



Press release

June 7, 2006

Supervisory Board

Executive Board

The FRR's Supervisory Board has just met to (i) approve the financial statements and the Fund Management Report for the year ended, and (ii) review the general outlines of its investment policy, on the recommendation of the Executive Board.

The 2005 financial statements were certified without qualification by the FRR's independent auditors, Constantin et Associés and KPMG, and unanimously approved by the Board. They reflect the pursuit of the gradual step-up in investments on the part of the FRR, and the very positive performances posted. On December 31, 2005, the Fund's assets totaled 26.6 billion euros, of which 56.5% invested in equities, 16.% in bonds and 27% in money markets. The Fund's global performance, net of fees, was 12.4% in 2005 (19.1% for assets invested in marketable securities). Since the FRR began investing in June of 2004, the figures are 15.6% for the global performance and 29.2% for invested assets. The FRR has stepped up its investment program gradually since the end of last year, as market conditions and trends have permitted.¹

As it determined in principle in proceedings dated April of 2003, the Supervisory Board reviewed the Fund's general investment policy orientations and has unanimously approved the appended proceedings. The major points are as follows:

- The Board has reaffirmed that the principal aim of the Fund's investment policy is to optimize investments made for eligible retirement plans over the long term in accordance with specified risk thresholds. The Board also extended the payout period beyond that defined in 2003 (2020/2040 instead of 2020/2030), in a manner consistent with recent work carried out by the Conseil d'Orientation des Retraites, which shows that the funding needs of retirement plans will continue to grow after 2030. The Board also set limits on the Fund's risk exposure, by indicating that the asset allocation must not only minimize the risk of capital loss at maturity in 2020, but also maximize the probability of generating over the entire period a performance that is at least equal to the average cost of the resources contributed by public policymakers, i.e. about 4.4%.

- The Board once again stated that it is attached to the idea that the FRR continue to gradually build its identity on the notions that as an investor it is focused on the long term, that it contributes to the financing of businesses, and that it is committed to responsible investment as

¹ On June 1, 2006, the asset structure (27.7 billion euros) was as follows: equities (56.3%), bonds (23.8%), money market (19.9%).

embodied in the principles recently elaborated under the auspices of the UN by an international group of investors, including the FRR.

- As in 2003, the Board opted for conservative economic and financial assumptions with respect to long-term economic trends and related assets. As an example, the risk premium between equities and bonds grew from 1.5% to 2.5%, but remains below historical observations.

- The Board expressed the desire to increase the portfolio's diversification in order to enhance the return while diminishing the global risk. Accordingly, it reclassified and expanded the list of assets in which the Fund may invest beyond equities and bonds, to encompass private equity (being implemented at this time), real estate (the idea was already accepted in principle in 2003), infrastructure financing and commodity indices. The same concern for diversification led the Board to request a relative increase in the global share of investments outside the Euro Area, from 25% to around 40%, while respecting the prudential rules that are binding on the Fund.

In light of all these elements, the Supervisory Board adopted a new strategic target (SAA: Strategic Asset Allocation) for the FRR's investment policy, summarized in the table below:

<i>Expressed as % of net asset value</i>	New SAA (May 2006)	Previous SAA (April 2003)
Equities	60%	55%
Eurozone	33%	38%
Ex Eurozone	27%	17%
Bonds	30%	45%
Eurozone	21%	38%
Ex Eurozone	9%	7%
Alternative assets (*)	10%	0%

(*) Real Estate, Commodity Index, Investments in Public Infrastructures and Private Equity

During the presentation of these results and new orientations, Raoul Briet, Chairman of the FRR Supervisory Board, noted that *"The strategic allocation of a long-term investor like the FRR is by nature a dynamic process. The precisions and improvements brought by the Supervisory Board are consistent with the principles set forth in 2003, and are supported by the excellent results obtained since the FRR was created to undertake the vital task of consolidating our pension systems."*

Francis Mayer, Chairman of the Executive Board, stated: *"I am delighted with this new strategic allocation, because the factors of diversification introduced will improve the reward/risk tradeoff of the FRR's global portfolio. A long-term investor also needs sufficient flexibility in its financial choices and how it decides to implement them."*

Contact: Christelle Cuzou + 33 1 58 50 99 86. www.fondsdereserve.fr