overberg asset management

Global performance factsheet

OAM Global Income Portfolios
GBP Sterling — **DEC 2011**

Introduction

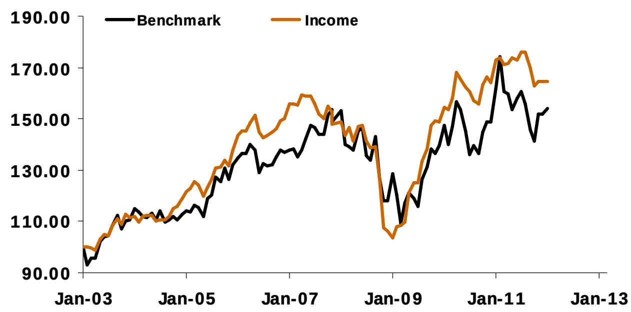
Overberg Asset Management specializes in the management of individual global portfolios, tailored to the investment objectives of each client. In the current and foreseeable climate, we are building client portfolios around closed-end funds, which give low-cost access to global investment opportunities 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. We produce customised statements and investment reports to specific requirements.

Technical Details

- FSB approved
- Base currency: GB Pounds
- Minimum investment: R500,000 equivalent
- Benchmark: FTSE Global 100
- Asset Allocation: flexible mix of closed-end funds, bonds and cash

Investment Objectives:

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



(As calculated by Overberg 31 Dec 2011)

	%
Annualised Income Yield	2.18
Best 3 Months	10.40 6.78 6.54
Worst 3 Months	-15.41 -8.73 -4.34

	Income %	Benchmark %
Annualised Total Return	5.68	5.05
2003	11.89	15.13
2004	8.64	-0.98
2005	18.00	18.22
2006	8.49	2.21
2007	-4.40	11.35
2008	-30.30	-16.24
2009	49.11	14.76
2010	11.92	9.92
2011	-4.96	-5.00

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

Growth 2011	Income %	Benchmark %
January	0.46	7.59
February	-1.52	-7.78
March	0.15	-0.53
April	1.42	-3.99
May	-0.63	2.89
June	1.90	1.58
July	-0.05	-2.90
August	-3.56	-6.52
September	-4.16	-3.00
October	1.13	7.61
November	0.04	-0.13
December	-0.06	1.38

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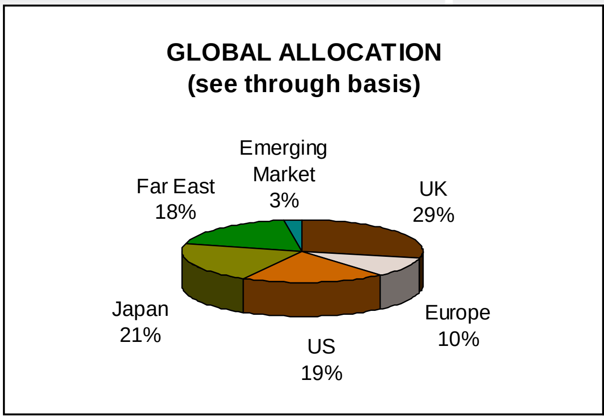

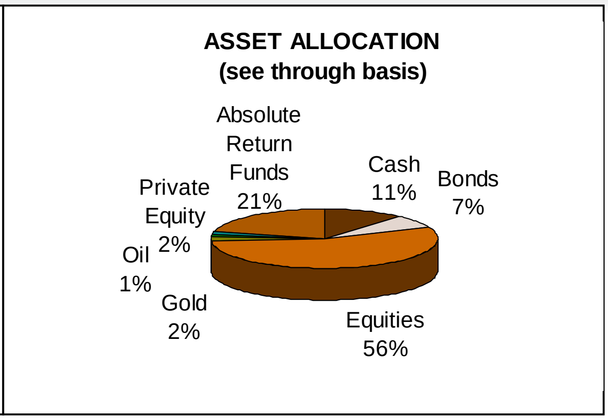

Commentary

Although global equity markets are set to perform well in 2012, expectations rarely turn out as predicted. There are clear downside risks. The main risk is the eurozone sovereign debt crisis and the impact that a disorderly collapse of the euro would have on Europe and the global economy. The other main concern is a hard landing in China and concerns over its real estate market. Taking a long-term view however, we believe that markets are currently exhibiting extreme and unwarranted pessimism. There is a tendency for markets to overshoot both on the upside and downside as current news headlines are extrapolated into the future, forgetting that over time conditions do revert to the norm. The consensus expectation that today's current negative environment will continue indefinitely has created significant value and a uniquely favourable investment opportunity.

Current sentiment towards Europe is overly negative. While the eurozone recession will likely intensify, causing an annualized economic contraction of 1.5% in the 1st half of 2012, policy response is finally being stepped up. New technocrat governments in Italy and Spain have taken big steps towards regaining credibility. Mario Draghi, the new president of the European Central Bank (ECB) has already cut eurozone interest rates twice to 1% and extended the ECB's liquidity operations. Most notably, in late December the ECB provided $489 billion equivalent of Long-Term Refinancing Operations (LTRO's) to over 500 eurozone banks at a record 3-year maturity and an interest rate of just 1%. The move is tantamount to quantitative easing and is due to be followed by a 2nd tranche in late February. The ECB and Germany are likely to commit greater support now that the sovereign debt crisis has moved to the core eurozone, causing even France to lose its "AAA" rating.

Fears of a hard landing in China are misplaced. Unlike the property slump in the US, China's recent property decline was instigated by the government intent on avoiding a property bubble. Stability should easily be restored through a reversal of the regulatory constraints imposed over the past 18 months. China's inflation is steadily improving from a 6.5% peak in July to around 4.2% currently, suggesting recent cuts in the bank reserve requirement ratio will not be one-offs. Policy is likely to shift from ant-inflationary towards pro-growth, including relaxation of lending restrictions as well as fiscal stimulus in addition to monetary easing. China enjoys a budget deficit to GDP of just 1.1%, extremely low by international standards, with capacity for significant fiscal stimulus if required. China's economy grew at an annualized rate of 8.9% in the 4th quarter last year, well above the 7.8% level expected by the "hard landing" school. China's potential is being underestimated in Western markets, most notably its extremely high educational standards, its rapid move up the production efficiency curve, and the stability of its government.

The transformational effects of technology are also underestimated, especially its potential to boost labour productivity and profit margins. While the developed world's economic recovery has been disappointing, company earnings continue to exceed expectations. US company earnings as a proportion of GDP, keeps rising. Aggregate earnings of the S&P 500 index are now at an all-time high even though GDP is yet to reach its 2007 levels. Instead of recognizing the fact, the market is discounting a decline in profit margins and in our view undervaluing equities in the process.

Meanwhile, economic momentum has improved in the past month. Recent US economic data has been solid, including employment growth, manufacturing and consumer confidence. With its inventory adjustment out of the way, solid US domestic demand growth this year should provide much needed support for other economies. Japan the world's 3rd largest economy, is recovering fast from last year's natural disasters and expected to grow 2.7% in 2012. Emerging economies slowed markedly in 2011 to an estimated 4% annualized rate in the 4th quarter but should recover to around 6.5% by the 4th quarter 2012 as the inventory adjustment wanes and renewed policy stimulus gains traction.