



Geneva 15 07 2014

## MANAGEMENT REPORT on 30 06 2014

### The main facts and trends since 31 12 2013 are:

- Europe: Economic recovery is very slow, with France clearly lagging behind in relation to the other European countries.  
The Southern countries have made huge efforts regarding standardisation, but France may be the zone's Achilles heel.
- USA: Economic growth has fallen sharply, and even if a recovery is expected, 2014 will be slower than forecast.
- China: Growth has stabilised but remains below expectations.

### Fundamentally:

- The debts of developed countries are continuing to increase. The central banks are organizing the low-cost refinancing of this debt by maintaining very low interest rates. In exchange, the states must abolish the welfare state, which will strongly penalise a large proportion of the population.
- We are much more pessimistic than the consensus concerning the prospects of world growth and the latest results have proven us right.
- At this stage, in the event of a decline in world growth, the risk of a break-up of the Euro cannot be excluded.
- 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.
  - Recommend less penalising tax structures for the management of liquid assets: Life insurance, Capitalisation contract, Family holdings.

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



## **STRATEGY FOR 1st SEMESTER 2014**

### **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, except for Vallourec that we have sold due to poor results.

### **Concerning the bond market we have:**

- Maintained the strong weighting of bonds in the portfolios
- Continued to implement our niche strategy on high-return bonds of medium and large companies.
- Sold the BPCE, DEUTSCHE BANK and INTESA perpetual bonds making very significant profits.
- Maintained the average maturity of the bond positions in order to guard against a possible increase in rates, even if this scenario seems a little premature to us.



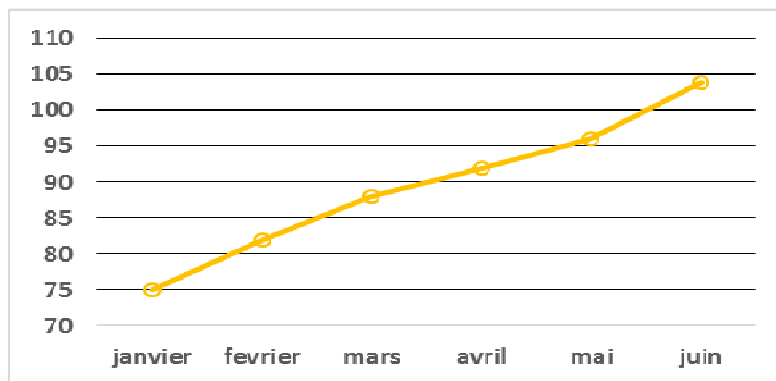
## PERFORMANCE ON 30 06 2014

- Our share selection overperformed the share markets.
- Our bond selection strongly overperformed the bond market.

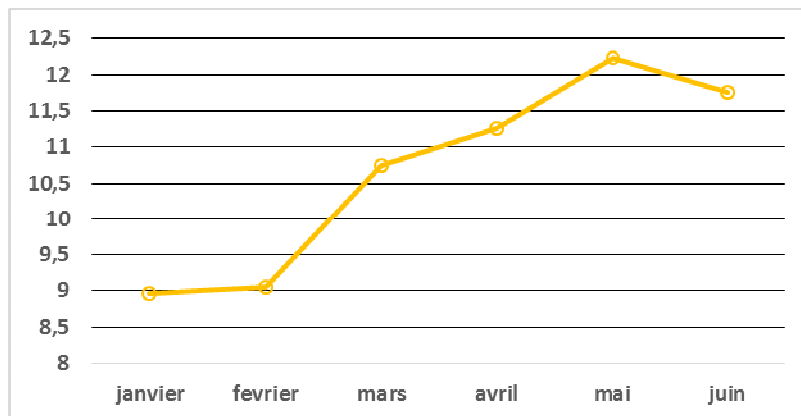
Portfolio 100% bonds	Portfolio 50% bonds
+ 8.4%	+ 8.6 %
Bond index €  3.6 %	Benchmark:  + 4.7%

### Our best performances on 30 06 2014 dividends included

**Bonds: PAGES JAUNES 8.875% 01 06 2018 XS0626691447 + 34.5%**



**Shares: ORANGE + 25.7%**





## STRATEGY 2ND SEMESTER 2014

### Share market

➤ The share markets are driven by the central banks' liquid assets, which is fundamentally unhealthy.

The prospects regarding macro-economic growth and growth in earnings do not justify the current levels of valuation.

We thus remain extremely cautious and continue to focus on niche positions.

### Bond market

➤ We have been repeating for 5 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 expect a decrease in the return of this type of asset, but the risk / return ratio remains the best for liquid assets.**

## GLOBALLY

We retain our discipline, as the macro-economic visibility is poor:

- Minimum 70% company bonds.
- Niche strategy for shares.



## OUR MAIN POSITIONS ON 30 06 2014

### 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	5.25%
TP SANOFI AVENTIS	12 2015	6.2%
EUROPCAR	04 2018	7.8%
PAGES JAUNES	06 2018	7.9%
PICARD	10 2018	6.7%
CMA CGM	04 2019	7.5%
CEGEDIM	04 2020	6.2%
EIRCOM	05 2020	7.8%
ALTICE	05 2022	6.5%

### SHARES

AFONE	ORANGE
MEMSCAP	ST DUPONT

Next report: 31 December 2014