

MONTHLY REPORT BNPP L1 Bond Best Selection World Emerging

Performance (%)	July	Last 3M	YTD	Last 12M	Last 24M*	Last 36M*	Last 60M*	Since inc.**
BNPP L1 Bond Best Selection World Emerging	5.39	1.52	7.42	21.45	-1.29	-0.42	4.74	14.19
JPM EMBI Global Composite Gross Return Index	4.12	4.53	9.71	19.08	11.41	10.00	9.09	
Excess return	1.27	-3.01	-2.29	2.37	-12.71	-10.42	-4.35	14.19

Risk indicators (annualised)	Last 36W	Last 52W	Last 24M	Last 36M	Last 60M	Since inc.**
Fund volatility (%)	12.35	11.30	28.42	23.75	19.63	17.67
Benchmark volatility (%)	6.29	6.27	15.20	12.55	10.21	11.24
Tracking error (%)	8.62	7.56	15.46	13.25	11.49	
Information ratio	0.07	0.31	-0.82	-0.79	-0.38	

all figures gross of fees (in USD)

* annualised performance

** inception date: 27/05/1998 (annualised)

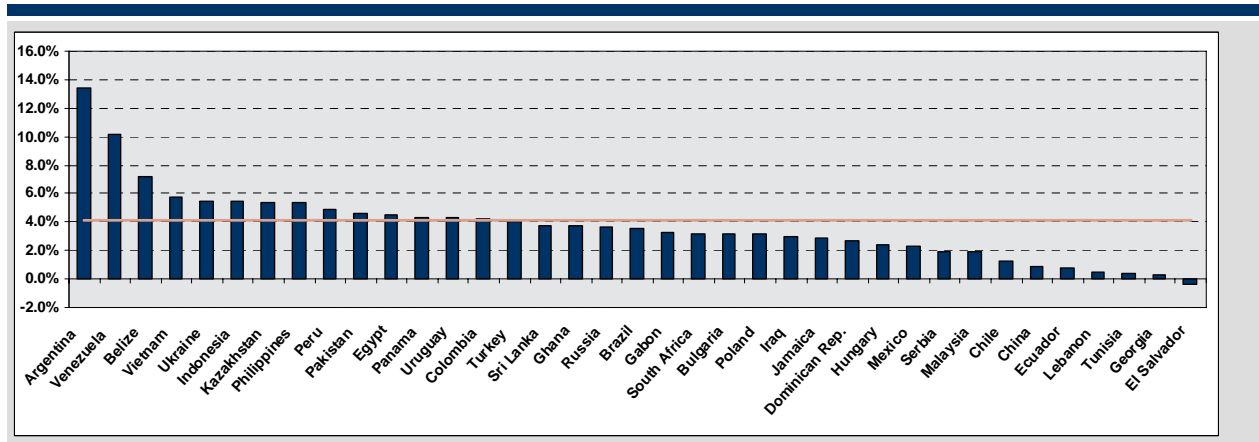
Past performance or achievements are not indicative of current or future performance.

Former AAF Global Emerging Markets Bond Fund
Fund Merger and change in prospectus/style: 8 December 2008

Markets:

July started with the market fearing a double deep scenario that triggered a rally in US treasuries. However, market sentiment improved markedly over July as tail risk receded. The European debt crisis showed signs of abatement and the EU banks stress tests comforted the market. However, EMBIG spread is still about 70bps wider than in April showing that recent returns have been generated by Treasuries. In EM space since mid June value was created across the board; external debt cheapened with the rally in US treasuries reaching 320bp spread, long rates curves started bull flattening as central banks ended normalization or easing cycles and EM FX stabilized as portfolio outflows, mainly from EM equities, abated and real flows became more supportive. The catalyst was the Euro rallying despite some EU members rating downgrades and some correlation breaks showed signs of an oversold market. Growth is still strong in Latin America and investors' bond inflows are very supportive. Argentina has been outperforming indices for both external and local debt, Venezuelan Eurobonds are doing well and local debt in Chile and Colombia is strong as well. Ratings agencies have upgraded several countries (CHI, PAN, ARG) which underscores the generally sound fundamentals. Inflows continued into the asset class throughout July but the pace has dropped off from that seen earlier in the year. Bond flows continue to favour Latin American debt markets.

JP Morgan EMBI Global Composite index returns (in US dollars)



Source: JP Morgan & BNPP IP



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Themes

Kazakhstan bank restructuring: After restructuring negotiations lasting a year, BTA is finalizing in September and will be partially sold to Sber Bank. Spreads continue to tighten and BTA plans to sell bad mortgages and has USD350m available to lend.

Argentina normalizing relations with creditors: Fundamentals are improving fast due to buoyant domestic growth and exports. The current administration is normalizing relations with creditors in order to regain access to debt markets after the default in 2001. 92% of the debt has now been restructured which allows for a return to market.

Venezuela Quasi-sovereign exposure: The power generation crisis has made the power sector a top priority for investment. The government is expected to increase direct support to offset companies' stand-alone credit deterioration and may extend the guarantee on new borrowings.

Dubai: Following the Dubai World restructuring, we expect more volatility. Dubai Holdings is next. Appetite for the region is increasing and spreads have been tightening after the first successful restructuring.

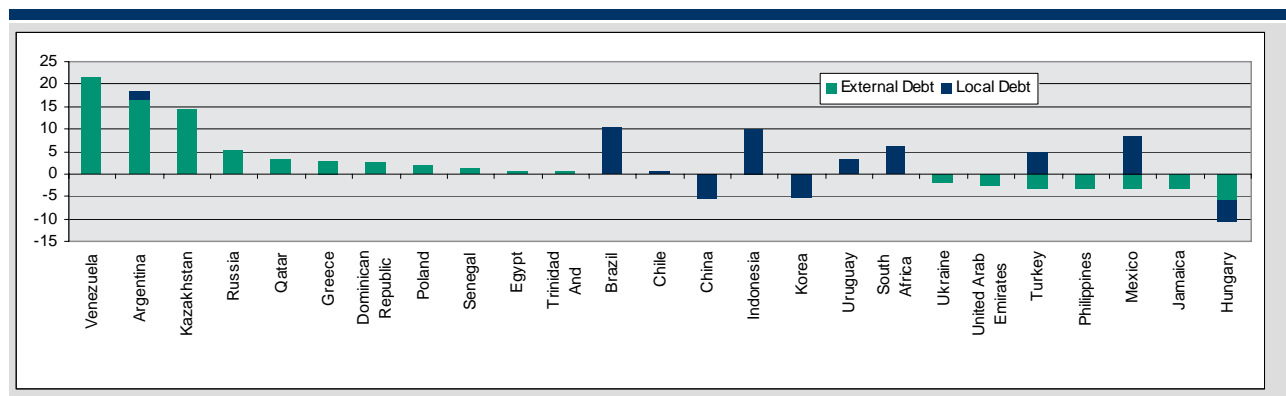
Local markets: Bull flattening implementation or long-end carry trade as central banks are ending tightening cycle and are starting to normalize.

Hungary PIIGS crisis contagion: Fundamentals are deteriorating and politics are not helping. There has been disagreement with the IMF and EU over the budget, and while an economic plan has been announced, implementation will be crucial.

Chinese hard landing or inflation surprise: Asset price inflation is affecting Asia as a whole. So far CPI has proved resilient and inflation expectations have remained anchored due to fears on double dip scenarios. Policy response can be more flexible now that the FX appreciation regime has been implemented.

Global themes: These are concentrated mainly in the US (mid-term elections 2nd November; housing concerns; loss of growth momentum), in Europe (Greek fiscal and liquidity crisis, EU bank fund woes, sovereign spread stress) and generally (Rating agency actions, global regulatory ramp-up, deflation fears, possibility of China hard landing).

Country Credit Exposure at month end (%)



Source: BNPP IP



Activity

With several factors supporting the asset class, and anticipating more inflows, we put our defensive cash buffer to work, thus the main destinations were:

- Long end local rates in Turkey and South Africa (bull flattening)
- Participating in the new issue pipeline where issuers had to pay the market a premium
- Reducing our EM FX hedges
- Switching out of Argentina long-end local curve to the belly of external debt one
- Switching out of Brazil long-end inflation linkers to long end nominal rates
- Reducing our short Dubai by adding a long Abu Dhabi commercial bank

Performance:

The fund outperformed its benchmark by 127 bps in July. Globally, positions in Latin America contributed positively to performance, while other regions detracted performance (because of the underweight position relative to Latin America).

The biggest contributors to outperformance were Argentina and Venezuela, benefiting from a favourable environment for risky assets and our good bond picking. Conversely, underweights in Brazil, Mexico and Colombia (low-beta sovereigns) detracted from the performance in Latin America. In other regions, underweights in Russia and Ukraine detracted a little, while positions in Kazakh bonds and currency outperformed. Our position in South Africa local bonds (long-end flattener) performed very well.

Outlook:

Despite growth expectations being revised down, global activity is still supportive. This should allow for a quiet summer which will be positive for EM assets (before clarity is found on the engine of growth given global IP and the China cool down). EM should outperform on fundamentals, economic strength and positive technicals (cash positions, flows, sentiment), but the US slowdown could weigh on general sentiment and absolute performance. With positive fundamentals and inflows continuing in the asset class, we remain constructive on EM external debt. The environment is highly supportive of our strategy of favouring high yielders or low-beta assets. Notwithstanding specific idiosyncratic stories (Hungary and "Orbanism") EMEA is in relatively weaker shape to withstand a global shock. We continue to favour exposure to long dated bonds for which inflation moderation, policy normalisation and fiscal performance are all supportive. Specifically, there are interesting opportunities in Turkish and South African long-dated bonds. In Brazil, the BACEN surprised by hiking rates less than the expected (by 50bp) and could indicate they are nearing a pause. There are elections coming up but the risk of (negative) policy change is low. Inflows into the asset class are now heavy and so are cash positions from competition. Our base scenario is a summer rally as market participants put cash to work and liquidity increases. Our plan B would be to prepare some macro hedges as the situation is more likely to deteriorate first in G3 and then leak to EM.



Top EM Relative Exposures

TOP OVERWEIGHT	Portfolio	Benchmark	Difference
Argentina	18.58	1.69	16.89
Venezuela	21.52	5.78	15.74
Kazakhstan	14.24	2.11	12.13
South Africa	6.04	2.06	3.98
Indonesia	10.13	6.35	3.78
TOP UNDERWEIGHT			
Hungary	-10.73	0.90	-11.63
Philippines	-3.20	7.38	-10.58
Turkey	1.55	9.73	-8.18
Mexico	5.33	12.22	-6.89
China	-5.52	1.32	-6.84

Currencies (%)

USD	58.31
EUR	16.93
IDR	12.13
MYR	10.29
KRW	10.23
INR	5.68
PHP	5.57
BRL	-2.28
UYU	3.17
KZT	3.08
MXN	3.31
CLP	0.42
CRC	0.08
HUF	0.01
CHF	0.00
JPY	-0.09
CNY	-0.20
ARS	-0.58
TRY	0.65
COP	-3.82
ZAR	-8.60
GBP	-14.31

Statistics

	Fund	Benchmark
YTM	12.67%	5.46%
Current Yield	10.00%	6.68%
Spread Duration	2.69	6.86
Duration local rates	3.20	0.00
Duration	5.47	7.23
Average Rating	BB	BBB-
Average Life	12.56	11.76
Local bonds Exp.	30.10%	0.00%
Corporates	41.10%	16.16%

Ratings

	Net
AAA	0.0%
AA	4.5%
A	8.8%
BBB	25.0%
BB	15.5%
B	38.2%
CCC and below	0.0%
NR	8.7%

Source: BNPP IP

AUM: USD 609 467 450**ISIN Code:****Shares – "Classic" Class**

LU0377066807 "Classic-Capitalisation"

LU0377067011 "Classic-Distribution"

LU0377067367 "Classic-QD"

Shares – "Classic H EUR" Class

LU0377067797 "Classic H EUR-Capitalisation"

LU0377068092 "Classic H EUR-Distribution"

Shares – "UK" Class

LU0377068332

Shares – "I" Class

LU0377068688

Shares – "IH EUR" Class

LU0377068928

Shares – "IH NOK" Class

LU0424826179

Shares – "P" Class

LU0377069223

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