT

PRI