FP FINANCIAL PARTNERS

RMB ASSET MANAGEMENT

Weekly Review

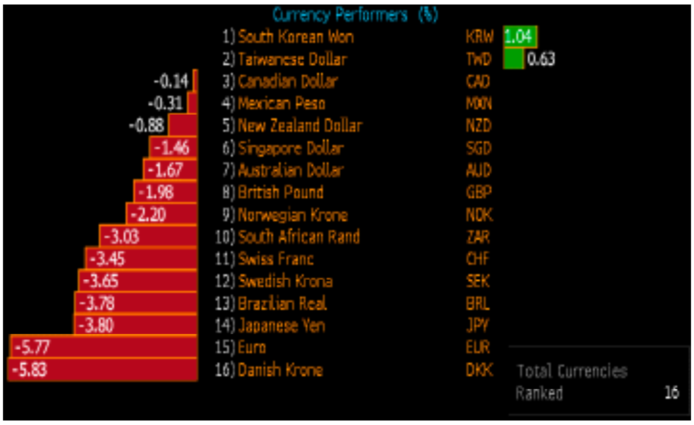
Week ending 22nd January 2010

At the start of a year where most asset classes appear to be fairly priced and markets are looking for direction from fresh economic news, politics seemed to have the last say. A big theme last week was the influence that politics may have on markets in the year ahead. It's fair to say that right wing administrations are often seen as positive for markets. However, the Republican win in Massachusetts on Wednesday and the fiscal tightening that may accompany a newly elected Conservative Government in the UK are causing analysts to loose some sleep. In the US the prevailing view was that an important, if sole, Republican victory makes further US fiscal spending more difficult to pass through the Senate if eventually needed. Paradoxically if fiscal policy becomes more restrictive it could lead to monetary policy staying looser for longer. So in a way it could be supportive for markets if fiscal conditions tighten. This follows US President Obama's statement in the previous week announcing a plan to levy a fee on about 50 financial institutions to raise about $90 billion. The money would be used to cover the cost of the Troubled Asset Relief Program and reduce the federal deficit.

Global equities pulled back last week with all the major indices in negative territory. In the US the S&P 500 retreated -3.9% in US Dollars, with their British neighbours across the Atlantic seeing a pull back of -2.7% (in Pound Sterling) in the FTSE All Share index. In Europe (-2.9% in euro) and Japan (-2.6% in Japanese Yen) the theme was much the same, with US Dollar strength further detracting from returns for investors who favour the greenback as base currency for their global investments. Emerging equity markets faired slightly worse when compared to their developed counterparts as the MSCI Emerging Market index produced a return of -4.6% in US Dollars. Most market commentators support the growth story for emerging markets, but this may just be somewhat of a contrarian indicator over the short term.

Global bond markets were stronger towards the end of the week as investors' enthusiasm for risky assets waned and demand for government bonds pushed yields lower. US Treasuries gained (JP Morgan GBI +0.4%) but in Europe and the UK government paper performance remained flat. Investment grade bond spreads over government bonds widened, but the reduction in the underlying reference yield cushioned the effect. In the US, Eurozone and the UK investment grade bonds were up slightly, but further out in the risk spectrum high yield bonds sold off (-0.6% in the US and -0.7% in the Eurozone) on the back of equity market weakness.

Commodities followed in the footsteps of equity markets and were weaker across the board, and amongst the major currencies it was only the Japanese Yen that provided some resilience against US Dollar strength.



And finally – on the topic of contrarian indicators: the graph above shows the performance of 16 major currencies against the US Dollar since the end of November when many market commentators had very little sympathy for a recovery in the greenback…

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

Returns to 22 January 2010

Asset Class/Region	Index	Currency	Week	Month	2010
Equities					
United States	S&P 500 NR	**USD**	-3.9	-2.0	-2.0
United Kingdom	FTSE All Share TR	**GBP**	-2.7	-1.6	-1.6
Continental Europe	MSCI Europe ex UK NR	**EUR**	-2.9	-2.2	-2.2
Japan	Topix TR	**JPY**	-2.6	3.7	3.7
Australia	S&P/ASX 300 TR	**AUD**	-3.1	-2.5	-2.5
Global	MSCI World NR	**USD**	-3.8	-1.5	-1.5
Global emerging markets	MSCI World Emerging markets TR	**USD**	-4.6	-2.5	-2.5
Bonds					
US Treasuries	JP Morgan United States Government Bond Index TR	**USD**	0.4	1.5	1.5
US Treasuries (inflation protected)	Barclays Capital U.S. Government Inflation Linked TR	**USD**	0.3	1.3	1.3
US Corporate (investment grade)	Barclays Capital U.S. Corporate Investment Grade TR	**USD**	0.1	0.1	1.6
US High yield	Barclays Capital U.S. High Yield 2% Issuer Cap TR	**USD**	-0.6	1.6	1.6
UK Gilts	JP Morgan United Kingdom Government Bond Index TR	**GBP**	0.0	0.5	0.5
UK Corporate (investment grade)	Merrill Lynch Sterling Non Gilts TR	**GBP**	0.0	2.2	2.2
Euro Government Bonds	Citigroup EMU GBI TR	**EUR**	0.0	0.4	0.4
Euro Corporate (investment grade)	Barclays Capital Euro Aggregate Corporate TR	**EUR**	0.1	1.6	1.6
Euro High yield	Merrill Lynch Euro High Yield 3% constrained TR	**EUR**	-0.7	3.6	3.6
Japanese Government	JP Morgan Japan Government Bond Index TR	**JPY**	0.0	-0.1	-0.1
Australian Government	JP Morgan Australia GBI TR	**AUD**	0.8	1.0	1.0
Global Government bonds	JP Morgan Global GBI	**USD**	-0.2	1.2	1.2
Global Bonds	Citigroup World Broad Investment Grade (WBIG) TR	**USD**	-0.4	0.8	0.8
Global Convertible bonds	UBS Global Convertible Bond	**USD**	-2.4	-0.1	-0.1
Emerging Market Bonds	JP Morgan EMBI +	**USD**	-0.6	0.2	0.2

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Returns to 22 January 2009

Asset Class/Region	Index	Currency	Week	Month	2010
Property					
US Property securities	MSCI US REIT TR	**USD**	-4.4	-4.7	-4.7
UK Property securities	FTSE EPRA/NAREIT United Kingdom TR	**GBP**	-4.1	-6.2	-6.2
Europe ex UK Property securities	FTSE EPRA/NAREIT Developed Europe ex UK TR	**EUR**	-2.1	-0.5	-0.5
Australian property securities	FTSE EPRA/NAREIT Australia TR	**AUD**	-2.5	-2.8	-2.8
Asia Property securities	FTSE EPRA/NAREIT Developed Asia TR	**USD**	-3.3	-2.9	-2.9
Global Property securities	FTSE EPRA/NAREIT Developed CR	**USD**	-3.9	-3.7	-3.7
Currencies					
Euro		**USD**	-1.7	-1.5	-1.5
Sterling		**USD**	-0.8	-0.1	-0.1
Yen		**USD**	0.9	3.3	3.3
Australian Dollar		**USD**	-2.0	0.6	0.6
Rand		**USD**	-2.8	-3.1	-3.1
Commodities					
Commodities	RICI TR	**USD**	-3.2	-4.5	-4.5
Agricultural Commodities	RICI Agriculture TR	**USD**	-1.1	-4.7	-4.7
Oil	Brent Crude Index (ICE) CR	**USD**	-2.8	-2.8	-2.8
Gold	Gold index	**USD**	-3.9	-3.6	-3.6

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