

OAM Global Income Portfolios GBP Sterling

SEP 2011

Introduction

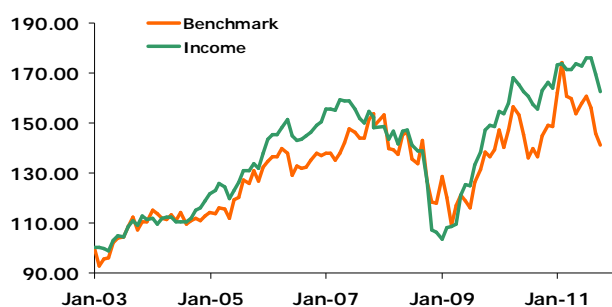
Overberg Asset Management specializes in the management of individual global portfolios, tailored to the investment objectives of each client. In the current and foreseeable climate, we are building client portfolios around closed-end funds, which give low-cost access to global investment opportunities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



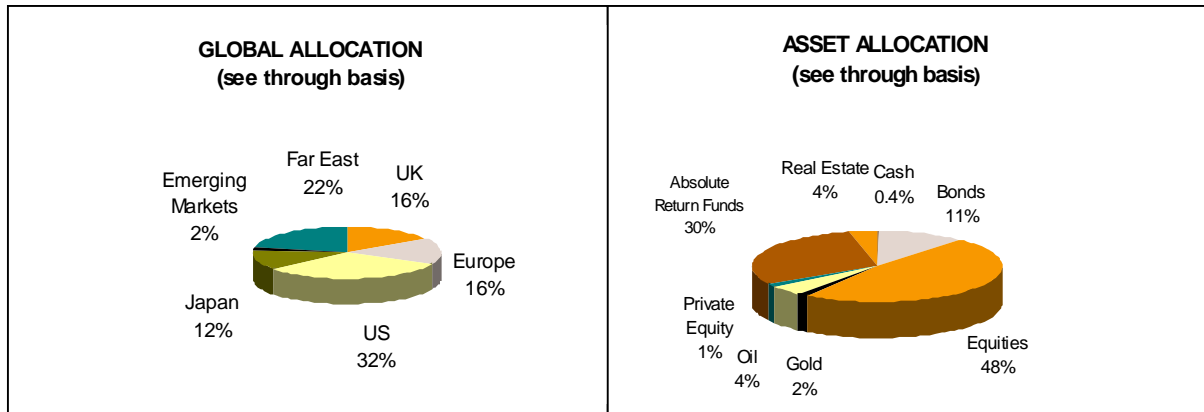
(As calculated by Overberg 30 Sep 2011)

	%
Annualised Income Yield	2.23
Best 3 Months	10.40 6.78 6.54
Worst 3 Months	-15.41 -8.73 -4.34

	Income %	Benchmark %
Annualised Total Return	5.72	4.13
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	-6.00	-12.81

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

	Income %	Benchmark %
Growth 2011		
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



Commentary

By creating great uncertainty, fiscal and regulatory policy makers have done more damage than good. The US Congress seems too divided to prevent the impact of massive fiscal drag on the economy in 2012, and impending policy actions regarding Greece, bank recapitalizations and leveraging of the European Financial Stability Fund (EFSF) remain extremely uncertain despite several assurances. The eurozone is far from creating the fiscal solidarity and discipline needed to resolve its sovereign funding crisis. A quick fix is impossible given the degree of fiscal integration required, and long-term restructuring needs to be preceded by both a TARP like recapitalization of eurozone banks and massive increase in EFSF firepower beyond the 440 billion euro agreed so far.

However, markets have rebounded strongly amid the uncertainty. The Euro Stoxx50 is up almost 20% in the last month. Although many will contend that the rebound has been driven largely by rumour and speculation induced short covering, economic data is not as bad as depressed surveys predicted. In fact global growth has been resilient. The US Economic Activity Surprise Index (EASI) has moved into positive territory for the first time since April. US weekly jobless benefit claims remain stable showing scant evidence of readjustment in the corporate sector. Falling fuel and food price inflation is boosting household disposable income while the closely watched retail inventories-to-sales ratio has also remained stable. In the eurozone, the key M1 economic lead indicator is showing signs of bottoming out, challenging the widespread view that the downturn may be accelerating. Meanwhile Far Eastern and emerging economies are starting to ease monetary policy. Improving economic and policy momentum could well lead equity markets higher by year-end.

Understandably there is anxiety that the third quarter reporting season will confirm the beginning of the earnings down-cycle. It is worth noting however that third quarter expectations have already been significantly lowered and the sharp earnings slowdown experienced in the third quarter 2008 is unlikely to be repeated in the context of +2.5% global economic growth compared with contraction of -1.7% in 2008. Although third quarter earnings are likely to meet lowered expectations there is a danger that, given the ongoing market stress, companies issue conservative guidance for future earnings. However, even in a worst case scenario, it is reassuring that in contrast to 2008 when the downturn started from a position of weak margins and bloated balance sheets, we would be starting this time from a position of record high margins and strong balance sheets. As equity is the residual value in the corporate capital structure, strong balance sheets provide equity investors with a wide margin of safety.

The key investor concern continues to be centered on the deleveraging of eurozone banks and the impact this will have on the economy. However, only a third of the region's bank assets are used in lending to the private economy so that in theory non-core operations could be cut without causing a credit crunch. While Italian, Greek, Spanish and Portuguese banks have relatively large loan books as a proportion of total assets, German and French banks have relatively small loan books as a proportion of total assets and so could deleverage without the need to cut domestic lending.

Although the risks of recession and eurozone policy error will continue to weigh on equity markets, excellent investment opportunities exist: Notably ASEAN countries which offer below target inflation at the same time as healthy economic growth and low budget deficits to GDP. As with ASEAN, Japan is also distanced from the issues facing the eurozone and US. There is a high chance that the reconstruction process will awaken domestic growth forces within Japan, prompting a more expansionary corporate sector. The earthquake could provide the much needed catalyst to end the deflationary spiral.

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