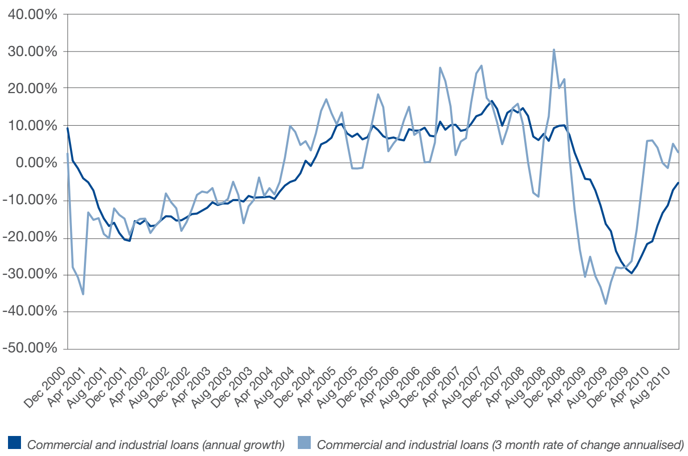
FINANCIAL PARTNERS

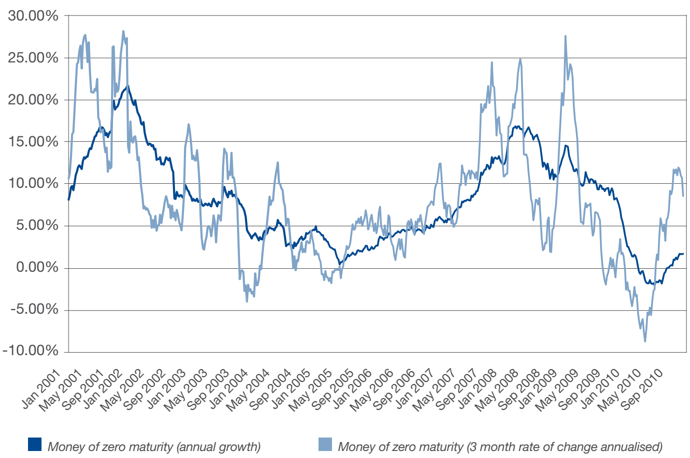
RMB ASSET MANAGEMENT

Weekly Review

Week ending 3rd December 2010

The second round of quantitative easing has been cited as one of the main reasons for the recent rally in equity markets. Apart from pushing up asset prices another intention of this massive liquidity supply is to improve credit extension, which did not quite recover after the global financial crisis. During the previous round of quantitative easing it seemed as if the US Federal reserve was pushing on a string as credit extension did not respond to either the near zero interest rates or money printing. The question of course is if the second round (or perhaps just the announcement thereof) is having the desired effect. Growth in money supply and corporate sector borrowing are among the key indicators to determine whether Bernanke and his fellow Federal Open Market Committee members' policies are effective. The acid test will be if bank deleveraging (i.e. strengthening of their own balance sheets instead of lending the money), which has blocked the 'credit channel' of monetary policy, is easing. A variety of measures of currency and money growth seem to have bottomed (albeit at a very low level) and are turning positive when the short term rate of change is analysed (as shown in the graphs alongside). The money multiplier (broad money supply divided by the monetary base) is also edging higher. All of this suggests that banks are starting to lend and corporations are beginning to borrow again, a crucial missing ingredient so far in the global economic recovery. The implication is that the economic recovery (however muted it may be) should remain on track. It is not to say that real GDP growth will now recover to typical post recession levels – we still expect it to fall short of previous recoveries and the employment and consumer spending revival to be gradual. US unemployment in fact moved up a notch – from 9.6% in October to 9.8% in November. Nevertheless, modest gains in the equity market are likely as confidence in the recovery (on the back of the persistent rise in money growth) continue.





Last week equity markets were buoyant as the MSCI World gained 3.1%, and emerging markets added 3.8%. On the back of this rally the US Dollar pulled back against most other major currencies, and bonds were softer across the globe. Commodities also pushed ahead, with gold now up nearly 25% year to date.

Source: RMB Asset Management / Bloomberg / Lipper Hindsight / BCA Research. December 2010. Past performance is not indicative of future returns.

Returns to 3 December 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	**USD**	3.0	3.8	11.3
United Kingdom	FTSE All Share TR	**GBP**	1.6	4.0	11.2
Continental Europe	MSCI Europe ex UK NR	**EUR**	2.0	4.1	7.0
Japan	Topix TR	**JPY**	1.4	2.1	-1.3
Australia	S&P/ASX 300 TR	**AUD**	2.1	2.4	0.5
Global	MSCI World NR	**USD**	3.1	4.5	8.8
Global emerging markets	MSCI World Emerging markets TR	**USD**	3.8	4.3	15.7
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	-0.5	-0.9	7.1
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	-0.9	-0.8	7.2
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	-0.6	-1.0	9.0
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.2	0.6	13.6
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	-0.5	-1.3	6.3
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	-0.8	-0.9	7.5
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	-0.2	0.4	1.7
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	-0.5	-0.3	4.7
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	-0.4	0.9	13.4
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.2	-0.1	1.7
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.3	-0.1	5.3
Global Government bonds	JP Morgan Global GBI	**USD**	0.6	1.0	5.9
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	0.4	0.8	4.1
Global Convertible bonds	UBS Global Convertible Bond	**USD**	1.8	2.6	9.9
Emerging Market Bonds	JP Morgan EMBI +	**USD**	0.0	1.3	14.0

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

Returns to 3 December 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	**USD**	1.7	2.4	24.4
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	2.7	5.1	2.4
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	3.7	5.6	17.0
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	0.8	1.1	0.1
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	3.0	2.9	13.7
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	2.6	3.4	13.2
Currencies					
Euro		**USD**	1.3	2.8	-6.7
Sterling		**USD**	0.7	0.9	-2.7
Yen		**USD**	1.7	1.4	12.6
Australian Dollar		**USD**	2.5	3.0	9.9
Rand		**USD**	4.1	3.4	7.3
Commodities					
Commodities	RICI TR	**USD**	6.2	5.7	13.3
Agricultural Commodities	RICI Agriculture TR	**USD**	7.2	6.7	27.1
Oil	Brent Crude Index (ICE) CR	**USD**	4.0	3.5	15.0
Gold	Gold index	**USD**	2.3	1.5	24.7

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

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