

Rathbone Multi Asset Portfolios (RMAPs)

Rathbone Strategic Growth Portfolio – Update for December 2011

December's markets posted a modest return as, marked by high levels of intra-day volatility, the fund's performance reflected this increasing by 0.6%. 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.

Given its exposure to small caps, we switched out of Marlborough Special Situations, into Heronbridge UK Equities, as part of our strategy to de-risk the portfolio. We exited GLG Emerging Markets on the back of disappointing performance, and replaced it with Lazard Developing Markets. Given the underperformance of emerging markets in recent months, we believe they now offer attractive value. We also added to the Legg Mason Clearbridge US Equity Fund, an area which we think will outperform in 2012.

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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