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Global performance factsheet

OAM Global Growth Portfolios
GBP Sterling

OCT 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

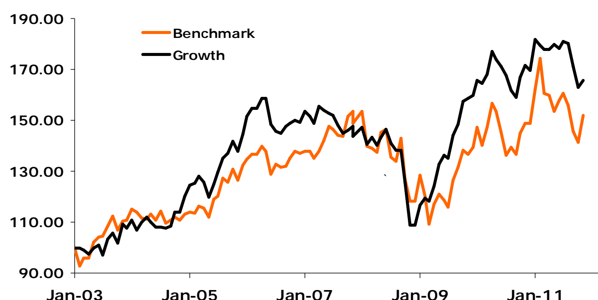
- FSB approved
- Base currency: GB Pounds
- Minimum investment: R500,000 equivalent
- Benchmark: FTSE Global 100
- Asset Allocation: flexible mix of closed-end funds, bonds and cash

Investment Objectives:

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

	Growth %	Benchmark %
Annualised Total Return	5.87	4.99
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
YTD	-8.91	-6.17

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



(As calculated by Overberg 31 Oct 2011)

	%
Annualised Income Yield	1.27
Best 3 Months	7.28 7.23 7.05
Worst 3 Months	-13.41 -9.14 -6.33

Growth 2011	Growth %	Benchmark %
January	-1.18	7.59
February	-1.01	-7.78
March	0.02	-0.53
April	1.01	-3.99
May	-0.84	2.89
June	1.65	1.58
July	-0.48	-2.90
August	-4.98	-6.52
September	-4.82	-3.00
October	1.59	7.61

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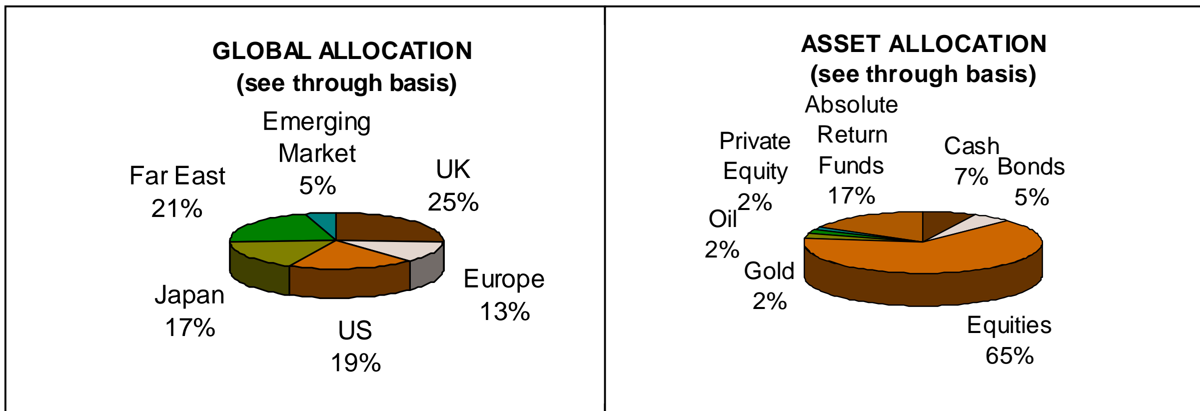

Commentary

Market sentiment remains dominated by the eurozone sovereign debt crisis, exacerbated by a lack of political leadership. However, there is method to the policy impasse: the ECB and Germany are holding back from rescuing the eurozone as they first want to force economic and fiscal reform. It should be encouraging that they are striving for a long-term solution as opposed to merely "kicking the can down the road". Ultimately the ECB and Germany will commit more forcibly.

The eurozone certainly has the resources to fix the crisis, with an aggregate government deficit to GDP of under 5%, half that of either the US, UK or Japan. It also has the motivation, as not fixing the crisis would lead to European Monetary Union disintegration and a multifold increase in eventual financial cost. The crisis has almost reached the point of no return, forcing eurozone members to finally recognize the need for concerted and faster action. The political landscape is already changing dramatically, most notably in Italy and Greece with new technocrat leaders who are committed to fiscal consolidation rather than political expediency. Like Italy's prime minister Mario Monti, the new European Central Bank Governor Mario Draghi is also ex-Goldman Sachs, espousing the need for fiscal prudence.

While the eurozone economy may be teetering on recession, corporate balance sheets are healthier now than at the end of past cycles. The net debt to equity ratio of eurozone non-financial companies is currently at 46%, compared with 58% in 2007, 67% in 2000 and 62% in 1991. Corporate credit yields are generally at their lowest in a decade. Eurozone corporate balance sheets contrast dramatically with those of Japanese companies in the early 1990s, with less than half the leverage.

Moreover, eurozone equity valuations have probably fully discounted the macro risks. The consensus earnings growth forecast for 2011 has already been lowered by a staggering 17% from +14% at the start of the year to -3% currently. Eurozone equities trade on an extremely low 8.7 times price to earnings multiple, about 32% below the median of the last 20 years. Low quality stocks, defined by their Return on Equity, are as cheap today as at the low point in 2009, on a price-to-book basis. Low equity valuations are a worldwide phenomenon, with the UK market trading on a 9.0 times price to earnings multiple, a discount of about 29% to the 20 year median. Even ASEAN (Association of South East Asian Nations) valuations are close to historic lows, both on a price-earnings and price-to-book basis in spite of healthy economic growth and balanced government budgets.

The eurozone crisis is obscuring more positive developments in the rest of the world. Macro economic activity is proving to be stronger than expected, prompting upward revisions to 4th quarter global economic growth forecasts. The forecast for US 4th quarter GDP has been raised to 3%, supported by numerous data points including payrolls, retail spending and shrinking trade deficite. US corporate profit margins registered a new cycle high in the 3rd quarter, going almost unnoticed by a market distracted by the eurozone crisis. Emerging market inflation is finally turning lower allowing central banks to ease monetary policy. Australia, the 1st economy to tighten monetary policy in 2010 is leading the new easing cycle with 2 rate cuts so far. China has initiated its own easing policy with a 50 basis point reduction in its bank reserve requirement.

The consensus outlook towards equity markets is so bearish that even a modest improvement would substantially reduce the current risk perception. Given widespread skepticism there is scope for significant positive surprise in policy announcement, offering a potentially powerful catalyst for financial market rerating. A strong market recovery is likely over the next few months. In the meantime, a lack of confidence in the market is presenting plenty of opportunities to acquire investments at bargain prices. Although a period of slower growth and lower standards of living is likely in developed countries, there is a considerable value opportunity for long-term investors.

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