overberg
asset management

GLOBAL PERFORMANCE FACTSHEET

OAM Global Growth Portfolios
GBP Sterling

JUN 2015

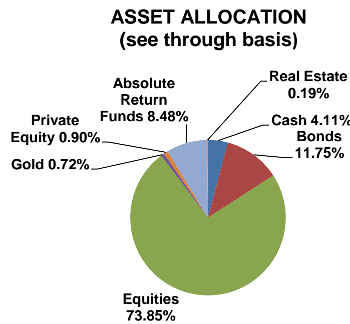
Technical Details

- FSB approved
- Base currency: GB Pounds
- Minimum investment: USD$ 100,000 equivalent
- Benchmark: FTSE Global 100
- Asset Allocation: flexible mix of closed-end funds, bonds and cash

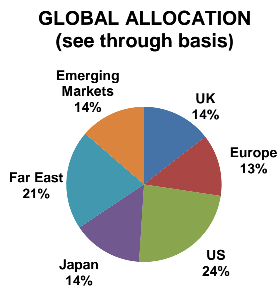
Investment Objectives:

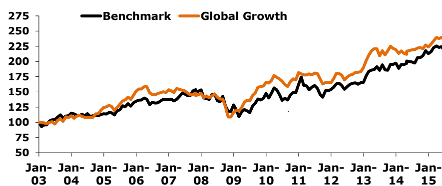
Growth Portfolio: conservative growth, using medium risk strategy; consistent annual returns with low volatility.

ASSET ALLOCATION
(see through basis)



GLOBAL ALLOCATION
(see through basis)





(As calculated by Overberg 30 Jun 2015)

	Growth %	Benchmark %
Annualised Return	7.07	6.39
2003	10.76	15.13
2004	12.44	-0.98
2005	21.69	18.22
2006	1.34	2.21
2007	-4.11	11.35
2008	-20.88	-16.24
2009	42.05	14.76
2010	9.81	9.92
2011	-9.17	-5.00
2012	15.06	7.62
2013	15.43	19.01
2014	2.17	7.95
2015 YTD	4.90	1.94

*Since Jan 2003: All performance figures include income and are net of fees and expenses

Growth 2015	Growth %	Benchmark %
January	2.02	1.52
February	2.21	3.00
March	2.50	1.29
April	-0.73	-1.01
May	0.83	0.55
June	-1.94	-3.30
July		
August		
September		
October		
November		
December		

2015	$5.93%	€15.03%	ZAR11.90%

Annualised Income Yield	1.24
Best 3 Months	7.28 7.23 7.05
Worst 3 Months	-13.41 -9.14 -6.33

Reg No: 2001/019896/07 | Authorised Financial Services Provider. License No: 783
Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances.

Overberg Asset Management specializes in the management of individual global portfolios, tailored to the investment objectives of each client. In the current and foreseeable climate, we are building client portfolios around closed-end funds, which give low-cost access to global investment opportunities at measurable risk and alpha. Closed-end funds are publicly quoted companies, representing leading international fund managers and offering access to traditional as well as alternative asset classes - they have become the investment choice of London's "City" professionals. As an independent company, Overberg can set objective standards in its selection of closed-end funds. Your portfolio will be in the safe custody of London-based Charles Stanley stockbrokers, and managed from here in S.A. Constant availability and a quick and flexible response are fundamental to our client relationships. Clients have access to their latest investment positions via a daily update on the Charles Stanley website.

Quarterly Commentary 30 June 2015

The second quarter (Q2) was characterised by unusually high levels of investor anxiety sparked by exceptional volatility in European bonds and in China's equity market. An easing in Eurozone deflation fears caused the German 10-year bund yield to rise in dramatic fashion from 0.1% in April to 1.0% in June. The Shanghai Composite Index, after surging 150% over twelve months succumbed to worries over excessive valuations and high margin debt and tumbled 30% from peak levels. At the same time Greece's negotiations with its creditors culminated in a referendum in which the Greek people overwhelmingly rejected bailout terms. Meanwhile at the back of investors' minds is the Federal Reserve's looming interest rate tightening cycle, expected to start before the end of the year, perhaps as early as September.

Despite China's equity market officially entering bear market territory (defined as a market drop of 20% or more) the Shanghai Composite Index was the top gainer over Q2 rising +14.1% and for the year-to-date by +32.2%. Russia came second with respective gains of +7.0% and +18.8% in spite of the country's deep recession. Developed markets performed less well, with the US S&P 500 and UK FTSE 100 incurring losses over the quarter of -0.7% and -3.7% and for the year-to-date only returning +0.2% and -0.7%. The German Dax fell by a hefty -8.5% in Q2 affected more than most by the spike in bond yields and the Greek debt crisis, although the index was still up +11.6% for the year. Japan's Nikkei Index was by far the best performing index over Q2 and year-to-date with respective returns of +5.4% and +16.0%.

The US Treasury 10-year yield reversed sharply from 1.9% to 2.5% towards the end of the quarter in line with the volatility in German bunds. Nonetheless the S&P 500 remained close to all-time highs supported by record merger and acquisition spending, share buyback activity and very low interest rates. However, the first interest rate increase for nine years is looming. Strong employment gains and higher US inflation expectations are pointing the way to higher interest rates. Consumer prices rose 0.4% in May which gives an annual inflation rate of 1.7%. Employment was stronger than expected in May with a 280,000 rise in non-farm payrolls together with upward revisions to earlier data. Although US GDP shrank in Q1 by -0.7% this is being blamed on transitory factors including adverse weather and a port strike with GDP growth of over 3.5% expected in Q2 and around 3.0% in the second half of the year. According to consensus forecast the first interest rate hike will occur at the 17th September policy meeting. Fortunately the normalisation in interest rates thereafter is likely to be gradual and the Fed is signalling an eventual long-term interest rate of just 3.5% well below the 5.25% level nine years ago. The S&P 500 is expensive by historic standards on an 18.1x estimated forward price-earnings multiple but valuations are supported by a strong economic recovery and anticipated rebound in earnings growth. Despite the expected hikes in interest rates monetary policy is likely to remain accommodative.

In Q2, UK equities hit an all-time high of 7103 although volatility in the European bond market and the Greek crisis dragged markets back. The Conservative party unexpectedly won an outright majority in the general election but markets did not celebrate for long, instead focussing on the uncertainty of further fiscal consolidation and the referendum on EU membership. Standard & Poor's credit rating agency downgraded the outlook for the UK's triple-A rating from "stable" to "negative" on the back of potential risks arising from the EU referendum. However, the outlook for economic growth is positive helped by improved consumer spending. With inflation near zero and wages picking up amid strong job creation, household disposable income is growing strongly in real terms. The

consumer should make a solid contribution to the economy in 2015 with retail sales growing at an annual rate of almost 5%. The Bank of England (BOE) left its key interest rate at 0.5% and its asset purchase programme unchanged at £375 billion. There is a strong likelihood that the eventual hike in rates may be delayed in order to compensate for a tight fiscal policy. Indeed the IMF suggested that the BOE should not increase interest rates until mid-2016. Moreover, with low inflation, the eventual pace of monetary tightening is expected to be very slow. The BOE has suggested the benchmark rate will only reach 1.4% by 2018. The FTSE 100 Index is trading on an estimated 16.8x forward price-earnings multiple which is high by historic standards but reduces rapidly to 14.9x in 2016 based on an anticipated recovery in earnings growth.

The Eurozone economy grew by 0.4% in Q1 driven by a 0.5% increase in household spending with strong performances in France, Italy and Spain. The French economy grew by 0.6% in Q1 and is on an improving trend after almost three years of stagnation. Italy's labour reforms helped pull its economy out of a three year recession with GDP forecasts for 2015 raised from 0.5% to 0.7% and for 2016 from 1% to 1.2%. Spain is expected to grow 3% in 2015 and although unemployment is still 24% the economy has created 0.5 million jobs so far this year. Eurozone deflation fears have dissipated prompting the ECB to lift its inflation forecast for 2015 from zero to 0.3% rising to 1.8% by 2017. Solid economic progress has been made and Eurozone GDP growth is expected to reach 1.9% in 2016. After a strong Q1 the FTSE Europe (ex-UK) Index suffered a setback in Q2 due to a sharp sell-off in German bunds and anxiety over the Greek crisis. However, market stability should return with the ECB fully committed to carrying out its €1.1 trillion quantitative easing programme until its scheduled expiry in September 2016. After a huge re-rating, European equities are trading on an estimated 17.2x forward price-earnings multiple which although high falls quickly with the potential for strong earnings growth.

Japan's Q1 GDP growth was revised upwards from 2.4% annualized to 3.9% attributed to a substantial 11% growth in business investment spending which bodes well for future economic activity. The economy is gaining momentum overcoming the fiscal drag from last year's sales tax increase. As expected the Bank of Japan (BOJ) left its quantitative and qualitative easing (QQE) programme unchanged at ¥80 trillion equivalent to a massive 16% of GDP. However, the BOJ forecasts that consumer price inflation is unlikely to meet its 2% target which suggests an increase in the QQE programme. The most likely policy response will be an increase in qualitative easing with greater emphasis on equity and property asset purchases rather than bond purchases, providing added support to equity markets. Meanwhile the profit outlook for Japan's major corporations is at all-time highs, boosted by a sharply weaker yen. The real effective exchange rate is at record lows which combined with low oil and commodity prices has given corporate terms of trade a substantial boost. The breakeven sales rate, measuring the point at which companies become profitable in terms of percentage of revenue, currently stands at 66% for large manufacturers the lowest since the early 1980s. The breakeven sales rate for small and medium enterprises has also fallen dramatically to near 20-year lows signaling a massive boost to Japanese corporate profitability. The data is extremely positive for earnings growth. The Nikkei is trading on an estimated 16x forward price-earnings multiple which is low compared with other developed markets especially given the potential for superior earnings growth.

Emerging & Asia (ex-Japan) equity markets had a mixed performance in Q2 with strong gains in China despite the sharp sell-off, in Hong Kong and in Russia but falls in India and Malaysia. The FTSE Asia pacific (ex-Japan) declined by -3.3% over Q2 and is -9.2% lower than its April peak. However, the region remains attractively valued on an estimated 12.7x forward price-earnings multiple and expected to show double digit earnings growth in the current financial year. The investment potential is exemplified by South Korea which despite the prospect of strong earnings and dividend growth is valued on an estimated forward price-earnings multiple of just 10x. The spill-over from China's market correction into the broader Asia-Pacific region is likely to be limited as economic fundamentals are gradually improving. China's trade numbers and purchasing managers' indices have bottomed out giving cause for optimism. India is experiencing strong economic growth expected to reach 8% in 2015. India's equity market is 28% owned by overseas investors but Indians only own $400 billion of equities much less than their $1 trillion holding of gold. A change in mind-set by domestic investors would be extremely positive for the equity market. An accommodative monetary policy is also supportive with the central bank cutting the repo interest rate for a third time this year to 7.25%. However, the market is not as cheap as its counterparts in the Asia-Pacific region trading on a 17x estimated forward price-earnings multiple.

Reg No: 2001/019896/07 | Authorised Financial Services Provider. License No: 783
Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances.

Following the successful conclusion of Greece's debt negotiations and a stabilisation in China's equity market attention is once again turned to the Fed's interest rate trajectory. Although the commencement of the Fed's interest rate tightening cycle is bound to prompt a correction in US and global stocks, the correction is likely to be sufficiently mild for long-term investors not be deterred. Long-term investors should remain invested rather than trying to time the market. Previous Fed tightening cycles in 1994 and 2004 which coincided with similar improving economic outlooks as today, were accompanied by equity market corrections of less than -10%. Although Fed tightening cycles are associated with a de-rating in US equities (a decline in the price-earnings multiple) the impact on share prices will be mitigated in the current improving economic environment by rising company earnings. Furthermore, it is highly likely that the Fed will raise interest rates very gradually. Inflation remains very low and there is a sizeable "output gap" between the economy's full capacity and actual capacity utilisation. The Fed is likely to move as soon as it can but very slowly thereafter. The risk to the Fed of raising rates too slowly is far less than the risk of raising rates too fast. If inflation falls further and employment growth slows the Fed will have little recourse other than a QE4 programme, a scenario which the Fed is keen to avoid at all costs. Flat inflation gives the Fed significant room for manoeuvre and should keep a cap on bond yields, a winning recipe for US and global equity markets even after the initial Fed rate hike.

Reg No: 2001/019896/07 | Authorised Financial Services Provider. License No: 783

Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances.