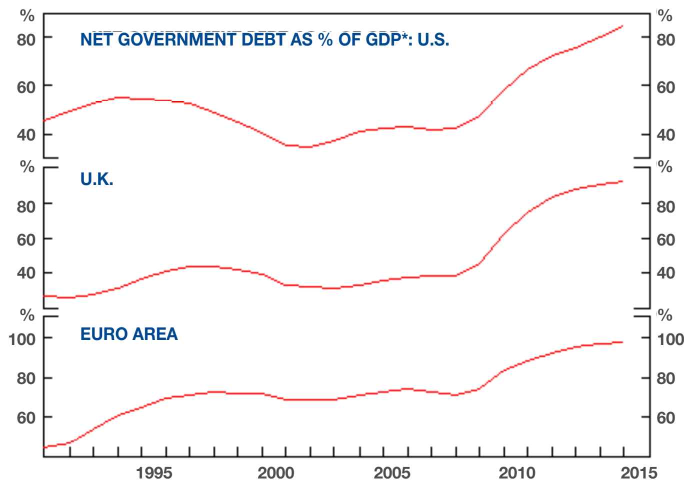
FINANCIAL PARTNERS

RMB ASSET MANAGEMENT

Weekly Review

Week ending 19th March 2010

On Sunday the House of Representatives approved President Barack Obama's proposed overhaul of the U.S. healthcare system in a 219-212 vote. The measure will extend health insurance to more than 32 million people, though many of the bill's provisions will not go into effect until 2014. It also means (at least in theory) that the US Federal Government's deficit will decrease over time as a result of this landmark reform. The reason for this decrease in the federal deficit is essentially a result of the use of this reform's favourable payoff profile. It is estimated that the new health care legislation will cost $940 billion over the next decade, but will be more than made up for with a new tax on the highest earners, fees on health-care companies and Medicare savings.



It is possible that these measures will prove to be a step in the right direction, but there will still be significant headwinds to GDP growth from the fiscal deficit. Comments over the weekend from the International Monetary Fund (IMF) serve as fresh reminder of the structural headwinds that these countries face. From the graph on the left it is clear that the levels are already high. The IMF noted that debt-to-GDP ratios will be near or above 100% by 2014 in all G-7 countries except Canada and Germany, and that merely unwinding the fiscal stimulus programs initiated during the recession will not be sufficient to bring debt levels back to manageable levels.

There is historical precedent for developing nations to be able to escape from such a burden eventually, and there is nothing to suggest that reduction in fiscal deficits is impossible. It is clear, however, that the hitherto profligate developed economies will have to become far more fiscally disciplined over the coming years to avoid a ratings downgrade and the negative implications of such a move. A worry for protagonists of the 'double dip' is that these stretched government finances may not be able to respond to future adverse macro shocks, without significant action being taken now to reduce debt burdens.

In markets most asset classes produced positive returns in local currency terms, with riskier investments rewarded with higher returns. Both the euro and Pound Sterling retraced against the greenback. This had a negative impact on the return on any global asset class when measured in US Dollar terms. Global equities posted gains of 0.3% in US Dollar terms, which was outperformed by Global Emerging Markets which returned 0.6%. The strength of the US dollar resulted in negative returns from global bonds, with government securities' return of -0.4% matched by the broad investment grade universe. Property securities were strong, with a global return of 0.9% surpassing both developed and emerging markets. This return was matched by agricultural commodities. Within 'traditional' commodities oil's 1.5% gain was insufficient to stave off a -0.1% broad index return.

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

Returns to 19 March 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Equities					
United States	S&P 500 NR	**USD**	0.9	5.1	4.3
United Kingdom	FTSE All Share TR	**GBP**	0.6	6.0	5.7
Continental Europe	MSCI Europe ex UK NR	**EUR**	0.6	6.4	2.3
Japan	Topix TR	**JPY**	1.3	6.1	4.6
Australia	S&P/ASX 300 TR	**AUD**	1.2	5.6	1.1
Global	MSCI World NR	**USD**	0.3	5.2	2.3
Global emerging markets	MSCI World Emerging markets TR	**USD**	0.6	6.7	1.1
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.1	-0.4	1.6
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.1	0.4	0.7
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.5	0.6	2.6
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	0.5	2.6	4.1
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	0.8	0.3	0.6
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	0.9	1.2	3.3
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.1	0.2	1.8
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.3	0.7	2.9
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	0.8	3.8	7.6
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	-0.1	-0.1	0.0
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.1	-0.7	0.9
Global Government bonds	JP Morgan Global GBI	**USD**	-0.4	-0.9	-0.2
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.4	-0.5	-0.3
Global Convertible bonds	UBS Global Convertible Bond	**USD**	-0.1	3.1	2.3
Emerging Market Bonds	JP Morgan EMBI +	**USD**	0.3	2.3	3.8

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

Returns to 19 March 2010

Asset Class/Region	Index	Currency	Week	Month to date	Year to date
Property					
US Property securities	MSCI US REIT TR	**USD**	1.9	9.8	9.6
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-0.1	3.8	-2.7
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	0.7	3.7	3.2
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	0.7	0.6	-0.9
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	0.9	5.0	1.0
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	0.9	6.3	2.7
Currencies					
Euro		**USD**	-1.7	-0.9	-5.7
Sterling		**USD**	-1.1	-1.4	-7.0
Yen		**USD**	0.2	-1.8	2.9
Australian Dollar		**USD**	0.0	2.3	1.9
Rand		**USD**	0.7	4.3	0.2
Commodities					
Commodities	RICI TR	**USD**	-0.1	0.0	-2.9
Agricultural Commodities	RICI Agriculture TR	**USD**	0.9	-2.9	-6.6
Oil	Brent Crude Index (ICE) CR	**USD**	1.5	4.9	4.6
Gold	Gold index	**USD**	-0.1	-0.2	-1.7

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

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 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.

© RMB Asset Management International Limited 2009