

# THEMA

## Which new deal ?



### Content

|  |    |
|--|----|
| <a href="#">Eurozone enters into recession as of 2008</a>  | P2 |
| <a href="#">What direction now for the dollar and oil ?</a>                                      | P3 |
| <a href="#">Asset allocation</a>   | P4 |
| <a href="#">Performances</a>   | P5 |
| <a href="#">Lion Intergestion Monétaire Euro offers security and performance</a>                 | P6 |
| <a href="#">Our "3-in-1" life insurance investment product – flexible, open-ended and simple</a> | P7 |
| <a href="#">The US banking system : has the moment of truth arrived ?</a>                        | P8 |

"Super Tuesday", November 4<sup>th</sup> 2008 – Grant Park, Chicago, USA.

A huge crowd holds its breath. This is an historic moment for the United States and the entire world is watching.

Suddenly, the crowd roars. The country has just elected its 44<sup>th</sup> president, Democrat Barack Obama, a young and charismatic senator from the state of Illinois.

John McCain graciously conceded defeat by saying: "This is an historic election. I recognize the special significance it has for African-Americans and the special pride that must be theirs tonight".

With a record voter turnout of over 64% that exceeded that of J.F. Kennedy's election in 1960, this election has no doubt restored the faith in democracy of the US "melting pot".

After a Republican presidency that has been controversial to say the least, this presidential campaign has broken all records for length, cost and media coverage and has been extraordinary in itself. With the US housing market, financial sector and economy in crisis, this election has inspired a hope for change that has extended far beyond the United States.

Can this wave of hope and change restore the unity and confidence of the American people? Will it transform the ambitious "Yes we can" programme of reform the Illinois senator has championed throughout his campaign into concrete action? Could the United States and the rest of the world be expecting too much from president Barack Obama? What will his priorities be? As a man of dialogue, what sort of foreign policy will he conduct? Will Europe be able to unite sufficiently to establish a balanced partnership with him? With a solid majority in both houses of Congress, a highly experienced team of senior officials and the desire for rapid and exemplary change, will Barack Obama succeed in carrying out his reforms as well as the various measures that will be necessary to support the economy? Will Barack Obama and his staff be able to promote their views on the economic recovery plan and the reforming of financial markets during the Washington G20 meeting?

(November 6<sup>th</sup> 2008)

## Eurozone enters into recession as of 2008

### Growth close to zero, expanding fiscal deficits and rising unemployment expected in 2009.

"The economic horizon has now significantly darkened as the European Union economy is hit by the financial crisis, which deepened during autumn and is taking a toll on business and consumers", commented EU Commissioner for Economy and Monetary Affairs Joaquin Almunia, as the European Commission in Brussels released its autumn forecasts for economic activity on November 3<sup>rd</sup>.

The 15 members of the euro currency area are therefore expected to see their aggregate gross domestic product (GDP) shrink over the last three quarters of 2008 and then stagnate throughout 2009.

After a 0.2% decline in GDP in the second quarter of 2008, the European Commission now expects further declines of 0.1% in the third and fourth quarter.

### This would be the first contraction of Eurozone GDP for more than two consecutive quarters since the Eurozone was established in 1999.

Another sign of impending recession in the Eurozone is the composite purchasing managers index (PMI) for the manufacturing sector, which has slumped to its lowest level in 10 years.

The threat of a recession in Europe is now becoming a reality, despite the decline in oil and other commodity prices over the summer and the weakening of the euro.

The recession is expected to affect all 27 members of the European Union, where GDP is forecast to shrink by 0.1% in the third and fourth quarter.

Although the EU's economy is still expected to grow 1.4% in 2008, this is half as much as in 2007.

This is also likely to be the case for the Eurozone, where 1.2% growth is forecast.

However, the European Commission predicts only 0.1% growth for the Eurozone in 2009, and 0.2% for the European Union.

The general slowdown of Europe's economy is pushing up the rate of unemployment, which the European Commission expects will increase from 7.6% in 2008 to 8.7% next year. In absolute figures this means that over 2 million people more would be jobless.



Another consequence of the recession will be rising fiscal deficits. Given the large disparities between the various European countries, some have already seen their deficits exceed the threshold of 3% of GDP.

We expect the slowdown to be significantly sharper in the United Kingdom, Ireland and Spain, which are all facing plunging property markets in addition to the financial crisis.

The downturn in the Eurozone's housing market is likely to weigh on both household consumption and residential investment.

European consumers have already started to cut back on spending and are seeking refuge in pre-cautionary savings.

We expect GDP to decline by 0.5% in France and 0.6% in Germany and Italy.

Eurozone exports could however make a small positive contribution to growth.

The European Central Bank (ECB) has acknowledged the slowing of Europe's economy and has decided to loosen monetary policy to ward off the threat of recession. After cutting its refinancing rate from 4.25% to 3.75% early October, it proceeded with a further 0.5% cut on November 6, thus bringing its benchmark rate to 3.25%. Does this mean we may expect further rate cuts in during the fourth quarter of 2008 and in 2009?

### What options does the Eurozone have for fiscal stimulus?

But what other repercussions may the financial crisis have on Europe's economy? Considering the current level of fiscal deficits, how much scope for action will officials have?

Given the specific nature of the current economic crisis, will it take as long as some people predict to get Europe's economy back on its feet?

Can we realistically expect Europe to come up with a united response?

USD vs. EUR / Oil  
since Jan. 2005



Source: Bloomberg



## What direction now for the dollar and oil?

**The US dollar and the price of crude oil have been moving in opposite directions over the past few months. This is not automatically the case.**

Although the dollar's recent strengthening may very well have accelerated the decline of commodity prices, it was not the initial cause. Moreover, the dollar's appreciation against the euro began a few days after the price of oil started to plunge.

More than anything, movements in the dollar exchange rate reflect investors' opinions about the soundness of the US economy and the Federal Reserve's policy. The dollar's decline against the euro until July may be attributed to the Fed's expansionary monetary policy. As for the central bank's European counterpart, it caught the market off guard this summer when it raised its key interest rate by 0.25 %.

Over the past few weeks the dollar has been heading back upward. This reversal may be mainly attributed to two things: the dollar's failure to break through the psychological resistance level of 1.60 EUR and the ECB's adoption of a less hawkish stance with its announcement in early August that the 0.25 % rate cut would not be repeated. This announcement was probably made in consideration of the recent decline in oil prices, which should mean less inflationary pressure. Furthermore, the most recent statistics suggest that the US economy may be improving and have reduced the threat of a severe recession. The outlook for the Eurozone on the other hand seems to be increasingly bleak.

**The recent strengthening of the dollar seems to be sustainable.** Indeed, the GDP growth gap is likely to broaden in favour of the United States. The

US has often proven its ability to recover more rapidly than Europe, where among other things jobs are more protected, labour is less mobile and there is less fiscal stimulus. In addition, although EUR interest rates are still higher than USD rates, many investors are anticipating a further cut in the ECB's policy rate and relatively stable rates in the US, which will support the dollar.

Quite surprisingly, over the past few months slower growth has been accompanied by a spectacular surge in the price of oil. This can be explained mainly by the demand of emerging economies, which are less affected by the slowdown than their developed counterparts. The strong growth that could still be observed in emerging countries early in the year and China's build-up of oil stocks in anticipation of the Olympic Games had driven up prices. However, this strong demand cannot in itself explain such a sharp increase. Indeed, manufacturers are not the only ones interested in commodities – there are also “financial” purchasers, such as banks, hedge funds and other private-sector investors. It is thought that the last part of the oil bull market (when the price rose above \$120 a barrel) may mainly be attributed to purchases made to close out speculative short positions. In the futures market we have thus observed a significant decrease in net speculative positions as prices continued to rise. This implies that some investors were making purchases to close out their short positions.

After approaching \$150 mid-July, the barrel price of oil suddenly plunged to \$70 and perhaps even a bit lower briefly. Spending cut-backs by consumers, whose purchasing power has weakened, accelerated

this decline. For the first time, a decrease in gasoline consumption was observed during the US “driving season” this summer. The reversal of the bull trend (and in particular the reduction of risk by banks) also led to massive sales by investors and the liquidation of speculative long positions. This further accelerated the rapidly falling oil price.

Over the next few months the medium-term trend will be toward stabilisation, although we may see more volatility. We could see an equilibrium price of \$80, at which some oil companies (and Petrobras in particular) have hedged their deliveries for December 2009. Nonetheless, oil prices will continue to behave erratically, as shown by the recent surge after US authorities

### Oil price: upward trend on the long term

took action to stop the financial crisis. It should be noted that oil reached \$80 a barrel for the first time in August 2006 but then fell to \$50 in January 2007, against a fundamentally stable economic background.

Nonetheless, over the long term growing consumption in the emerging countries will continue to support the price of oil. As far as supply is concerned, the decline in the reserve replacement rate should be noted. For example, in 1985 approximately ten oil fields in the North Sea produced 2.5 million barrels a day, whereas the hundred or so fields in operation in 2008 have a daily output of only 1.7 million barrels. The marginal cost of production is also substantially higher. The longer-term trend for the price of oil is therefore undeniably upward.

# panorama

## Asset Allocation of Crédit Agricole Luxembourg as of 30/09/2008

### Bond Investment

Oil prices have dropped sharply since mid-July, which has calmed fears of inflation and reduced pressure on interest rates. We have trimmed our dollar positions in favour of euro-denominated issues. We have focused our investments on the Eurozone's strongest economies (France and Germany) and excluded those that may have debt problems (Portugal, Greece and Spain). Late September central banks joined forces to cut their policy interest rates. The decrease in short-term interest rates and the rise of long-term yields (as government purchases of lower-quality debt instruments have weakened long-term sovereign credit ratings) have caused yield curves to steepen, particularly in the Eurozone. We continue to favour EUR government bonds for which we are moderately optimistic over the medium term rather than USD bonds, for which we are neutral. Corporate debt might come back into favour, given the many measures and plans to support credit markets and economic activity. Although we are optimistic about corporate bonds, we have adopted a very selective and diversified approach. The high-yield segment also seems attractive, provided that exposure is gained through large and highly liquid funds that have a well diversified issuer base.

### Equity Investment

Over the summer, the price of crude oil, other commodities and the dollar were all heading back upward. Since early July, we had been taking advantage of sharp dips in share prices to make a series of very selective purchases. The bankruptcy of Lehman Brothers in September and its many repercussions caused financial markets to plunge worldwide. A technical rebound is possible. Our outlook for the very near term is therefore optimistic and we are taking advantage of the excessively sharp drops to rebuild our positions, focusing mostly on "value" equities. We remain positive for the US and Asia ex Japan. China continues to be our preferred market. In the emerging markets, we are turning away from Europe (Russia and the Ukraine are feeling the full brunt of the financial crisis) and prefer India and Brazil. Over a 6 to 9 month horizon however we are less enthusiastic.

### Alternative & Currency Investment

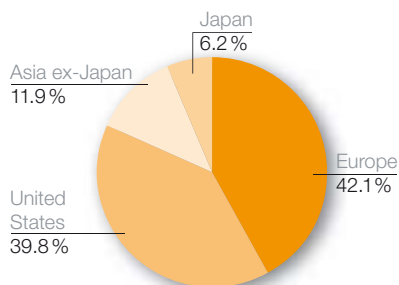
Given the financial crisis and the risks weighing on markets, we have sold all of our alternative investment positions. With markets so volatile, we have once again hedged our USD positions against the EUR, but only at 25% as we believe the dollar is still undervalued.

### Asset Allocation

|                | Prudent       | Balanced      | Growth        |
|----------------|---------------|---------------|---------------|
| Equities       | 6.9%          | 28.3%         | 51.4%         |
| Bonds          | 20.3%         | 31.4%         | 17.7%         |
| Alternative    | 20.7%         | 26.7%         | 16.8%         |
| Monetary Funds | 49.3%         | 13.1%         | 13.1%         |
| Cash           | 2.8%          | 0.5%          | 1.0%          |
| <b>Total</b>   | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

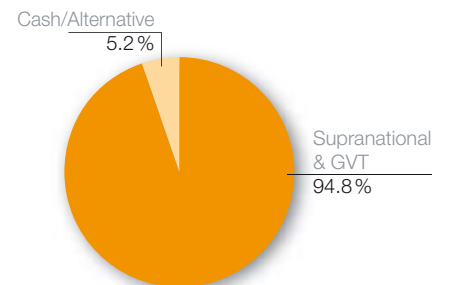
### Equity Portfolio

Geographical breakdown



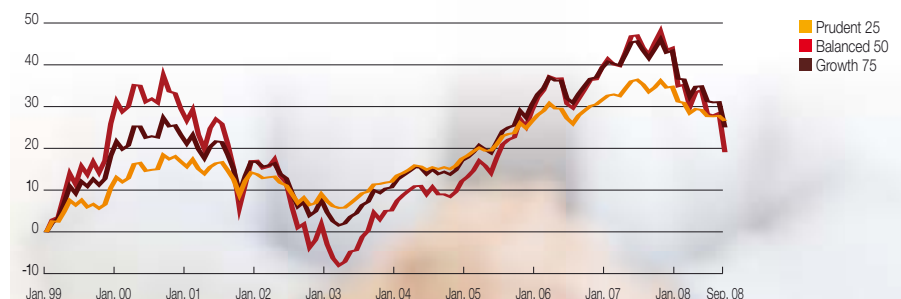
### Bond Portfolio

Breakdown by product type



### Performance as of 30 september 2008

| Performances euro | YTD 2008 | 2007  | 2006  | 2005   | 2004  | 2003   | 2002    | 2001   | 2000   |
|-------------------|----------|-------|-------|--------|-------|--------|---------|--------|--------|
| Prudent 25        | -6.05%   | 2.40% | 2.84% | 8.28%  | 4.19% | 5.80%  | -5.70%  | -1.58% | 2.32%  |
| Balanced 50       | -12.77%  | 2.98% | 4.73% | 12.96% | 4.69% | 7.57%  | -10.36% | -3.67% | -0.39% |
| Growth 75         | -17.29%  | 3.32% | 5.56% | 16.80% | 5.33% | 10.94% | -17.23% | -7.65% | -3.49% |



# Performance as of 30 september 2008

## CREDIT AGRICOLE LUXEMBOURG

| Managed Fund Portfolio Best Select (MFP) EUR        | Currency | NAV | YTD%   | 1 year % | 5 years % |
|---|----------|-----|--------|----------|-----------|
| PRUDENT 25  | EUR      | -   | -4.81  | -5.62    | n.a.      |
| BALANCED 50   | EUR      | -   | -11.74 | -13.75   | n.a.      |
| GROWTH 75   | EUR      | -   | -17.11 | -20.42   | n.a.      |
| DYNAMIC 100   | EUR      | -   | -22.80 | -26.82   | n.a.      |
| <b>Managed Fund Portfolio Robeco (MFP) EUR</b>      |          |     |        |          |           |
| PRUDENT 25  | EUR      | -   | -5.97  | -7.49    | n.a.      |
| BALANCED 50   | EUR      | -   | -12.36 | -15.11   | n.a.      |
| GROWTH 75   | EUR      | -   | -18.13 | -21.79   | n.a.      |
| DYNAMIC 100   | EUR      | -   | -24.09 | -28.63   | n.a.      |
| <b>Managed Fund Portfolio Best Select (MFP) USD</b> |          |     |        |          |           |
| PRUDENT 25  | USD      | -   | -5.28  | -5.45    | n.a.      |
| BALANCED 50   | USD      | -   | -11.85 | -12.64   | n.a.      |
| GROWTH 75   | USD      | -   | -17.87 | -19.40   | n.a.      |
| DYNAMIC 100   | USD      | -   | -21.66 | -23.40   | n.a.      |

## CREDIT AGRICOLE LUXEMBOURG FUNDS

| <b>Money Market and Short Term Funds</b>          |     |         |        |        |       |
|---|-----|---------|--------|--------|-------|
| Lion Intergestion - Monétaire Euro -P-            | EUR | 1251,8  | 3,06   | 4,07   | 12,83 |
| International Multi-Manager Court Terme Dynamique | EUR | 1040,49 | -4,81  | -4,64  |       |
| <b>Asset Allocation Funds</b>                     |     |         |        |        |       |
| LIS Income - SRI                                  | EUR | 1156,22 | -0,32  | 0,23   | 6,32  |
| LIS Prudent - SRI                                 | EUR | 1130,71 | -4,93  | -5,40  | 8,61  |
| LIS Balanced - SRI                                | EUR | 1022,48 | -11,36 | -12,29 | 8,04  |
| LIS Growth - SRI                                  | EUR | 906,2   | -16,87 | -17,88 | 9,32  |
| LIS Dynamic - SRI                                 | EUR | 708,58  | -22,93 | -24,24 | 7,85  |
| <b>Multi-Manager Funds</b>                        |     |         |        |        |       |
| International Multi-Manager 50                    | EUR | 1269,07 | -10,44 | -10,43 | 19,40 |
| International Multi-Manager 75                    | EUR | 1253,67 | -15,44 | -15,63 | 20,55 |
| International Multi-Manager 100                   | EUR | 1220,35 | -19,93 | -20,87 | 21,94 |

## FUNDS SELECTED LIST

| <b>Money Markets</b>  |   |                            |           |        |        |        |
|-----------------------|---|----------------------------|-----------|--------|--------|--------|
| EUR                   | CAAM Funds Euro Reserve                     | EUR                        | 12.13     | 3.15   | 4.12   | 12.42  |
| USD                   | CAAM Interinvest Short Term USD             | USD                        | 112.87    | 1.85   | 2.96   | n.a.   |
|                       | CAAM Funds US Dollar Reserve -C-            | USD                        | 12.00     | 1.87   | 3.00   | 14.50  |
| <b>Fixed Income</b>   |   |                            |           |        |        |        |
| GLOBAL                | CAAM Obligations Internationales            | EUR                        | 106.30    | 1.88   | -1.05  | n.a.   |
|                       | CAAM Funds Global Bond                      | USD                        | 17.56     | -4.20  | -2.23  | 23.84  |
|                       | Rorento                                     | EUR                        | 42.25     | -3.07  | -2.31  | 7.23   |
| EUROPE                | CAAM Obligations 1-3 Euro                   | EUR                        | 22,018,53 | 1,89   | 2,69   | 11,79  |
|                       | CAAM Crédit 1-3 Euro                        | EUR                        | 22,695,10 | -0,97  | -0,85  | 9,11   |
|                       | CAAM Oblig Etat Euro                        | EUR                        | 4,632,53  | 2,99   | 3,86   | 15,48  |
|                       | Morgan Stanley European Curr H/Y Bond Fund  | EUR                        | 10,93     | -9,44  | -11,28 | 16,03  |
| EMERGING DEBT         | JPMF Emerging Markets Bond Fund             | USD                        | 254,00    | -9,74  | -8,20  | 46,21  |
| CONVERTIBLES          | Morgan Stanley Global Convertible Bond Fund | EUR                        | 29,30     | -17,26 | -16,55 | 9,25   |
| ABSOLUTE RETURN       | CAAM Invest VaR2 EUR                        | EUR                        | 1,051,18  | -0,38  | -0,19  | n.a.   |
| <b>Equities</b>       |   |                            |           |        |        |        |
| GLOBAL                | Fidelity Funds World                        | EUR                        | 8.979     | -28.51 | -30.17 | 21.69  |
|                       | JPMF Europe Small Cap Fund                  | EUR                        | 10,29     | -34,96 | -40,73 | n.a.   |
| EUROPE                | Oyster European Opportunities               | EUR                        | 243,61    | -30,39 | -31,95 | 56,07  |
|                       | ING (L) Invest Europe High Dividend         | EUR                        | 252,41    | -28,32 | -31,28 | n.a.   |
|                       | Fidelity European Aggressive Growth         | EUR                        | 7,06      | -42,55 | -42,83 | n.a.   |
| USA                   | UBAM Neuberger Berman US Equity             | USD                        | 666,34    | -26,44 | -29,24 | 46,04  |
|                       | Fidelity American Growth                    | USD                        | 8,31      | -28,45 | -25,23 | n.a.   |
|                       | SGAM US Equities Relative Value             | EUR                        | 69,55     | -19,47 | -27,39 | n.a.   |
| ASIA PACIFIC X JAPAN  | Aberdeen Global Asia Pacific                | USD                        | 42,39     | -30,06 | -27,51 | 101,86 |
|                       | Comgest Magellan                            | EUR                        | 1,171,56  | -26,66 | -22,94 | 121,55 |
| EMERGING MARKETS      | JPMF Eastern Europe Equity Fund             | EUR                        | 15,10     | -42,01 | -37,68 | n.a.   |
|                       | CAAM Funds Latin America Equities           | USD                        | 450,94    | -27,69 | -25,29 | 329,47 |
|                       | Fidelity ASEAN Fund                         | USD                        | 11,42     | -32,23 | -26,32 | n.a.   |
|                       | SGAM Fund Equities MENA                     | EUR                        | 76,81     | n.a.   | n.a.   | n.a.   |
|                       | JAPAN                                       | Axa Rosenberg Japan Equity | JPY       | 769,84 | -26,94 | -34,40 |
| <b>Thematic funds</b> |   |                            |           |        |        |        |
| AGRICULTURE           | Parvest Agriculture                         | EUR                        | 104,25    | -14,26 | -9,73  | n.a.   |
| WATER                 | SAM Sustainable Water Fund                  | EUR                        | 129,53    | -24,71 | -26,79 | 45,69  |
| NATURAL RESSOURCES    | JPMF Global Natural Resources Fund          | EUR                        | 13,56     | -43,78 | -44,24 | n.a.   |
| INFRASTRUCTURE        | Clariden Leu Infrastructure Fund H Eur      | EUR                        | 88,70     | -36,32 | -34,97 | n.a.   |
| REAL ESTATE           | Morgan Stanley Asian Property               | USD                        | 11,91     | -38,77 | -42,44 | 58,59  |
| BIOTECH               | Pictet Fund Biotech HP Eur hedged           | EUR                        | 265,93    | 3,17   | 0,68   | n.a.   |

## MARKET INDICES

|                               |     |          |        |        |        |
|-------------------------------|-----|----------|--------|--------|--------|
| Dow Jones Euro Stoxx 50       | EUR | 3038,2   | -30,95 | -30,66 | 26,81  |
| Dow Jones Industrial Average  | USD | 10850,66 | -18,20 | -21,91 | 16,99  |
| MSCI World CR                 | USD | 1182,443 | -25,58 | -27,62 | 29,99  |
| Nikkei 225 CR                 | JPY | 11259,86 | -26,44 | -32,92 | 10,19  |
| MSCI EM (Emerging Markets) CR | USD | 786,924  | -36,82 | -34,69 | 108,38 |
| EFFAS Euro Govt All           | EUR | 149,86   | 3,16   | 4,32   | 18,26  |
| JP Morgan United States GBI   | USD | 434,76   | 4,69   | 9,01   | 25,22  |
| JP Morgan Global GBI          | USD | 406,94   | 2,07   | 6,11   | 29,51  |

Capitalisation shares. Sources : Lipper Hindsight, CAL, Bloomberg.

This document is not a prospectus and does not constitute an offer to sell or buy any security, including shares of the funds featured. Shares of these funds are offered on the basis of their respective prospectuses only. The past performance of investments is not necessarily a guide to future returns. Changes in rates of exchange and other factors may cause the value of an investment to go up or down. Additional risk factors are described in the fund prospectuses. The Alternative Investment Funds are invested in "non-traditional" investment funds, whose managers have the flexibility to hold short positions, to invest in non-transferable securities or to use substantial leverage in addition to holding traditional long side investments. Alternative investment funds may also hold illiquid securities which result in difficulties establishing a fund's net asset value.

## Lion Intergestion Monétaire Euro offers security and performance



**Lion Intergestion Monétaire Euro was designed for investors who want to optimise the return on their investment while enjoying immediate liquidity but at no additional risk.**

Lion Intergestion Monétaire Euro offers an effective solution to investors who want protection against financial market volatility while achieving a respectable return in an environment of declining interest rates and yields.

Lion Intergestion Monétaire Euro's investment objective is to achieve optimum performance relative to Eonia, the Eurozone's benchmark money-market rate, over a three-month investment horizon. The fund's investment team aims for the best balance between credit quality, liquidity and yield.

The investment universe consists of money market instruments and bonds with short maturities issued or guaranteed by the most creditworthy institutions.

Such a broad universe requires a rigorous selection process. This is why only issuers with a minimum long-term credit rating of BBB-/Baa3 by S&P or Moody's are selected.

The fund's credit selection and diversification criteria have been further tightened, such that:

- 38.33% of the portfolio has an A1 short-term rating, with the overall portfolio having a weighted-average rating of A2;
- Non-financial issuers have been excluded for the most part;
- No single issuer accounts for over 2.49% of portfolio assets.

The investment team also pays close attention to interest-rate risk and uses swaps to hedge against rising short-term rates, while retaining sufficient flexibility to take advantage of short-term rate movements. The remaining maturity of portfolio securities ranges from overnight to eight months.

In addition, Lion Intergestion Monétaire Euro provides full liquidity. To allow investors to make and redeem their investments as freely as possible, its portfolio is composed of securities that pay regular coupons. The size and stability of the fund's assets enable it to easily meet investor subscriptions and redemptions.

### **The current crisis of confidence and tight liquidity is favourable to this type of money market fund.**

Lion Intergestion Monétaire Euro currently invests in commercial paper exclusively, giving it both very low volatility and steady income. The average remaining maturity of the portfolio securities was recently extended from 2 to 3 months to take advantage of above-benchmark yields. This still relatively short remaining maturity also enables quick response to changes in corporate bond spreads and Euribor

3-month spreads over the Eonia overnight rate. The fund is also highly diversified by sector, with no allocation currently to financial issuers. This broad diversification further reduces the portfolio's risk. Lastly, the use of interest-rate swaps and other derivatives fully protects Lion Intergestion Monétaire Euro from interest rate fluctuations.

Lion Intergestion Monétaire Euro has seen its assets grow considerably over the past few months. In addition to offering security and good performance the fund is not subject to the European Directive on the Taxation of Savings Income.

### Lion Intergestion Monétaire Euro



## Commercial paper

A financial instrument with a life of one day to one year that is issued on the money market and generally by private-sector companies. It enables companies to obtain financing at almost the money-market rate. The commercial paper's future value is known upon purchase. Interest payments are discounted and spread out over the life of the instrument. In other words, commercial paper pays a fixed rate of interest.

# patrimonial

## Our “3-in-1” life insurance investment product – flexible, open-ended and simple

### A life insurance policy can be an ideal vehicle for financial and estate planning.

Life insurance policies are highly popular savings and investment vehicles with banking customers in Europe and can be used very effectively for financial and estate planning. They are subject to the tax requirements of each policy-holder's country of tax residence.

Over the past 10 years, Crédit Agricole Luxembourg (CAL) and CALIE Europe (CALIE), the Crédit Agricole group's Luxembourg-based life insurance subsidiary, have developed a diverse range of life insurance products for private clients.

### New “3-in-1” offer...

Working closely with Crédit Agricole Luxembourg, CALIE has added to this range a unique life-insurance product, with two distinct policies depending on the client's tax residence:

- **Lis Life ELITE** – for European and international residents,
- **ALTEGE Plus** – for French residents.

To meet the needs of our private clients, CAL and CALIE have developed a considerably streamlined and simplified product. With a particular focus on current financial markets, we have made our product **more flexible and accessible as a life-insurance vehicle and have provided more powerful investment and estate-planning solutions.**

### Three investment vehicles in a single policy (\*)

With a **Lis Life ELITE** or **ALTEGE Plus** “3-in-1” policy you can now invest, under the same contract, in a guaranteed rate fund offering a guaranteed minimum return, a range of mutual funds and/or one or more dedicated funds.

#### • **First vehicle – a fund with guaranteed capital and return.**

This fund is intended for investors looking for security and a minimum guaranteed return enhanced with annual profits. The minimum guaranteed return is currently 3%.

#### • **Second vehicle – a selection of mutual funds.**

Working with CALIE, CAL's Investment Department has selected a group of mutual funds managed by some of the world's top managers. This multi-fund investment universe consists of fifty mutual funds that are regularly reviewed and renewed.

#### • **Third vehicle – one or more dedicated funds.**

For wealthier clients who prefer to entrust the management of their assets, CALIE can provide one or more dedicated funds managed under a “tailor-made” discretionary agreement. Various investment approaches are proposed in accordance with the client's particular situation and desires, and financial market trends.

## A comprehensive, open-ended and simple estate planning solution



A “3-in-1” life-insurance policy can accompany you through all phases of personal or business estate growth. Simple and flexible, the “3-in-1” policy can be adapted to meet your financial planning requirements at all times, if you:

- would like more security or have simply come to a point in your life where no risk can be tolerated, the policy's guaranteed rate fund will give you peace of mind.
- have a long investment horizon, the “open-architecture” portfolio of diversified CA group and third-party mutual funds will enable you to select those that best match your risk-return profile.
- would prefer to have us manage your portfolio, you can transfer your assets into a dedicated fund at any time without terminating your policy.

### Various legal and regulatory jurisdictions

The **Lis Life ELITE** “3-in-1” policy is designed for international clients. It is available in several languages and “national” and regulatory versions.

The international policy, which is intended for clients residing in Luxembourg or outside of the European Economic Area, is available in French and English. The French, Dutch, English (non-dom), Spanish and Italian versions are provided in the language of each country.

### That is now an integral part of the product range

To offer our large clientele this **comprehensive, open-ended and simple investment and estate-planning solution, Lis Life ELITE and ALTEGE Plus** “3-in-1” policies will be distributed by Crédit Agricole Luxembourg.

(\*) To avoid the risk of “fiscal contamination”, investments by Belgian residents in the guaranteed rate fund with minimum guaranteed return will be subject to a separate Lis Life ELITE SECURITY policy.

## The US banking system: has the moment of truth arrived?



**The ground shook on September 15<sup>th</sup>, when Lehman Brothers, the 4<sup>th</sup> largest US investment bank, declared bankruptcy.**

Unable to find a purchaser and lacking the support of the Federal Reserve, Lehman Brothers was forced to throw in the towel. With assets totalling some 600 billion dollars, this bankruptcy is one of the largest in the history of the United States. Does this mark a turning point now that the situation has become particularly critical for many US banks?

Until now, beleaguered banks could count on various types of support.

The first is investment by sovereign wealth funds, which have a long history of coming to the rescue of banks. Although such funds have existed since the 1950s they have grown spectacularly over the last few years as rising oil prices, financial globalisation and imbalances in the global financial system have enabled some countries to rapidly accumulate foreign assets. Currently estimated at \$3 trillion, their combined wealth could reach \$10 trillion in less than 10 years. The largest sovereign wealth funds are found in the Gulf countries, China, Russia, and also Norway. They invest in

all Western manufacturing and service industries and therefore banking. For example, last year Singapore's Government Investment Corporation (GIC) invested several billion dollars in UBS, which was already in difficulty. Prior to this, SWRs had already taken stakes in Citigroup, Barclays and Standard Chartered. This enables these mostly non-Western countries to invest in Western economies at a time when their equities are relatively cheap and offer the prospect of attractive returns. However, the fall of stock markets over the past few months and of bank share prices in particular, has not made these investments very profitable. This explains why sovereign wealth funds are now particularly reluctant to come to the rescue of banks in difficulty, as Lehman Brothers discovered to its chagrin...

Ailing financial institutions have also received support from central banks and directly from their national governments. In September 2007, Northern Rock obtained an emergency bail-out from the Bank of England, while Bear Sterns was granted an emergency loan last March by the Federal Reserve, which then oversaw its takeover by JPMorgan Chase. In order to support the US housing market and prevent a systemic crisis, the Treasury took over mortgage lenders Freddy Mac and Fannie Mae in early September of this year. This time the Fed refused to intervene, despite its role as lender of last resort (see THEMA April 2008 – Focus pg. 3). Did the central bank want to show that it would not systematically bailout financial institutions, especially if they have taken too many risks? It is true that des-

pite its difficulties Lehman Brothers chose to pursue its investments in property rather than clean up its balance sheet. Now, the US government's policy seems tilted in favour of major restructuring to avoid a crisis of unprecedented proportions, as reflected by the Fed's subsequent rescue of AIG, the leading international insurance organisation. The Fed also supported the creation of a \$70 billion fund by 10 major banks that any one of them may tap into if necessary. This fund should above all enable them to assess risk more realistically, while increasing

their accountability to the Fed. Lastly, the US Treasury has announced its bailout plan to relieve US banks of their "toxic" assets.

Over the past few weeks, it has been seen that Lehman Brothers was not the only bank

### Global finance reform: Will the IMF take on the lead role?

to have problems. The crisis has spread to Europe where authorities have also been scrambling to support ailing banks and prevent a collapse of the financial sector that would have a severe impact on the rest of the economy. Does this mean that the time has come to overhaul the financial sector and increase regulation? How may this reshape the future of global finance? Will the major developed and emerging economies agree on far-reaching and concrete responses to the crisis when they meet at the next G20 meeting in Washington on November 15<sup>th</sup>? The idea of stricter regulation is already gaining popularity, along with the revision of recently adopted accounting standards that have proven to be inappropriate for valuing securitized debt instruments.

## news

### IMF drafts code of conduct for sovereign wealth funds

The IMF's Sovereign Wealth Fund Task Force concluded a tentative agreement in September to draw up a code of conduct for these major investors. This code aims to clarify the institutional framework, governance and investments of these funds. It should also help allay concerns that national governments may use SWFs to play an increasing role in global industries and markets. Improved transparency should also reduce fears that these funds' investments may serve political objectives.

#### Content and Production

Marketing Opérationnel  
of Crédit Agricole Luxembourg

Edited 6 november 2008

#### Layout and photos

Repères Communication  
Getty Images / Corbis