



Geneva 08 04 2012

MANAGEMENT REPORT on 31 03 2012

The main facts and trends since 31 12 2011 are:

- As we have been forecasting for the past 2 years, Greece has defaulted on a significant portion of its debt.
- The ECB has massively injected liquid assets into the European banking system.
- Despite this intervention, the structural defects of the Eurozone have not been corrected:
 - Greece's financial situation is still not viable; an additional default on its debt is inevitable.
 - Portugal's equation is not tenable; Portugal will therefore default on its debt.
 - Spain's equation is very worrying.
 - France could be the next weak link in Europe (whatever the result of the elections) if serious measures are not taken rapidly.
- The establishment of a European governance by massive transfer of state sovereignty to a Community authority is underway but it is just the beginning.
- In addition to the current strategy of reducing the debts of the states and the de-financialization of the economy that is essential, the revitalisation of growth in Europe in order to create wealth is still lacking.

Fundamentally:

- The sums made available to the banks by the ECB have stabilised the European banking system.
- We confirm our conviction that Portugal and Ireland, and again Greece, will default on their debts. The probability that these countries abandon the Euro is high.
- 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 **transparency, security and performance.**



STRATEGY FOR 1st QUARTER 2012

Concerning the share market we have:

- Persisted with our very cautious strategy with a low weighting of shares.
- Continued to implement our medium-term niche strategy for special situations.
- 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.
- Continued to exclude state bonds.



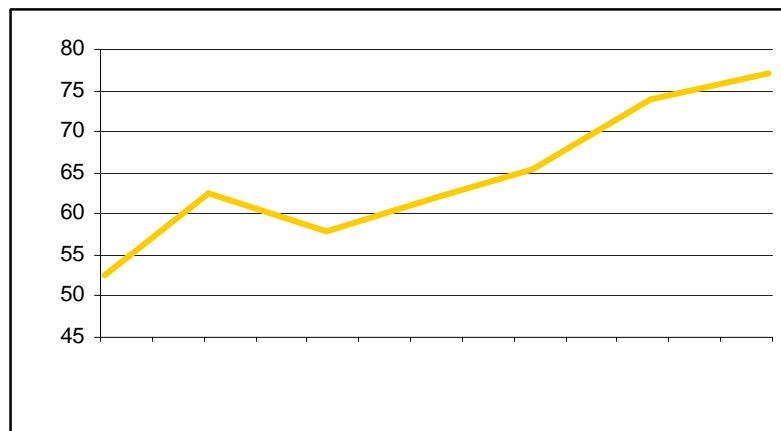
PERFORMANCE ON 31 03 2012

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

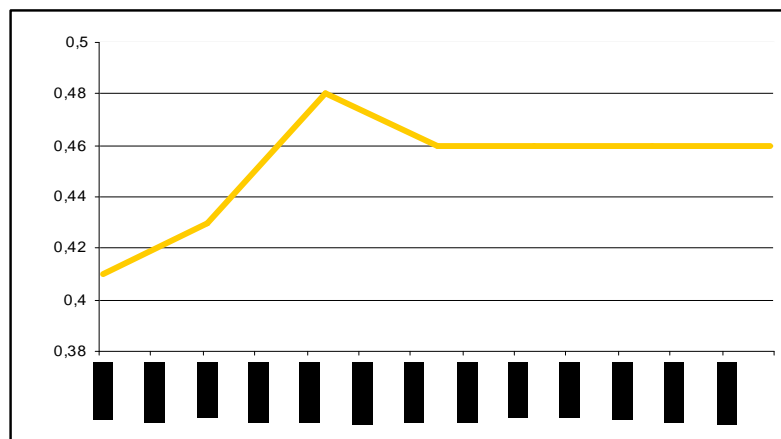
Portfolio 100% bonds	Portfolios 65% bonds
8,9 %	↑ 2,1 %
Bond index € ↑ 1,9 %	Euro stoxx 50 ↑ 5,7 : %

Our best performances on 31 03 2012 dividends included

Bonds: EUROPCAR 2018 ↑ 49,5 %



Shares: ST DUPONT ↑ + 18%





STRATEGY 2nd QUARTER 2012

Share market

➤ A short recession is integrated in the current share values on 31 03 but if the recession is long an additional decrease will occur.

Bond market

➤ We have been repeating for 3 years: The debts of 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.

➤ Despite the recent increase, company bonds offer high yields which thus justifies conserving and purchasing them.

The above observations oblige us to retain our strict methods:

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



Our main positions on 31 03 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 31 03
ALCATEL	01 2016	7.8%
FAURECIA	11 2016	6.1%
COMMERZBANK	01 2017	7.4%
EUROPCAR	04 2018	12.8%
FIAT FINANCE	07 2018	7.9%
PICARD	10 2018	7.1%
LAFARGE	12 2019	7.5%
BP CAISSE D'EPARGNE	PERPETUAL CALL 2015	9.5%
DEUTSCHE BANK	PERPETUAL CALL 2015	8.2%
ORCO CV		Bond trading operations

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
NEOVACS	



MEDIUM TERM PROSPECTS

Macro economy

Visibility in Europe is low as the political decisions regarding improvements in the governance of the Eurozone are yet to be implemented.

However, in addition to the decrease in economic financialization (cf. our report on 31 12 2011) major changes are taking place:

For 30 years

- Globalisation has deindustrialised Europe and the USA in favour of Asia and some emerging countries.
- China and the emerging countries will have the major share of the world's GDP
- The USA and Europe are in heavy debt. China and the emerging countries have gigantic monetary surpluses.
- On top of the current, furious creation of money in the USA and in Europe, these differences structurally devalue the USD and Euro currencies.



This will result in

- A long devaluation of the USD and the Euro particularly in comparison with the Yuan.
- An increase in competitiveness of Europe and the USA through the decrease in production costs induced.