



TreeTop Asset Management, 12 rue Eugène Ruppert, L-2453 Luxembourg
www.treetopam.com

Dear investors,

The year 2012 opens to an accumulation of uncertainties seldom seen. Forecasting is made all the more difficult as the answers to the current problems are essentially political.

Global Context

The principal cause for concern is clearly **the European situation and the future of the euro**. The divide between Northern Europe and Southern Europe (Ireland included), which we emphasized in the last quarterly report, worsened with a rising interest rate differential that the southern countries must pay on their sovereign debt. As correctly noted in an excellent article from *The Economist* (*Beware of Falling Masonry*, 26/11/2011), the net public and private debt vis-à-vis other countries is a serious indication of the financial strength of the States. In fact, what matters is not so much the absolute level of public debt relative to the GDP, as the source of its funding. Japan, Germany or Belgium thus have public debt ratios superior to that of Spain for example, but their funding is ensured by ample household savings which have very little debt contrary to the countries of Southern Europe. This is how, during the feast years, Portugal, Greece, Spain and Ireland financed their current account deficits and their real estate booms by increasing their net debt vis-à-vis other countries. The table below shows a clear correlation between the level of net debt and the rates achieved recently by the borrowing of these States.



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The situation in Belgium is noteworthy: this country effectively benefits from a net surplus vis-à-vis other countries of more than 50 % of the GDP, which is why, apart from a hint of nervousness on the eve of the conclusion of a governmental agreement, the rates of government bonds have not experienced the surge of those countries in the South, despite a high level of public debt.

Rate of Belgian government bonds over 10 years



Source: Bloomberg

All scenarios are possible for the outcome of the European crisis. Like the United States, it is the **role as lender of last resort of the European Central Bank** that will be decisive. The current ambiguity resides in the fact that the ECB is reluctant to grant an unlimited guarantee of funding to sovereign States because it wants to maintain pressure on them to put their accounts in order. In contrast, the massive operation of funding European banks (489 millions EUR at a rate of 1%) on December 21, 2011, clearly shows that the ECB is determined to play this role of lender of last resort vis-à-vis the banks, and thus indirectly vis-à-vis the States. Its reserves are impressive, as shown by the evolution of its balance sheet, which increased by almost 50% over the last 6 months to 2.7 trillion euros.

Total assets of the European Central Bank (in billions €)



Source: Bloomberg

The problem is that, as in 2008, the banks are reluctant to lend to each other and therefore freezing a large part of these facilities with the ECB. It is thus imperative to restore confidence. The action of the ECB is a step in the right direction to avoid a banking liquidity crisis but significant progress must absolutely be made at the European political level to find a solution for the budgetary imbalances. The process of restoring order in the southern countries will be in any case extremely long and laborious.

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Despite political indecisiveness and the fear mongering of a growing number of experts on the real risk of the breakup of the euro zone, so far the indices of financial stress remain well below the peaks reached during the Lehman trauma in 2008: this is the case for the Bloomberg composite index of financial conditions (money markets, bonds and equities) in Europe and the European “TED spread” (yield differentials between the interbank rate and the risk-free government rate).

Bloomberg composite index of financial conditions in the euro zone



Source: Bloomberg

TED spread (differential between bank rates and risk-free rates) in the euro zone



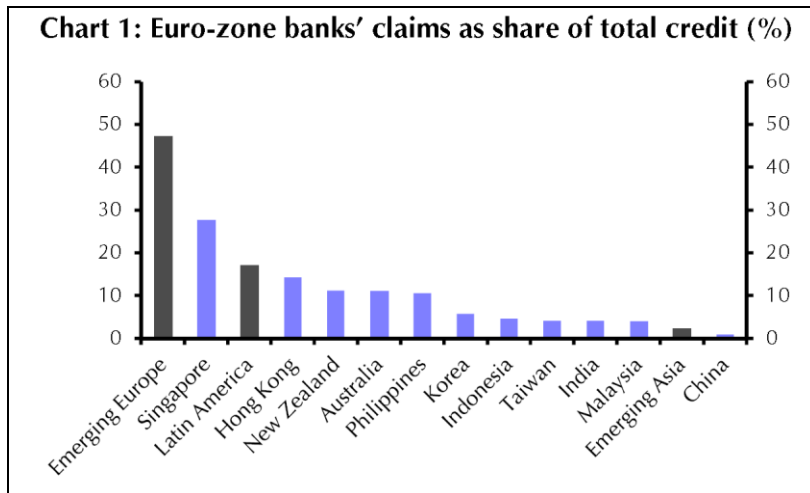
Source: Bloomberg

The experience of 2008 shows, however, that the situation can deteriorate very rapidly in instances of shock.

As long as Europe evades monetary disintegration, the impact of the crisis on the rest of the world is relatively limited in economic terms:

- The **United States** is doing rather well: the growth is not spectacular but is expected to remain around 2% in 2012, while the employment statistics and bank lending activity continue to improve. The momentum of earnings from companies declined slightly for 6 months, but significantly less than in Europe and the projections for 2012 and 2013 remain good.

- Among the **emerging countries**, it is in Eastern Europe and South America that the impact of a freeze on European bank loans would be the most tangible. According to *Capital Economics*, the share of European banks in total loans in these regions represents in fact 47.3% and 17.1% respectively, 2.3% in emergent Asia. Singapore (27%) and Hong Kong (14%) however, would be more sensitive.



Source: BIS, Capital Economics

1. **China** continues to go through a delicate phase of its development. The transition from growth based on exports to growth focused on the development of domestic consumption is temporarily curbed by the restrictive measures that the government had to take to stem inflation and the overheating of the real estate market. Retail sales still continue to increase with a real annual rate of about 10%, similar to the recorded average from 2000 to 2008.

Furthermore it seems that the turning point towards a more accommodating monetary policy is not very far away:

- Inflation begins to decline and the decrease in raw material prices (excluding energy) bodes well for the coming months.



Source: Bloomberg

CRB index of raw materials



Source: Bloomberg

- While continuing to describe the monetary policy of “prudence”, the Chinese authorities insisted on the priority of maintaining stable economic growth, in effect relegating the fight against inflation to the background.
- The decision in November to reduce the required reserve ratio of banks is likely to herald a change in monetary policy.
- The orderly rise of the Yuan continues and is intended to encourage industry to orient towards the domestic market.

Yuan vs. dollar



Source: Bloomberg

Longer term, China continues to benefit from factors that will fuel growth well above the average, such as its high rate of investment (40% higher than that of the United States), the quality of its education, or the access of a significant portion of its population to the middle classes.

We thus remain very positive about the outlook for the Chinese stock market whose value in terms of PE is once again as inexpensive as during the worst of the crisis in 2008.

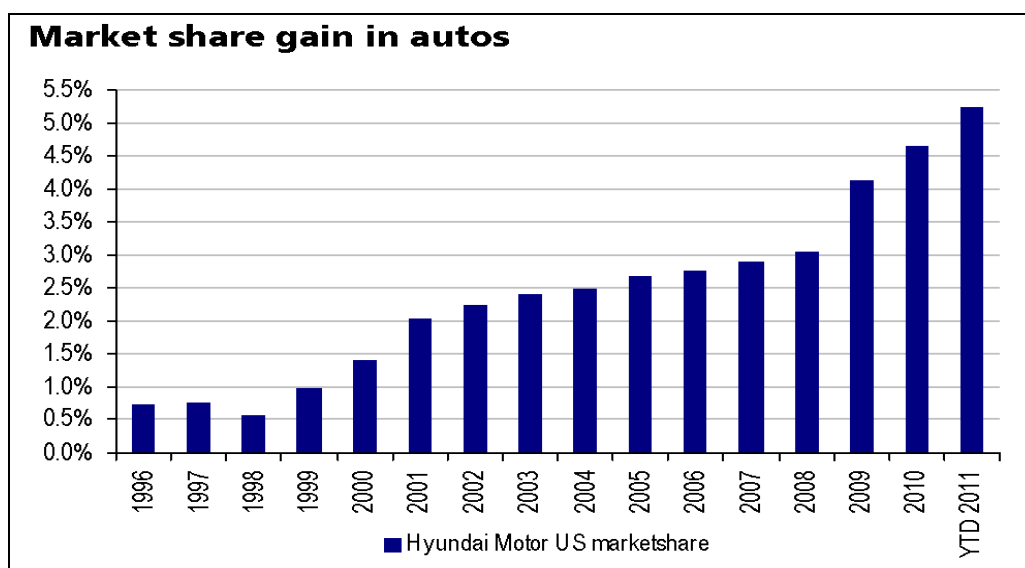
2. **India** appears to have serious structural problems:

- The growth of industrial production is plummeting (-5.1% against +12.4% in China).
- The growth rate of exports has fallen sharply.
- The current account deficit has increased considerably.
- Inflation (9.4%) is two times higher than in China.
- The currency has lost almost 20% since August.
- India has enormous infrastructure needs whose funding is made more difficult by the worsening of the combined trade and budgetary deficits, and the economic downturn.

It will take several years to address these structural deficiencies and thus we are not optimistic about the prospects of this country, all the more so as the valuation levels are not particularly inexpensive.

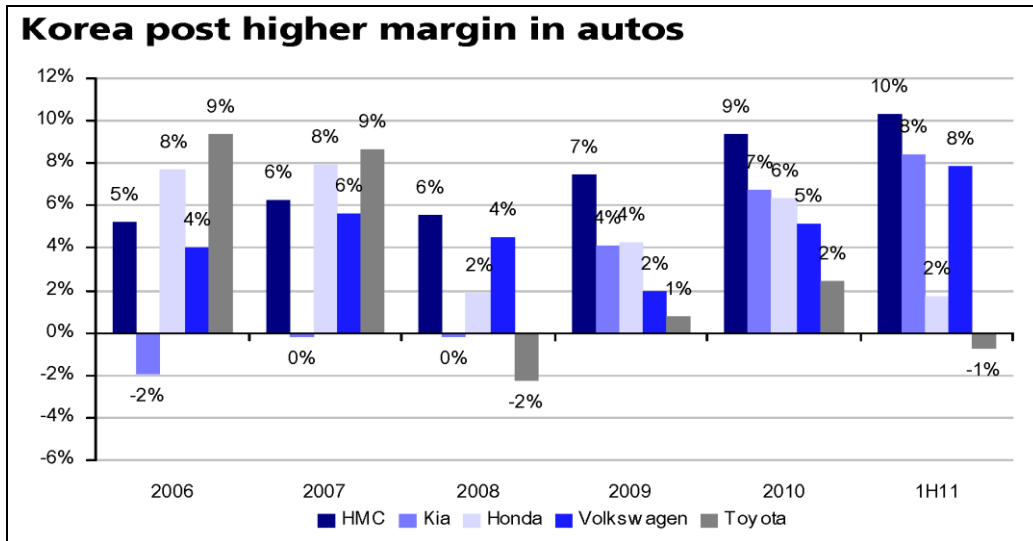
3. **Korea** maintains its competitive advantages, despite a more difficult global environment:

- The global market share of Korean companies has continued to increase in key sectors such as technology, automobiles or equipment. Our favourite Hyundai Motor is a prime example:



Source: UBS, KAMA

- The operating margins of successful Korean companies are generally well above those of their competitors, as is the case in the automobile sector especially.



Source: UBS

Investment Strategy

1. Accept volatility to achieve a better performance in the medium term:

Overall, it must be noted that the slowdown is global, which contributes to the depression of the markets in light of generally bearish statistics in terms of annual comparison. One must not overlook the growth differential between emerging and developed countries that remains considerable. To become alarmed for example by a slowdown in the growth of the Chinese GDP from 9% to 8%, or even 7% seems too focused on the short-term. Of course, this leads to strategic adjustments at the company level and a high volatility in stock prices, but what matters fundamentally is the medium term growth and the actual performance of the market.

If one takes stock since 2000, one notes that stock market cycles in different parts of the world are generally correlated and that the emerging Asian countries, which we prefer, appear more risky given their volatility. The genuine decoupling lies, however, in their economic growth differential, which materializes in the medium term through a performance significantly higher than that of developed countries. This is why we do not share the widespread vision of risk assessment by the sole criteria of volatility...

Indices MSCI Asia ex Japan and MSCI World



Source: Bloomberg

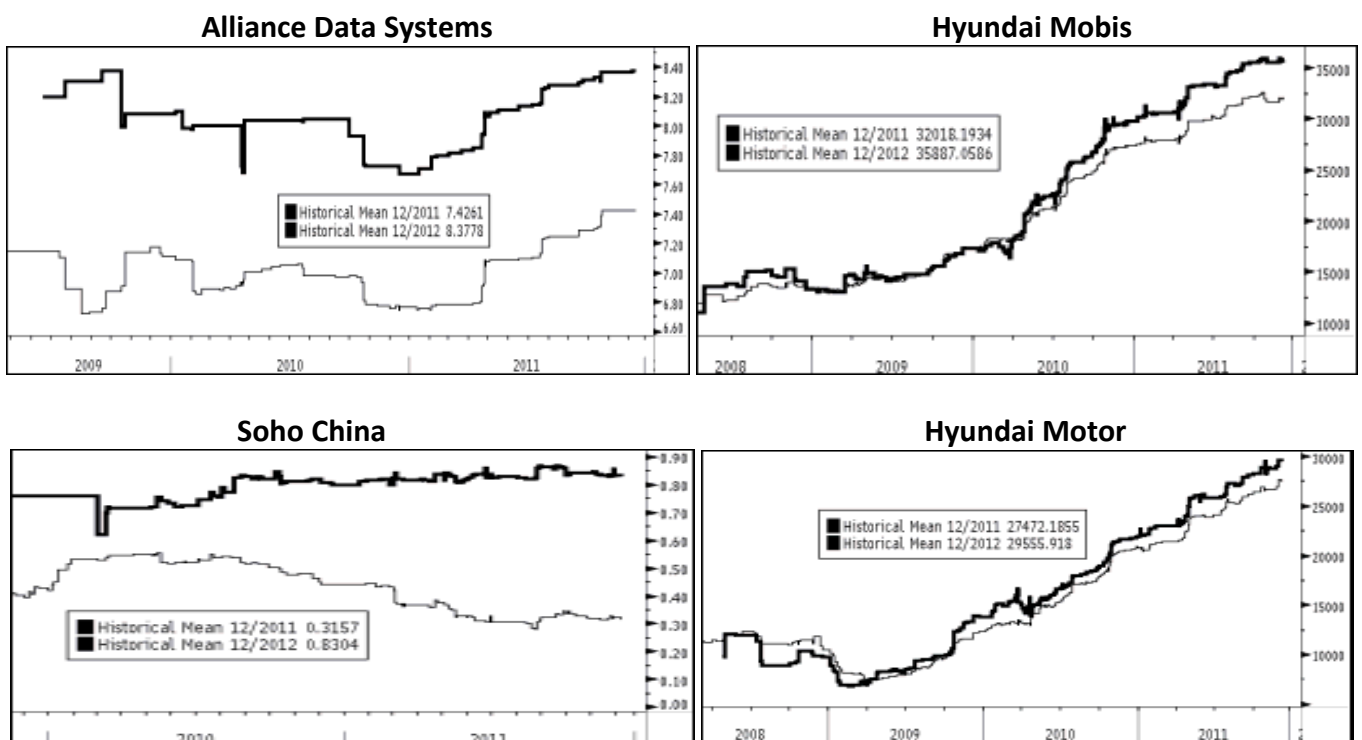
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Fortunately, the use of convertible bonds reduces this volatility to a certain extent. Thus we maintain a share of around 50% in emerging Asia.

2. Select for growth at the level of individual securities:

In a global environment of weak growth, it is even more critical to rely on companies that are able to not only significantly improve their results, but are also subject to stable or upward reviews of them by the analysts. Such is the case of earnings estimates provided in 2012 for 4 key positions held by the fund, totalling one third of the assets and more than half of the dynamic part of the fund (the other, less risky, part is invested in high-yield convertible bonds).

Earnings estimates/share 2011 and 2012 (IBES Consensus)



Sources: Bloomberg, IBES

These promising earnings prospects do not prevent these securities from being volatile, often even more than the average given their characteristics as growth stocks and the therefore high expectations that they generate. For this reason the fund can record short-term phases of underperformance relative to its benchmark index, during periods of market decline associated with high volatility.

We remain confident in the overall earning potential of portfolio securities, which are also particularly low valuations in terms of price to earnings ratios: average PE of 8.5 with an expected growth long-term of 11.8% and a capital yield of 17.3%.

The fund rose slightly during the quarter, but showed a decrease at the close of this difficult year.

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	NAV 30/12/2011	% 3 months	% 12 months
Class A EUR	€189.88	+1.76%	-9.18%
Class B USD	\$245.40	+1.94%	-9.05%
Class C GBP	£87.19	+1.74%	-13.12%
Class D EUR	€186.51	+1.81%	-9.48%

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PERFORMANCE

Period	Date	NAV €	Periodic Return	Cumulative Return
	30/06/1988	24.47		
1988	31/12/1988	24.52	0.20%	0.20%
1989	31/12/1989	23.65	-3.52%	-3.32%
1990	31/12/1990	23.96	1.30%	-2.07%
1991	31/12/1991	29.45	22.92%	20.37%
1992	31/12/1992	33.63	14.19%	37.46%
1993	31/12/1993	53.62	59.44%	119.16%
1994	31/12/1994	46.79	-12.75%	91.22%
1995	31/12/1995	49.77	6.38%	103.43%
1996	31/12/1996	54.78	10.05%	123.87%
1997	31/12/1997	56.02	2.27%	128.97%
1998	31/12/1998	61.64	10.03%	151.93%
1999	31/12/1999	89.85	45.76%	267.22%
2000	31/12/2000	95.99	6.84%	292.34%
2001	31/12/2001	99.69	3.85%	307.43%
2002	31/12/2002	98.57	-1.12%	302.87%
2003	31/12/2003	116.88	18.58%	377.70%
2004	31/12/2004	138.11	18.16%	464.47%
2005	31/12/2005	181.85	31.67%	643.25%
2006	29/12/2006	187.47	3.09%	666.22%
2007	01/01/2008	207.05	10.44%	746.24%
2008	01/01/2009	122.20	-40.98%	399.45%
2009	01/01/2010	181.47	48.50%	641.69%
2010	01/01/2011	209.07	15.21%	754.50%
2011	30/12/2011	189.88	-9.18%	676.07%

Period	Date	NAV €	Annualized Periodic Return	Cumulative Return
Inception	30/06/1988	24.47	9.11%	676.07%
10 years	31/12/2001	99.69	6.66%	90.48%
5 years	29/12/2006	187.47	0.26%	1.29%
3 years	01/01/2009	122.20	15.83%	55.38%
2 years	01/01/2010	181.47	2.29%	4.63%
12 months	01/01/2011	209.07	-9.18%	-9.18%
9 months	31/03/2011	221.80	-18.71%	-14.39%
6 months	30/06/2011	223.51	-27.83%	-15.05%
3 months	30/09/2011	186.59	7.24%	1.76%

30/12/2011	189.88
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PORTFOLIO COMPOSITION

Underlying	Region	% portf	Convers. premium	Delta	est PE	LTG	ROE	Distance Bond Floor	Credit spread	Duration	Market cap. EUR bion	Sector
ABERDEEN ASSET MGMT	EUROPE	1.03	15.79%	0.71	10.41	10.00	18.36	-19.49%	350	2.93	2.9	FINANCE
AGEAS/AGEASFINLUX "Fresh"	EUROPE	5.70	300.00%	0.24	6.34	5.00	-1.87	0.00%	750	14.22	3.1	FINANCE
AGEAS/FORTIS BANK "Cashes"	EUROPE	8.30	300.00%	0.20	6.34	5.00	-1.87	0.00%	750	12.63	3.1	FINANCE
ALLIANCE DATA SYSTEMS CORP	AMER/USA	10.22	11.31%	0.94	12.36	14.56	50.00	-28.63%	250	1.59	4.0	TECHNOLOGY
ALPHA NATURAL RESOURCES INC	AMER/USA	0.33	0.00%	1.00	11.86	10.00	3.37	-50.00%			3.5	ENERGY
ARCH COAL INC	AMER/USA	0.19	0.00%	1.00	5.81	10.00	6.29	-50.00%			2.4	ENERGY
CHINA HUIYUAN JUICE	PAC/CHINA	1.94	67.33%	0.03	12.02	13.10	3.63	0.00%	1400	2.22	0.4	CONS. STAPLES
CHINA SKY CHEMICAL FIBRE CO	PAC/CHINA	0.03	0.00%	1.00	0.00	0.00	0.00	-50.00%			0.0	CONS. DISCRET.
DAIMLER AG	EUROPE	4.35	71.83%	0.27	7.41	5.51	14.06	0.00%	413	4.14	36.2	CONS. DISCRET.
EDUCOMP SOLUTIONS LTD	PAC/INDIA	5.13	300.00%	0.00	4.51	10.00	13.69	0.00%	500	0.60	0.3	TECHNOLOGY
FUFENG GROUP LTD	PAC/CHINA	2.90	66.83%	0.02	4.39	20.92	26.53	0.00%	800	1.24	0.6	MATERIALS
GOME ELECTRICAL APPLIANCES	PAC/CHINA	4.51	61.85%	0.18	9.13	13.99	16.15	-1.31%	575	0.76	3.0	CONS. DISCRET.
HANNOVER RUECKVERSICHERU-REG	EUROPE	1.95	0.00%	1.00	7.34	8.00	11.65	0.00%			4.6	FINANCE
HENGDELI HOLDINGS LTD	PAC/CHINA	2.63	69.75%	0.15	9.79	24.54	16.68	-0.73%	525	1.79	1.1	CONS. DISCRET.
HOLOGIC INC	AMER/USA	3.09	122.38%	0.02	11.72	10.09	11.74	0.00%	350	1.97	3.6	HEALTH CARE
HYUNDAI MOBIS	PAC/KOREA	8.95	0.00%	1.00	8.01	12.63	27.19	-1.48%			19.1	CONS. DISCRET.
HYUNDAI MOTOR	PAC/KOREA	4.67	0.00%	1.00	2.29	12.00	23.21	-50.00%			31.4	CONS. DISCRET.
INMARSAT PLC	EUROPE	2.77	121.65%	0.04	8.34	10.00	34.12	-2.57%	450	0.91	2.2	TECHNOLOGY
INTIME DEPARTMENT STORE	PAC/HK	1.11	49.00%	0.17	12.18	31.35	14.69	-2.22%	600	1.82	1.6	CONS. DISCRET.
KEPCO	PAC/KOREA	4.06	0.00%	1.00	27.73	15.00	-0.63	-42.37%			11.0	UTILITIES
LONKING HOLDINGS LTD	PAC/CHINA	4.87	56.88%	0.09	5.13	3.67	29.26	-0.30%	650	0.68	1.1	INDUSTRY
MAHINDRA & MAHINDRA LTD	PAC/INDIA	0.18	0.00%	1.00	10.94	5.00	22.33	-50.00%			6.1	CONS. DISCRET.
MAOYE INTERNATIONAL HLDGS	PAC/CHINA	1.60	93.15%	0.03	7.58	25.00	13.01	0.00%	775	1.76	0.9	CONS. DISCRET.
OMNICARE	AMER/USA	0.84	136.10%	0.12	14.46	12.50	5.46	0.00%	325	3.84	3.0	HEALTH CARE
PEABODY	AMER/USA	0.61	0.00%	1.00	6.40	10.00	20.67	-50.00%			6.9	ENERGY
REGENERON PHARMACEUTICAL	AMER/USA	0.23	43.73%	0.58	N.S.	30.00	-60.66	-17.61%	650	4.31	4.0	HEALTH CARE
REGUS GROUP PLC	EUROPE	2.53	0.00%	1.00	13.41	15.00	8.04	-50.00%			1.0	INDUSTRY
ROLTA INDIA LIMITED	PAC/INDIA	0.83	300.00%	0.00	2.82	15.00	15.55	0.00%	700	0.50	0.1	TECHNOLOGY
SHINHAN FIN	PAC/KOREA	0.93	0.00%	1.00	6.98	12.00	13.97	-38.42%			12.6	FINANCE
SIMPLO TECHNOLOGY	PAC/TAIWAN	1.60	0.00%	1.00	11.35	16.92	25.22	-50.00%			1.3	TECHNOLOGY
SOHO CHINA LTD	PAC/CHINA	7.85	16.64%	0.47	5.03	16.22	7.86	-10.04%	625	0.53	2.7	FINANCE
TUI TRAVEL PLC	EUROPE	4.09	85.78%	0.11	6.45	4.95	12.93	0.00%	1020	2.82	2.2	CONS. DISCRET.
TOTAL WEIGHTED AVERAGE		100.00	90.19%	0.48	8.53	11.81	17.29	-17.45%	533	3.86	7.2	

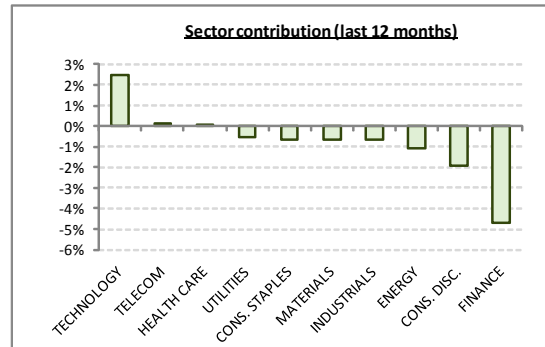
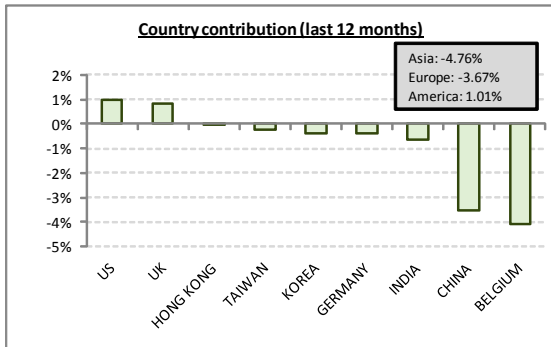
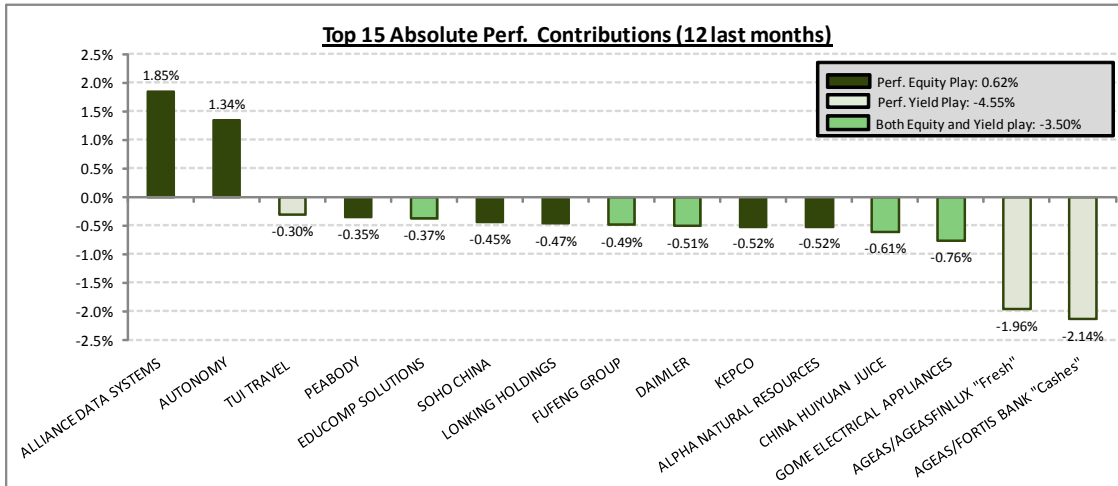
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PERFORMANCE CONTRIBUTION

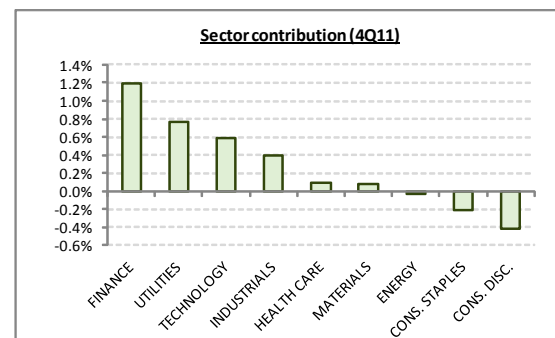
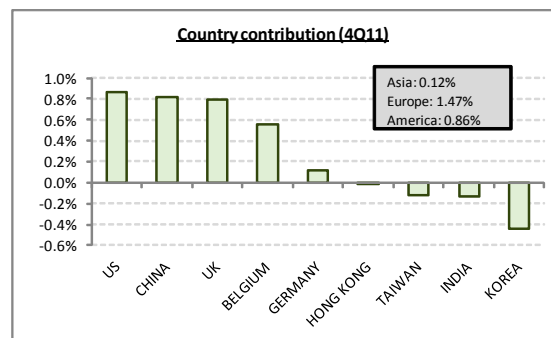
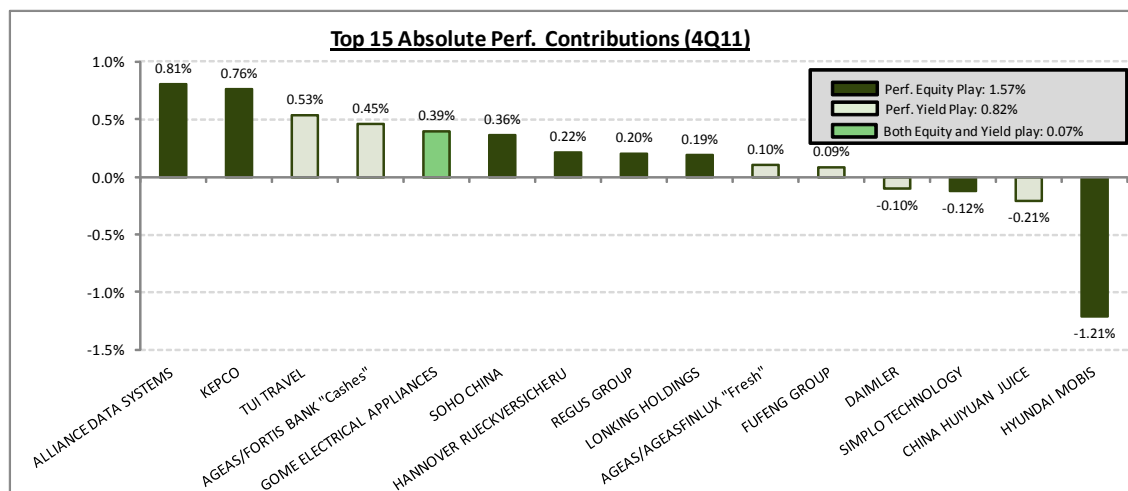
Performance contribution:

- is defined as Equity Play when coming from stocks or convertible bonds with a premium lower than 50%
- is defined as Yield Play when coming from convertible bonds with a premium higher than 50%
- is defined as both Equity and Yield Play when coming from both concepts during the period
- is calculated in the currency of the security.

Performance Contribution over the last 12 months (31 Dec 10 - 31 Dec 11)

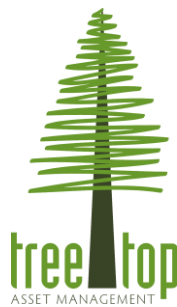


Performance Contribution over the last Quarter (30 Sept 11 - 31 Dec 11)



Warning

The prospectus, simplified prospectus as well as the periodic reports of the fund are available on request and for free from TreeTop Asset Management S.A. 12 rue Eugène Ruppert L-2453 Luxembourg, from the bank in charge of the fund administration in Belgium: Banque Degroof NV/SA, rue de l'Industrie B-1040 Brussels or on our website www.treetopam.com. The present information note only does not give a complete information on the Sicav and should then be read together with the prospectus of the Sicav as well as the latest annual/semi-annual report. Although they are based on the best possible sources, the figures in this document have not been audited. Past performance is no guarantee of future performance as the net asset value of the portfolio depends on market developments. Returns are calculated after deducting management and performance fees.



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