

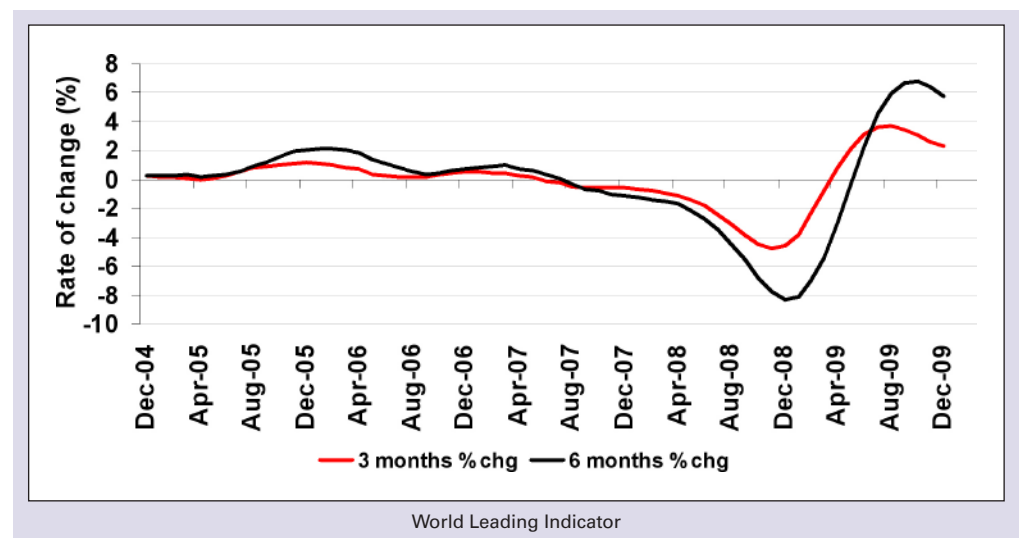
Global Investment Perspective

March 2010

The MSCI World Index rose by 2.0% in February, recouping part of January's losses when global equities fell by 3.6%. But on a year-to-date basis, the MSCI World Index is still down by 1.7% on concerns that early monetary and fiscal tightening and high unemployment could reduce global demand.

Pace of recovery could ease

From a macroeconomic perspective, there is further evidence of recovery across a number of countries, primarily in emerging market economies, which are likely to continue to lead the global turnaround. However, there are signs that leading economic indicators have now peaked in most markets (see chart below). Furthermore, rising public debt in developed economies, with Greece dominating the news flow over the month, may weigh on the outlook for economic growth, as government may need to curb public spending to maintain their credit quality. These concerns, combined with the potential acceleration of monetary tightening in China and India, adds to the challenges that still face a sustainable long-term recovery.



Maintain preference for defensive sectors

As a result of investors' sentiment and growth concerns, we maintained our preference for defensive sectors, such as healthcare and telecommunication services, over financials and cyclical stocks.

Maintain preference for Turkey and Latin America within Emerging Equities

Among emerging markets, we continue to see potential in Turkish equities. Turkey has been experiencing significant volatility as a result of the revelation and planned military coup in 2003. However, the risks seem to be largely

priced in, making valuations highly attractive, as Turkey has underperformed emerging markets overall. Furthermore, regarding Latin American equity markets, we maintain our positive stance versus Emerging Asian equities, as fundamentals continue to be supportive.

Sovereign risk persists, but appears to be reflected in current prices

Within fixed income, we maintain our neutral position in government bonds over cash, as valuations for the former reflect the risks of higher issuance and normalisation of monetary policy. From a shorter-term perspective, regarding sovereign debt, while there is concern Greece's credit rating could be downgraded if the government fails to contain Greece's debt, the risks appear to be adequately priced in.

Preference for corporate bonds maintained

For some time, we have held a positive view on corporate bonds, both on investment grade and high-yield debt. The strong performance of these asset classes over the course of 2009 has left valuation levels less appealing. But the current yield spread levels are still attractive relative to history and relative to the very low levels of yields offered by government bonds.

Long-term concerns on the GBP persist, but worries over Greece cloud short-term outlook for EUR

We continue to have some conviction on longer term strengthening of the EUR against the GBP. However, we have a neutral position on the GBP versus the EUR as Greece's fiscal difficulties create uncertainty for the EUR.

Market

US:

Mixed Economic Outlook, Easing Pace Of Recovery And Risk Of Negative Earnings Surprises Prompt Cautious View

- The US outlook remains mixed. There is clear evidence of faster economic growth, but little progress made in deficit and unemployment reductions. Overall, we reiterate our moderately cautious view on equities for the US and elsewhere, and maintain our preference for defensive sectors versus cyclical stocks.

Europe:

Record Unemployment And Weak Consumption Support View Of Anaemic Growth For 2010

- Elevated levels of unemployment and weak consumption continued to support our view of anaemic growth in 2010. But, given the support due to the high level of market liquidity, we recommend only a moderately cautious stance on European equities and maintain our moderate underweight versus cash.

Japan:

Weak Spending And High Unemployment Mean A Sustainable Recovery May Be Difficult To Achieve

- Consumer spending remains weak and unemployment is still high, adding to the deflation problem in Japan. That said, the government has committed to provide economic support throughout 2010. Therefore, liquidity levels are likely to remain a positive factor in 2010. We maintain a moderately cautious view on the asset class and expect Japan to perform in line with other developed markets.

Emerging Markets:

Maintain Preference For Latin American And Turkish Equity On Valuations

- From a macroeconomic perspective, emerging markets are likely to continue to lead the recovery. However, emerging market equities are trading well above the bargain levels of early 2009. We maintain our preference for Latin American equities over emerging Asia. In addition, we continue to like Turkish equities on valuations, while we acknowledge that political tension is likely to be a source of volatility.

Interest rate/ Fixed Income

Asia ex-Japan:

Optimistic Earnings Growth Projections And Concern Of Acceleration In Monetary Tightening Represent Risk For Disappointment

- The outlook for Asia-ex Japan remains positive. Nevertheless, there is growing concern regarding a potential acceleration in monetary tightening, which could slow the pace of recovery. Therefore, we maintain a moderately underweight allocation to Asia ex-Japan relative to cash. That said, liquidity remains highly supportive for equity markets as globally central banks are likely to keep rates low.

US:

Continue To Recommend A Neutral Position In US Treasuries Vs Cash

- Despite heavy supply, macro-economic headwinds, the demand for US government bonds has been fairly buoyant. Overall, we continue to recommend a neutral position in US Treasuries relative to cash. However, within fixed-income assets, we prefer to own corporate debt, where we see greater value opportunities.

Eurozone:

Retain Preference For Corporate Debt On Valuation Grounds

- The market has reacted strongly to the fiscal situation in Portugal, Italy, Greece, Ireland and Spain. Whilst Greece's financial turmoil is likely to generate volatility in markets, concerns appear to be well-reflected in market prices. Overall, within fixed income, given the exceptionally low yields offered by government bonds, our preference remains for corporate debt on valuation grounds.

Investment Grade:

Underlying Conditions And The Demand For Yield Remain Supportive For This Asset Class

- The sovereign risk surrounding Greece is likely to fuel additional market volatility. However, we do not expect significant contagion to corporate credit spreads as bond issuers in the periphery of Europe account for a modest fraction of the corporate bond market. Overall, valuations are historically attractive, company fundamentals are improving and the demand for yield should help support investment grade bonds. Therefore, we maintain a positive view on the asset class.

Oil:

Subdued Demand Is Likely To Keep Oil Trading In A Target Range Of US\$65-85, Which We Have Revised Up from US\$60-80

- Supply and demand dynamics are slowly improving, as are global growth prospects. As such, we have raised our target range for oil from US\$60-80 per barrel to US\$65-85 due to cyclical improvements. Risks to our view include a sharp fall in USD or an unexpected disruption to supply.

High Yield:

Risk-Adjusted Returns Continue To Look Appealing

- High-yield bonds have returned 2.1% since the start of the year. This compares with a fall of 1.7% from global equities. Given the volatility in other riskier asset classes, risk-adjusted returns in high-yield bonds continue to look appealing. Besides improving default picture, the ongoing search for yield is playing in favour of credit. Overall, we reiterate our positive view on the asset class.

Emerging Markets Debt:

Valuations Remain Less Attractive Than High Yield Corporate Bonds

- We have not seen major changes relative to the previous month and valuations of emerging-market debt continue to be less attractive than those in high yield corporate debt. We maintain our negative stance on USD-denominated emerging market debt relative to credit bonds.

Currency

US Dollar (USD)

Maintain Neutral View Given Uncertainty On Growth Outlook

- Although the US Federal Reserve raised the discount rate in February, we retain the view that it will err on the side of caution in tightening monetary policy. Our recommendation is to maintain a neutral view on the USD, given the uncertainties surrounding the macro economic outlook for 2010 and that the major currencies are very comparable in terms of fundamentals, in particular they all offer very low yields on cash and whether the USD's inverse link with the 'risk trade' is still in place.

Euro (EUR)

Maintain Neutral Position As Resolution Of Greece Debt Issue Will Be A Major Swing Factor In The Short Term

- With inflation contained and growth still patchy, official interest rates will be kept low for a protracted period of time.
- In the EUR area as in other major developed countries, in the short term, currency movements are likely to be driven by newsflow around the Greek fiscal situation. We continue to have some conviction on longer term strengthening of the EUR against the GBP. However, the shorter term picture is unclear.

Sterling (GBP)

Short-Term Volatility Likely Given UK Political Uncertainty And The Debt Issue Of Peripheral Eurozone Governments

- We retain the view that an underweight GBP position against the EUR is justified by the UK's fiscal position which is weaker than that of the major Eurozone countries. However, we recognise that both the GBP and EUR could be subject to short-term volatility given the political uncertainty in the UK and the fiscal difficulties of the peripheral Eurozone countries.

Japanese Yen (JPY)

Retain Neutral Position As Potential For Volatility Is High

- It is probably safe to assume that the authorities continue to hold the view that excessive JPY strength is not desirable for the Japanese economy. Nevertheless, there has been no market intervention or even any recent comments to this effect. As a result, the potential for volatility remains high and we therefore retain our neutral recommendation.

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