Weekly Review

Week ending 8th April 2011

As is often the case following the announcement of payrolls data in the US, markets were relatively quiet last week in spite of a raft of news stories for investors to digest. Whilst reports of a significant aftershock in Japan on Thursday evening prompted a brief period of volatility, markets were quick to absorb the information with fewer signs of the aggressive selling pressure witnessed last month in March. The 7.1 magnitude earthquake, which struck around 65 kilometres from the east coast of Sendai, does not appear to have impacted the damaged Fukishima Daiichi plant as at the time of writing, but further losses of life have been reported. Japan's main equity index was marked down -1.1% by investors over the week.

The S&P 500 index traded in a two-day closing range of less than 0.035% at the start of the week, one of only six such occasions since 2000. Whilst there was some progress in medium-sized M&A activity in both Europe and the US, elsewhere trading activity was muted. Equity markets no longer appear to be as sensitive to changes in the price of oil, which rose again during the week to USD 126.7 per barrel for Brent crude. Given the constraint posed by the rising cost of this essential input, this development suggests that new rises are already fully incorporated into investors' expectations. Global equities gained 0.8%, led by Asia excluding Japan, whilst shares in Europe and the UK also advanced.

A number of monetary authorities met last week to decide their main interest rates. The Royal Bank of Australia elected to leave rates unchanged at 4.75% on Tuesday, before the People's Bank of China announced a 25 basis point rise later the same day. Both moves were broadly in line with market expectations, as reflected by limited post announcement movements in the price of fixed income investments. The decision by the European Central Bank (ECB) to raise rates on Thursday followed some 700 days of inactivity by policymakers in Europe, the US and the UK. In his post meeting address, ECB President Jean-Claude Trichet's hawkish tone was interpreted by many commentators as raising the prospect of a further rate hike as early as midsummer. In the UK, the Monetary Policy Committee voted to leave official rates on hold at 0.5%, in light of weaker than expected growth and in anticipation of some setbacks to consumer spending following the introduction of fiscal tightening measures. US Treasuries traded lower last week, as members of the Federal Open Market Committee (FOMC) indicated that the time for policy normalisation could be moving closer, although they still view the current elevated levels of headline inflation as being transitory.

Portugal's Credit Default Swap (CDS) rate rose beyond Ireland's on Tuesday, in a sign of the extent of the country's funding woes. The move – which reflected the rising cost of insuring against a credit event for Portuguese government debt – proved prophetic, as Prime Minister José Sócrates was obliged to make a formal request for assistance to the European Union on Thursday. A rescue package for the country is expected to be in the region of EUR 70-80bn, and will require the contribution of the Union's members. The decision came as the government's cost of refinancing its debt in the open market reached unsustainable levels. Lisbon's application is complicated by the country's current state of political transition ahead of elections on 5th June. As ever, financial assistance will include provisions for austerity measures in the country. Some market participants remain sceptical about the viability of additional loans as a solution to the country's perennially low growth rates, attributed in part to its participation in the single currency union, under which its lack of competitiveness versus economies such as Germany has become crystallised.

Global government bond investors enjoyed gains of 0.2% during the week, whilst stronger rises in the prices of investment grade and high yield bonds saw their respective risk premia continue to compress. The performance of property was polarised between East and West, as Australia and Asia advanced whilst the value of Real Estate Investment Trusts in the US and Europe fell back. The US Dollar lost ground against a broad basket of global currencies last week, whilst commodities continue to outperform other asset classes during the current stage of the cycle.

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

Returns to 8 April 2011

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	**USD**	-0.3	0.2	6.0
United Kingdom	FTSE All Share TR	**GBP**	0.7	2.3	3.4
Continental Europe	MSCI Europe ex UK NR	**EUR**	0.6	1.8	3.8
Japan	Topix TR	**JPY**	-1.1	-1.9	-4.0
Asia Pacific (ex Japan)	MSCI AC Asia Pacific (ex Japan) TR	**USD**	2.4	3.4	6.3
Global	MSCI World NR	**USD**	0.8	1.3	6.2
Global emerging markets	MSCI World Emerging Markets TR	**USD**	1.8	3.1	5.2
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	-0.4	-0.4	-0.6
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.0	0.5	2.5
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	-0.2	-0.2	0.7
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.5	0.7	4.7
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	-0.6	-0.7	-1.5
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	0.0	-0.1	0.9
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	-0.1	-0.2	-1.4
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.0	0.0	0.0
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	1.1	1.4	5.5
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.3	-0.4	-1.0
Australian Government	JP Morgan Australia GBI TR	**AUD**	-0.3	-0.5	1.3
Global Government bonds	JP Morgan Global GBI	**USD**	0.2	-0.5	0.0
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	0.4	-0.1	1.2
Global Convertible bonds	UBS Global Convertible Bond	**USD**	0.6	0.7	5.3
Emerging Market Bonds	JP Morgan EMBI +	**USD**	0.1	0.4	1.1

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

Returns to 8 April 2011

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	**USD**	-1.8	-1.8	4.4
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-0.9	-0.2	5.7
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	-0.9	-0.3	2.9
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	1.6	1.6	5.2
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	1.8	2.3	-1.4
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	0.1	0.4	2.6
Currencies					
Euro		**USD**	2.1	1.7	7.6
Sterling		**USD**	2.2	2.2	4.7
Yen		**USD**	-0.8	-2.5	-4.6
Australian Dollar		**USD**	1.7	1.9	2.8
Rand		**USD**	1.2	1.7	-0.5
Commodities					
Commodities	RICI TR	**USD**	3.4	3.8	13.9
Agricultural Commodities	RICI Agriculture TR	**USD**	1.4	1.7	7.2
Oil	Brent Crude Index (ICE) CR	**USD**	4.6	6.2	30.8
Gold	Gold index	**USD**	3.6	2.1	4.1

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

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) 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.