INVESTOR SERVICES SA

Geneva 15 07 2013

MANAGEMENT REPORT on 30 06 2013

The main facts and trends since 31 12 2012 are:

➢Europe: The slowdown we announced has come about.

➢USA: Economic growth remains fairly sluggish.

➢China: Growth is slowing as we announced (contrary to consensus) and we expect the slowdown to continue.

➢World: The debt bubble of developed countries is still dangerously increasing.

➢ The customers of European banks will contribute to bailing out their banks if they collapse.

Fundamentally:

➢ The financial system has not yet been stabilised.

➢ The burden due to the mountain of debts of the States is weighing down and will continue to weigh down strongly on the quality of life and the assets of Europeans.
For example: the aid and guarantees granted by France to Greece represent approximately one year of income tax of private individuals.

➢ With our management strategy we:

- Continue to select with extreme severity our custodian establishments.
- Remain fiercely away from opaque investments.
- Persist serenely with our niche strategy.
- Recommend less penalising tax structures for the management of liquid assets: Life insurance, Capitalisation contract, Family holdings.

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

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STRATEGY FOR 1st HALF 2013

Concerning the share market we have:

- Persisted with our very cautious strategy.
- Continued to implement our medium-term niche strategy for special situations.
- Retained our positions.

Concerning the bond market we have:

- Maintained a strong weighting of bonds in the portfolios.
- Continued to implement our niche strategy on bonds of target medium and large companies, targeting high-return bonds.
- Made significant profits following the considerable rise recorded in 2012.
- Decreased the average maturity of the bond positions in order to guard against a possible increase in rates.

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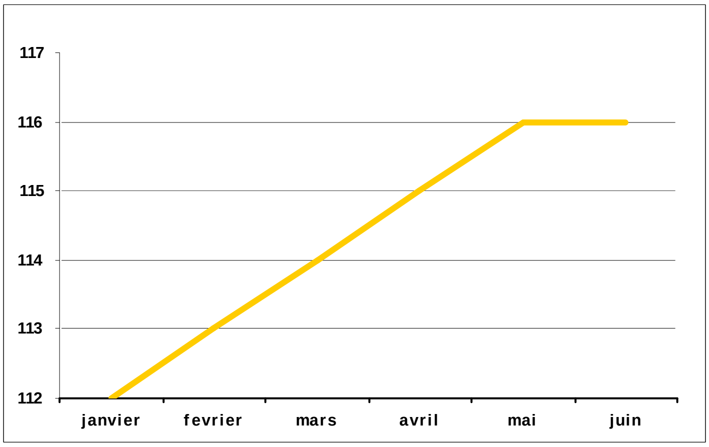
PERFORMANCE ON 30 06 2013

- Our share selection underperformed the share markets (which is very rare).
- Our bond selection slightly overperformed the bond market.

Portfolio 100% bonds	Portfolio 50% bonds
+ 2.6%	- 1.9%
Bond index €: + 1.6 %	Benchmark: + 0.1%

Our best performances on 30 06 2013 dividends included

Bonds: FAURECIA 9.372% 15 12 2016 + 6.8%



Shares: N/A

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STRATEGY 2ND HALF 2013

Share market

➢ The share markets are driven by the central banks' liquid assets, which is fundamentally unhealthy.
We thus remain extremely cautious and focused on niche positions.

Bond market

➢We have been repeating for 4 years: The debts of healthy companies are and will remain of better quality than the debts of the states as the company balance sheets are of better quality than the state budgets.

➢Company bonds are at buying rates, **even if the historical purchase opportunity that we highlighted at the start of 2012 is behind us.**

We will maintain our discipline as the visibility regarding the continuation and the consequences of massive money printing by the central banks is low:

➢ Minimum 50% company bonds.

➢ Niche strategy for shares.

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Our main positions on 30 06 2013

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 09
TP LB	12 2015	5.9%
TP SANOFI AVENTIS	12 2015	6.9%
ALCATEL	01 2016	5.8%
BP CAISSE D'EPARGNE	PERPETUAL CALL 2015	6.2%
DEUTSCHE BANK	PERPETUAL CALL 2015	5.9%
INTESA SAN PAOLO	PERPETUAL CALL 2016	6.9%
EUROPCAR	04 2018	10.8%
PAGES JAUNES	06 2018	11%
LEVI STRAUSS	05 2018	6.1%
FIAT	07 2018	6.3%
PICARD	10 2018	6.7%
CEGEDIM	04 2020	7.0%
EIRCOM	05 2020	9.8%

SHARES

AFONE	VALLOUREC
MEMSCAP	ST DUPONT

Next report: <u>31 December 2013</u>

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