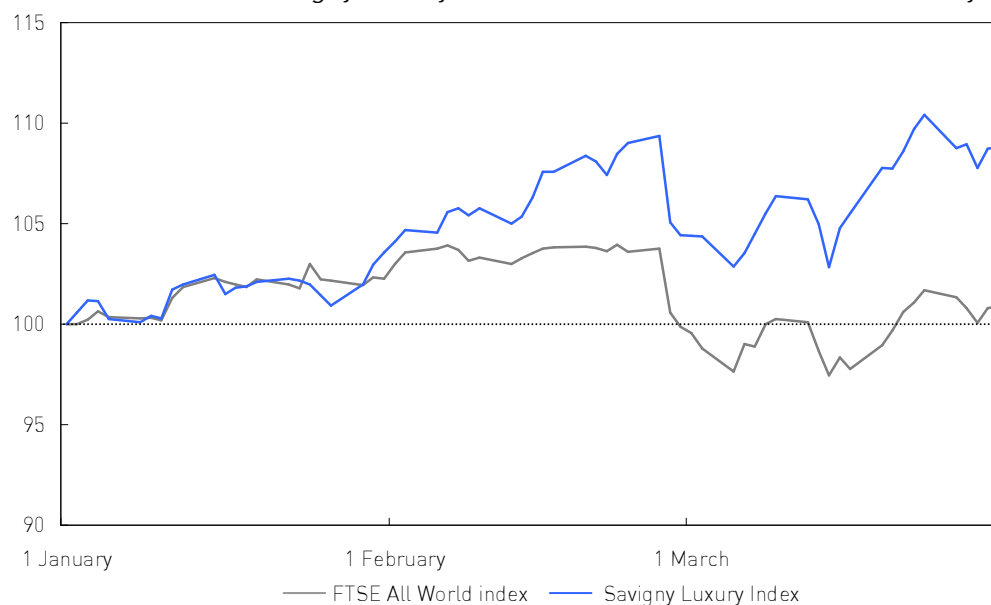


SAVIGNY PARTNERS NEWSLETTER

Quarterly sector review

Performance of the Savigny Luxury Index vs. FTSE All World since 1 January 2007



Note: The Savigny Luxury Index focuses on European and American luxury goods manufacturers and retailers

During the first quarter of the year the Savigny Luxury Index (SLI) increased by 8.8%, outperforming the FTSE All World Index by about 8 percentage points and continuing the positive trend which took place in the second half of 2006.

Global equity markets rose around 3% in January, with the SLI outperforming the FTSE All World by over a percentage point. The outperformance gap increased to 4 percentage points in February, with the SLI rising by an impressive 6% from 1 February to 26 February, driven by expectations of strong results announcements for luxury goods companies.

Global markets fell precipitously on February 27, sparked by a sharp fall in Chinese markets, attributable to concerns over the regulatory environment. The SLI's fall was a little more pronounced than that of equity markets overall, reflecting the strategic importance of Asia as a source of future sales growth for luxury goods companies. US companies Coach and Tiffany as well as Luxottica were particularly hard hit, with share prices falling by 5% or more on the day.

The SLI recovered rapidly, gaining more than 4% during March, despite another sharp drop in global markets in the middle of the month, caused by fear over a US sub-prime mortgage market meltdown. The SLI's March performance was fuelled by the announcement of particularly strong annual results by the leading luxury goods groups (revenue and profitability growth well into double digits).

Most notable outperformers were Swatch Group, Coach and LVMH - all announcing results above market expectations. Despite more subdued results, Hermès also posted strong gains during the quarter, driven mainly by continued speculation over potential changes in its corporate structure.

Quarterly sector review

| Company | Year End | Latest Results | Announc Date | Change vs. Previous Period | | | Share Price | | Comments |
|-----------------|----------|----------------|--------------|----------------------------|------|------|-------------|---------|--|
| | | | | Sales | EBIT | Net | 2-day | 3-month | |
| LVMH | Dec | FY '06 | 14 Feb | +12% | +16% | +30% | +7% | +3% | Results above expectations. Third consecutive year of double digit EBIT growth. Continued growth of star brands |
| Richemont | Mar | 9M '06/07 | 23 Jan | +13% | na | na | -4% | -5% | Strong Christmas sales driven mainly by luxury watch portfolio. Pressure on earnings resulting from slowdown in Japan and Europe. Share price rose by 2.4% on announcement of jewellery and watch JV with Ralph Lauren |
| PPR | Dec | FY '06 | 08 Mar | +6% | +20% | +28% | +3% | +5% | Results above market expectations. Growth driven by strong performance by Gucci and continued outperformance of Bottega Veneta and profitability improvement of YSL Beauté |
| Coach | Jun | 1H '06/07 | 23 Jan | +26% | +34% | +32% | +2% | +14% | Results above market expectations. Growth driven by expansion of core business, successful increase in retail prices and expansion into new product categories |
| Luxottica | Dec | FY '06 | 05 Mar | +13% | +30% | +30% | -2% | +1% | Results in line with market expectations, with strong sales and profit growth factored into share price |
| Swatch Group | Dec | FY '06 | 19 Mar | +12% | +32% | +34% | +7% | +18% | Results above market expectations. Growth underpinned by strong performance of higher end brands (Breguet, Blancpain) and continued expansion |
| Hermès | Dec | FY '06 | 22 Mar | +6% | +8% | +9% | +1% | +7% | Results below market expectations driven by slowdown in Japan and discontinuation of Hermès' canvas bag, which reduced sales by 2.6%. Net capital gain from sale of Leica. Share price driven principally by speculation over potential changes in corporate structure |
| Ralph Lauren | Apr | 9M '06/07 | 07 Feb | +18% | +33% | +33% | -2% | +11% | 9M results above market expectations. Growth driven by an accelerated retail store openings from 20-25 new stores a year to 40-50 new stores and expansion into higher margin accessories. Announced jewellery and watch JV with Richemont on 5 March |
| Burberry | Mar | 3Q '06/07 | 16 Jan | +25% | na | na | +1% | +0% | Q3 sales performance driven by rise in selling space and seasonless product offering. Closure of Wales factory in March - one-off charge of £5.2m; expected annual savings of £1.5m |
| Tiffany & Co | Jan | FY '06/07 | 26 Mar | +11% | +9% | -1% | +0% | +15% | Stronger than expected sales growth offset by a decline in gross margin and impairment charge of \$6.9m for Little Switzerland. Share price hit a 52-week high in March when Trian Fund Management LP bought a 5.45% stake |
| Bulgari | Dec | FY '06 | 22 Mar | +12% | +9% | +15% | -2% | -1% | Growth driven by improved product mix and prices, vertical integration and higher retail sales. Bulgari's strategy to invest both in the production base and distribution network is paying off in terms of margin improvements |
| Valentino Group | Dec | FY '06 | 22 Mar | +14% | +18% | +10% | +1% | -2% | Growth driven by retail expansion (+76 DOS), brand extension and increased production capacity at Hugo Boss. Share price rose by 2% on the announcement of a 2-year licence agreement with Wolford on 22 March |
| Tod's Group | Dec | FY '06 | 29 Mar | +14% | +26% | +24% | +1% | +5% | Growth driven by high margin products and expansion in Asia. Successful launch of Roger Vivier brand |
| Safilo | Dec | FY '06 | 23 Mar | +9% | +7% | nm | +2% | -5% | Concerns remain over replacement of earnings from loss of RL licence. Net income jumped due to significantly lower financial charges as a result of capital increase |

Notes: (1) Sales, EBIT and Net Income growth figures as reported by the company

(2) 2-day share price movement calculated from closing price on day before and on day after results announcement. 3-month share price movement calculated between 1 Jan and 30 Mar