

MANAGEMENT REPORT on 30 06 2009

The worst crisis since 1929 for the economy, the financial system and the financial markets, is still fading.

The main evolutions since our last report on 31 03 2008 are:

→ The situation of the banking and financial system has stabilized thanks to the transfer of risks in the shape of debts to the States and thus ultimately to the citizens. The international institutions (IMF, World Bank...) have regained control of the situation.

→ The financial system has not been reformed and will only slightly be so.

→ The economic situation is deteriorating more slowly. Our advanced indicators continue to improve (Baltic Dry Index, stock levels, debt ratio...)

Lessons that must not be forgotten:

→ No confidence must be granted to collective investments, UNIT TRUSTS, MUTUAL FUNDS, HEDGE FUNDS, STRUCTURED PRODUCTS.

→ The financial system remains structurally opaque.
Many banks have developed a large number of complex products. No one can put a figure on their current value and the risk for the issuing banks.
The banks and management companies have massively sold, to their clients, mutual funds partly invested in the subprime, Madoff and Hedge funds.

→ It is essential to very carefully select the custodian establishments where the accounts are held and the managers:

PERFORMANCE ON 30 06 2009

The performance of the portfolios is **distinctly rising**:

- Portfolio 100% bond: + **8%**
- Portfolio 50% bond: + **11%**
- Portfolio 35% bond: + **16%**

Our management therefore very strongly **overperforms** the markets:

- Bonds falling by **3%** on 30 06 2009
- Shares falling by **1%** on 30 06 2009.

Bonds:

→ Our share block has been strongly increasing since 01 01 2009.

Best bond performance since 01 01 2009 → **CASINO BOND: + 51%**

Shares:

→ Our share block has been strongly increasing since 01 01 2009.

Best share performance since 01 01 2009 → **AFONE: + 142%**

PERSPECTIVES

Our January 2009 macro scenario (slow economic recovery end 2009) could seem optimistic.

The majority now adhere to this hypothesis including the IMF, cautious by nature.

We confirm our scenario:

- The highly negative impact of the mass industrial clearance is currently ending.
- The highly positive impact of the decrease in raw materials is starting.
- The highly positive impact of the decrease in interest rates by the central banks will occur during the third quarter of 2009.
- The positive impact of the governmental restart plans will take effect at the beginning of the third quarter of 2009.

→ However, a new threat is appearing: Severe measures in the fight against flu in the autumn may delay this economic recovery.

Overall in the medium term, subject to resorting to inflation:

- The states (except China, Switzerland, Russia...) will be heavily in debt on a permanent basis
- The households' purchasing power will be durably penalised

- World growth will be weak for several years.
- USA and Europe will be durably weakened from an economic and geopolitical point of view.

CONCLUSION

Consequences for bonds

If the bonds are conserved until repayment, which is what we advise, the return on investments will be as expected.

The long rates must increase. Thanks to our niche strategy our clients will thus in the future benefit from opportunities to invest their liquid assets at high rates.

Conclusion:

From a **security** perspective, an investment in our niche bonds is **highly appropriate**. The **capital security / return on capital ratio** is high.

Our bond selection

Bonds	Maturity date	Return on invested capital in comparison with the value on 31 06 2009
GECINA	02 2012	9.5%
NEXANS	01 2013	7%
MICHELIN	01 2017	7.3%
TP NATIXIS	31 12 2014	8%
TP CIC	31 12 2014	9.4%
TP LB	31 12 2014	10.6%
TP SANOFI AVENTIS	31 12 2015	10.9%
CASINO GUICHARD	PERPETUAL	10.1%

Consequences for shares:

→ The volatility should increase again over the next few months.

→ Numerous portfolio shares remain very low and should increase.

→ Our trading operations have been profitable (ALCATEL, CGG, INITIATIVES AND DEVELOPMENT...). We will continue with this strategy.

Conclusion:

From a dynamic perspective in the medium term, the positions of shares must be conserved, arbitrated and even reinforced, and possibly optimised by careful trading.

Next report: October 2009

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www.gordion-investor.ch

You will find all our services and our management reports.