Weekly Review

Week ending 14th May 2010

The past week provided a continuation of the heightened volatility in risk assets across the globe. The cause of this increased risk aversion seems again to be Europe and the ongoing saga of Greece's financial condition. Presently the market seizes on fairly minor degradations in the situation and builds up to fervour. The situation in Greece is unquestionably perilous and the risks of systemic shocks emanating from a default are significant, but when the market swings significantly, following merely a small piece of news, there could be an argument that the situation has not changed materially and therefore the influence of fear is of greater significance than fundamentals per se.

It is clear that without a concerted and consistent steadying influence from the ECB, markets will not feel adequately comforted and despite the senior European state's reluctance to appear a soft touch they must be explicitly supportive. The ECB has remained stoic in their desire to prevent moral hazards entering the markets, so that other nations do not feel that 'doing a Greece' might be beneficial for them economically. There are, however, few natural buyers for European debt in the world at the moment other than the ECB and this is highlighted by any pauses on their buying activity being greeted with a sell off.

The rescue package that featured in last week's review remains in the offing and eventually this should gain adequate traction to allay most fears. It is strange to see the market react nonchalantly to a source of funding that should provide adequate security for Greece whilst protecting the euro. It is clear that the markets are awaiting action rather than mere rhetoric before breathing a sigh of relief.

The chart on the below demonstrates the heightened levels of implied volatility peaked in May at levels last seen over a year ago. In the intervening months implied volatility (read: risk aversion) has gradually drifted down to levels considered the norm prior to the depths of the credit crunch. This increase in cautiousness has led to risk assets experiencing large swings as the week progressed, and a flight to a select few in the sovereign debt markets.

Despite the volatility, equity markets actually provided good returns for the week, with the global markets up 2.3% in US Dollar terms. This is in part thanks to a low starting point on Monday coming on the back of a poor week. Month to date global equities remain -6.0% lower, despite solid returns over the past days. The global emerging markets outperformed their developed counterparties, gaining 3.6% for the month, bringing their year to date returns to -2.3%, which is 70 basis points ahead of developed markets. The fixed income markets also rallied moderately, but with the strength of the US Dollar providing a headwind to performance, global government bonds returned -0.6% in US Dollar terms. Credit performed well, with US investment grade gaining 0.4% and high yield adding 0.7%. Property securities were strong over the week, with global property securities returning 2.5%, to perform broadly in line with the wider equity market. The majority of commodities sold off, with the notable exception of gold which has benefitted of late from the increased risk aversion elsewhere in the markets.

Source: RMB Asset Management / Bloomberg / JP Morgan / Lipper Hindsight. May 2010. Past performance is not indicative of future returns.

Returns to 14 May 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	**USD**	2.3	-4.2	2.4
United Kingdom	FTSE All Share TR	**GBP**	3.1	-4.6	0.1
Continental Europe	MSCI Europe ex UK NR	**EUR**	5.3	-4.3	-2.7
Japan	Topix TR	**JPY**	0.5	-5.1	4.1
Australia	S&P/ASX 300 TR	**AUD**	3.0	-3.9	-4.0
Global	MSCI World NR	**USD**	2.3	-6.0	-3.0
Global emerging markets	MSCI World Emerging markets TR	**USD**	3.6	-5.7	-2.3
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.1	1.2	3.5
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.5	0.7	3.7
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.4	0.1	4.3
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.7	-1.9	5.0
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	0.3	1.1	3.0
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	0.8	0.0	4.9
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	2.2	1.2	2.8
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.5	0.0	3.9
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	1.9	-2.0	8.4
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.1	-0.1	0.7
Australian Government	JP Morgan Australia GBI TR	**AUD**	-0.1	1.1	2.3
Global Government bonds	JP Morgan Global GBI	**USD**	-0.6	-1.1	-2.0
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.1	-1.4	-2.2
Global Convertible bonds	UBS Global Convertible Bond	**USD**	0.8	-4.2	-1.3
Emerging Market Bonds	JP Morgan EMBI +	**USD**	2.4	-0.4	3.9

Source: RMB Asset Management / Bloomberg / Lipper Hindsight. May 2010.

Returns to 14 May 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	**USD**	3.8	-2.6	14.4
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	2.7	-7.3	-9.7
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	5.0	-5.2	-4.5
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	1.2	-3.0	-0.5
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	1.0	-5.1	-3.1
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	2.5	-5.2	-0.3
Currencies					
Euro		**USD**	-1.8	-6.6	-13.4
Sterling		**USD**	-0.9	-4.9	-9.9
Yen		**USD**	-1.1	2.2	1.2
Australian Dollar		**USD**	0.9	-4.3	-0.9
Rand		**USD**	2.1	-2.6	-2.5
Commodities					
Commodities	RICI TR	**USD**	-1.7	-8.1	-7.7
Agricultural Commodities	RICI Agriculture TR	**USD**	-2.6	-4.9	-11.4
Oil	Brent Crude Index (ICE) CR	**USD**	-1.0	-7.4	3.8
Gold	Gold index	**USD**	2.9	4.9	9.9

Source: RMB Asset Management / Bloomberg / Lipper Hindsight. May 2010.

Important notes

RMB Asset Management is the trading name for RMB Asset Management International Limited. This document does not constitute an offer or solicitation to any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient, and is only intended for use by original recipients and addressees. The original recipient is solely responsible for any actions in further distributing this document, and should be satisfied in doing so that there is no breach of local legislation or regulation. The information is intended solely for use by our clients or prospective clients, and should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States.

Prospective investors should inform themselves and if need be take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this material is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated herein. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, RMB Asset Management does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

We caution that the value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Our investment mandates in alternative strategies and hedge funds permit us to invest in unregulated funds that may be highly volatile. Although alternative strategies funds will seek to follow a wide diversification policy, these funds may be subject to sudden and/or large falls in value. The illiquid nature of the underlying funds is such that alternative strategies funds deal infrequently and require longer notice periods for redemptions. These Investments are therefore not readily realisable. If an alternative strategies fund fails to perform, it may not be possible to realise the investment without further loss in value. These unregulated funds may engage in the short selling of securities or may use a greater degree of gearing than is permitted for regulated funds (including the ability to borrow for a leverage strategy). A relatively small price movement may result in a disproportionately large movement in the investment value. The purpose of gearing is to achieve higher returns associated with larger investment exposures, but has concomitant exposure to loss if positive performance is not achieved. Reliable information about the value of an investment in an alternative strategies fund may not be available (other than at the fund's infrequent valuation points).

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multimanager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

RMB Asset Management International Limited (Company Registration No. 3733094) is a member of the FirstRand Group, and has its registered office at 20 Gracechurch Street, London, EC3V 0BG

RMB Asset Management International Limited is authorised and regulated by the Financial Services Authority in the United Kingdom, and is an authorised Financial Services Provider pursuant to the Financial Advisory and Intermediary Services Act 37 of 2002 in South Africa.