

Perspective[®]

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Contributors



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Nick Lee is Director of Investment and Fund Management at Ashburton. He has direct responsibility for the core services of Asset Management, Cash & Fixed Income and Equities Management through the Specialist Managers. He oversees Ashburton's investment strategy and is part of the Asset Allocation Committee.



Luke Gale

Luke Gale is an Investment Manager within Ashburton's Asset Allocation team. He has responsibility for bond and currency research, and management of the Cash & Fixed income and Money Market Funds.



Tristan Hanson

Tristan Hanson is Ashburton's Manager of Asset Allocation and Strategy and has responsibility for Multi-Asset Funds and related research. He recently joined Ashburton in December 2008 and has 7 years experience in the investment industry.



Ian Leverington

Ian Leverington is the Investment Manager for the International Equity Funds. He sits on Ashburton's Asset Allocation team with responsibility for equity research.

Welcome

The precipice of hope



Investors have anticipated the arrival of this new calendar year with greater enthusiasm than is normally the case. While the environment remains as distressed as it has been, the New Year has at least brought the curtain down on the devastation wrought by the credit crunch on the global market and economy over a remarkably condensed period last year. 2008 was a year of much pain.

This feeling of relief has brought us to the edge of the precipice of hope; the point where we can now look forward with muted optimism to the horizon where the first signs of relief may just be discernible.

In the interim, however, we must still overcome the daily torture of worsening news flow, if we are to endure. 2009 will not be an easy year; the consequences of the slowdown now underway globally will manifest themselves in many different ways, economically, socially and politically. These stresses are already evident.

Nonetheless, Ashburton has begun cautiously to tilt back towards the side of the optimists. We believe that policymakers have finally moved with the necessary authority and scale to assert themselves effectively in the markets and they will ultimately succeed. However, the embracing of Keynesian policies as the new mantra by governments around the world has yet to win all over to their side. There will be much debate and focus on the mechanics and the scope of the measures to be introduced, beginning in the US where the plan to be introduced by the new Obama administration has already begun to grab headlines. We do not expect market volatility to subside quickly.

Global markets have priced for recession; the question remains is this sufficient? At some point during the year, we believe that this discount to longer-term value is going to unwind, providing upside potential across various equity backed asset classes. Furthermore, we can anticipate reduced downside volatility as forced liquidations by hedge funds and other players gradually tail off and risk aversion trades reduce. The once-in-a-lifetime buying opportunity is still in play, even if we have to retest previous lows to prove the point.

We can now look forward with muted optimism.

What assets to buy? Outside of equities and an over-issued bond market, corporate bonds have become the new buzzword in the investment industry for investors looking to capture some upside gain on heavily discounted, investment grade corporate assets while enjoying a higher level of default protection than direct equity. Of course, liquidity is the new alpha and this may explain why there remains a significant premium offered on these bonds.

Similarly, currency movements have been extreme in the past year; more money chasing the least-worse story than any true measure of fundamental value. Every asset has its price and hence we can expect to see further gyrations in the year ahead.

Finally, it would be remiss not to mention 2008's performance. Exposed as we are to the vagaries of the markets, Ashburton felt the brunt of the downturn. Our multi-asset management funds may have rolled with the punches somewhat better than many others in the same categories but the equity funds were far more exposed.

Accordingly, our focus, as it has been for many months now, remains firmly on managing risk and volatility. Our aim is to preserve and grow capital and we are committed to restoring and enhancing value for our clients. We are confident of a much improved performance in 2009.

Peter Bourne
Managing Director

Review of the last quarter

The last quarter of 2008 will go down in history as one of the most tumultuous periods for financial markets and the global economy. The authorities around the world finally woke up to the seriousness of the financial crisis and its damaging effect on the real economy. It is staggering to think that just five short months ago, which admittedly feels like a lifetime, western central banks' main focus was on the threat of inflation. The ECB had increased interest rates by 25 basis points to 4.25% and US, European and UK 10 year bonds were yielding 4.2%, 4.7% and 5.0% respectively.

Fast forward to the end of December 2008; the ECB has cut rates from 4.25% to 2.0%, the US Federal Reserve has cut Fed Funds rate from 2.0% to a target of 0/0.25% and the UK has slashed its base rate from 5.0% to 1.5%. Long term interest rates have also plunged with 10-year government bonds in the US, Europe and the UK yielding 2.1%, 2.95% and 3.1% respectively.

Apart from the aggressiveness of the coordinated monetary stimulus on the world's major economies, we have seen unprecedented moves to add liquidity into the system in an attempt to unfreeze the credit markets. These included the announcement of huge bail-out packages for US and European banks, with part nationalisation of several leading names, to recapitalise their balance sheets. In addition, the Federal Reserve are committing up to \$800 billion to the mortgage market and the US government are helping its big three automakers avoid bankruptcy by issuing massive loans.

The action of the financial markets since the summer has been startling in terms of the rapidity and intensity of the selling pressure across most asset classes, be it equities, commodities, property, inflation-linked bonds, hedge funds or currencies. The major exceptions have been Government bonds, including long-dated bonds, and the US dollar and Yen, as investors have fled to safety and sold perceived risk at almost any cost.

Written by Nick Lee and Luke Gale



In terms of asset allocation, despite Ashburton's multi asset portfolios being conservatively invested, diversification has provided little protection in these unprecedented market conditions. The magnitude of the falls in the equity markets has had a significant impact on all portfolios, including those with just a relatively small exposure to equities.

The collapse in equity prices from their October 2007 highs reached over 50% at the lows during the quarter, suggesting the current bear market is the worst since the 1937/1939 bear.

The main features in the currency markets have been the significant rise in volatility, the continued aggressive selling of sterling and the sharp turnaround in the fortunes of the euro.

The bulk of the declines in global equities came in the final quarter of 2008. Mid-October saw a record number of successive 52-week lows on the NYSE in the US. The wild gyrations in the equity markets have been driven by technicals and sentiment, with little regard to fundamentals or valuations. Although the markets did make new lows after mid-October they were less broadly based, which is a good indication that the markets are attempting to establish an important low. From a fundamental standpoint, global equity valuations are at historically low levels in terms of most metrics. Furthermore, equity dividend yields are now higher than 10-year bond yields, something that has not been seen on Wall Street for 50 years. Regionally, there has been a very close correlation in performance as the effects of the fall out from the financial crisis have left no area unscathed.

Traditionally, bond markets are the prime beneficiaries in recessionary times, particularly in the longer-dated area. In the current environment of extreme credit risk concerns, the primary focus has been on Government

bonds. As a result the spread between government bond yields and corporate bond yields widened sharply. Although spreads have narrowed somewhat the gap remains very wide on an historical basis.

Bond exposure for the Asset Management portfolios has averaged 50% over the last quarter. Non-sovereign backed bonds, which despite being well rated (AA and above), underperformed government bonds and thereby offered a limited hedge against the portfolios' equity exposure.

Our emphasis continues to be in short-dated conventional bonds in Europe. Here we see the potential for substantially lower short-term rates, including US and UK government bonds, and a portion in inflation-linked bonds. Ashburton's exposure is now almost entirely in government and government-backed bonds.

An unwinding of the overbought position, notably in 10-year bonds, can be expected but government bonds will continue to be well supported while deflationary forces remain in place. Although inflation linked bonds fell sharply at the beginning of the quarter on deflationary concerns, they have subsequently experienced a strong rally off the mid- November lows. They continue to look good value given they are still pricing in a protracted period of deflation and only mild inflation thereafter.

The main features in the currency markets have been; the significant rise in volatility, the continued aggressive selling of sterling and the sharp turnaround in the fortunes of the euro. The dramatic moves in currencies have been exacerbated by poor liquidity, an important factor behind the sharp sell off of sterling against the euro, in addition to the negative outlook for the UK economy and the dramatic change by the MPC to a US style monetary policy. For much of the quarter the US dollar and yen benefited from the de-leveraging and risk reduction trade. More recently, the US dollar strength has reversed, particularly against the Euro, principally on the back of a more hawkish ECB and the Federal Reserve's move to quantitative easing.

Looking back, currency strategy has been conservative. As volatility increased we felt it prudent to have a large base currency bias since the primary focus was on protecting capital and reducing volatility. Towards the end of the year yen exposure was increased as a hedge against another pull back in equities after their strong rally into the year-end. Some US dollar exposure was also taken for euro clients on the view that the recent euro strength is overdone and ripe for a correction.

Regional Equity Performance - 4th Quarter (based to 100)



Source: Bloomberg

Outlook for 2009



Outlook by Tristan Hanson
and Ian Leverington.

*“If you can keep your head when all
about you are losing theirs...”*

The legendary investor and philanthropist Warren Buffett is never short of a telling phrase. As recently as October 2008 he described one of his rules for buying, “Be fearful when others are greedy, and be greedy when others are fearful”.

Given the year we have just endured, it is unsurprising to learn that Mr Buffett has been buying.

There can be no doubt that there is still a great deal of fear about, despite the reasonable performance of equity markets in December. We all recognise how bad things are, but unless the world economy worsens further for a prolonged period then you have to think that equity markets are near to discounting the worst of this global recession now. That is not to say that equities can't go lower in the short term, and we are not suggesting that 1 January 2009 represents the start of a new bull market. What we do believe however is that equity markets will close 2009 higher than they opened it.

Why are we optimistic when the news is so unrelentingly awful? Economic data is likely to remain extremely weak for some time, but it is quite plausible that over the next six months leading indicators begin to show the first shoots of recovery. The unprecedented actions of the Federal Reserve and other central banks should lead to a gradual easing of credit conditions. Lower mortgage rates are now stimulating mortgage refinancing activity and a low oil price boosts disposable real incomes. Furthermore, an expected Obama fiscal stimulus should be implemented in the second half of the year, if not earlier.

At some point in 2009, we believe equities and other risky assets will enjoy a powerful rally that will last several months. Even during the prolonged bear markets of the 1930s and 1970s, equity markets staged strong rallies over meaningful time horizons. Equity markets tend to bottom 3-6 months in advance of the trough in economic conditions, which given current consensus economic forecasts, would suggest good odds of a low sometime in the first half of the year. Furthermore, valuations on a number of popular metrics suggest equities are priced to deliver above average medium-term returns. Likely negative news-flow surrounding earnings and general economic conditions in the near term may limit immediate upside for stocks (or indeed prompt a return to recent lows) but we expect to increase equity exposure into any weakness in the first half of the year.

The asset class that has arguably undergone the most pain in 2008 – corporate debt – is also priced to deliver high medium-term returns. Corporate bond spreads are the widest in decades with implied default rates suggesting a prolonged period of economic weakness is already priced in.

“Be fearful when others are greedy, and be greedy when others are fearful”.

(Buffett, 2008)

Clearly company default rates will increase this year but pessimism looks to be even more extreme in this market than in equities. We believe corporate bonds offer a very good opportunity to make high risk-adjusted returns and we are looking to add exposure to this asset class in the core services.

US treasuries are priced to deliver low or negative real returns over the medium term.

By contrast, US treasuries are priced to deliver low or negative real returns over the medium-term, unless a prolonged period of deflation becomes reality. This is an extreme view we are prepared to bet against and accordingly we will avoid these assets, particularly at longer maturities. US TIPS (Treasury Inflation-Protected Securities) are more attractive and form a reasonable portion of our bond allocation. We also believe European sovereign debt will outperform US treasuries in local currency terms in 2009.

Currency markets are likely to display high volatility this year, which should offer opportunities for active investing. Given their weak economic fundamentals, GaveKal Research has very aptly described the choice between the currency majors as an “Ugly Contest”. Of the majors, we anticipate that the Euro may be the worst performer in 2009 against a basket of currencies.

From a sectoral perspective, if equities do rally, it is unlikely that usual early-cyclicals, financials and consumer discretionary stocks, will lead this time. Banks are cheap, but with very good reason. Profits over the last few years have been driven very much by their dealings in the shadow banking system, and leveraged on consumer indebtedness. This model is no longer available, and with more government intervention and regulation likely, their ability to grow profits is limited.

Consumer discretionary stocks may prove interesting later in the year, but we probably need to see more evidence that the US consumer is spending, not saving any cash windfalls from tax rebates and mortgage re-fixings, before becoming more committed.

We believe that an equity market rally is likely to be driven by selected industrial names. The case for this sector is pretty straightforward. If governments increase spending on infrastructure, then the companies that make the cement, who build the roads, who design the bridges, are those where earnings streams will be recognised more quickly by the markets. We are also keeping an eye on US homebuilders. The S&P homebuilders index peaked in July 2005, long before the general market, and has lost over 90% since, making 10 year lows in the process. Nationalisation of Fannie Mae and Freddie Mac, who between them bought 80% of new mortgages in 2008, should help stabilize the housing market, and further government action to limit foreclosures is likely to be a priority of the Obama administration.

If we have focused on the US economy it is because we believe it will be the US that leads the recovery. Europe and Japan are likely to lag.

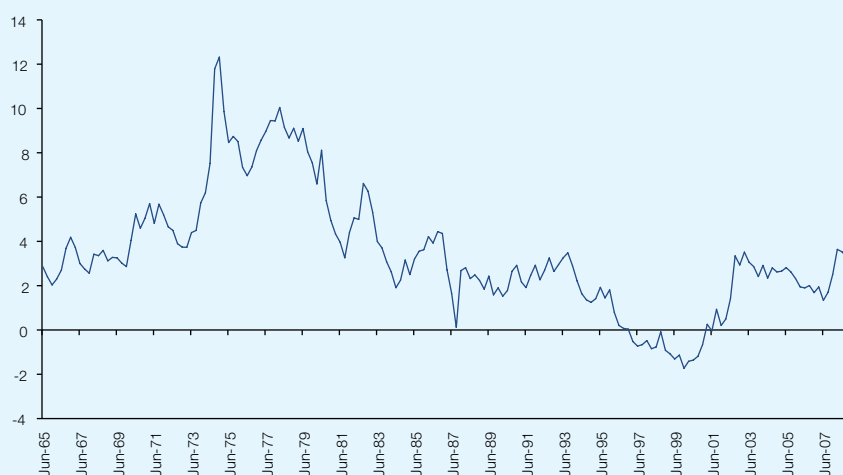
While we continue to believe Chinese growth will outpace the rest of the world for the foreseeable future, there is considerable uncertainty over the extent of recent weakness. From a regional equity allocation, we favour the US and Asian markets.

Diversification is likely to be an important determinant of our currency strategy this year.

Rowan Atkinson once remarked, “There is certainly a certain degree of uncertainty around, of that we can be quite...sure” (Belfast, 1980). While we have outlined our current thinking, we recognize that only rarely do markets evolve in line with expectations. That is what makes investing so challenging - there will be surprises in store. We will, however, continue to focus on making steady positive returns, always looking to profit from opportunities presented by the inevitable swings in market sentiment – one of the few things we can be sure of in these uncertain times.

Implied Equity Risk Premium (% change over time)

“The implied premium for taking equity risk is the highest since the 1970s” (Tristan Hanson)



Source: Bloomberg



Obama's crucial gamble

Written by Tristan Hanson

By the time this Perspective is published, newly incumbent President Obama is likely to have announced the largest US fiscal stimulus package on record. Something in the region of \$800bn-\$1,000bn (roughly 6% of US GDP) is currently anticipated, comprised both of tax cuts and spending increases. The expected scale of the stimulus package begs a number of questions: Is it needed? Will it work and what are the risks? This Focus article tries to shed light on some of the most important issues.

Over the coming months, official data is likely to indicate that the current US recession is at least as severe as any contraction post WW2. A number of leading economists estimate that US growth is contracting currently at a 5% annual rate; while a peak unemployment rate of over 10% is not implausible sometime over the coming quarters. In the context of a highly indebted economy, deflation poses a material downside risk to even these gloomy prognoses. Since debts are predominantly fixed in nominal terms, material deflation is likely to trigger a vicious circle of falling asset values, rising indebtedness, insolvencies, loan write-offs and further credit tightening. A bold policy stimulus is therefore urgently needed

That still leaves the question of whether monetary or fiscal policy stimulus is most appropriate. In recent decades of low positive inflation (say 2-5% p.a.), central banks have, when required, been able to stimulate economic growth by lowering interest rates. That, unfortunately, is no longer possible in the US (or Japan) where 'liquidity trap' conditions have been reached - when the central bank's target interest rate is zero it cannot go lower. This explains the increasingly unconventional monetary policy pursued by the Federal Reserve: accepting risky private sector assets as collateral and lending to a broader array of financial and non-financial institutions directly. There is essentially no limit on the amount of liquidity that the Fed can supply to the financial system; thus, monetary policy still has a role to play in reducing interest rates more widely, such as on mortgages or commercial paper. However, even with aggressive Fed action, credit growth is unlikely to take-off; households and businesses are looking to repair balance sheets while commercial bank lending terms will not ease quickly.

The lesson from the Great Depression of the 1930s is that deflation poses a far greater risk to highly leveraged economies than a recession in times of moderate inflation. From the scale of the challenge confronting US policymakers and the limited influence monetary policy can achieve prospectively it is clear that aggressive Keynesian fiscal policy must now come to the fore.

Will Obama's stimulus package work? Sceptics typically fall into two camps. The first acknowledges that looser fiscal policy can boost demand but points out a number of adverse side-effects: higher private sector interest rates (crowding out); the uncertain

Over the coming months, official data is likely to indicate that the current US recession is at least as severe as any contraction post WW2.

timing of the stimulus; spending is often wasted on uneconomic projects and the government is left burdened with increased debt that must somehow be paid for with higher future taxes or spending cutbacks. A second camp argues that a fiscal stimulus of this magnitude will not be enough to combat the powerful deflationary forces already in place.

Timing is the sixty-four million dollar question and as worsening jobs data comes through in the coming months the market may once again doubt the possibility of recovery.

The increasing readiness of US policy makers to act aggressively suggests the concerns of the latter camp will be proved wrong eventually, if not just yet. If in six months time Obama's plan looks insufficient, the authorities will have to resort to even more drastic action. Ultimately, direct Federal Reserve financing of the government deficit may be required (that is, debt monetisation – the ultimate double-barrelled policy weapon).

The criticisms of the first camp might be justified to some extent, but without an alternative plan just seem churlish, a point made by Nobel Laureate Paul Krugman. As with all sudden increases in government spending, some money will be wasted and some may come too late, but no better alternative to confront the risks of prolonged contraction and double-digit unemployment has been forthcoming. Moreover, the risk that large government deficits will drive interest rates significantly higher is limited at present: if the public is no longer willing to finance the US government, the Federal Reserve will have to do so instead.

It is the medium-term challenges of a large increase in the US public debt that are most concerning and this is where the risk lies, but today these must fall into the "important, not urgent" category of policymakers' priorities. Once a recovery is underway, a prolonged period of fiscal prudence will be necessary to scale back debt levels.

This is all the more important in light of the US social security and health care time-bombs. Similarly, to prevent high levels of future inflation, the Federal Reserve will at some point need to reduce the monetary base. Hopefully, government spending on 'public goods' such as infrastructure, health and education will improve future private sector productivity and help alleviate US income inequality. However, the medium-term risk that prolonged government intervention stifles entrepreneurialism and growth is apparent.

What are the implications for financial markets? As the above arguments suggest, it is our view that a timely and large fiscal stimulus is needed and that eventually it will work to kick-start US growth. Lower oil prices and mortgage rates will add further stimulus.

As the first shoots of recovery appear, government bond yields will rise and risk assets are likely to perform strongly, including corporate debt and equities. While the prospect for an equity market rally in 2009 is good, the medium-term outlook is clouded by the tough choices facing policymakers in the coming years.

Timing is the sixty-four million dollar question and as worsening jobs data comes through in the coming months the market may once again doubt the possibility of recovery. What is clear, however, is that US treasuries are priced to deliver low or negative medium-term real returns unless a 1930s-style economic crisis ensues, something the US authorities will try desperately to avoid.

The prospect of US debt monetisation would normally suggest dollar weakness, but it is not obvious that the economies of the other major currency alternatives (yen, euro or sterling) are in better shape. On a medium-term basis, it is very plausible that a basket of Asian, other emerging market and peripheral developed market currencies will outperform the four currency majors.

US Fed Funds rate (%)



Source: Bloomberg and S&P

News

New addition to asset allocation team

We are pleased to announce the appointment of Tristan Hanson in the new role of Manager of Asset Allocation and Strategy.

Tristan will be responsible for managing asset allocation and investment strategy research across all of Ashburton's multi-asset funds, including the £217m Ashburton Sterling Asset Management Fund for which Nick Lee continues to be lead manager. Tristan will also play a key role in providing regular market commentary and strategy updates.

Tristan joined Ashburton in December 2008 with seven years experience at JP Morgan Cazenove in London where he held the role of Global Strategist from 1999 to 2006.



Tristan Hanson

During the two years before joining Ashburton, Tristan completed a Masters degree in Public Administration in International Development (MPA/ID) from Harvard University's Kennedy School of Government.

His extensive knowledge and expertise will enhance our ability to generate strong, long-term investment returns for our clients.

Peter Bourne, Managing Director comments: "Our multi asset funds are an important part of our product stable. Tristan has seven years experience as an economist and global strategist focused on generating thematic investment ideas, which is highly suited to the way we manage our funds. His extensive knowledge and expertise will enhance our ability to generate strong, long-term investment returns for our clients, and continue as a highly successful business.

Ashburton is evolving in a strategic direction for growth. I am delighted with Tristan's appointment as this will help strengthen the team as the company reaches into new areas."

Ashburton's website gets a brand new look

We're proud to announce the launch of our new-look website, which went live at the end of 2008.

To make our website easier for you to navigate we've given it a brand new look, improved the functionality and added some new tools.

Check out our Homepage for the latest news and views from our Investment Managers. Or download our new Fund Fact Sheets and daily prices at the click of a button. We've also incorporated a Quick Links section to give you speedy access to useful information and documents.

You can also tap into our new Knowledge Centre where you can receive email bulletins, updates about events in your region, regular investment insights plus much more.

And if you're an existing client, you can also access your latest fund valuation online. If you have previously registered for online services you can still use your existing login.

Naturally, we hope to continue evolving and improving our website further over time. But in the meantime, we hope you like our new-look site and find it easier to use.



Performance

31st December 2008

Please note: All Ashburton Multi Asset & Fixed Income Funds are now shown compared to their relevant Sector Average. For more information please log on to www.ashburton.com/performance.

% Growth	1 year	3 year	5 year	10 year	Since Launch	Launch Date	Yield (%)
Multi Asset Funds							
Asset Management Funds							
Sterling Asset Management - Accumulating*	-12.57	-0.86	23.73	46.71	184.18	04/02/92	n/a
Sterling Asset Management - Distributing*	-12.52	-0.95	23.43	45.62	203.23	01/01/92	1.45
Sector Average	-18.63	-6.86	19.53	15.84	-	-	-
Dollar Asset Management - Accumulating*	-19.35	-1.64	18.03	38.98	149.06	04/02/92	n/a
Sector Average	-27.31	-11.25	2.74	30.71	131.97	-	-
Euro Asset Management - Accumulating*	-17.05	-9.93	10.25	-	17.37	25/04/03	n/a
Euro Asset Management - Distributing*	-17.73	-11.48	9.20	-	8.22	03/12/01	1.21
Sector Average	-17.72	-15.87	-0.90	4.79	-	-	-
Advanced Portfolio Funds							
Advanced Portfolio Lower Risk GBP	-10.83	-	-	-	0.17	19/06/06	0.90
Sector Average	-13.43	-	-	-	-	-	-
Advanced Portfolio Moderate Risk GBP	-15.40	-	-	-	-2.08	19/06/06	0.58
Sector Average	-13.43	-	-	-	-	-	-
Advanced Portfolio Higher Risk GBP	-24.82	-	-	-	-13.66	19/06/06	0.51
Sector Average	-13.43	-	-	-	-	-	-
Advanced Portfolio Lower Risk USD	-17.12	-	-	-	-3.84	19/06/06	1.84
Sector Average	-28.07	-	-	-	-	-	-
Advanced Portfolio Moderate Risk USD	-21.81	-	-	-	-4.63	19/06/06	1.23
Sector Average	-28.07	-	-	-	-	-	-
Advanced Portfolio Higher Risk USD	-32.30	-	-	-	-15.26	19/06/06	0.61
Sector Average	-28.07	-	-	-	-	-	-
Advanced Portfolio Lower Risk EUR	-	-	-	-	-15.87	18/02/08	nil
Sector Average	-	-	-	-	-	-	-
Advanced Portfolio Moderate Risk EUR	-	-	-	-	-20.17	18/02/08	nil
Sector Average	-	-	-	-	-	-	-
Advanced Portfolio Higher Risk EUR	-	-	-	-	-26.86	18/02/08	nil
Sector Average	-	-	-	-	-	-	-
Equity Funds							
Global Sterling International Equity	-27.30	-14.15	19.78	-0.36	242.71	01/01/92	nil
MSCI World CR GBP	-19.81	-12.64	10.56	-7.40	120.40	-	-
Global Dollar International Equity	-42.39	-21.60	5.24	-	-19.73	06/04/00	nil
MSCI World CR USD	-42.08	-26.84	-11.20	-19.98	-35.24	-	-
Americas Equity PC	-44.73	-22.43	-6.04	-17.99	29.35	06/01/97	nil
MSCI North America CR USD	-39.24	-27.22	-16.44	-25.08	23.22	-	-
Asia Pacific Equity PC	-41.61	-28.25	13.70	92.70	55.74	06/01/97	nil
MSCI Pacific CR USD	-37.91	-29.02	0.30	3.87	-23.10	-	-
Chindia Equity PC	-59.85	-	-	-	-37.32	01/12/06	nil
Chindia Benchmark	-58.65	14.06	56.04	133.17	-24.58	-	-
European Equity PC	-48.46	-22.36	29.04	15.68	101.25	06/01/97	nil
MSCI Europe CR USD	-45.51	-36.48	-14.72	-30.57	14.47	-	-
Feeder Funds							
Americas Equity GBP Feeder PC	-23.84	-	-	-	-7.07	01/12/06	nil
Asia Pacific Equity GBP Feeder PC	-19.59	-	-	-	-11.57	01/12/06	nil
European Equity GBP Feeder PC	-31.93	-	-	-	-9.67	01/12/06	nil
Chindia Equity GBP Feeder PC	-44.61	-	-	-	-15.10	01/12/06	nil
Fixed Income Funds							
Sterling Cash & Fixed Income	1.11	0.32	6.92	36.76	81.80	01/11/94	n/a
Sterling Managed Income	1.63	2.54	10.62	45.64	100.25	01/01/95	4.62
Sector Average	32.69	34.06	44.51	74.52	-	-	-
Dollar Cash & Fixed Income	-3.90	2.78	5.53	31.37	77.87	01/11/94	n/a
Dollar Managed Income	-3.05	5.22	9.35	-	25.63	03/12/01	5.58
Sector Average	-4.16	12.28	16.06	50.81	-	-	-
Feeder Funds							
Sterling Money Market	4.67	14.21	23.67	-	28.58	25/10/02	2.22
Dollar Money Market	1.75	10.83	14.77	-	15.95	25/10/02	0.82
Euro Money Market	3.52	9.41	12.75	-	15.66	25/10/02	2.36

*Accumulating applies to Ashburton Replica Portfolio Ltd. Distributing applies to Ashburton Global Funds PCC. Source: Lipper.

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The average investment results include the returns for all clients who were clients for the whole of each calendar year and are adjusted for money added or withdrawn. Figures for funds are calculated on a bid to bid price basis, ignoring any initial charge, with gross income re-invested. Personal portfolios are calculated at a mid-market basis. All figures are calculated as at 31 December 2008 on a rolling basis. The comparative index used in each case is that deemed to be most appropriate for each fund. The views expressed in Ashburton's Perspective represent the collective views of the Ashburton investment team and the Ashburton external advisers, which will change with altering market conditions and may not necessarily be reflected in the composition of managed portfolios. Past performance is not necessarily a guide to future performance. The value of investments, and the income from them, can go down as well as up, and you may not recover the amount of your original investment. Ashburton (Jersey) Limited and Ashburton Fund Managers Limited are regulated by the Jersey Financial Services Commission. Ashburton (Jersey) Limited is also registered as a Foreign Investment Services Provider in South Africa in accordance with Section 8 of the Financial Advisory & Intermediary Services Act 2002. Ashburton Global Funds is a Protected Cell Company and a recognised fund in the UK under Article 270 of the Financial Services and Markets Act 2000. The prospectus of the fund can be viewed at RMB Asset Management International Limited, 2 London Bridge, London, SE1 9RA. Both Ashburton Fund Managers Limited and RMB Asset Management International Limited are part of the First Rand Group. The United Kingdom Financial Services Compensation Scheme does not apply to investors in the fund. Nevertheless, in certain circumstances, the Collective Investment Funds (Recognised Funds) (Compensation for Investors)(Jersey) Regulations 1988 (as amended) may provide compensation for investors.

