

NewFunds Europe The new rendez-vous in Paris for Fund managers and Fund distribution players

NewFunds Europe took place in Paris on May 10-11, 2007 at Palais des Congrès. CACEIS was official sponsor of the first edition.



NewFunds Europe aims to facilitate exchanges of view to give collective investment professionals better understanding of their industry trends. Two main conferences and eighteen workshops put special focus on Fund distribution in Europe, Innovation, UCITS III and Hedge Funds.

CACEIS contributed to this new event by presenting at seminars: Etienne Carmon, Head of International Product Development, participated in the first conference on May 10 "The open architecture of fund distribution, overview & outlook" with Steffen Matthias, General Secretary of EFAMA, and Arnaud Oseredczuk, Head of Asset Management Division and Regulation Policy de l'AMF.

On May 11, Vincent Beaujeu-Dumontel, Sales Manager CACEIS, gave his point of view on "structured products, the latest innovations" during workshop 13.

Antoine Sallé, Deputy Head of Sales and Relationship Management, CACEIS (France) participated to workshop 16 "European Funds, European passport, explosion or contraction in the number of funds?"

Forty Asset Manager partners coupled with CACEIS sponsorship and over 1,200 attendees allowed Newfunds Europe to become a major Fund industry event in Europe @

highlights

products and services

Cross-border fund distribution support

Performance attribution, a differentiating factor for fund management companies

Employee stock offerings: a comprehensive service

outlook

The ECB steps up its Target 2 Securities (T2S) project

Multi-manager alternative investment: reviewing regulations in France

events

On course for Europe

HypoVereinsbank and CACEIS agree on strategic partnership in securities services.

HypoVereinsbank (HVB) is planning to transfer its securities processing and custodian activities to the French financial services provider CACEIS. Exclusive negotiations began on March 15th, 2007 in Munich. The sale is to be concluded by the end of 2007, subject to proper regulatory approvals.

For HVB, the planned sale would represent another major step towards tangible and sustained cost savings on the operational front. At the same time, the sale would allow

HVB to continue to focus on its core competencies.

For CACEIS, this operation is part of its strategy of focused acquisition growth.

Germany stands for one of the major European markets for custody and clearing activities.

After the sale, HVB customers will continue to receive securities services in the accustomed quality and scope. They will, in addition, benefit from the size and product breadth of CACEIS. German operations of CACEIS will be based in Munich and CACEIS intends to rely on the existing HVB teams @

Press Release, March 15th, 2007

Cross-border fund distribution support

CACEIS offers support services for fund management companies from start-up right through to distribution support.

These specific services are in addition to our fund administration and custody services. They are designed to facilitate the distribution of a product in several different markets.

START-UP SUPPORT

Fund management companies are not obliged to have a physical presence in the host country, but can work either through a branch or through a European passport. In the case of a new branch, we prepare as many right of establishment applications as there are countries involved, in the official language of each host country. In the case of a European passport, we prepare the requisite applications for all countries concerned. In both cases, we manage relations with the regulators.

ASSISTANCE IN REGISTERING FUNDS

We make sure that the funds can be legally marketed in the target country and coordinate their registration with the local regulator. During this process, we keep the fund management company advised of progress in its application. We can also assist our customers in their choice of local partners and service providers required to obtain authorisation in the country concerned.

POST-REGISTRATION AND REGULATORY CHANGE SUPPORT

CACEIS keeps an information manual setting out the terms and conditions for obtaining authorisation and details of regulatory changes in each country. We advise the regulators of any changes to the fund made by the fund management company. We prepare and if necessary send financial reports and statistics to the local regulator. We provide annual certificates of compliance with the laws and regulations of the country or countries concerned. We also oversee compliance with local publication rules or constraints.

DISTRIBUTION SUPPORT

CACEIS provides distribution support services that include order processing and real time reporting of transactions and positions. This enables fund management companies to handle a large number of transactions in a short time horizon regardless of language, country, regulations or tax rules. The service includes tracking holdings in the various funds by distributor, computing and paying trailer commissions.

In an environment of rapid growth in assets under management, order volumes and open architecture distribution channels in Europe, CACEIS has developed a pan-European solution to meet changing needs @



Muriel Attia

Product Manager

+33 1 57 78 23 94

muriel.attia@caceis.com

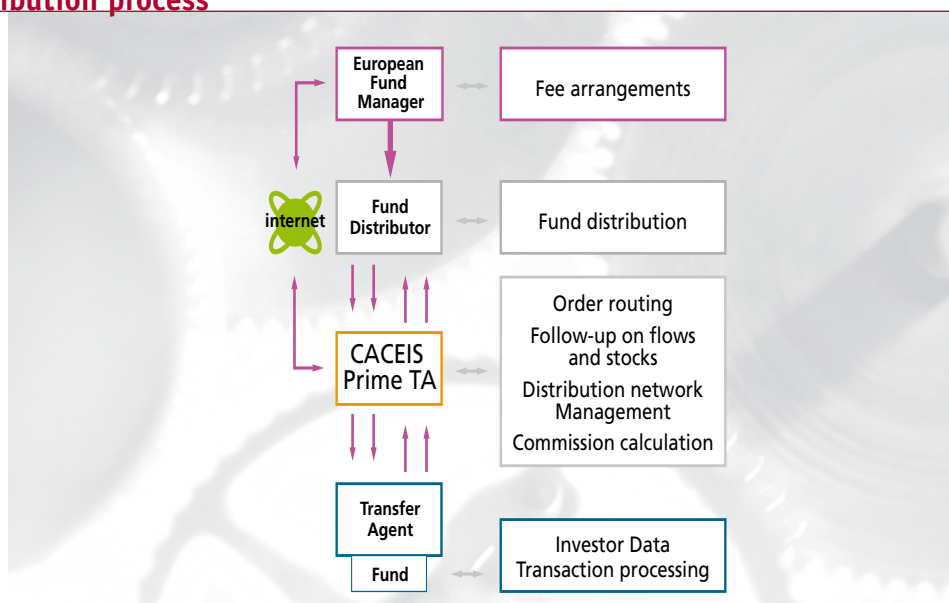
and Christian Laitat

Product Manager

+352 47 67 58 26

christian.laitat@caceis.com

Distribution process



Performance attribution, a differentiating factor for fund management companies

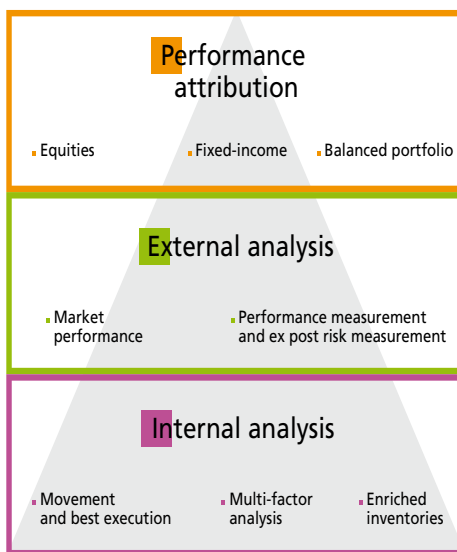
As a valuation agent, CACEIS is well placed to provide an independent performance attribution service based on its accounting data.

Our performance attribution service meets the risk management and regulatory transparency needs of the various parties involved in asset management (fund managers, customers of fund management companies and investment services compliance officers or internal control and compliance officers). It is part of a more global quality analysis service that also encompasses performance measurement, risk measurement (VaR, stress testing) and best execution reporting.

A TEAM OF EXPERTS IN PERFORMANCE ANALYSIS

Our performance analysis methods are geared to each asset class: equities, fixed income and balanced portfolio. In-depth segmentation of the portfolio and its benchmark provides a detailed breakdown of the investment process for the portfolio and its constituents by asset type, geographical area, rating, duration, maturity and other factors.

A team of dedicated performance analysts will help you select the most appropriate method. CACEIS uses BI-SAM technology, the market leader in performance analysis software solutions. It is fully interfaced with our fund administration systems which contain the data used



for fund accounting and which are essential for performance attribution analysis (net asset value, detailed holdings, market data, movements, etc.).

EQUITY AND FIXED-INCOME PERFORMANCE ATTRIBUTION

We analyse performance attribution as often as we value the funds. Users can select their preferred calculation method (arithmetic or geometric) and the algorithms to be used by portfolio (Menchero, GRAP2, Carino).

We use several calculation methods for fixed-income performance attribution – GRAP2 standards, decomposition of returns and effect analysis – which meet the needs of both institutional clients and the requirements of fixed-income managers and quantitative analysts. The model is flexible and can handle any type of fixed-income strategy. It provides the finest possible level of attribution analysis (line by line, effect by effect).

Performance attribution reporting, which is geared to the portfolio profile, is derived from the accounting systems. Equity, fixed-income and balanced portfolio attribution reports can be customised.

We help asset managers and strategists evaluate the risk-reward ratio and better identify their own value-added so that they can report more comprehensively to investors on their management quality @

products and services)



Sébastien Maraval-Bedu

Research & Development

+33 1 57 78 23 95

sebastien.maraval-bedu@caceis.com



CACEIS breakfast information meeting

Our performance attribution service was presented jointly by CACEIS and BI-SAM at a breakfast meeting on March 8, 2007 in Paris attended by over twenty institutional and fund management clients.

Employee stock offerings: a comprehensive service

What role does CACEIS play in employee stock offerings?

JPC – CACEIS assists issuers at each stage of the operation, from the feasibility study through to operational relations with the custodians. We usually work hand in hand with the advisory banks and fund management companies of our shareholder groups to take a joint commercial approach and offer a package covering product structuring and administration of employee stock ownership plans.

Do CACEIS' services comply with the regulatory requirements specific to these operations?

JPC – CACEIS is an investment services provider and organises the employee stock offering. It also has European passports for making employee stock offerings in EU and non-EU countries. In addition, our data confidentiality rules comply with CNIL recommendations.

How does CACEIS assist and support issuers in these operations?

JPC – CACEIS acts as project manager and coordinates the structuring of the operation, incorporates the technical features and configures the dedicated OLIS@capital website. As the single contact point, the project manager coordinates the tasks to be completed in conjunction with the human resources departments, advisers, communications agencies, market organisations and fund management companies.

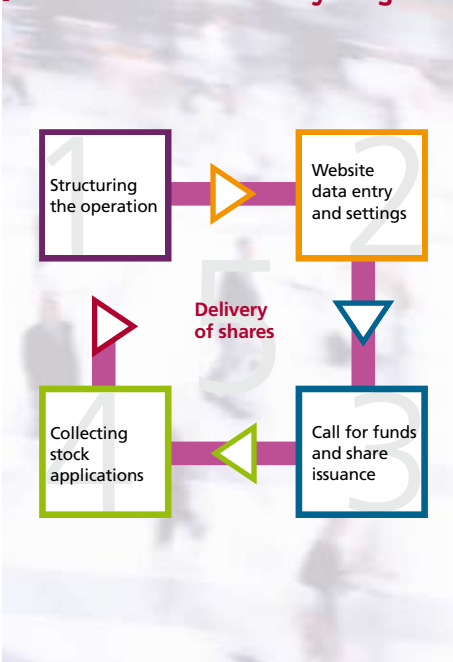
Our highly experienced team has successfully completed thirty operations of all sizes in France and abroad. It assesses the business, commercial and financial issues involved in the operation and proposes a tailored solution.

If required, CACEIS can also keep a sub-registry for direct employee shareholders. We also have substantial experience in leveraged offerings such as SARs* in countries where employee stock ownership plans are not allowed.

Can you describe your OLIS@capital website for us?

CM – It is a fully customizable data entry and consultation site. It meets all types of client demand, for example replicating a graphic identity or logo,

Assistance at each key stage



creating an FAQ, or putting all downloadable documents on line. Its functional capabilities have been designed to handle operations of all sizes in all countries and all types of instrument.

It offers a broad variety of functions, including allocation calculations, calls for funds and share issuance.

Employees can use the site to subscribe for shares, choose their payment method and consult their holdings. This procedure facilitates real time processing. However, HR departments that prefer to centralise the procedure can collect applications from employees and enter them on the site themselves.

What other benefits are there for the company?

CM – CACEIS provides a real time reporting service on stock applications and produces an online multi-criteria summary table adapted to client needs in a secure technical and operational environment. We can also meet requests for information during the various stages of the collection process. HR departments are guaranteed visibility and ongoing support in the application of jointly-determined procedures @

* SARs: Stock Appreciation Rights



Chantal Maurice,

Head of Employee Stock Ownership,

+33 1 57 78 31 70

chantal.maurice@caceis.com

and Jean-Pierre Carrafang,

Head of Business Development,

Major Corporate Clients,

+33 1 57 78 32 02

jean-pierre.carrafang@caceis.com

The ECB steps up its Target 2 Securities (T2S) project

CACEIS has given its full backing to the project and contributes to the consultations organised by the Eurosystem.

After completing further in-depth reviews and obtaining opinions and comments from both the industry (banks and CSDs) and the various political bodies involved (European Council, Commission and Parliament), the ECB's council of governors concluded on March 8, 2007 that the Target 2 Securities project is feasible and could meet preliminary objectives. The four main central banks in the eurozone, including the Bank of France, have already agreed to back the project.

The next stage will cover the whole of 2007 and will be devoted to defining the detailed specifications for the project, which if ultimately confirmed by the Eurosystem in early 2008, could be operational by 2013/14.

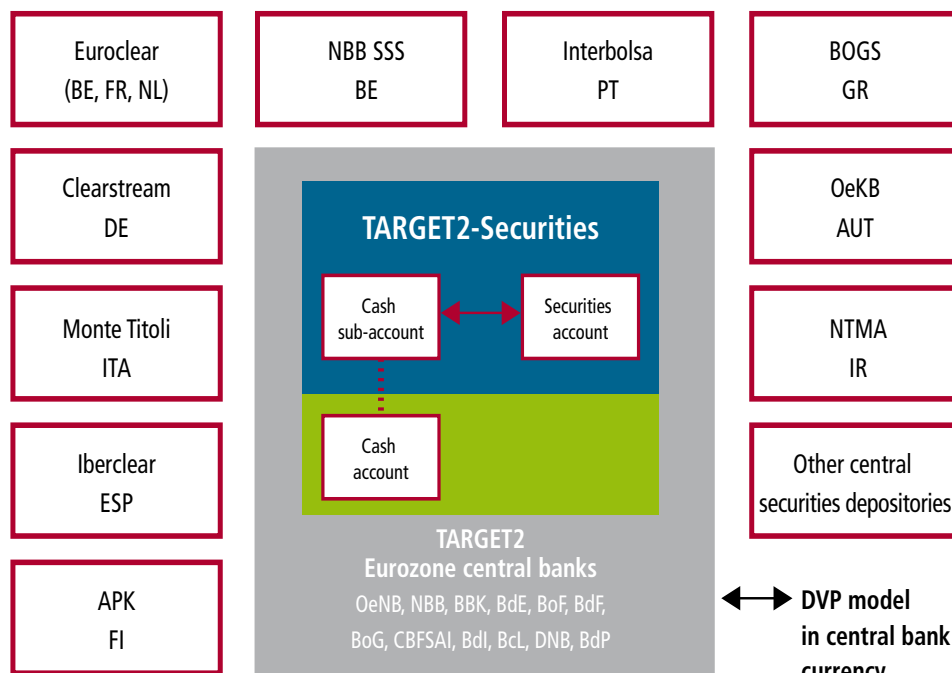
The French banks, including CACEIS, have given T2S their full backing and contribute to the consultations organised by the Eurosystem. CACEIS is one of the leading European custodian and depository banks in terms of assets

managed. It is currently strengthening its position in the key European markets. In this respect, it will contribute its expertise and opinions in defining and then implementing T2S. This structuring European project will benefit all parties involved, securities administration and processing service providers, as well as investors and euro issuers. The T2S project was first proposed by the Eurosystem (European Central Bank- ECB and central banks in the eurozone) in July 2006, in response to calls for harmonisation of the fragmented settlement & delivery sector in Europe and optimisation of the economies of scale that the euro ought to provide. Under the impetus of the ECB and the national central banks, which already sponsor and manage the Target 2 Cash system (high value euro payments system), this project could lead to the creation of a single European platform for securities settlement and delivery, which is currently handled by the various national central securities depositories in the eurozone.

Although optimising efficiency and security of euro transactions is of course T2S's overriding objective, there is no reason why the platform should not subsequently be adapted to handle transactions in other European currencies @



*Eric Derobert,
Head of Market Relationship
+33 1 57 78 05 96
eric.derobert@caceis.com*





Anne Landier-Juglar
 Director of Compliance CACEIS
 +33 1 57 78 10 09
 anne.landier-juglar@caceis.com

Multi-manager alternative investment

Reviewing regulations in France

CACEIS is a member of the working group set up by the Autorité des Marchés Financiers (AMF), which is launching a “semi-public” consultation on multi-manager.

The AMF's aim is to review and evaluate existing regulations and propose amendments.

Multi-manager alternative investment or indirect alternative investment consists of “creating and managing French-law funds that invest in other funds using alternative investment techniques.” They are called funds of alternative funds (AMF classification) or funds of hedge funds or funds of alternative investment funds, or multi-manager alternative investment funds.

The AMF classification (see table below) encompasses:

- > **Funds of alternative funds** or “ARIA III” funds which have a similar risk dispersion to a general mutual fund and a minimum investment of €10,000 for non-qualified investors;
- > **Unleveraged funds of alternative funds** or “ARIA I” funds which have a lower risk dispersion and a minimum investment of €125,000 for non-qualified investors;
- > **Contractual funds.**

Multi-manager alternative investment funds must have a specific activity program and the underlying funds must meet thirteen eligibility criteria (except for contractual funds if so provided in the fund management’s program).

The working group is addressing the following key issues:

- > **Relevance of the thirteen eligibility criteria** for underlying funds, the possibility of drawing up due diligence guidance for fund selection and for monitoring, in light of a failure experience;
- > **Valuation of underlying funds;**
- > **Liquidity risk management;**
- > **The possibility of making these funds a retail product.** This forms part of a European approach with the CESR*, which is conducting consultations on whether hedge fund indices can be classified as financial indices for the purpose of UCITS, and the FSA**, which is looking at the possibility of allowing hedge funds to be sold to retail investors @

*CESR: Committee of European Securities Regulators

** FSA: Financial Services Authority

Trends in fund volumes by type (France)

	Net assets at period end (€ bn)		% change 12/05 to 12/06
	31/12/2005	31/12/2006	
			percentage
Equities	256.3	330.0	28.8%
Diversified	250.9	297.0	18.4%
Funds of alternative funds	16.3	26.5	62.6%
Formula funds	61.1	68.5	12.1%
Fixed-income	181.0	198.0	9.4%
Money market	389.5	438.3	12.5%
Other *	87.3	107.5	23.1%
Total	1,242.4	1,465.8	18.0%

Source: AMF, AFG estimates at end December 2006 for “Other”

*ESOPs, venture capital funds and futures funds

(Conferences

ICBI – FUND FORUM ASIA

April 17-19 – Hong Kong

CACEIS took part to the first Fund Forum Asia in Hong Kong organised by ICBI. Over eighty experts discussed challenges and strategies regarding funds distribution, products innovation and marketing for institutional and private investors.



AFTI – Post-trade infrastructures a central issue for European financial market development

May 10 – Paris

Michel Bois, Managing Director of CACEIS, opened the conference with Jean-François Theodore, Chairman and CEO of NYSE Euronext concluded by Pervenche Berès, Chair of the Committee on Economic and Monetary affairs for the European Parliament.

CLEARSTREAM – Fund Summit

June 6 – Paris

Etienne Carmon, Head of International Product Development

“Innovations in the cross-border distribution of funds”

Friends of Funds

June 12 – Geneva

Philippe Bens, Business Development Director
“Alternative investments: challenges to carry it out in practice”

ICBI – New Gaim 2007

June 18-21 – Monaco

France Colas, Senior Business Development Analyst “How can efficient administration help private equity?”

EFE – What trends for European trustee activities?

June 22 – Paris

Anne Landier-Juglar, Director of Compliance, CACEIS “What necessary points of agreement for European Trustee models”

EFE – Institutional reporting

June 27 – Paris

Antoine Sallé, Deputy Head of Sales and Relationship Management, CACEIS (France)
“What place for performance and risk indicators in financial reporting?”

ICBI – Fund Forum 2007

July 2-5 – Monaco

José Benjamin Longrée, Managing Director, CACEIS Bank Luxembourg, will highlight his view in the main conference on
“Business Imitating Life: Exploring how over concentration of dominant alphas is driving the search for new territories and how the experience of the past will shape the landscape of the future?”

Vincent Beaujeu-Dumontel, Sales Manager
“How can efficient administration help private equity managers build their success?” @

(Press review

Over thirty press correspondent messages and articles (Financial Times, Reuters, Les Echos, etc) announced the project for CACEIS to acquire the HypoVereinsbank activity. They highlight CACEIS' European status and its international growth strategy @



This newsletter has been produced by CACEIS. CACEIS cannot be held responsible for any inaccuracies or errors of interpretation, which this document may contain.

We hope you enjoy this Newsletter and would be very pleased to hear from you if there are other topics that you would like to see included.

Philippe Naudé
Market Information Manager
+33 1 57 78 10 68
philippe.naude@caceis.com

**For further information,
please visit www.caceis.com**

Publishing Director:
Régine Besnier-Docet

Editor:
Philippe Naudé

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A European Group

FRANCE

CACEIS Bank

1-3, place Valhubert
75206 Paris Cedex 13
+33 1 57 78 00 00

CACEIS Fastnet

1-3, place Valhubert
75206 Paris Cedex 13
+33 1 57 78 00 00

CACEIS Corporate Trust

14, rue Rouget de Lisle
92862 Issy-les-Moulineaux Cedex 09
+33 1 57 78 00 00

LUXEMBOURG

CACEIS Bank Luxembourg

5, allée Scheffer
L-2520 Luxembourg
+352 47 67 9

Fastnet Luxembourg

31-33, avenue Pasteur
L-2311 Luxembourg
+352 47 67 29 00

NETHERLANDS

Fastnet Netherlands

De Ruyterkade 6
1013 AA Amsterdam
P.O. Box 192
1000 AD Amsterdam
+31 20 530 83 00

BELGIUM

Fastnet Belgium

Avenue du Port/Havenlaan
Site de Tour & Taxis
86C Bte 320
B-1000 Brussels
+32 2 209 26 00

IRELAND

Fastnet Ireland Limited

Abn Amro House
International Financial Services Centre
Dublin 1
+353 1 672 16 20

CACEIS Bank Luxembourg




Dublin Branch

Abn Amro House
International Financial Services Centre
Dublin 1
+353 1 672 16 00

SWITZERLAND

CACEIS Fastnet (Suisse)

Belvédère 121
P.O. Box 67
CH-1264 St-Cergue
+41 22 360 94 00

-  DEPOSITARY-CUSTODY
-  FUND ADMINISTRATION
-  CORPORATE TRUST

