Geneva 12 01 2010

MANAGEMENT REPORT on 31 12 2009

The main facts and trends in 2010 were:

As we had anticipated in January 2009:

➢ The planet has not sunk into depression.

➢ The financial system and the banks have not been reformed.
The systemic risks are therefore still present and the situation remains fragile.
However, we estimate that for the time being these risks are under control.

➢ The economic activity hit an inflection point in the summer and growth has picked up again slightly.

➢ The debts of the western states have soared.
The power struggle between the developed countries with significant debts and the emerging countries rich in foreign exchange reserves and growth potential has significantly changed.

Lessons that must not be forgotten:

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

➢ No confidence must be granted to collective investments, UNIT TRUSTS, MUTUAL FUNDS, HEDGE FUNDS, STRUCTURED PRODUCTS and only direct investments in shares and bonds guarantee total transparency.

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

➢ The western states are significantly weakened and their capacity to react in the case of a possible new crisis would be very weak.

REMINDER OF THE GENERAL STRATEGY 2009

Share market, we have:

- Persevered in our approach of contacting directors of listed companies directly in order to optimise the pertinence of our investments.

- Continued to implement our niche strategy for mid-cap and blue chip.

- Intensified our trading operations.

- Achieved significant returns during the fourth quarter within the framework of a prudential strategy and in order to secure the performance.

Bond market, we have:

- Continued to implement our niche strategy for bonds in medium and large companies.

- Sold significant numbers of long-term bonds during the fourth quarter to buy terms below 5 years in order to protect the portfolios from a rate increase in 2010.

- Only long-term bonds for which the dividends are indexed to the rates were conserved. So, if the rates go up the dividend will increase and the value will not decrease.

PERFORMANCE ON 31 12 2009

The performance of the portfolios is **up significantly**:

Portfolios		
100% Bonds	**50% Bonds**	**35% Bonds**
14%	**29%**	**34%**

Our management therefore very strongly **overperforms** the markets on 31 12 2009:

Bond	**4 %**
Share	**22 %**

Our best performances in 2009 dividends included

Bonds

CASINO PERP: + 79.8%

GECINA 2010 : + 30.9%

Shares

Afone + 181%

Initiatives et Développement +101%

2010 PERSPECTIVES

Macro economy:

It is important not to become over optimistic as:

➢ The end of the clearance and the impact of the restart plans contribute 80% to the reboot of the economy.

➢ Numerous uncertainties remain on the impact of stopping the restart plans and thus on a final autonomous demand.

➢ The debt of each developed country will weigh down structurally on the income available in the households.

➢ In order to improve their own funds, the banks will limit the distribution of credit.

➢ In the medium term the big emerging zones, armed with their accumulation of capital and their technological skills, will develop more independent regional growth and will challenge the developed economies on their own market.

Our working hypothesis is therefore weak growth in 2010 in the USA and Europe.

Share market:

➢ The volatility should be high in 2010

➢ The flow of liquid assets should concern shares, at least at the beginning of the year and sustain the values.

➢ Visibility will be low in the first six months

Bond market:

➢ The significant risk of the deterioration of the debt notes of the states may significantly disrupt the bond market and lead to an increase in rates.

➢ Upward trend of the short and long rates is unavoidable.

➢ The debt of numerous healthy companies will be less prone to deteriorations than the debt of the States in debt.

2010 STRATEGY

Bonds: our selection on 01 01 2010

Bonds	Maturity date	Return on invested capital in comparison with the value on 31 12 2010
GECINA	02 2012	4.9%
STERIA	12 2012	5.7%
RHODIA	12 2013	7.4%
ORCO CV	2013	Bond trading operation
TP NATIXIS	12 2014	8%
TP CIC	12 2014	9.3%
TP LB	12 2014	10.6%
HEIDELBERG CEMENT	10 2014	6.4%
WENDEL	11 2014	6.4%
TP SANOFI AVENTIS	12 2015	10.4%
CASINO GUICHARD	PERPETUAL	6.7%

Conclusion:
From a **security** perspective, an investment in our niche bonds remains **appropriate**. The **capital security / return on capital** ratio remains high for our selection of bonds for which the maturity dates have been brought forward.

Shares:

➔As we cannot assume that the market will be clearly bullish; we consider that only a stock picking strategy must be implemented.

➔ Numerous portfolio shares have dropped and retain the potential to increase.

➔From a cautious perspective we will limit our trading operations given the risk of an increase in volatility and a more chaotic market.

Conclusion:
The recent rise in the markets in the face of the weak macro economic perspectives calls for us to retain our niche strategy, the ONLY SOLUTION to continue generating the creation of value in the portfolios.

Next report: 31 March 2010

You can visit our new website: www.gordion-investor.ch
You will find all our services and our management reports.