

OAM Global Growth Portfolios GBP Sterling

APR 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:

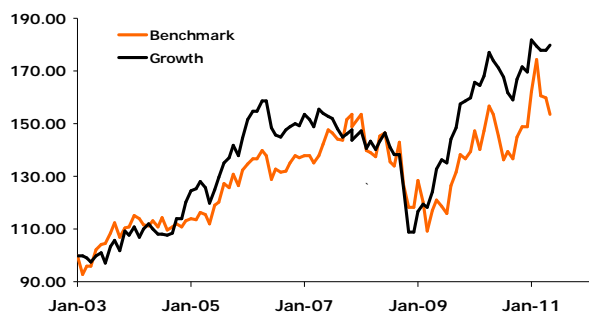
Growth Portfolio: conservative growth; using medium risk strategy; consistent annual returns with low volatility.

	Growth %	Benchmark %
Annualised Total Return	7.28	5.40
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	-1.17	-5.25

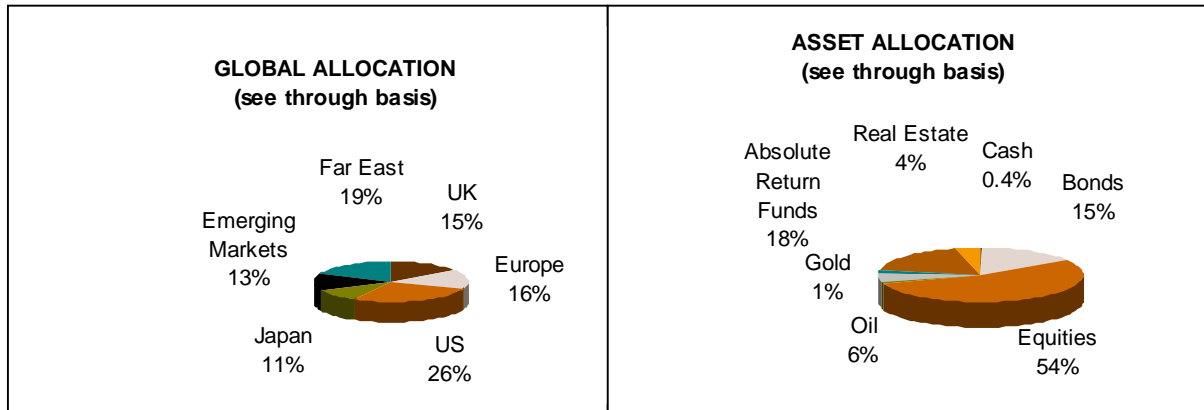
*Since January 2003: All performance figures include income and are net of fees and expenses

	Growth %	Benchmark %
Growth 2011		
January	-1.18	7.59
February	-1.01	-7.78
March	0.02	-0.53
April	1.01	-3.99

	%		
Annualised Income Yield	1.47		
Best 3 Months	7.28	7.23	7.05
Worst 3 Months	-13.41	-9.14	-6.33



(As calculated by Overberg 30 Apr 2011)



Commentary

The 2nd quarter is proving challenging for equity markets due to multiple threats on the investment horizon. These include downgrades to economic growth in the US and UK, continued inflationary pressure in China, India and other emerging economies, earthquake disruption to Japan’s economy, the growing inevitability of debt restructuring by financially distressed euro-zone nations, and the ending of the Federal Reserve’s latest round of quantitative easing (QE2).

Given the shear volume of negative news over the past two months it is a surprise that equity markets have undergone such a mild consolidation. However, not all news has been negative. The recent sharp decline in commodity prices will ease inflationary pressure in emerging economies and ease the drag on consumer expenditure in developed economies. Lower commodity prices will also boost company pricing margins. Many companies are in the process of raising output prices as a lagged response to past raw material cost increases at the same time as underlying raw material costs are declining.

The most notable macro improvement is the gradual recovery in credit growth. In the wake of the 2008 credit crunch the investor community is understandably skeptical, pointing out that although the pace of decline is moderating actual US credit growth is still negative. However bank lending standards lead credit growth and the latest Loan Officer Surveys continue to show easing in US bank lending standards. Net credit demand from both companies and some consumer categories is increasing. In the euro-zone private sector loan growth is already positive, expanding at a 2.5% annual rate.

A restart of the credit cycle would be beneficial in several ways. It would offer durability to the economic recovery which until now has been a “credit-less recovery” and therefore not sustainable without central bank assistance. A restart of the credit cycle would ease concern over the ending to the Fed’s quantitative easing programs. Many investors are anxious about the end to the Fed induced “liquidity trade” even though QE3 is leaving a positive legacy in the form of recovering credit growth. A restart of the credit cycle would also boost the bank sector which is currently trading at an extreme valuation discount, below 1st quarter 2009 levels on a price to book basis. A recovery in bank shares would provide a strong boost to broader equity markets.

In contrast to the somber macro view companies are continuing to provide positive news-flow driven by the earnings uptrend, rising profit margins and strengthening balance sheets. Share buybacks are increasing and dividend forecasts are also being revised higher. European buybacks for instance are back at their first-half 2008 levels, while dividends are forecast to increase 10% in 2011 and a further 11% in 2012. 87% of European shares are expected to increase their dividend this year, the highest proportion since 2007.

Current investor anxiety over macro news may keep equity markets range-bound over the near-term. However a significant portion of the up-cycle in company earnings still lies ahead, which is likely to propel markets higher in the 2nd half of the year once the current round of worry dissipates.

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