Weekly Review

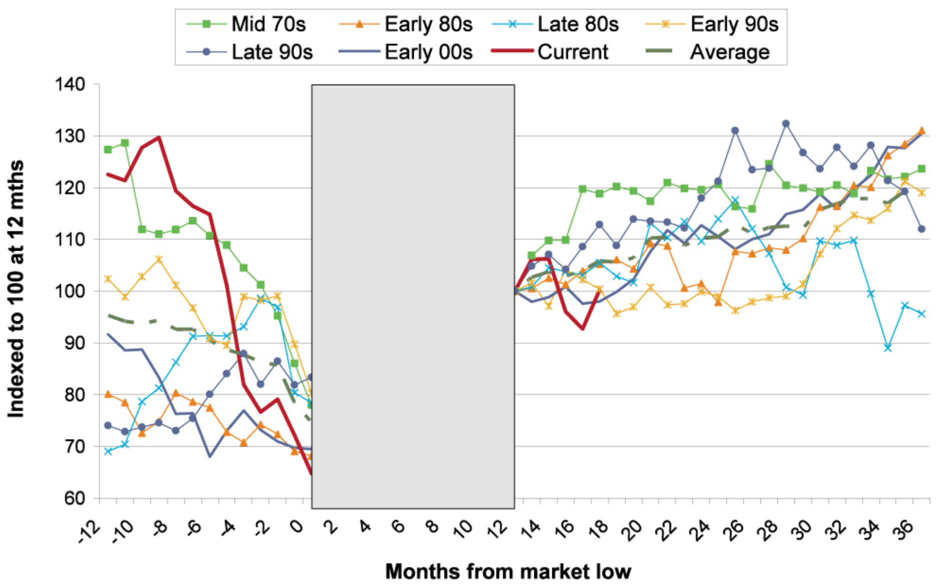
Week ending 20th August 2010

An investment theme that has surfaced in the last twelve months has been the strength of the corporate sector, in stark contrast to the financial health of sovereigns, as debt was simply transferred from the private to the public sector through the process of quantitative easing. Companies across the globe cut costs aggressively in 2008 and 2009, and are utilising the attractive combination of low government bond yields and decreasing spreads in the corporate credit markets to bolster their balance sheets further. An interesting development last week was BHP Billiton's unsolicited USD 40 billion bid to acquire 100% of Potash Corporation of Saskatchewan (which incidentally makes up 3% of the Canadian stock market). This may not be the biggest takeover bid in history, but it is interesting to note that it is indeed the largest cash-only offer ever. In the more recent past there has been a tendency amongst company executives to tap the credit markets for merger and acquisition funding, as opposed to utilising common stock to fund these transactions. It certainly reflects corporations' view on the valuation of investment grade credit versus their own equity, and it would be interesting to see if this trend holds as M&A activity picks up further following the quiet period during and immediately following the market crisis of 2007 – 2009.

A very interesting chart that has come across our desks is the analysis of the 12 months prior to and 36 months following global equity market lows in the last four decades. It illustrates that the MSCI World tends to rebound fairly strongly (34% on average) in the twelve months following the market low, but for the next 24 months it tends to lose some steam and on average produced 9% per annum. High single digit returns in today's low interest and inflation rate environment is of course not to be scoffed at, although the accompanying volatility may be too much to handle for investors with a short time horizon.

Bond markets continued their recent strength last week as US Treasuries (+0.5%), UK Gilts (+1.3%) and European government bonds (+1.0%) all gained in local currency terms. Investment grade bonds posted similar returns, illustrating the market's perception of the relative strength of the private sector compared to the public sector. Emerging market debt added 1.6% in US Dollar terms, taking it up nearly 14% from the start of the year.

Equities experienced some volatility before most major indices ended the week in the red. Global equities shed 0.8%, whilst their emerging counterparts added the same quantum for the week. This brings the advantage of emerging markets over developed equities to more than 6% for the year to date. Gold was the exception amongst precious metals last week as it gained 0.8% as most other commodities traded softer.



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

Returns to 20 August 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	**USD**	-0.7	-2.6	-3.0
United Kingdom	FTSE All Share TR	**GBP**	-1.2	-0.8	-0.5
Continental Europe	MSCI Europe ex UK NR	**EUR**	-1.4	-2.0	-1.2
Japan	Topix TR	**JPY**	-0.2	-2.3	-7.7
Australia	S&P/ASX 300 TR	**AUD**	-0.3	-1.0	-7.0
Global	MSCI World NR	**USD**	-0.8	-2.6	-5.1
Global emerging markets	MSCI World Emerging markets TR	**USD**	0.8	-0.2	1.5
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.5	1.4	8.3
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.0	0.8	5.4
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.8	1.8	9.8
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.3	0.1	8.2
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	1.3	2.9	8.7
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	1.2	2.9	10.0
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	1.0	2.1	5.3
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.5	1.6	6.5
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	0.9	1.2	11.6
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.3	1.0	3.6
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.7	1.3	6.5
Global Government bonds	JP Morgan Global GBI	**USD**	0.6	1.1	4.9
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	0.4	0.6	3.0
Global Convertible bonds	UBS Global Convertible Bond	**USD**	0.1	-0.8	0.4
Emerging Market Bonds	JP Morgan EMBI +	**USD**	1.6	3.8	13.9

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

Returns to 20 August 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	**USD**	-0.5	-3.0	11.7
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-0.1	-2.1	-8.9
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	-0.4	-1.9	4.2
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	0.8	2.9	1.4
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	0.6	0.9	0.5
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	-0.1	-1.8	0.7
Currencies					
Euro		**USD**	-0.6	-2.6	-11.6
Sterling		**USD**	-0.5	1.0	-4.0
Yen		**USD**	0.7	1.1	8.6
Australian Dollar		**USD**	-1.0	-1.9	-1.3
Rand		**USD**	-0.1	-0.4	0.5
Commodities					
Commodities	RICI TR	**USD**	-1.2	-2.3	-5.0
Agricultural Commodities	RICI Agriculture TR	**USD**	-0.5	2.7	3.4
Oil	Brent Crude Index (ICE) CR	**USD**	-2.7	-0.9	-2.3
Gold	Gold index	**USD**	0.8	4.7	8.8

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