



Geneva 07 01 2012

## MANAGEMENT REPORT on 31 12 2011

### The main facts and trends since 30 09 2011 are:

- The recession that we announced in September is now officially recognised.
- The structural defects of the Eurozone have not been corrected. An attempt to establish new European governance is in progress but it is just the beginning.
- The restrictive budgetary policies and the decrease in the size of the banks' balance sheets is beginning to have a negative impact on consumers and companies, as we predicted.

### Fundamentally:

- As we have been saying for 2 years, the financial system has not yet been stabilised.
  - In Europe we confirm our conviction that Greece, Portugal and Ireland 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 4th QUARTER 2011**

### **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 as we have strong positive convictions concerning the latter despite the volatility of stock prices.

### **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 target medium and large companies.
- Identified the start of a bullish trend after a major decrease in the 3rd quarter.



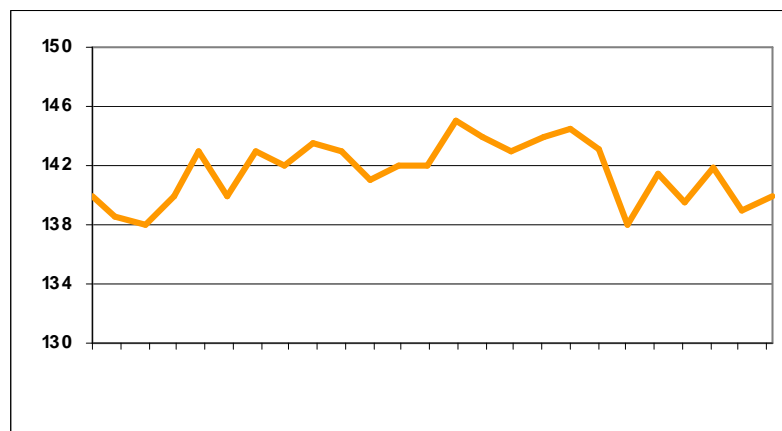
## PERFORMANCE ON 31 12 2011

Our management, overperforms the markets

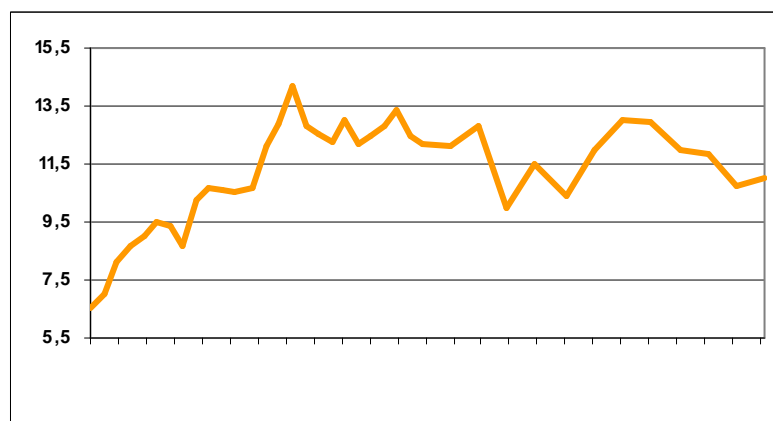
| Portfolio 100% bonds  | Portfolio 50% bonds   |
|-----------------------|-----------------------|
| ↓ - 5.7%              | ↓ - 6.8%              |
| Bond index € ↓ - 8.1% | Eurostock 50: ↓ - 17% |

Our best performances on 31 12 2011 dividends included

Bonds: CIC ↑ + 4.2%



Shares: AFONE ↑ + 75%





## PROSPECTS

### Macro economy

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

It is impossible for us to determine how long the current recession will last:

Short (6 months) or long (3 to 5 years)

Over the past 40 years

- The finance industry has become overdeveloped.
- A gigantic debt bubble has been created by the states and individuals.

We have entered an era in which

- The debt bubble of the states and individuals will decrease.
- The finance industry will return to its original size in the economic process through the decrease in banks' activities.

This will result in

- Less funding for companies and consumers.
- A general depreciation of prices of all assets including properties.
- Weak growth.
- A drop in household consumption and a decrease in company investments.

### Share market

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

### Bond market

➤ We have been repeating for 2 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 clearly at very low values:  
These values are an opportunity to buy.



## **STRATEGY FOR 1st QUARTER 2012**

The macro economic prospects oblige us to retain our methods:

- Minimum 50% company bonds
- Very cautious niche strategy for shares

### **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.

#### **Our main positions on 31 12 2011**

| <b>Bonds</b>        | <b>Maturity date</b> | <b>Return on invested capital<br/>in relation to value on 30 09</b> |
|---------------------|----------------------|---|
| TP LB               | 12 2015              | 8.1%  |
| WENDEL              | 09 2015              | 6.6%  |
| RALLYE              | 11 2016              | 6.1%  |
| BOMBARDIER          | 11 2016              | 6.3%  |
| FIAT                | 02 2015              | 9.6%  |
| TP SANOFI AVENTIS   | 12 2015              | 8.1%  |
| ALCATEL             | 01 2016              | 10.8%   |
| AIR France KLM      | 10 2016              | 6.7%  |
| FAURECIA            | 11 2016              | 9.2%  |
| BP CAISSE D'EPARGNE | PERPETUAL CALL 2015  | 11%   |
| DEUTSCHE BANK       | PERPETUAL CALL 2015  | 9%  |
| HEIDELBERG          | 01 2017              | 7.4%  |
| EUROPCAR            | 04 2018              | 14.2%   |
| PICARD              | 10 2018              | 8.7%  |
| LAFARGE             | 12 2019              | 8.3%  |
| ORCO CV             |                      | Bond trading operations   |

### **SHARES**

#### **Our main positions on 31 12 2011**

|         |           |
|---------|-----------|
| AFONE   | GET       |
| NEOVACS | ST DUPONT |

**Next report: 31 March 2012**