GLOBAL PERFORMANCE FACTSHEET

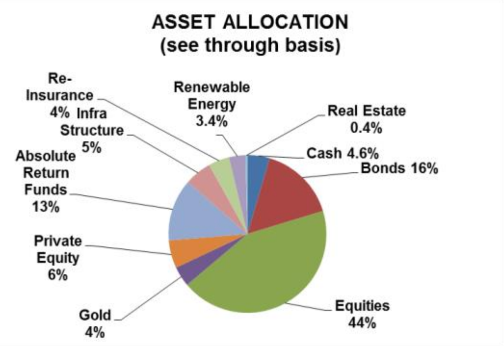
OAM Global Income Portfolio[1]
GBP Sterling

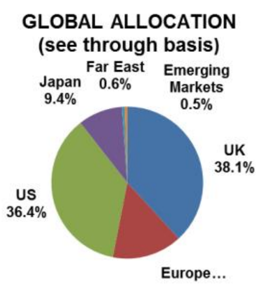
Technical Details

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

Investment Objectives:

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





(As calculated by Overberg 1 Jul 2016)

1) Individual portfolio representing a Global Income investment style

JUN 2016	Global Income %	FTSE Global 100 %	FTSE 100 %
Annualised Return	6.49	6.92	3.78
2003	11.89	15.13	13.62
2004	8.64	-0.98	7.54
2005	18.00	18.22	16.71
2006	8.49	2.21	10.71
2007	-4.40	11.35	3.80
2008	-30.30	-16.24	-31.33
2009	49.11	14.76	22.07
2010	11.92	9.92	9.00
2011	-4.96	-5.00	-5.55
2012	14.00	7.62	5.84
2013	18.20	19.01	14.43
2014	3.19	7.95	-2.71
2015	1.66	4.22	-4.93
2016 YTD	0.48	11.30	4.20

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

Growth 2016	Global Income %	FTSE Global 100 %	FTSE 100 %
January	-2.73	-1.84	-2.54
February	-0.99	1.40	0.22
March	2.30	1.80	1.28
April	-0.58	-0.71	1.09
May	0.33	1.28	-0.18
June	2.24	9.24	4.39
July			
August			
September			
October			
November			
December			

Annualised Income Yield	1.78%
Best 3 Months	10.40 6.78 6.54
Worst 3 Months	-15.41 -8.73 -4.34

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 2016

The second quarter (Q2) was dominated by the outcome of the UK referendum. The unexpected Brexit vote to leave the European union (EU) shocked global markets, significantly altering the outlook for UK and global growth. The Brexit result caused the Chicago Board Options Exchange Volatility Index (VIX), an indicator of risk aversion, to surge by 49.3% in a single day as markets fell worldwide. The British pound fell -12% versus the US dollar within a few hours to its lowest level since 1985. While "riskier" asset classes including the euro, emerging market currencies, commodity prices and equities, fell sharply on the Brexit news, safe haven assets such as gold, the yen and US dollar firmed on the news. Despite the Brexit shock, the UK FTSE 100 index was one of the best performing equity markets in Q2 rallying by +5.3% due to the competitive boost from a weaker currency, with year-to-date (YTD) gains of +4.2%. Other major markets lagged, with the US S&P 500, the German Dax, and Japan's Nikkei 225 posting Q2 returns of +0.8%, -2.9% and -7.1%, and YTD returns of +2.0%, -9.9% and -18.2%, respectively. China's Shanghai index lost -2.5% in Q2 and -17.2% YTD. The gold price rallied strongly over the quarter from $1231 to $1348, an increase of 9.5% taking its YTD gains to 27.2%.

The US reported a sharp decline in company earnings in Q1. S&P 500 earnings fell by -8%, attributed to heavy declines in the energy sector. The six biggest US banks also contributed to the overall decline suffering their biggest drop in earnings since 2011. Meanwhile Apple, the largest stock by market capitalisation, reported a -13% decline in quarterly revenues. However, the earnings outlook for the remainder of the year is brighter. Even though energy companies reported poor results their share prices performed strongly in Q2 reflecting the 70% surge in the oil price off its January lows. Q1 GDP growth was revised upwards from 0.8% to 1.1% and momentum improved in Q2 helped by improved consumer confidence and strong retail sales. In May retail sales increased 0.5% month-on-month and excluding volatile items by a robust 5% year-on-year. Consumer spending accounts for around 75% of US GDP. The Federal Reserve (Fed) expects the economy to grow by 2% in both 2016 and 2017. However, the Brexit vote has led to a reversal in interest rate expectations with the futures market now pricing in a less than 10% probability of a Fed rate hike by year-end compared with a 70% probability at the end of May. Fed fund futures are even pricing in a marginal probability of a rate cut in 2017. As a result, the yield on the US 10-year Treasury bond has dropped to its lowest since 2012, nearing its record low of 1.38% while the longer dated 30-year bond yield has touched new all-time record lows indicating a flattening of the yield curve. An inverted yield curve is normally associated with economic recessions. After the slow start to the year overall S&P 500 earnings growth of 3% is expected in 2016 placing the index on an estimated 17.2x forward price-earnings multiple.

On Brexit Friday the pound fell -8.4% versus the US dollar to a 30-year low of £/$1.32. The FTSE 100 index lost -3.1% while the flight to safety pushed the 10-year gilt yield to a record low of 0.9%. Equities soon recovered as the pound's depreciation is welcomed by many FTSE 100 companies which on aggregate derive 70% of sales from overseas. However, there are significant economic risks associated with leaving the EU including lower GDP growth, higher unemployment, rising inflation and deterioration in the budget deficit and current account deficit. Standard & Poor's Global ratings downgraded the UK's credit rating from AAA to AA and imposed a "negative outlook" raising the prospect of a further downgrade. The rating agency cautioned that the Brexit process would result in a less predictable, stable, and effective policy framework. EU leaders have stated that the nature of the future relationship with the UK will be determined only after the exit has been finalised. A prolonged Brexit process will result in lingering uncertainty damaging business and consumer confidence, both in the UK and globally. The longer term outcome will depend on the response of the Bank of England and the policy of Theresa May's new government. While creating uncertainty we recognise that Brexit is not a financial crisis. UK bank balance sheets are robust and the weaker currency will boost competitiveness. UK equities are reasonably valued on an estimated 15.5x forward price-earnings multiple and offer an attractive 4.4% dividend yield.

European equities reacted badly to the Brexit vote as fears resurfaced over the long-term viability of the Eurozone. In Q2 the FTSE Europe (ex-UK) index fell by -5.3% in dollar terms. European bank shares fell back to 2012 levels. On Brexit Friday the German Dax fell by -7.8% driven by double digit falls in Commerzbank and Deutsche Bank, while equity markets in France, Italy and Spain suffered even greater declines of -8%, -12.5% and -12.3%, respectively. In Italy shares of Unicredit Bank lost a further -35% in Q2 and the government set up a €5 billion fund to buy bad bank loans. The fund was used to bail-out Popolare di Vicenza. Despite the Eurozone enjoying a strong start to the year with GDP growth of 1.6% in Q1 overall company earnings fell during the quarter by -12% and by -9% excluding the energy sector. Equity market volatility combined with declining inflation expectations drove investors to the safe haven of German bunds pushing the 10-year yield to -0.17%. Negative bond yields are particularly evident in Europe. In Q2 Switzerland's 30-year government bond moved to a negative yield. The European Central Bank (ECB) is under pressure to increase monetary stimulus after lowering its 2017 inflation forecast from 2% to 1.5%. The Brexit vote adds to the likelihood of the ECB increasing the scope of its quantitative easing (QE) programme and possibly lowering its benchmark interest rate further into negative territory. Further ECB stimulus would boost prospects for European equities, which appear relatively cheap on an estimated 14.3x forward price-earnings multiple.

The underperformance of Japanese equities since the start of the year is attributed to the yen's appreciation. The currency gained 15% against the US dollar, which not only affects equities but also undermines the Bank of Japan's (BOJ) 2% inflation target. Although GDP grew by a stronger than expected 1.7% in Q1 there is growing pressure on Prime Minister Shinzo Abe to re-load the "three arrows" of Abenomics, namely monetary easing, fiscal stimulus and structural reforms. Given the strength of the yen and limited progress in meeting its inflation target the BOJ is expected to expand asset purchases under its Quantitative and Qualitative Easing (QQE) policy, perhaps as soon as the next policy meeting on 28th July. The last expansion in QQE in October 2014 had a significant beneficial impact on both the yen and Japanese equities. A further boost to Japanese equities could come from the solid victory by the ruling coalition government in Upper House elections. The two-thirds majority should provide the Abe government with significant political capital to push through additional fiscal stimulus and much needed structural reform. Japanese equities are attractively priced on an estimated 13.1x forward price-earnings multiple.

Emerging market equities were amongst the best performers during Q2, led by the Philippines, India and Russia with quarterly gains of +7.3%, +6.5% and +6.5%. Even Brazil, amid a formal impeachment of its president Dilma Rouseff, and mired in recession with a further -3.5% GDP contraction expected in 2016, has enjoyed a YTD equity rally of +18.8% making it the world's second best performing stock market so far this year. The outperformance of emerging markets is attributed to the Fed's more "dovish" policy approach and the increased likelihood following the Brexit vote, of further monetary easing by major central banks. As a result, emerging market currencies have strengthened affording emerging market central banks the opportunity to cut interest rates. India cut its interest rate by 25 basis points to 6.5% in April in spite of GDP growing at an impressive pace of 7.9%. South Korea's central bank cut its interest rate to a record low 1.25% after lowering its 2016 GDP growth forecast from 3.0% to 2.8%. Australia cut its interest rate to 1.75% on the back of lower inflation expectations. Meanwhile, the People's Bank of China has refrained from cutting its interest rate so far in 2016 but is widely expected to resume the rate lowering cycle in the second half of the year to ensure a smooth economic transition from export to domestically-led growth. While emerging market equities appear to offer good value trading on an estimated 11.5x forward price-earnings multiple, the positive outlook is premised on the Fed's continued monetary policy accommodation. Once the Fed starts to hike rates emerging market currencies, credit and equity markets are likely to rapidly reverse course.

Before Brexit, weak global economic growth had already supressed bond yields to record lows and this was accentuated by the historic vote. A total $10 trillion worth of bonds are now paying negative yields and the situation is likely to worsen if as expected the BOE, BOJ and ECB announce additional monetary stimulus. On the one hand negative bond yields add to the relative attraction of equity dividend yields. On the other, however, any upward reversal in bond yields and commensurate fall in so called safe-haven assets may lead to a significant correction in equities. We therefore believe more than ever in the merits of portfolio diversification across currencies and asset classes. The portfolios are diversified to take advantage of high yielding equities while protecting against further market shocks through substantial US dollar weightings and meaningful exposure to gold, and floating rate bonds which will perform in the event of rising interest rates.