



Newsflash

A new month and the thirty third issue of Viewpoint from FP.

This document will be made available on our website
www.financial-partners.biz

Table of Contents

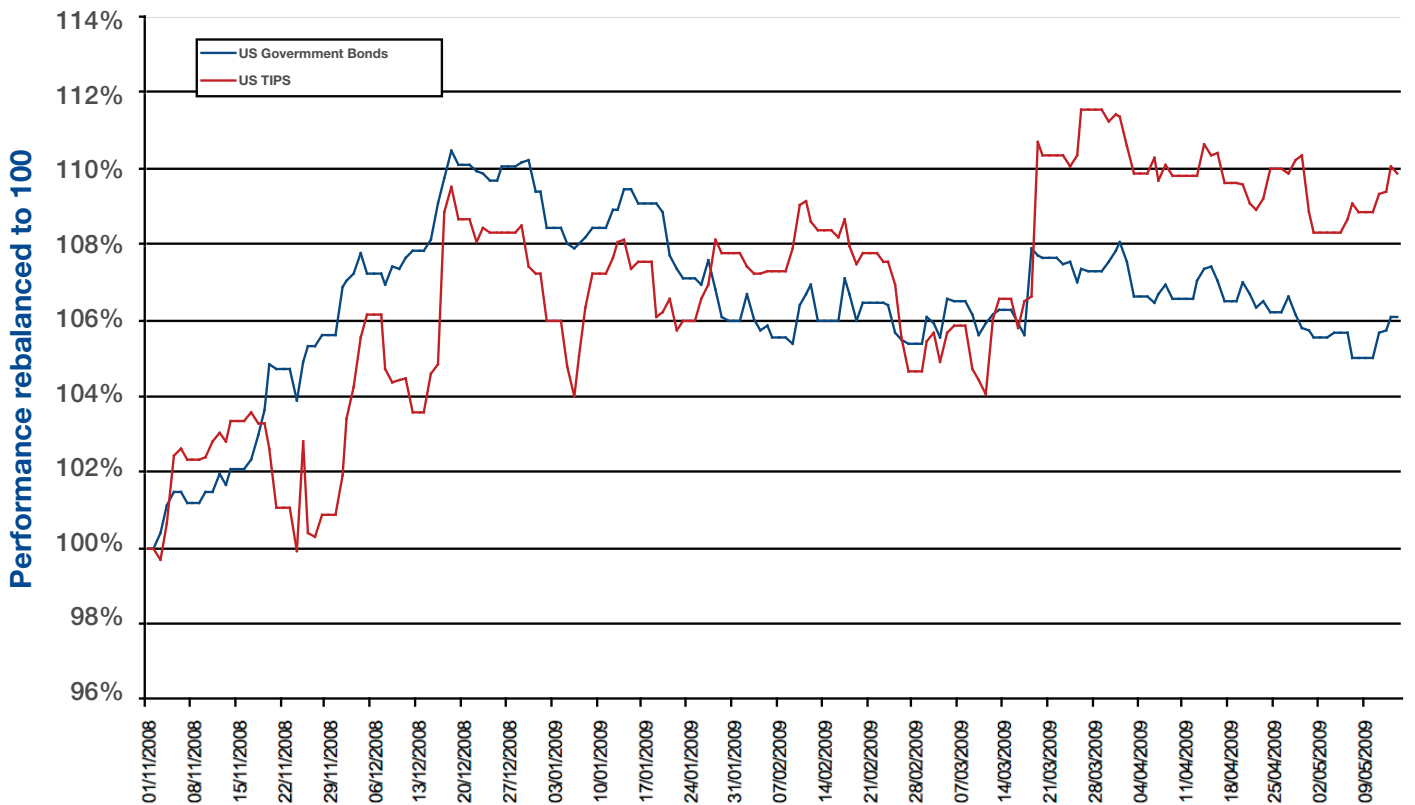
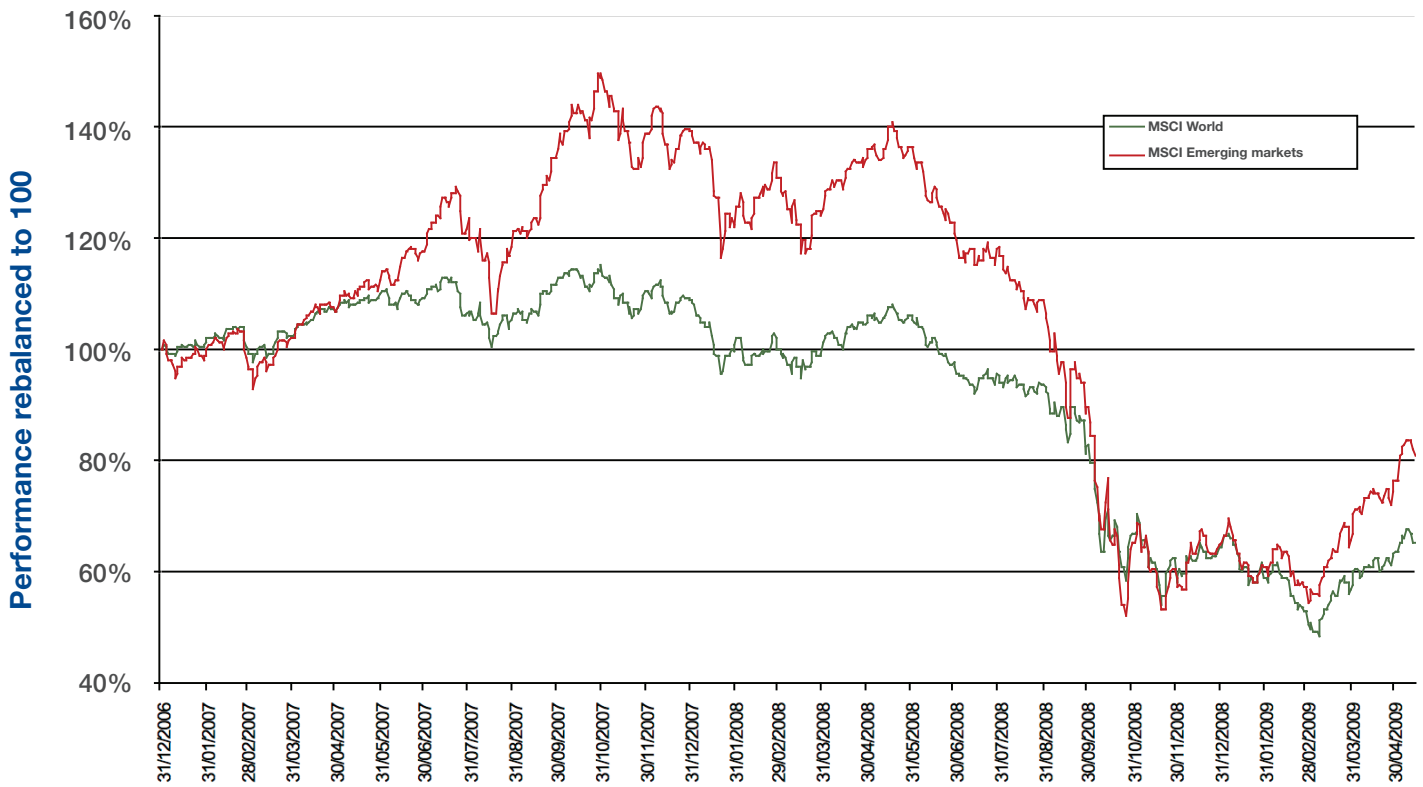
1. April 2009 Review	1 – 6
2. Focus	7 – 10
3. Important Notice	11

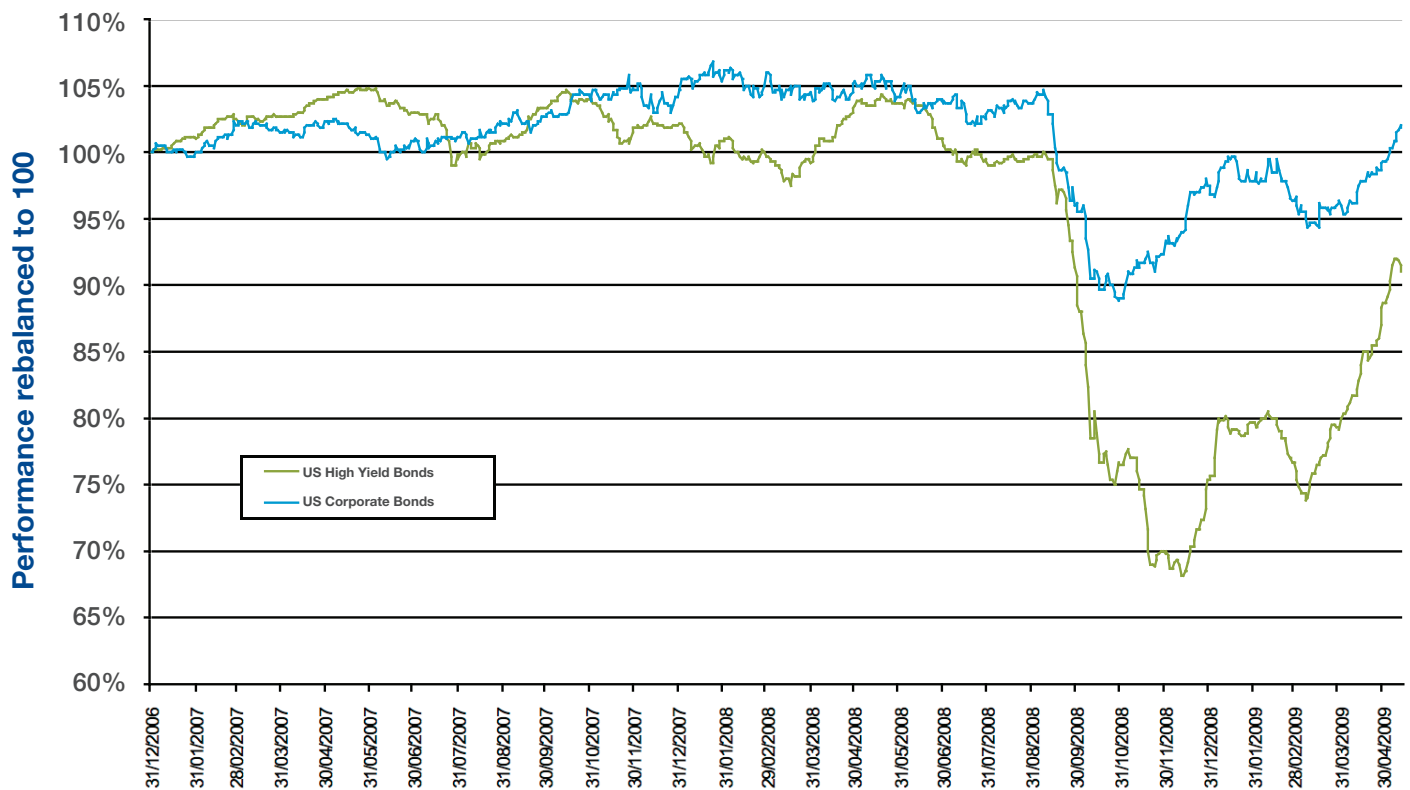
Produced in association with RMB Asset Management International Limited (trading as RMB Asset Management), authorised and regulated by the Financial Services Authority (UK).

Throughout April we saw a continuation of the buoyant mood that characterised markets in the second half of March. Equity indices around the world went up by double digits, and credit spreads contracted across most fixed interest assets. Global property securities rallied hard in trying to make up the ground they lost in 2008 and early in 2009. With some confidence returning to capital markets the traditional safe havens (the US Dollar and government bonds) lost ground as investors moved up along the risk curve. The majority of S&P 500 companies surprised on the upside with their earnings, and this coupled with other good (or rather “not as bad”) economic news supported markets throughout the month and into May.

Emerging market equities have shown some signs of the “decoupling theory” that did the rounds in 2006 through the middle of 2008, by posting year to date performance of nearly 18% (16.6% for the month). Compared to developed equity markets which, at the end of April, were still down a little over 2% for the year, emerging market equities have now more than made up for the 13% underperformance experienced in 2008. The graph on page 2 shows the relative performance of these two equity asset classes since the start of 2007, before the credit crisis hit markets.

Government bonds sold off further as investors returned to riskier assets, with US Treasuries (-1.9%), US Treasury Inflation Protected Securities (TIPS, -1.9%) and UK Gilts (-1.3%) all losing ground in April. The relative value that many investors





saw in TIPS at the expense of nominal treasuries has played out during March and April and the chart on page 2 shows the relative outperformance of the inflation linked variety since November 2008.

Investment grade bonds fared better than government paper as spreads over treasury yields narrowed further. High yield bonds had a particularly good month with both the US and Euro markets posting returns in excess of 10%. Apart from oil, which is up 28.3%, US High Yield (19.2%) and Euro High Yield (18.2%) are the best performing asset classes under review for the year to date. Spreads of US High Yield bonds over treasury yields have now narrowed from around 2000 basis points at the end of November 2008 to closer to 1300 basis points at the end of April. Defaults in this asset class are still rising, and as we would normally expect this asset class to do well after defaults have peaked, we could see some profit taking in this space. The chart above shows the performance of US Corporate Investment Grade and High

Yield bonds since the start of 2007, to illustrate how much these two asset classes rallied in the last two months.

Convertible bonds added 7.8% for the month, once again supported by strong equity markets, stable investment grade returns and even stronger high yield bond returns.

After another quarter of severe losses, property securities were so oversold that they could not have had anything but a stellar month. Across the globe property securities ended nearly 20% up, with the US (31.3% in USD terms) and UK (25.1% in GBP terms) leading the recovery. In our FOCUS section we analyse this asset class in more detail.

As was the case in April almost all currencies rallied against the US Dollar. Of the major currencies the Pound Sterling was particularly strong against the US Dollar, gaining over 3% over the month. This is probably more a function of the pound being oversold and the greenback being weaker than a sign of economic recovery in the United Kingdom. Emerging



market currencies, where the banking systems seem to be of a sounder nature than those of the West did particularly well against the Dollar. The South African Rand gained around 12%, with the South Korean Won and Brazilian Real rallying 7.8% and 6.0% respectively against the Dollar.

Commodities in general had an indifferent month with general (1.7%) and agricultural commodities (3.3%) joining oil (1.8%) in positive territory. Gold loss a bit of ground (-3.6%) but is still up for the year.

The spring that accompanies April in the Northern Hemisphere certainly heralded a growth season in capital markets. Whether it will become green shoots that will wither under the unfaltering recession sun, or a longer term sustained growth phase remains to be seen. For now investors should be pragmatic in their approach by taking profit when the opportunity presents itself; focus on valuations, as there are more than enough attractive opportunities without taking excessive risk.

Asset Class Performances

Asset Class/Region	Index	Currency	Apr 2009	YTD 2009
Equities				
United States	S&P 500 NR	USD	9.5	-2.8
United Kingdom	FTSE All Share TR	GBP	9.9	0.0
Continental Europe	MSCI Europe ex UK NR	EUR	14.8	0.7
Japan	Topix TR	JPY	8.3	-1.3
Global	MSCI World NR	USD	11.2	-2.0
Global emerging markets	MSCI World Emerging Markets TR	USD	16.6	17.7
Bonds				
US Treasuries	JP Morgan United States Government Bond Index TR	USD	-1.9	-3.4
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	USD	-1.9	2.7
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	USD	3.5	1.5
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	USD	11.8	19.2
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	GBP	-1.3	-2.0
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	GBP	1.0	-4.2
Euro Government Bonds	Citigroup EMU GBI TR	EUR	0.6	1.4
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	EUR	2.9	2.4
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	EUR	10.1	18.2
Japanese Government	JP Morgan Japan Government Bond Index TR	JPY	-0.3	-1.0
Global Government bonds	JP Morgan Global GBI	USD	-0.1	-4.9
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	USD	0.4	-2.5
Global Convertible bonds	UBS Global Convertible Bond	USD	7.8	9.4

Source: Lipper Hindsight, May 2009

Asset Class/Region	Index	Currency	Apr 2009	YTD 2009
Property				
US Property securities	MSCI US REIT TR	USD	31.3	-12.2
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	GBP	25.1	-12.0
Europe ex UK Property securities	FTSE EPRA/NAREIT Europe ex UK TR	EUR	15.2	3.6
Asia Property securities	FTSE EPRA/NAREIT Asia TR	USD	12.9	-2.2
Global Property securities	FTSE EPRA/NAREIT Global TR	USD	19.9	-7.9
Currencies				
Euro		USD	-0.2	-4.7
Sterling		USD	3.4	3.1
Yen		USD	0.4	-7.9
Australian Dollar		USD	5.7	5.4
Rand		USD	12.2	9.1
Commodities				
Commodities \$	RICI TR	USD	1.7	-2.6
Agricultural Commodities \$	RICI Agriculture TR	USD	3.3	-2.9
Oil \$	Brent Crude Index (ICE) CR	USD	1.8	28.3
Gold \$	Gold index	USD	-3.6	2.6
Interest rates				
	Last meeting		Current rate	Last change
United States	18 March 2009	USD	0.25%	0.00%
United Kingdom	9 April 2009	GBP	0.50%	0.00%
Eurozone	2 April 2009	EUR	1.00%	-0.25%
Japan	7 April 2009	JPY	0.10%	0.00%
Australia	8 April 2009	AUD	3.00%	-0.25%
South Africa	24 March 2009	ZAR	8.50%	-1.00%

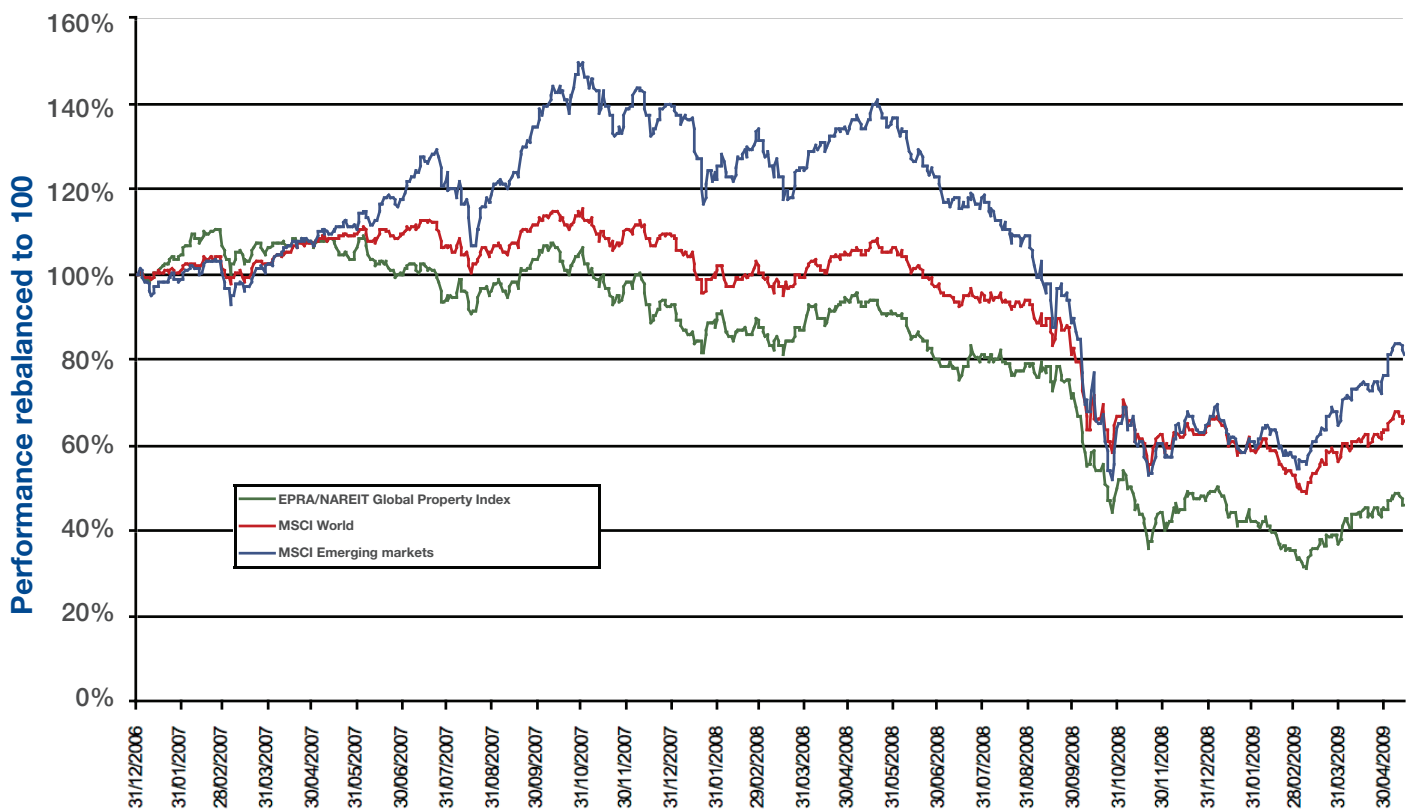
FOCUS:

Property as an asset class is traditionally a late cycle performer. As we are less than two years into this new market cycle (measured from the Bear Sterns collapse in 2007), FOCUS would not normally consider it as an asset class that should make up a significant portion of assets in a balanced portfolio at this time in the cycle. Property securities have however more recently mimicked equity markets rather than the physical property market, and as such could provide an interesting tactical position in a multi-asset portfolio.

With the 2008 sell off of property securities across the globe this asset class entered cheap territory at the end of last year, but continued to decline into 2009. At the end of February 2009 the FTSE/EPRA NAREIT Global index, which represents

global property securities, was down nearly 68% from its peak in February 2007. This compares to a decline of -54% in the MSCI World from its peak in October 2007, and the MSCI Emerging Market Index losing -62% from the same date. It is almost as if property securities as an asset class have experienced a combination of the bad news in equity and property markets, and as a result have been heavily oversold. There are a number of reasons why property securities currently provide a unique investment opportunity for those with an appetite for risk.

The first reason was discussed above – they have been oversold, even more so than equities. This is clearly shown in the graph below:



The second reason is that property securities tend to lead direct real estate markets – on the way up as well as on the way down. There are two main explanations for this phenomenon.

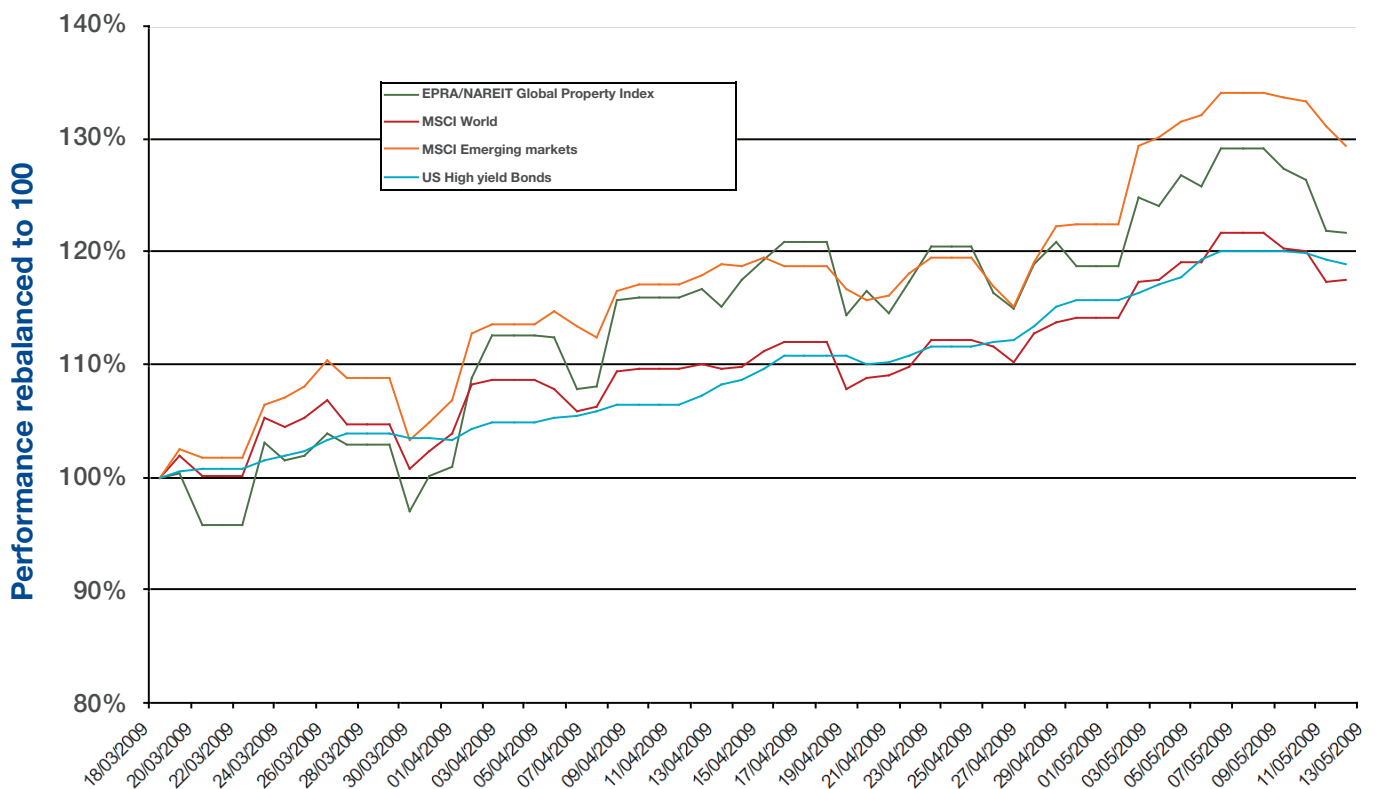
Liquidation from a property security can happen within days, whereas liquidity in the physical property market is measured in months. Listed property securities are traded on public exchanges and the minimum investment requirements and fees are low. In last year's race to quieter investment waters liquid assets tended to lose out the most. According to research done by Scott Crowe and Deborah Krisbergh from Cohen & Steers the direct property market is eight times the size of the property securities market, but the latter has a turnover of 22 times more than the direct market. This means that information influencing the outlook on property valuations is reflected a lot quicker in the listed property sector than in the direct property market. It also means that, if investors want to get out of an asset class of which 89% is fairly illiquid, they will sell (or buy) the liquid holdings first.

With property securities there is essentially no lag between the share price and the market value of the security. Changes in macro (interest rates and GDP growth) and micro (changes in rent and expected occupation rates) economic variables are instantly incorporated in the price of listed securities.

Direct property valuation on the other hand, is much less transparent because of the infrequency of valuations, and the low turnover in the market. Market information therefore takes longer to be reflected in the direct market, and the true value of the property is only determined when the property is sold.

Another important aspect mentioned in Cohen & Steers' paper is that listed property securities tend to overshoot not only on the downside, but also on the upside when compared to the eventual performance of direct properties.

What can investors deduce from the information above? First of all property securities seem to exhibit equity like



volatility (risk), especially over the short term. Furthermore, direct property may be a good investment choice if property securities have already rallied for a substantial period. And lastly, when the consensus view is that the property market is near or at the bottom, it may be a good time to invest in the more liquid version of listed property securities.

In conclusion it is interesting to look at how risky assets (which clearly now include listed property securities) have performed since the markets turned around in March. The graph below shows the performance of developed market equities, emerging market equities, global property securities

and U.S. high yield bonds from the 18th of March. The reason why it is not shown from the 9th of March when equity markets were at their turning point, is that few investors would have been able to call the bottom exactly. By the 18th of March developed equity markets were up by 15%, and investors who had some dry powder in their cash cupboards could reasonably have added some risk to their portfolios. Up to the middle of May the MSCI World Index was up 18%, U.S. High Yield added 19% and Global Property securities were up 22%. Coming out tops (purely from a return point of view) investors in emerging market equities were handsomely rewarded with growth of 29% from 18 March to 14 May.

Click here for:



Disclaimer:

Simply click on the link of the company that you are interested in. By clicking on any external links provided on this website, you will leave the Financial Partners site and be re-directed to an external organisation's website.

As Financial Partners is not responsible for any content or activities associated with any external website accessed by hypertext links appearing on this website, and as such content has been independently developed by third parties and is outside of our control and subject to change without notice, Financial Partners hereby disclaims any representations, warranties, or guarantees made on external websites.

Further, Financial Partners does not guarantee the correctness or suitability of such information or of any other linked information presented, referenced, or implied. Any hyperlink from this website leading to another website should not be interpreted as an endorsement by Financial Partners of that website, its organisation, or of its products or services.

Financial Partners does not accept responsibility for any loss, harm, or damage, however caused, for information by third party organisations with links appearing on this website. Clicking on any of the following external links constitutes a signature of your consent to the above disclaimer. If you disagree with all, or part of this disclaimer, use of the external links provided below is strictly prohibited.

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 Two London Bridge, London SE1 9RA.

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.

© RMB Asset Management International Limited 2008