

## MANAGEMENT REPORT on 31 12 2010

### The main facts and trends since 30 09 2010 are:

- The debt crisis has led to a major change in the European states' budget policies, with lastingly restrictive policies being put in place.
- The world economic activity has slowed, as we forecast.
- The risks linked to the banking system remain very high in the countries heavily in debt.
- However, the results and balance sheets of businesses continue to improve.

### Fundamentally:

- As we have forecast since January 2010, the excessive debts of the states and the toxic assets in the balance sheets of the banks continue to be a significant threat to the financial system (latest example: Irish crisis).
- It remains essential to very careful in the choice of custodian establishments where the accounts are held and the managers.
- With our management strategy we keep away from opaque investments HEDGE FUNDS, STRUCTURED PRODUCTS...  
We also keep away from MUTUAL FUNDS, UNIT TRUSTS for our collective investments unless we ensure the management ourselves.

This in order to ensure our clients **transparency, security and performance.**

# **STRATEGY FOR 4th QUARTER 2010**

## **Concerning the share market we have:**

- Globally adopted a very cautious strategy as the proportion of shares in the portfolio was below 50% even for dynamic portfolios
- Limited trading operations as too risky in a context of extreme volatility and false technical signals.
- Continued to implement our niche strategy for blue chip and special situations.
- Retained our positions on European values that make most of their turnover in emerging countries in order to make the most of the growth of the emerging countries and at the same time benefit from the security provided by the accounting standards of European companies.

## **Concerning the bond market we have:**

- Maintained the proportion of bonds in the portfolios.
- Continued to implement our niche strategy on medium and large company bonds.
- Increased the "high yield" component for bonds with 7 to 8 years to maturity

# PERFORMANCE ON 31 12 2010

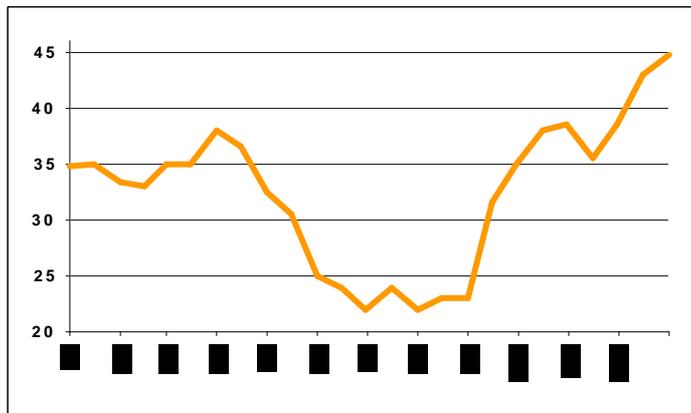
Our management, despite being cautious has overperformed the markets

Portofolios	
100% Bonds	50% Bonds
 <b>+ 6.8%</b>	 <b>+ 5.9%</b>

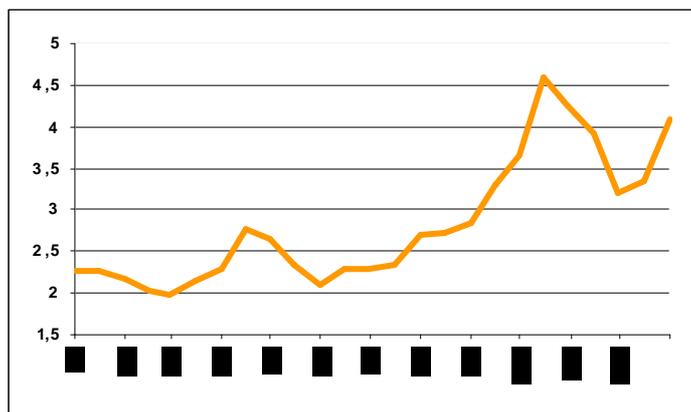
**CAC 40** on 31 12 2010:  **- 3.3%**

Our best performances on 31 12 2010 dividends included

Bond: ORCO CV  **+ 28%**



Share: MEMSCAP  **+ 81%**



# 2010 PROSPECTS

---

## Macro-economy

**We hypothesize that there will be a decline in world growth in 2011.**

- However, we have detected an increase in investment by businesses which will support world growth in the medium term.
  
- An increase in inflation is highly probable. If so it will relieve the states in debt.
  
- The crisis in 2008 can be seen as the materialisation of a crisis of civilization: For 40 years the developed countries have been working less and less and have run into debt and the emerging countries have been working harder and harder and saving. The centre of gravity of economic and financial power has therefore moved from the West to the emerging countries which are and will be the driving force of the world economy and technological creativity.

 <b>EUROPE</b>	<ul style="list-style-type: none"> <li>➤ Weak growth except if Euro falls significantly (only adjustment variable) and boosts exports.</li> <li>➤ Risk of new debt crisis highly probable. The situation will remain chaotic in the first half of the year.</li> </ul>
 <b>USA</b>	<ul style="list-style-type: none"> <li>➤ Very low visibility. The unconventional measures implemented by the Fed are leading the USA into unknown economic territory.</li> <li>➤ The general excessive debt is very worrying.</li> </ul>
 <b>EMERGING COUNTRIES</b>	<ul style="list-style-type: none"> <li>➤ Slow-down of growth (mainly in China, India, Brazil). Increase in growth in Russia.</li> <li>➤ The reorientation of Chinese growth towards domestic consumption is a major positive event in the medium term for the world economy.</li> </ul>

## Share market

- Visibility is low and volatility should remain high.

## Bond market

- The risk of deterioration of the debt notes of the States, including France, is high.
- The debts of healthy businesses will remain of better quality than the debts of the states.

# STRATEGY FOR 1st QUARTER 2010

The macro economic prospects oblige us to retain our methods:

- Minimum 50% bonds.
- Niche strategy on the bonds and shares markets.

## BONDS:

From a point of view **security**, an investment in our niche bonds remains **appropriate**.  
The **capital security / return on capital** ratio remains high for our selection.  
If they are conserved until the maturity date, the purchase of bonds ensures (except for bankruptcy of the issuer) a specific yield that is known in advance.

### Our main positions on 31 12 2010

Bonds	Maturity date	Return on invested capital in relation to value on 31 12
ALCATEL	04 2014	6.5%
TP NATIXIS	12 2014	7.4%
TP CIC	12 2014	9.1%
TP LB	12 2014	9.4%
TP SANOFI AVENTIS	12 2015	9.1%
BP CAISSE D'EPARGNE	PERPETUAL CALL 2015	9.2%
DEUTSCHE BANK	PERPETUAL CALL 2015	9.2%
HEIDELBERG CEMENT	01 2017	7.2%
BOMBARDIER	11 2016	6%
PICARD	10 2018	7.9%
ORCO CV		Bond trading operations

## ACTIONS

### Our main positions on 31 12 2010

AFONE	ARCELOR
BOURBON	MEMSCAP

Next report: 31<sup>st</sup> March 2011