



Geneva 12 10 2012

MANAGEMENT REPORT on 30 09 2012

The main facts and trends since 30 06 2012 are:

- The establishment of a European governance through a loss in sovereignty of the states is in progress and reassures for the time being.
- The ECB continues to discretely inject liquid assets into the European banking system.
- France reassures but 2013 will be both crucial and tricky for the credibility of the French debt.
- As we announced at the start of the year (and contrary to consensus forecasts), growth has slowed in emerging countries and even in the USA.
We now consider that this slowdown is turning into **a brutal downturn** but we are unable to estimate how long it will last.

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.
In the next few months other countries (Portugal, Ireland, Finland) will have to choose whether to abandon the Euro or not.
- 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 3rd 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 to exclude state bonds.
- Continued, within the framework of our niche strategy, the search for high-yield company bonds.
- **Sold** several bonds which had significantly increased since the start of the year, and **purchased** new bonds to replace them.



PERFORMANCE ON 30 09 2012

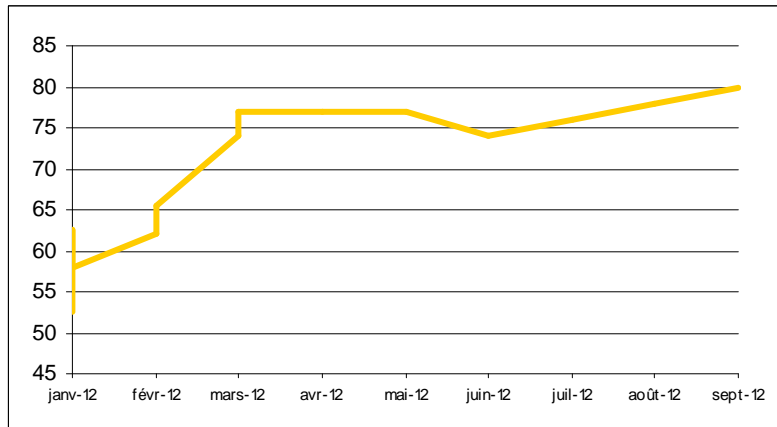
Our block bonds have very strongly overperformed the bond market.

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

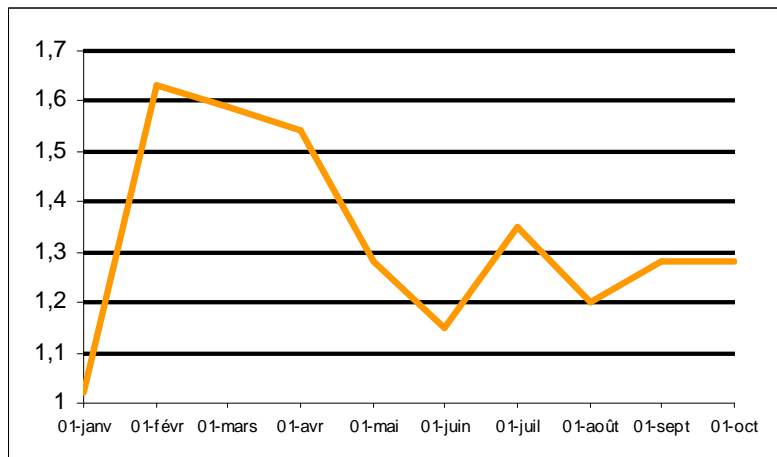
Portfolio 100% bonds	Portfolio 70% bonds
+ 11.6 %	- 2.6%
Bond index € + 3.9 %	Benchmark + 4.1 %

Our best performances on 30 06 2012 dividends included

Bonds: EUROPCAR 2018 56.5%



Shares: MEMSCAP + 26%





STRATEGY FOR 4th QUARTER 2012

Share market

➤ The current brutal downturn in growth does not seem to be integrated in the values. Moreover, visibility remains bad as it is very difficult to estimate its duration.

Caution will thus remain our **priority**.

Bond market

➤ Despite the recent increase, some 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.

It is therefore more and more reserved for portfolios of a minimum of 400 000€.

We maintain our strict methods:

➤ Minimum 65% company bonds

➤ Very cautious and selective niche strategy for shares

**Our main positions on 30 09 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	9.1%
AIR FRANCE	10 2016	6.0%
BOMBARDIER	11 2016	6.1%
FAURECIA	11 2016	6.4%
COMMERZBANK	01 2017	7.2%
PEUGEOT	07 2017	6.9%
EUROPCAR	04 2018	12.8%
FIAT FINANCE	07 2018	7.4%
PICARD	10 2018	7.1%
BP CAISSE D'EPARGNE	PERPETUAL CALL 2015	9.1%
DEUTSCHE BANK	PERPETUAL CALL 2015	8.7%
INTESA SAN PAOLO	PERPETUAL CALL 2016	9.4%
ORCO CV		Bond trading operations

➤ 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**.

SHARES

The detailed examination of the companies below has convinced us that these are quality companies and their stock market prices are below-par.

AFONE	ST DUPONT
MEMSCAP	VALLOUREC

Next report: 31 December 2012