



Geneva 09 07 2012

MANAGEMENT REPORT on 30 06 2012

The main facts and trends since 31 03 2012 are:

- As we announced, the Eurozone crisis has spread, in particular to Spain.
- The ECB continues to inject liquid assets into the European banking system.
- France reassures. The confidence of the financial markets in the French debt should be confirmed over the next few months.
- The establishment of a European governance by a loss of sovereignty of the states has been officially announced but is still to be implemented.
- In addition to the necessary reduction of state debts, structural reforms are being implemented, particularly in Italy and Spain, to improve coherence and growth in Europe in the long term.
- As we announced at the start of the year, growth has slowed in emerging countries and even in the USA.

Fundamentally:

- The sums made available to the banks by the ECB have stabilised the European banking system.
 - The exit of Greece is still unavoidable but could occur without systemic shock as the losses are increasingly accrued.Other countries (Portugal, Ireland, Finland) should choose or not to abandon the Euro in the next few months.
- With our management strategy we:
 - Continue to select with extreme severity our custodian establishments.
 - Remain fiercely away from opaque investments.
 - Persist in our niche strategy.

This in order to ensure our clients medium-term **transparency, security and performance.**



STRATEGY FOR 2nd QUARTER 2012

Concerning the share market we have:

- Maintained a low weighting of actions and remained relatively static in order to limit risk-taking in a chaotic market.
- Continued our very tight work of monitoring the portfolio companies and searching for new values.

Concerning the bond market we have:

- Maintained the strong weighting of company bonds in the portfolios.
- Continued, within the framework of our niche strategy, the search for high-yield company bonds in order to rotate our positions to optimise performance.
We have noted that numerous banks and management companies are beginning to propose investments in company bonds through funds.

Gordion Investor Services has been proposing direct access to this type of investment for several years therefore **at lower cost and in complete transparency**

- Continued to exclude state bonds.



PERFORMANCE ON 30 06 2012

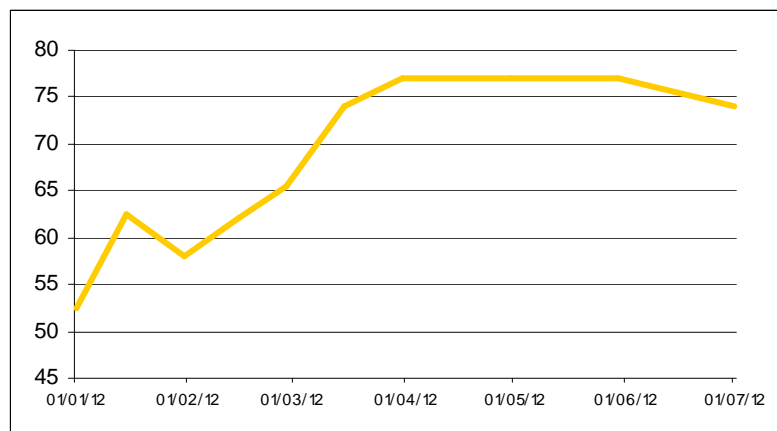
Our block bonds have very strongly overperformed the bond market.

Our block shares have markedly underperformed the share market (which is very rare).

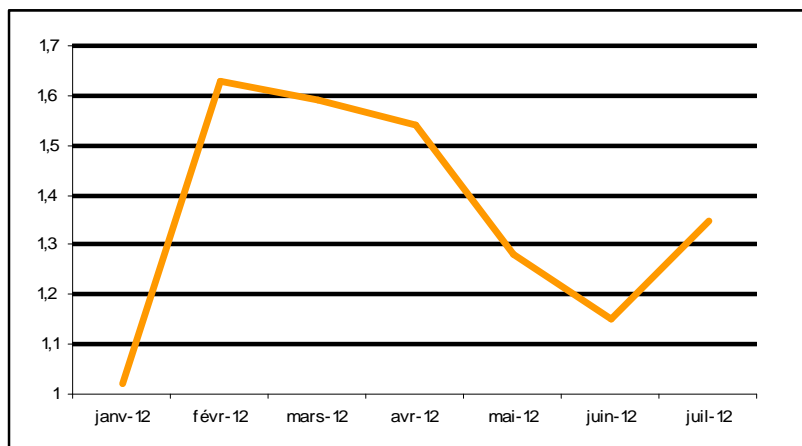
Portfolio 100% bonds	Portfolio 70% bonds
+ 6.9 %	- 3.6%
Bond index € + 3.1 %	Benchmark + 1.5 %

Our best performances on 30 06 2012 dividends included

Bonds: EUROPCAR 2018 49.5 %



Shares: MEMSCAP + 30%





STRATEGY FOR 3rd QUARTER 2012

Share market

- Visibility remains bad as a short recession is integrated in the current share values but if the recession is long an additional decrease will occur.
- The possible injection of liquid assets by the central banks can artificially boost the shares.

Bond market

- Despite the recent increase, company bonds offer high yields which thus justifies conserving and buying them.
- Access to high-yield company bonds is more difficult as the minimum sum of transactions is significantly increasing and is therefore reserved more for portfolios of a minimum of 300 000€

We maintain our strict methods:

- Minimum 65% company bonds.
- Very cautious and selective niche strategy for shares.

**Our main positions on 30 06 2012****BONDS:**

The **capital security / return on capital** ratio is high for our selection.
If conserved until their maturity date (except for bankruptcy of the issuer) bonds ensure a specific yield that is known in advance.

Bonds	Maturity date	Return on invested capital in relation to value on 30 06
ALCATEL	01 2016	8.1%
AIR FRANCE	10 2016	7.2%
FAURECIA	11 2016	6.7%
COMMERZBANK	01 2017	7.4%
EUROPCAR	04 2018	12.8%
FIAT FINANCE	07 2018	7.7%
PICARD	10 2018	7.3%
LAFARGE	12 2019	6.7%
BP CAISSE D'EPARGNE	PERPETUAL CALL 2015	9.5%
DEUTSCHE BANK	PERPETUAL CALL 2015	8.5%
ORCO CV		Bond trading operations

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SHARES

The detailed examination of the companies below has convinced us that these are quality companies and their stock market prices are below-par.
We are expecting a recovery, particularly for Afone.

AFONE	ST DUPONT
MEMSCAP	VALLOUREC



MEDIUM TERM PROSPECTS

Macro economy

The slow-down of the world economy is likely to get worse.
Major changes are taking place:

For 30 years

Two significant tendencies can be identified:

- 1 - World growth has, to a large extent, been driven by the constitution of a huge stock of debts.
This stock of debts can no longer increase and must decrease as a percentage of the GDP.
- 2 - The cost of energy has tended to increase.
This cost will decrease thanks to the energy revolution underway in the USA:
Within 10 years the USA will become the world's leading oil exporter whilst today it is the leading importer.

It will result in

- 1 - A period of weak growth with strain on the purchasing power of households.
- 2 - Confirmation of the re-industrialisation cycle in Europe and the USA thanks to the improvement in monetary competitiveness (cf. our report dated 03 2012), and a new period of cheaper energy.

We will therefore offer our clients

- 1 - A medium to long-term investment strategy which will integrate in the shares fraction companies:
 - Providing low cost services to European consumers.
 - Promoted by a decrease in energy costs.
 - Exporters (cf. our report dated 31 03 2012)
- 2 - Euro-denominated bonds belonging to the above categories and Yuan-denominated bonds (cf. our report dated 31 03 2012).

Next report: 30 September 2012