

Rathbone Multi Asset Portfolios (RMAPs)

Rathbone Total Return Portfolio – Update for December 2011

December's markets posted a modest return, marked by high levels of intra-day volatility, the fund's performance reflected this, increasing by 1.2%. The performance was thanks to good gains from UK index-linked bonds (+4.6%) and non UK equities (+3.9%).

In December, we sold out of the iShares FTSE 100, which was bought as a temporary measure in August 2011, when volatility was very high, as was upside potential. Volatility has since been relatively subdued. During the month we added to our fixed income exposure. We also exited the L&G Dynamic Bond Fund, as part of our strategy to hold less directional exposure in the global bond space in 2012, given previous outperformance reinvesting in hedge funds; BH Macro, Blue Crest All Blue and Aspect Diversified Trends.

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 buying Norwegian Krone. 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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