

## MANAGEMENT REPORT on 30 09 2009

### The main developments since our last report on 31 06 2009 are:

As we forecast in January 2009 and reiterated in March and June:

→ The financial system has not been reformed and therefore the systemic risks are still present.

The number of financial institutions has decreased since the start of the crisis, so these risks are even more significant as they have been placed in the hands of a smaller number of players.

However, we estimate that these risks are under control for the time being.

→ The economic activity hit an inflection point in the summer. Growth is slowly picking up again.

This is confirmed by all our indicators and all the Economic research institutes.

### Lessons that must not be forgotten:

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

→ The international financial system remains potentially prone to violent crises.

→ It remains essential to be very careful in the choice of custodian establishments where the accounts are held and the managers.

All the more so as the control of the risks will inevitably slacken with time.

This cataclysm over confirms the two founding principles of our approach:

***"Demand a custodian bank among the most solid in the world."***

None of GORDION INVESTOR's partner banks have been affected by the crisis:

The Crédit Suisse has retained its solidity.

The Banque Cantonale de Genève, Swiss state bank has shown exemplary solidity and ethics.

***"The portfolios must be made up of only direct investments in shares and bonds."***

Never a portfolio managed by Gordion Investor Services has been invested in the subprime, hedge funds, Madoff, Unit trusts or Mutual Funds.

## **PERFORMANCE ON 30 09 2009**

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

- Portfolio 100% bond: **+14%**
- Portfolio 50% bond: **+ 27%**
- Portfolio 35% bond: **+ 33%**

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

- Bonds rising by **3%** on 30 09 2009
- Shares rising **by 18%** on 30 09 2009.

### **Bonds:**

→ Best performance since 01 01 2009 → **CASINO PERP: + 77%**

### **Shares:**

→ Best performance since 01 01 2009 → **AFONE: + 160%**

## **PERSPECTIVES**

Our January 2009 macro economic scenario, reiterated in March and June, could seem optimistic. It is confirmed.

In accordance with this scenario it is important not to be over optimistic as:

- Many companies will see a peak in difficulties in the 4th quarter of 2009 and the 1st quarter of 2010.
- World growth will remain structurally weak, particularly in the USA and the EU.
- If the world were to experience another shock, the states and the financial institutions that have been weakened by this crisis will have very little means to save the situation.

We will discuss all these points in more detail in our annual report on 31 December.

# CONCLUSION

## Consequences for bonds

We have sold many bonds of which the value has risen sharply in order to secure a profit. Our bond selection has been to a large extent renewed.

### **Conclusion:**

From a **security** perspective, an investment in our niche bonds is **highly appropriate**. The **capital security / return on capital ratio** will remain high even when taking into account a future increase in long term rates.

### **Our selection of bonds on 30 09 2009**

<b>Bonds</b>	<b>Maturity date</b>	<b>Return on invested capital in comparison with the value on 30 09 2009</b>
GECINA	02 2012	7.5%
RHODIA	12 2013	7.4%
ORCO CV	2013	Bond trading operation
TP NATIXIS	12 2014	8%
TP CIC	12 2014	9.4%
TP LB	12 2014	10.6%
WENDEL	09 2015	8.6%
TP SANOFI AVENTIS	12 2015	10.9%
DEUTSCHE BANK	PERPETUAL	7.4%
CASINO GUICHARD	PERPETUAL	9.5%

## Consequences for shares:

→ We took some profits at the end of September to secure gains.

→ Numerous portfolio shares remain very low and to a large extent out of line with the markets. They therefore still have the potential to rise.

→ The level of the share markets is relatively high so as a precaution we limit our trading operations.

### **Conclusion:**

The recent strong rise in the markets in view of the weak macro economic perspectives calls for us to retain our niche strategy in order to continue generating the creation of value in the portfolios.

## Life Insurance

We remember you that:

**GORDION INVESTOR SERVICES SA is a LOMBARD INTERNATIONAL ASSURANCE SA** approved life insurance contract administrator.

Lombard International Assurance SA, no. 1 Life Insurance Company in Luxembourg is the first pan European life insurance company.

Lombard International Assurance specialises in using life insurance as a financial planning framework in view of offering tax benefits and security to rich clients and their families.

### **Legality**

Within the framework of the free trade agreement and financial services in Europe (1975), Lombard International Assurance is approved by all the European Union tax authorities and any citizen has the right to take out a Luxembourg life insurance contract in all legality.

The compulsory payments are paid directly by Lombard International Assurance to the tax authorities in the country of residence.

### **Flexibility**

Luxembourg law enables listed assets (shares, bonds...) and unlisted assets (shares in real estate companies, family companies...) to be put in a life insurance contract.

This is a considerable advantage

### **Security**

Luxembourg law offers the policyholders the most strict protection scheme in Europe. Contrary to other countries in Europe, the clients' assets are deposited in an independent bank and are thus separate from those of the Life Insurance Company's shareholders and creditors.

The management is ensured by an administration firm that is independent of the Insurance Company.

The bank and the administration firm must be approved by the Luxembourg National Authority in charge of insurance sector regulations.

This provision is known under the term Security triangle.

### **Performance**

This unique partnership offers our clients the advantages, the security and the flexibility of a Luxembourg Life Insurance contract and the implementation by GORDION INVESTOR SERVICES SA of an independent and personalised management of their assets deposited in this contract.

**Next report : December 2009**

**You can visit our new website :**

**[www.gordion-investor.ch](http://www.gordion-investor.ch)**

**You will find all our services and our management reports.**