



MONTHLY REPORT

BNP Paribas L1 Bond Best Selection World Emerging

October 2011



Performance overview

		PERFORMANCE						RISK			
		Cumulative			Annualized			Monthly annualized			
		One Mth	Three Mth	Year to date	One Year	Two Years	Three Years	Volatility	tracking error	Info. Ratio	
		30/09/11	29/07/11	31/12/10	29/10/10	30/10/09	31/10/08	29/12/00	29/12/00 - 31/10/11		
		31/10/11	31/10/11	31/10/11	31/10/11	31/10/11	31/10/11	31/10/11			
■ BNP PARIBAS L1 Bond Best Selection World Emerging (Classic)	GROSS USD	9.21 %	-5.25 %	-4.24 %	-1.18 %	7.76 %	20.93 %	11.73 %	17.06 %	-	-
■ JPM EMBI Global Composite Gross Return Index (v)		4.51 %	0.65 %	7.83 %	4.05 %	10.65 %	19.59 %	10.22 %	9.64 %	10.46 %	0.14

36 months, 60 months and since inception data include figures for the former ABN AMRO Emerging Markets Bond Fund

Market review

- Global:** US macroeconomic news improved in October. Employment growth, retail sales, durable goods orders and several regional measures of producer confidence came in better than expected. Indeed, GDP growth accelerated from the second to the third quarter despite drag from inventories. However, job creation and household income growth are still weak and consumers could only keep up spending by using savings. Eurozone leading indicators continued to weaken quite sharply. With growth already low in the second quarter, recession risks are high for the region. Trade and industrial production data from emerging economies show that growth is moderating. A positive consequence is that in many countries, inflationary pressures are abating.
- US bond yields rose by 25bp to 2.2%. In Germany, where the news was less upbeat, yields gained only 16bp at 2.0%. During the month, expectations of a comprehensive deal to tackle the eurozone debt crisis captivated markets and when the deal, which included Greek debt restructuring, bank recapitalisation and increasing the eurozone's bailout fund, was announced, risk spreads on 'peripheral' government bonds narrowed. However, a far-from-successful Italian government bond auction and indications that Greeks are baulking at austerity measures in the absence of signs of growth meant that the cheer was brief.
- EM Local Currency Debt:** Emerging Markets local debt (un-hedged) recouped some of September's losses in October, gaining 5.58%. Emerging currencies appreciated across the board with Argentina as the only exception. BRL, which had been the biggest loser in September, reclaimed 8.71% over the month as investor risk appetite returned. The bonds component maintained its stable performance of late, gaining 1.36% in October. Inflows into the asset class again continued showing the strong technical position of EM local bonds resulting from a very heavy pipeline of institutional investments.



- **EM Hard Currency Debt:** Having overreacted to events connected to the European sovereign debt crisis and selling off massively in September, Emerging Markets corrected in October. Announcements made throughout the month by European leaders contributed to the reduction of perceived investor risks. EM outperformed other markets with sovereign debt leading the rally as we had expected. The EMBIGD gained 4.40% over the month, paring back all of September's losses, and spreads tightened 72 bps.

Fund performance

- October was a strong month for the fund as positioning implemented subsequent to September's sell-off paid off, generating 9.21% of performance. The fund outperformed its benchmark by 470bps over the month. The main positive contributions to returns came from our maintenance of our core convictions where we avoided locking losses on our longs. Also, the housekeeping process that we started within the fund reducing its exposure to the more illiquid of the instruments held allowed us more flexibility to manoeuvre.

Portfolio activity

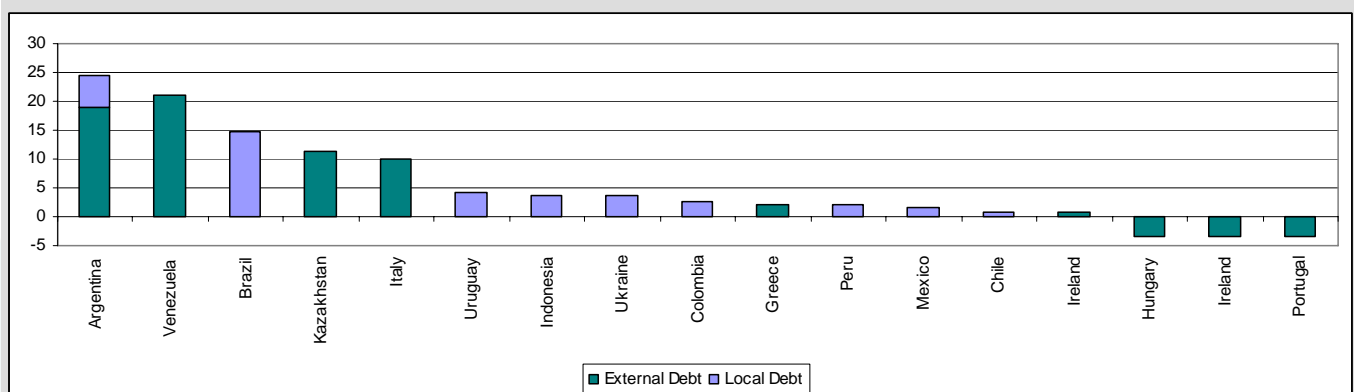
- We were right to believe that the September sell-off in EM was only collateral damage from the Euro crisis and, as the situation improved, it was the first to recover. Some opportunities emerged and other positions have not recovered as fast; in October we have therefore continued our housekeeping process, conducting a line by line review of the fund and re-profiling the fund architecture according to the current situation.

Outlook & positioning

- We expect November to be challenging but that EM markets will start decoupling from Eurozone events; inflows into the asset class are back and are likely to be put to work as valuations are very attractive, especially in external debt. Thanks to the trimming of positions during October, the fund is better positioned for the current market conditions, very liquid and bouncy. We will keep a 10% cash position on the side to be able to take advantage of opportunities along the way or to match outflows should they occur. We continue to favour external debt in Latin American high yielders as they have been quite resilient during the sell off. We are opening underweight positions in Eastern Europe as we expect the region to be hit hard by Eurozone banks deleveraging. On currency we remain tactical with a bias to short Euro through high beta Hungarian Forint. On the rates side we have kept our big underweight duration as we feel that myopic investors focussed in Eurozone saga are ignoring latest G10 growth figures especially in the US. On the corporate side we have reduced dramatically our positioning as we see more liquid opportunities away from the segment. We keep our special situations in Kazakhstan banks as the latest news are quite positive but being ignored by the market.

Additional information

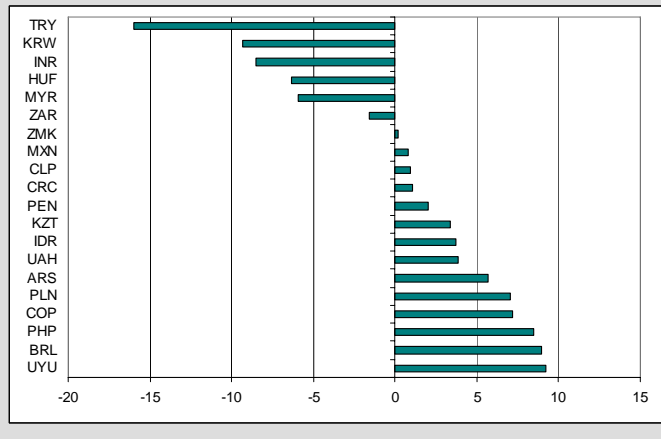
Country exposure at month end (%)



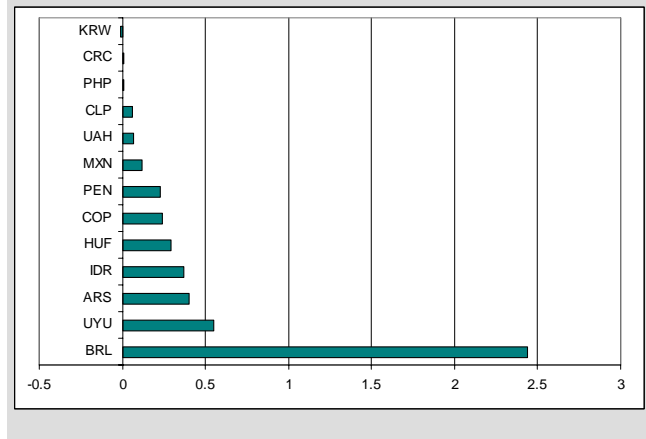
Source: BNPP IP



EM FX exp. absolute (%)



EM Duration relative to benchmark (years)



Source: BNPP IP

Statistics

	Fund	Benchmark
YTM	12.10%	5.56%
Current Yield	9.48%	6.61%
Spread Duration	4.03	4.37
Duration	1.97	6.92
Average Rating	BB-	BB+
Average Life	4.79	11.55
Local Bond Exposure	39.11%	0.00%
Corporate Exposure	24.90%	0.00%

Source: BNPP IP

Total AUM as of end of reporting date: USD 573 million

ISIN Codes:

Shares – “Classic” Class

LU0377066807 “Classic - Capitalisation”
LU0377067367 “Classic – Quarterly Distribution”

Shares – “Classic H EUR” Class

LU0377067797 “Classic H EUR – Capitalisation”
LU0377068092 “Classic H EUR Distribution”

Shares – “IH EUR” Class

LU0377068928

Shares – “UK” Class

LU0377068332

Shares – “I” Class

LU0377068688

Shares – “P” Class

LU0377069223

For more information, please contact:

Ernesto Bettoni
Investment Specialist Emerging Markets Fixed Income

Jennifer Clarke
Investment Specialist Emerging Markets Fixed Income



DISCLAIMER

On 1 September 2010, Fortis L Fund Bond Best Selection World Emerging was renamed BNP Paribas L1 Bond Best Selection World Emerging.

BNP Paribas L1 Bond Best Selection World Emerging is a compartment of the BNP Paribas L1 UCITS III Compliant SICAV registered under Luxembourg law.

The Fund referred to in this monthly report is part of a Fortis Investments GIPS (®) compliant composite whose full performance is available on request.

The investments in BNP Paribas L1 Bond Best Selection World Emerging are subject to market fluctuations and the risks inherent in investments in securities. The value of investments and the income they generate may go down as well as up and it is possible that investors will not recover their initial outlay.

This material is issued and has been prepared by BNP Paribas Asset Management S.A.S. (BNPP AM)* a member of BNP Paribas Investment Partners (BNPP IP)**.

This material is produced for information purposes only and does not constitute:

1. an offer to buy nor a solicitation to sell, nor shall it form the basis of or be relied upon in connection with any contract or commitment whatsoever or
2. any investment advice .

This material makes reference to certain financial instruments (the "Financial Instrument(s)") authorised and regulated in its/their jurisdiction(s) of incorporation.

No action has been taken which would permit the public offering of the Financial Instrument(s) in any other jurisdiction, except as indicated in the most recent prospectus, offering document or any other information material, as applicable, of the relevant Financial Instrument(s) where such action would be required, in particular, in the United States, to US persons (as such term is defined in Regulation S of the United States Securities Act of 1933). Prior to any subscription in a country in which such Financial Instrument(s) is/are registered, investors should verify any legal constraints or restrictions there may be in connection with the subscription, purchase, possession or sale of the Financial Instrument(s).

Investors considering subscribing for the Financial Instrument(s) should read carefully the most recent prospectus, offering document or other information material and consult the Financial Instrument(s)' most recent financial reports. The prospectus, offering document or other information of the Financial Instrument(s) are available from your local BNPP IP correspondents, if any, or from the entities marketing the Financial Instrument(s).

Opinions included in this material constitute the judgment of BNPP AM at the time specified and may be subject to change without notice. BNPP AM is not obliged to update or alter the information or opinions contained within this material. Investors should consult their own legal and tax advisors in respect of legal, accounting, domicile and tax advice prior to investing in the Financial Instrument(s) in order to make an independent determination of the suitability and consequences of an investment therein, if permitted. Please note that different types of investments, if contained within this material, involve varying degrees of risk and there can be no assurance that any specific investment may either be suitable, appropriate or profitable for a client or prospective client's investment portfolio.

Given the economic and market risks, there can be no assurance that the Financial Instrument(s) will achieve its/their investment objectives. Returns may be affected by, amongst other things, investment strategies or objectives of the Financial Instrument(s) and material market and economic conditions, including interest rates, market terms and general market conditions. The different strategies applied to the Financial Instruments may have a significant effect on the results portrayed in this material. Past performance is not a guide to future performance and the value of the investments in Financial Instrument(s) may go down as well as up. Investors may not get back the amount they originally invested.

The performance data, as applicable, reflected in this material, do not take into account the commissions, costs incurred on the issue and redemption and taxes.

* BNPP AM is an investment manager registered with the "Autorité des marchés financiers" in France under number 96-02, a simplified joint stock company with a capital of 64,931,168 euros with its registered office at 1, boulevard Haussmann 75009 Paris, France, RCS Paris 319 378 832. www.bnpparibas-am.com.]

** "BNP Paribas Investment Partners" is the global brand name of the BNP Paribas group's asset management services. The individual asset management entities within BNP Paribas Investment Partners if specified herein, are specified for information only and do not necessarily carry on business in your jurisdiction. For further information, please contact your locally licensed Investment Partner.