Press release

The Executive Board 27th August, 2012

As at **30th June 2012**, the FRR's net assets totalled 34.4 billion euros. This figure has to be considered in light of the value of its net assets at 31st December 2011 (35.1 billion euros) and the annual payment of 2.1 billion euros made to CADES on 25th April.

The **gearing ratio**[1] is at 139% (136.5% at 31st December, 2011).

As of 30th June, the hedging component accounted for 58% of total assets and the performance component, 42%.

The **performance of the Portfolio** (+3.9%) in the first semester of 2012 is the result of a rebound of the equities markets during the first quarter and continued falls in interest rates in the majority of the bonds portfolio.

As far as **performance assets** are concerned, this period can be split into two halves. The beginning of the year was to a large extent supported by softening of the perception of risk about the economic outlook and the euro and the introduction of the long-term refinancing plan by the ECB. This led to a re-correlation of the performance of risk assets on the financial markets: equities rose by 10 to 12% in the Eurozone, the United States and the emerging markets during the first quarter; diversification assets also contributed to the uplift, with significant increases posted by emerging economy Sovereign debt (around 5%[2]) and high yield private debt in the United States (+5.3%) and the Eurozone (+12.5%). However in the spring, increased perception of global risk, triggered by budgetary problems and the banking crisis in Spain and the slow-down in China, led to a correction of the equities indices. The performance of the Euro Stoxx index was down to 3% over the first semester as a whole, emerging equities performance fell to 4.9% and commodities, which suffered the most from this reversal, was down to -10.9%. US equities held up very well with an increase of 9.5% over the first semester, as did diversification assets with bonds posting significant gains[3]. Finally, listed real estate posted its best performance with an increase of almost 18%. Overall, with an increase of 3.9% during the first semester, the FRR's performance assets benefitted from their diversification in geographical and asset class terms.

Hedging assets benefitted from the downward trend in interest rates of issuers perceived as a refuge (United States and Germany in particular), especially in the second quarter with the decline in growth prospects and renewed uncertainty in the Eurozone: in the United States and Germany, 10-year sovereign yields fell by around 25 cents during the first semester.

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[1] The gearing ratio is the ratio between the market value of the net assets and the present value of FRR's liabilities.

[2] On USD and local debt issues hedged against forex risk.

[3] Emerging market sovereign debt increased by 9.4% on hedged local debt issues and 7.5% on USD denominated issues; US and Euro high yield increased respectively by 7.3% and 11.5%.

Against this background, **annualised performance of the FRR's management** since 2004 (+2.65% measured as at 31 December 2011) has now increased to +3%.

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