Geneva 17 01 2009

MANAGEMENT REPORT on 31 12 2008

The year 2008 was a historical year.
The current crisis is the worst for the economy, the financial system and the financial markets since 1929.

The latest shake ups since our last report on 15 10 2008 are:

➔The decline in the banks' situation has led to even greater State intervention. The debts and the risks borne by the banks are thus transferred to the States and so, ultimately, to the population.

➔ The Madoff affair in which a great many banks are implicated directly or indirectly.

➔The suspension, by numerous hedge funds, of repayments and payments of dividends for several years. Approximately 700 billion USD are thus frozen and cannot be returned to private and institutional investors.

Lessons to be learned:

➔ The financial system is much more fragile and opaque than the world thought.

➔No confidence can be granted to collective investment vehicles: UNIT TRUSTS, MUTUAL FUNDS, HEDGE FUNDS.

➔ It is essential to very carefully select the custodian establishments where the accounts are held and the managers:
The banks and management companies have massively sold, to their clients, mutual funds partly invested in the subprime, Madoff and Hedge funds.

This cataclysm confirms the two principles of my 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 its exemplary solidity.

"The portfolios must only be made up of 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.

PERSPECTIVES

Our macro economics advisors rule out a "1929 style" crisis.

Financial perspectives:

The peak in the risk of general bankruptcy of the financial institutions is behind us thanks to State interventions.

The losses and risks will be borne for a long time by the States; therefore the financial costs will bear upon the populations and limit economic growth in the medium term subject to resorting to inflation to capitalize the debts.

Economic perspectives:

The worst of the economic recession still lies ahead but:

The highly negative impact of the mass industrial clearance will be over at the end of the second quarter of 2009.
The highly positive impact of the decrease in interest rates by the central banks will occur during the second quarter of 2009.
The positive impact of the governmental restart plans will be felt at the beginning of the second half of 2009.

Therefore a stabilisation in the second half of the year is probable and a recovery of growth in the first half of 2010 is possible but with no certainty.

CONCLUSION

Consequences for bonds

If the bonds are conserved until redemption, which is what we advise, the return on investments will be as expected.

The value of the bonds will unavoidably rise.

Advice
From a **security** perspective, an investment in bonds is therefore **particularly appropriate**.
The **capital security / return on capital ratio** is exceptionally favourable.

Our bond selection

Bonds	Maturity date	Return on invested capital in comparison with the value on 31 12 2008
GECINA	02 2010	16%
RALLYE	04 2011	9.5%
PERNOD RICARD	06 2013	7.6%
TP CIC	31 12 2014	9.4%
TP LB	31 12 2014	10.6%
TP NATIXIS	31 12 2014	8.5%
TP SANOFI AVENTIS	31 12 2014	10.9%
CASINO GUICHARD	PERPETUELLE	12.9%

Consequences for shares:

→ Visibility is low for the next few months.
However, the current valuation levels of many portfolio shares do not reflect the situation of companies.

→ Considering the fundamentals many shares have the potential to recover significantly in the medium / long term.

Advice
From a dynamic perspective in the medium term the positions of shares must be conserved, arbitrated and possibly optimised by careful trading.

Please note:

Despite their increased capital losses over the last year, the big long term investors **Albert Frère**, **Warren Buffet, the Norwegian sovereign fund…** retain or reinforce their positions in shares and bonds.

Next report: <u>April 2009</u>