Fourth quarter report 2010

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Juno Selection Fund Performance

We closed the fourth quarter, which ended on 31 December 2010, with a net asset value of **€128.12** per participation. The increase in the fourth quarter was 13.2%. For the entire year 2010, the performance stands at a positive 12.2%.

Even more important is the performance over a longer period of time. Since the inception of the fund in January 2008, a positive return of 28.1% has been achieved. This is a combined return of 8.9% per year. We not only defeat the indexes with this, but also all other comparable European equities funds that are monitored and ranked by Morningstar.nl and Lipper Fund Screener.

In the final quarter we saw the prices of our main participants improving. This reflected the good underlying profit developments. It proves all the more that Juno does not have perfect market timing, but that in due course the prices will indeed follow the underlying value creation within the participations.

Key developments in the portfolio

Exactly one year ago, we informed you of a new position in the Juno Selection Fund, the German **CeWe Color**. This company grew to become the largest position in the portfolio. This was a result of a couple of additional acquisitions, but particularly due to a strong share price development: including a €1.05 dividend, CeWe increased by 52% this year. This return is also owing to an increased awareness in the market that the company can now finally call it a day where the transition from analogue to digital photography is concerned. The results were negatively affected for many years because of continuously required restructuring. Besides this, two foreign major shareholders sold their entire position in 2010. This brought an end to a long period of pressure to sell while trade volumes were low. We have no insight into the reasons behind their sale, but it seems more to be linked to their style of investing, rather than to their expectations for the development of CeWe.

The development of the CeWe organisation is running smoothly and reached a new milestone in 2010. The 10 millionth photobook was sold in December. It took CeWe five years to reach this point. In all of 2010, as expected, over 4 million photobooks were sold. This product continues to show strong growth and it is the driver for the rise in sales and profit of the group. The brand recognition of the CeWe photobook and the ease-of-use of its software make it a popular product and the company is the market leader in Europe.

In the past, companies like Kodak brought style and growth to the photography branch, with their research and investments. Today, CeWe has a similar approach with its photobooks. The cycle of reaping and sowing is well underway, as is evidenced by the considerable increase of the CeWe marketing budget in 2010. Over 3,000 TV ads, many internet campaigns and advertisement in magazines and newspapers provide more brand recognition, which results in more sales and better margins.

With the beautiful snow during what are traditionally busy holiday times for photobooks, the printers and bookbinders at CeWe must have worked overtime in the fourth quarter. This is why we confidently look forward to the figures for the past year, which are to be published in this 50th anniversary year.

At the start of 2010, we were hoping for less erratic share price movements for **TGS-Nopec**, than was experienced in 2009. The contrary proved to be the case, due to the oil disaster at the BP drilling platform Macondo, in the Gulf of Mexico.

Once the enormity of the extent of the disaster became clear, many believed this would mean a severe loss of turnover for TGS in 2010 and 2011. After all, if there was no drilling, oil companies would not be purchasing seismic data. We also realised that sales would come under pressure in the short term, but that this would not pose any danger for TGS in the long run. Oil is running out and the demand for it is increasing. In the coming decades, oil will remain the main form of energy.

To meet this demand, more sources of oil will need to be found in locations where this resource is difficult to extract, such as deep under the ocean floor. It will require extensive geological information before decisions are made to perform (exploratory) drillings. This is valuable information that TGS provides.

Since TGS does not have seismic ships of its own, it will hire the capacity at the moment it so requires. As a result, the company is not very capital-intensive, enabling it to achieve more stable margins and a lot less capital lock-up than companies with a lot of capacity of their own, like Fugro for example. When the oil price is low, oil companies will have less money available to purchase the data from TGS. In that situation, TGS is flexible enough to reduce its cost basis. With dozens of expensive ships on the balance sheet this would not be possible.

An interesting fact is that a lot of new seismic capacity is still added in the market at the moment. This is a delayed effect of the period when the oil price was around $140. In the last few months there are signs that new orders for seismic ships will be coming in for the years 2013 and 2014. This is surprising, since there seems to be an overcapacity for this year and the next. It is a perfect development for TGS, because hiring seismic capacity will remain inexpensive for the time being.

As far as the market for TGS services is concerned, there are some interesting licensing rounds on the agenda, which include the postponed round in the Gulf of Mexico of 2010, Ireland, Indonesia and the African west coast. Also, the Brazilian government is presumed to be planning licensing rounds for its pre-salt territories. Furthermore, TGS has started to map out the Russian waters east of Spitsbergen, where it is expected that licenses will also be sold in the near future.

Outlook

The largest and probably best-known American fixed income fund manager, Pimco, announced it would start purchasing share products in its bond portfolios. This is because apparently it considers the bond market as not very promising. The interest rates have dropped to such low levels that as a result of increasing inflation expectations and increased risks of government debt securities, they actually can only rise. In that case the value of bonds, just like in the past months, will decrease further again.

At a time of rising inflation and increasing interest rate levels, shares are an attractive alternative. In any case, until the moment that the central banks actively start putting the brakes on inflation and economic growth. For the first time in over 20 years, the dividend return on shares is higher than the return on 10-year government bonds, for example. Trading profits are improving again and the valuations on shares are appealing. So we have healthy ingredients for a positive market year.

For 2011 we expect that the share price movements of the markets will be whimsical again. The imbalances of global economy are only increasing further. The western world has and takes out too many debts and the countries on the rise are claiming their rights more and more. This area of tension may lead to the euro crises worsening and protectionism increasing.

Juno continues to select companies that are as little as possible dependent on the economic tide. The profits of our participations are rising year after year. This predictability, the high margins and large free cash flows lead us to expect that their appeal in relation to the alternatives will increase further. As far as our participations is concerned, we believe that our conservative expectations for the future and the low valuations in the market, provide plenty of room for attractive returns. We will obviously continue to make every effort to realise a good return for you again.

On behalf of the manager of the Juno Selection Fund,

Frans Jurgens

Lennart Smits

Juno Selection Fund: Historical Returns

	Juno Selection Fund	HSBC Smaller Europe Index	AEX Index
1st quarter 2008 *	+ 3%	- 4%	- 8%
2nd quarter 2008	-3%	- 8%	- 4%
3rd quarter 2008	-19%	-17%	-22%
4th quarter 2008	-17%	-29%	-26%
2008 *	**-33%**	**-48%**	**-49%**
1st quarter 2009	+ 8%	- 4%	-12%
2nd quarter 2009	+26%	+29%	+17%
3rd quarter 2009	+23%	+ 23%	+22%
4th quarter 2009	+ 1%	+ 2%	+ 8%
2009	**+70%**	**+55%**	**+36%**
1st quarter 2010	+12%	+ 8%	+ 3%
2nd quarter 2010	-10%	- 7%	- 8%
3rd quarter 2010	- 2%	+ 9%	+ 6%
4th quarter 2010	**+13%**	**+12%**	**+ 6%**
2010	**+12%**	**+23%**	**+ 6%**
Since inception *	**+28%**	**- 1%**	**-26%**

*) Inception of the fund: 11 January 2008

Top 5 Positions

NAME	COUNTRY	WEIGHT
CeWe Color	Germany	< 20%
Aryzta	Switzerland	> 15%
TGS-Nopec	Norway	> 10%
Meda	Sweden	> 10%
Van de Velde	Belgium	< 10%

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