overberg asset management

Global performance factsheet

OAM Global Income Portfolios
GBP Sterling

JUL 2011

Introduction

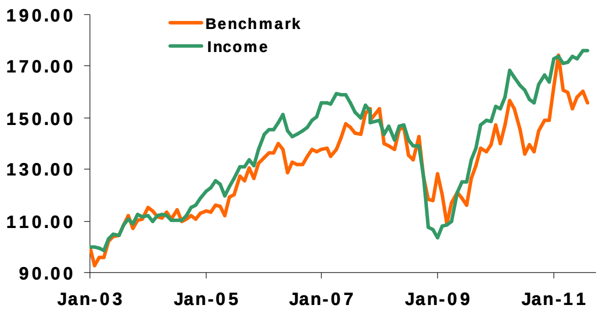
Overberg Asset Management specializes in the management of individual global portfolios, tailored to the investment objectives of each client. In the current and foreseeable climate, we are building client portfolios around closed-end funds, which give low-cost access to global investment opportunities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



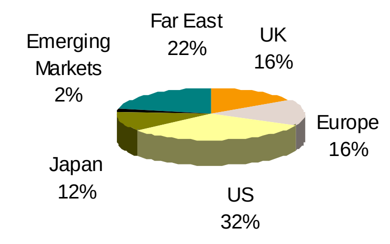
(As calculated by Overberg 31 Jul 2011)

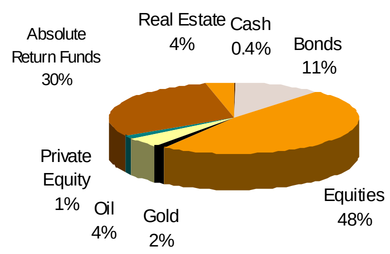
	Income %	Benchmark %
Annualised Total Return	6.81	5.44
2003	11.89	15.13
2004	8.64	-0.98
2005	18.00	18.22
2006	8.49	2.21
2007	-4.40	11.35
2008	-30.30	-16.24
2009	49.11	14.76
2010	11.92	9.92
YTD	1.70	-3.83

*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

	%
Annualised Income Yield	2.25
Best 3 Months	10.40 6.78 6.54
Worst 3 Months	-15.41 -8.73 -4.34





Commentary

Equity markets represent a "tug of war" between negative macro-economic news-flow on the one hand and strong company earnings on the other. A higher oil price, inflationary pressures, European sovereign debt crisis, US budget deficit and the risk of a double dip recession are all headwinds for the market counter-balanced by the recovery in corporate profitability, resumption in dividend growth and compelling equity valuations versus historic norms and other asset classes.

The euro-zone sovereign debt crisis has been a near constant threat to economies and financial markets. To great relief Greece's parliament was able to pass new austerity plans qualifying for a 2nd EU/IMF bailout package but this was soon followed by a sharp rise in Italian bond yields. The move may be anomalous considering Italy's fiscal standing, an outright primary fiscal surplus, extended debt maturity, and high proportion of domestic debt ownership. However, the yield spike represents the 1st real sign of euro-zone debt contagion causing alarm that markets may fall into a vicious spiral. The mild dose of contagion may have been the catalyst for the boldest policy move yet by the EU to move towards fiscal consolidation. Bailout terms were moderated with lower interest rates and extended maturities, the stability fund was authorised to intervene in the secondary markets, and banks contributed around 40 billion euro to Greece's bailout by swapping into less onerous bond terms.

Market anxiety quickly switched to the polarizing fiscal debate in the US. The US debt ceiling is likely to be lifted in time to avoid a technical debt default but this may not be sufficient to prevent a sovereign debt downgrade. There is a real danger of policy error culminating in fiscal consolidation which is too sudden and inappropriate at this fragile stage of the economic recovery. Deep cuts in government spending would cause economic momentum to slow further over the next 12 months. Fortunately Federal Reserve chairman Ben Bernanke's warnings against excessive fiscal consolidation imply that a safety net of further accommodative monetary policy is available.

Meanwhile the expected 2nd half economic rebound has been slower than expected. 3rd quarter economic growth forecasts for the US, UK and China have all been scaled back by 0.5%. US 2nd quarter growth was only 1.3% well below the 1.8% consensus forecast. However, the bottoming out process remains on track. US jobs creation in June was especially weak, yet jobless claims continue to improve. The Japanese rebound is meeting expectations with the Tankan survey projecting August activity to be above pre-quake March levels. Chinese growth is slowing but retail sales remain strong and inflation is peaking. Oil and soft commodity prices remain 10-15% off their recent peaks. Across the world key leading indicators continue to reflect sustainable up-cycles, supported by steep bond yield curves and continued expansion in company profit margins. In most of the developed world, the level of investment as a proportion of GDP remains at close to historic lows which suggests we are at an early rather than mature stage of the economic up-cycle.

The level of skepticism suggests investors remain under-invested. Investors are fearful of a repeat of the 2008 financial meltdown, which is encouraging from a contrarian viewpoint. It is exactly because investors remember 2008 that one should be invested now. Any corrections resulting from continued fiscal consolidation and distressed government budgets should be viewed as buying opportunities. Equity valuations are exceptionally low, in Japan for instance over 50% of listed companies are trading at below net asset value, while in Europe over a 3rd of companies are trading at single figure forward price to earnings multiples.