



OAM Global Growth Portfolios
GBP Sterling

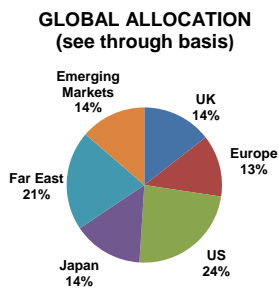
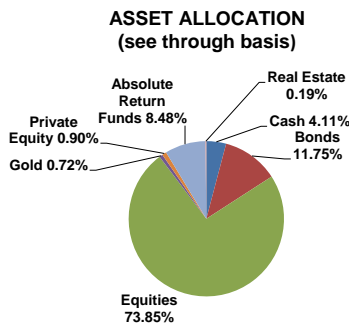
NOV 2014

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.



(As calculated by Overberg 30 Nov 2014)

	Growth %	Benchmark %
Annualised Return	7.12	6.75
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 YTD	3.53	10.46

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

	Growth %	Benchmark %
Growth 2014		
January	-2.68	-4.34
February	1.91	3.34
March	-1.81	-0.01
April	-0.81	0.96
May	2.36	2.01
June	1.05	-0.81
July	0.25	-0.82
August	1.10	4.44
September	0.46	0.03
October	-0.87	1.47
November	2.66	4.04
December		

2014 YTD	\$ -1.99%	€8.50%	ZAR3.35%
Annualised Income Yield		1.25%	
Best 3 Months	7.28	7.23	7.05
Worst 3 Months	-13.41	-9.14	-6.33



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 November 2014

Global equity markets struggled during the 3rd quarter (Q3) hampered by slowing economic growth in the Eurozone, Japan and China, rising geopolitical risks in the Middle East and the Ukraine, and anxiety over US monetary policy normalisation. The MSCI World Index lost -2.6% in dollar terms in Q3 while the MSCI Emerging Markets Index fell by -4.3%. A flight to currency safety and prospects for interest rate increases sent the dollar soaring with the dollar index rising to a 4-year high. Commodity markets weakened in line with slowing global growth momentum. In Q3 the Economist all-commodities index shed -10.1% in US dollar terms, the food price index dropped by -13.7%, and Brent crude dropped by -15% as rising production in Libya and Iraq more than countered the negative effect of geopolitical risks. The US S&P 500 hit an all-time record high during the quarter breaching the 2000 level for the first time but ended with a gain of just 0.7%. Among developed markets Japan's Nikkei was the top performer with an increase of 6.7%, while the UK FTSE 100 lost -1.8% and the German Dax -3.6%. The best performer over Q3 was China's Shanghai index up 15.4% while the worst was Russia's RTS which declined -18.6%.

US economic growth rebounded strongly in Q2 with annualised GDP growth of 4.6%, reversing the weather related -2.1% contraction in Q1. Economic data signals further growth in the third quarter although at a slower pace. Nonfarm payroll increases averaged 224,000 per month in Q3 slightly below the 267,000 achieved in Q2 but enough to reduce unemployment to 5.9% in September, close to the equilibrium rate of 5.5%. The Fed revised its 2014 economic growth forecast slightly lower from 2.1-2.3% to 2.0-2.2%, and for 2015 from 3.0-3.3% to 2.6-3.0%. In September, the Fed left its key Fed Funds interest rate at 0-0.25% and reduced its asset purchases to \$15bn per month with the likelihood that quantitative easing will expire altogether by the end of October. Although the Fed confirmed that interest rates would stay low for a considerable time, it increased its end 2015 forecast range for the Fed Funds rate by 0.25% to 1.25-1.5%. In Q3 the S&P 500 index posted a record high boosted by technology stocks, share buybacks, and merger and acquisition deals. Bank shares rose in spite of huge fines with Citibank shares rising 10% in Q3 despite a \$7bn fine. Bank of America shares rose 11% even after a \$17bn settlement regarding mortgage-backed securities. Share buybacks remained a strong theme, approaching 2007 peak levels. Buybacks are expected to reach \$500bn this year adding the equivalent of 2% to earnings. While the economy is in good shape the S&P 500 Index is relatively expensive on an estimated forward price earnings multiple of 17.1x for 2014 and 15.3x for 2015.

The UK economy continued its recovery, expanding in Q2 by 0.9% quarter-on-quarter and pushing real GDP back above its 2008 peak. Both household expenditure and business investment growth were firm. Consumer demand is likely to rise further as income growth improves. Household disposable income grew in real terms by 2.2% in Q2 reversing the -0.6% contraction in Q1. The unemployment rate dropped sharply from 6.6% in April to 6.2% in July. The Bank of England (BOE) raised its forecast for GDP growth in 2014 from a previous 3.4% to 3.5% and predicts unemployment will drop to below 6% by the end of 2014 and to 5.4% by 2016. Over the same period consumer price inflation is expected to remain well within the BOE's 2% ceiling. Despite strong economic growth and relief that Scotland will remain part of the UK, the FTSE 100 index fell over the quarter. The disappointing performance is explained by the equity index holding a large proportion of resource stocks which are vulnerable to commodity prices, and by a strong currency which has held back earnings growth. A recent CBI survey showed that export orders have deteriorated sharply because of the strength of sterling.



Fears that the BOE could be the first major central bank to hike interest rates may also have affected sentiment. BOE Governor Marc Carney has warned that an interest rate rise is likely by the spring. The FTSE 100 index is trading on an estimated forward price to earnings multiple of 14.2x for 2014 and 13.1x for 2015 which is not particularly cheap considering the high index in low-rated oil, mining and bank stocks

The Eurozone economy lost further momentum with GDP stagnating in Q2 after expanding by just 0.2% quarter-on-quarter in Q1. The German economy shrank by -0.2%, the French economy was flat for a second consecutive quarter, and the Italian economy contracted for a second straight quarter by -0.2%. Eurozone unemployment eased marginally from 11.6% in May to 11.5% in August but French unemployment increased from 10.2% to 10.5%. Recent data signals a further Eurozone slowdown in Q3 with a high probability of economic contraction. Household spending has slowed and business confidence has also weakened on concerns over geopolitical risks including the conflict between Russia and Ukraine. Government bond yields fell to record lows on the prospect of deflation. Yields on 10-year government bonds in Italy, Spain and Portugal declined to 2.29%, 2.05% and 3.08% by the end of Q3, compared with 2.85%, 2.71% and 3.65% in late June. The German 10-year Bund yield touched 0.8% the lowest in 200 years. The ECB cut its key interest rate by 10 basis points to 0.05% and launched "Targeted Long-Term Refinancing Operations" (TLTROs) although banks subscribed to just €83bn of the cheap credit on offer compared to expectations of €150m. The ECB is poised to implement full-blown quantitative easing in order to ward off the threat of deflation. European equities underperformed global equities in Q3 and are lagging over the year. The euro has fallen 8% from its peak which could provide some support to the Eurozone but ultimately reforms are needed especially in France and Italy in order to improve the fundamental outlook. The FTSE Europe (ex UK) index is trading on an estimated forward price to earnings multiple of 15.7x for 2014 and 13.8x for 2015.

Japan's GDP shrank by a substantial -7.1% annualised in Q2, reversing the 6.7% expansion recorded in Q1. Consumer spending and capital expenditure each contracted by -5.1% reflecting the impact of the sales tax hike on 1 April. The Bank of Japan (BOJ) lowered its growth estimate for the year to March 2015 to 1% but many economists believe that even this is optimistic. Another sales tax increase is due next year. In addition, underlying consumer price inflation has slipped to 1.3% making it unlikely that the 2% inflation target will be achieved. The BOJ will review its economic forecasts at the end of October and is expected to announce an increase in quantitative easing either at this meeting or in January in order to get inflation back on track. In spite of the weak economy the Nikkei Index gained 6.7% in Q3 bringing the index close to 2008 levels. Equity prices are responding to a depreciating yen which in turn is lifting expectations of higher company earnings. The Nikkei 225 index is trading on an estimated forward price to earnings multiple of 14.6x for 2014 and 13.1x for 2015 which remains extremely cheap relative to its long-term average while the 1.2x price-to-book multiple is less than half developed economy peers. The market should re-rate if the BOJ as expected increases its quantitative easing programme.

Emerging market valuations are less cheap than at the start of the year and the growth outlook is quite mixed across the countries. In China economic activity continued to lose momentum. Industrial production and fixed investment spending recorded slower growth rates in Q3, imports contracted and property prices eased further over the past quarter. GDP growth may not meet the government's 7.5% target in 2014. However, China's authorities who are intent on steering the economy away from its reliance on investment spending have withheld any large-scale stimulus. India's new government is implementing structural reforms aimed at opening up the economy including a bold privatisation programme. The Institute of International Finance forecasts India's GDP growth will accelerate to 7% by Financial Year 2015/16. We continue to favour the Far East and South Asia region for its low levels of indebtedness, budget and current account surpluses and solid economic growth. Meanwhile inflation in the region is past its peak which should allow for accommodative monetary policy. The FTSE Asia Pacific trades on undemanding valuations on an estimated 11x forward price to earnings multiple.

In the past seven Fed monetary tightening cycles US equity markets have increased by an average of 5% in the six months prior to the first rate hike and by a further 5% in the nine months following the rate hike. While the track record bodes well for US and global markets a decline in central bank asset purchases is less auspicious and may lead equity markets to reverse some of their gains of the past five years. Equity markets are likely to remain turbulent over the next quarter as the Fed exits its quantitative easing programme. However, market



weakness is not expected to last as at the start of 2015 the ECB will likely implement its own quantitative easing and the BOJ will increase the scale of its programme, together making-up for the Fed's absence. The global economy meanwhile remains on a sound footing despite the recent slowdown and should ensure continued earnings growth.