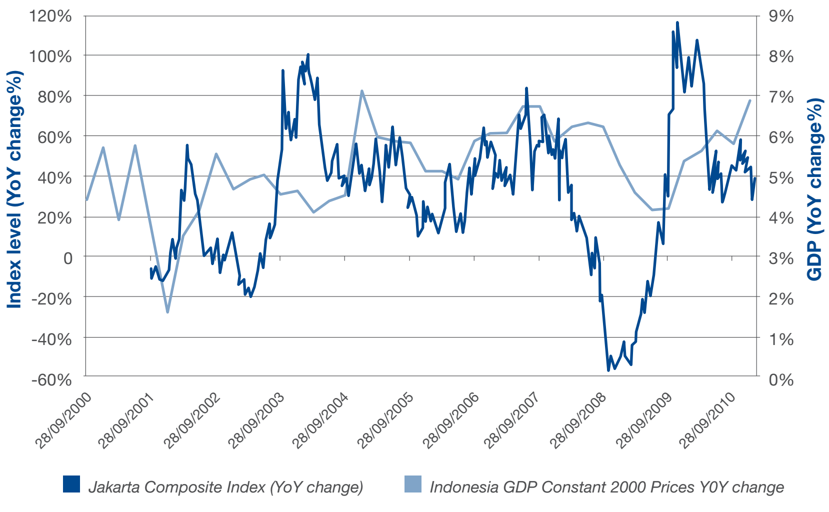
Weekly Review

Week ending 4th February 2011

Much has been said of the events that led to the recent riots in Tunisia and Egypt, but given the relative contribution of these two economies to the global output it is probably not more than a storm in a teacup if contained to these two nations only, although its impact is potentially greater than GDP numbers alone would suggest. It underlines some of the risks associated with emerging markets for which investors certainly need to demand a premium. Whilst on the subject of emerging markets; Indonesia released their latest real GDP numbers and surprised the market by growing 6.9% in the last quarter of 2010. This is the fastest growth rate in Indonesia in the last six years. One could be excused for expecting such a positive surprise to boost the Jakarta Composite Index and as a consequence it's fairly disappointing to note that the Indonesian stock market is down nearly 6% year to date. The problem, of course, is that Indonesia, like many of the other fast growing Asian economies, has already reached the time in the economic cycle when this vitality spills over into inflation and thus prompts restraining measures by the monetary (and possibly fiscal) authorities. As a result the Indonesian central bank unexpectedly raised its reference rate from 6.5% to 6.75% last week, the first rise for more than two years. Conventional wisdom dictates that monetary tightening is not generally a favourable background for equity investment. It has proved to be true in Indonesia, where the market hit a recent peak on the 9th December - and has an uncanny similarity to monetary policy tightening that is taking place across Asia and other pockets of the emerging market universe.

The protests in Cairo and other Egyptian cities did not weigh on equity markets much as the major bourses all ended the week in the green. In local currency terms the S&P 500 (+2.7%), FTSE All Share (+1.6%) and MSCI Europe (+1.0%) delivered strong results, whilst the Topix (+1.7%) was not left behind. Broad emerging markets (+0.4%) ended higher, but year to date now lags developed markets by nearly 6%. On the back of positive economic data surprises US Treasuries sold off during the week and posted a -1.5% return in the end. Corporate bonds (investment grade) delivered similar results, but high yield bonds (+0.5%) held up well. In Europe bonds rallied with government paper, corporate bonds and high yield all ending the week higher. Global convertible bonds benefited from the rally in equities and added 1.3% for the week. Property securities across the globe followed equity markets and all the regional indices ended the week in positive territory.

The US Dollar was somewhat exposed during the week and lost ground against both the Pound Sterling (-1.4%) and the Japanese Yen (-0.4%). The greenback however stood firm against the euro though as it gained 0.5%. Broad commodities (+1.8%) continued their recent strength and agricultural commodities (+2.5%, +6.7% YTD) did particularly well on the back inflation fears (especially in developing economies) and supply constraints (due to a unusual global weather patterns). Gold regained some of its recent lost ground as precious metal gained 2.7% for the week, taking its year to date performance to -4%.



Source: RMB Asset Management / Bloomberg / Lipper Hindsight. February 2011.

Returns to 4 February 2011

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	**USD**	2.7	2.0	4.3
United Kingdom	FTSE All Share TR	**GBP**	1.6	2.0	1.4
Continental Europe	MSCI Europe ex UK NR	**EUR**	1.0	1.3	4.0
Japan	Topix TR	**JPY**	1.7	2.8	4.1
Australia	S&P/ASX 300 TR	**AUD**	1.9	2.3	2.4
Global	MSCI World NR	**USD**	2.3	1.8	4.1
Global emerging markets	MSCI World Emerging markets TR	**USD**	0.4	1.0	-1.8
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	-1.5	-1.3	-1.3
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	-1.3	-1.3	-1.1
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	-1.4	-1.1	-0.9
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.5	0.5	2.7
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	-1.0	-1.0	-2.9
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	-0.6	-0.7	-1.2
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.3	0.1	-0.4
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.1	0.0	-0.4
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	0.6	0.7	3.1
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.4	-0.3	-1.0
Australian Government	JP Morgan Australia GBI TR	**AUD**	-0.7	-0.7	0.1
Global Government bonds	JP Morgan Global GBI	**USD**	-0.5	-0.9	-1.0
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.6	-0.9	-0.6
Global Convertible bonds	UBS Global Convertible Bond	**USD**	1.3	1.1	2.9
Emerging Market Bonds	JP Morgan EMBI +	**USD**	0.5	0.2	-0.4

Source: RMB Asset Management / Bloomberg / Lipper Hindsight. February 2011.

Returns to 4 February 2011

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	**USD**	1.1	-0.4	2.9
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	0.9	1.6	0.6
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	0.3	0.8	-0.8
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	1.9	2.3	4.8
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	1.4	2.2	1.8
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	1.1	0.8	2.0
Currencies					
Euro		**USD**	-0.5	-1.1	1.0
Sterling		**USD**	1.4	0.3	2.6
Yen		**USD**	0.4	-0.1	-1.1
Australian Dollar		**USD**	2.1	1.7	-1.0
Rand		**USD**	-1.1	-1.1	-8.9
Commodities					
Commodities	RICI TR	**USD**	1.8	0.0	3.2
Agricultural Commodities	RICI Agriculture TR	**USD**	2.5	1.0	6.7
Oil	Brent Crude Index (ICE) CR	**USD**	4.1	3.8	9.1
Gold	Gold index	**USD**	2.7	2.1	-4.0

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