

Rathbone Multi Asset Portfolios (RMAPs)

Rathbone Enhanced Growth Portfolio – Update for December 2011

December's markets posted a modest return, marked by high levels of intra-day volatility, only to close the month flat: the fund's performance reflected this. Broadly speaking, our exposure to high beta areas such as emerging markets, Asia and Germany negatively impacted performance; however, we maintain our high conviction stance on these markets, which we believe will outperform in 2012, and where there is potential for re-ratings in the longer term. We expect to add to our weighting in Asia over the coming months.

In December, the fund was +1.5%, outperforming its benchmark by 0.70%. This was despite that fact that emerging markets underperformed, a position in which we are overweight. US equities were the key contributors to return, but Asian and frontier markets disappointed as market sentiment turned sour. We traded very little in December except to add to closed-ended private equity funds, as discounts widened, and we also sold out of the iShares FTSE 100 ETF which was bought as a temporary position at the fund's inception in August when volatility was very high. Volatility has been relatively subdued; hence we sold the ETF after having bought the Marlborough Special Situations fund at the end of November. Manager Giles Hargreaves is particularly experienced in the UK small cap space.

Outlook

We are bullish about markets for the months ahead. Unlike consensus, we believe that we are moving towards a real solution in Europe, whereby potential systemic risk is being addressed, although the market is allowing this point to be overshadowed by political machinations. Indeed, there is now some clever manoeuvring taking place to divorce the banks from the debt crisis. We appreciate the risks posed by Iran, and we are hedging this out by overweighting energy stocks. Given where valuations stand, we believe that there is much room to surprise on the upside, and that the equity market could enjoy double-digit returns as the cyclical uplifts push through. Finally, we remain positive on credit, especially the US but will look to Europe in the coming weeks.

David Coombs

Head of Multi-Asset Investments

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