

Monthly Market Outlook

For use by Private Clients and Professional Advisors



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'Market Pulse'

As we are always striving to improve our communications, we have replaced the 'Market Overview' section with a separate quarterly 'Market Pulse' publication (formerly the *Economic and Market Views*) which provides an in-depth, detailed, market overview including commentaries on: Investment Strategy, Equities, Government Bonds, Corporate Bonds, Emerging Markets, Currencies, Alternatives and Markets at a Glance. We are sure that you will find the *Market Pulse* interesting and informative.

Market Pulse is published quarterly as a PDF on the International Investment Market Commentaries page of www.kleinwortbenson.com/international. For Financial Advisors registered on KB Academy, this publication is also available in the Product Updates section of the Commentary Archive.

Meanwhile, you can find the usual asset allocation and fund performance updates for the discretionary strategy funds in each Monthly Market Outlook.

Fixed Income

Fixed income strategies generally detracted from value as gilt yields moved higher. The world is becoming an increasingly difficult place for government bond investors. The highest-quality issues are safe havens but offer low nominal yields and negative real yields in many cases as inflation remains high. At the other end of the quality spectrum there are some attractive yields but the issuers are countries with deteriorating credit

ratings. High-quality global government bonds, excluding the UK, rallied slightly during a volatile month, whilst the UK suffered from reduced quantitative easing (QE) expectations, but with yields now so low and supported by QE the question is how long can this continue? The valuation case for high-quality government debt is difficult with yields close to record lows and with evidence suggesting that investors are net long bonds there

remains the risk that a sell-off could occur if sentiment changes. However, support from monetary policy remains and it is probable that yields remain range-bound for the immediate future. We are currently looking for opportunities to reduce interest rate risk.

Equities

Equity markets drifted lower in early March, however, the latest and largest supply of liquidity to the financial system from the European Central Bank boosted investor confidence and helped global equity markets to rally into the month end. The MSCI World Index rose 1% for the month although the FTSE 100 fell, failing to hold on to gains as economic data disappointed at month end.

Our overall portfolio position remains defensive; however, even against a backdrop of continued economic uncertainty we have begun to re-introduce risk within portfolios where we see value. We increased our equity exposure by adding German equities during March, whilst continuing to avoid broader Europe. German equities are undervalued, oversold and have positive momentum thereby offering the potential for further upside.

Moreover, central bank policy remains accommodative in Europe, which continues to support the equity market.

Alternatives

The average performance of the hedge fund exposure was broadly unchanged during the month, as the equity and commodity-based funds fell whilst other strategies rose. During the month, exposure to the BlueCrest BlueTrend fund was established, providing further diversification into a proven trading strategy, with low correlation to other markets.

Real Assets

Commodity prices also finished a little lower and gold failed to recover from last month's disappointment at the lack of additional QE in the US.

and gold price fell, whilst property fell as the commercial property investment trusts detracted from performance.

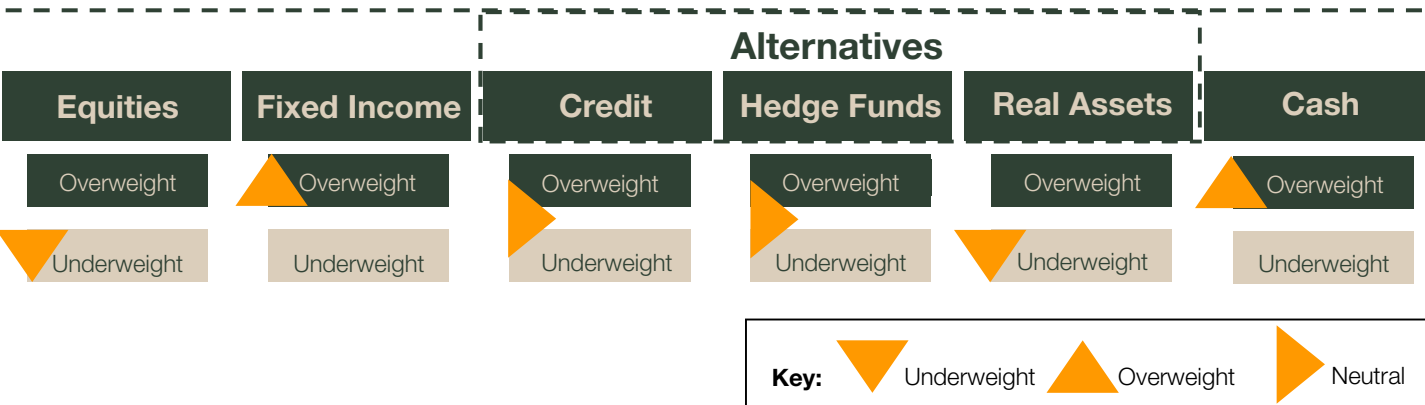
Our broad commodity exposure remains underweight, whilst we continue to hold gold as a diversification to risk assets. Exposure declined as both the diversified fund

Fund Performance

Fund performance was mixed as global equities rose whilst the UK and real assets fell. Despite increasing exposure to German equities, we continue with our defensive positioning, retaining fixed income and gold exposure in order to provide diversification to the risk assets. Whilst investor confidence has improved

Key changes to the Asset Allocation and Fund Purchases

significantly during early 2012 the outlook for growth and therefore markets remains challenging.



Fund Performance

Overview as at 30/03/2012

Top Holdings	Asset Class
Aberdeen UT Managers	Equity
Gold Bullion Securities Limited	Real Asset
Invesco Managers IP Income No	Equity
iShares FTSE All Stock	Bond
Franklin Templeton UK Mid Cap A Inc	Equity
M&G Optimal Income GBP 1 Acc	Bond
Fidelity Germany A Dis Nav	Equity
Axa Framlington UK Select Opportunities	Equity
BH Macro Ltd Global Mac	Alternative
Schroder UK Alpha Plus	Equity

Source: Kleinwort Benson (Channel Islands) Investment Management Limited

Fund	3 Months	6 Months	1 Year	3 Years (annualised)
All Weather Euro	3.58	4.58	-2.16	6.24
All Weather Sterling	3.49	5.47	1.27	8.82
All Weather US Dollar	2.40	4.19	1.64	8.49
Conservative Euro	1.10	1.40	0.20	-0.20
Dynamic Euro	6.42	9.83	-1.84	8.61
Progressive Euro	5.24	7.30	-1.01	7.27
Conservative Sterling	1.16	1.55	2.14	0.81
Dynamic Sterling	5.67	8.65	-2.69	9.19
Progressive Sterling	3.55	5.23	-1.10	8.20
Conservative US Dollar	1.50	1.91	0.30	0.26
Dynamic US Dollar	6.63	10.92	-2.70	9.58
Progressive US Dollar	3.85	4.81	-1.16	7.37

Source: Morningstar. All funds are single priced with performance calculated in the base currency of the fund.

Fund	YTD	2011	2010	2009
All Weather Euro	3.58	-5.63	10.32	4.66
All Weather Sterling	3.49	-1.59	11.34	6.87
All Weather US Dollar	2.40	0.48	10.61	4.90
Conservative Euro	1.10	-1.28	0.10	-0.39
Dynamic Euro	6.42	-9.97	16.36	7.35
Progressive Euro	5.24	-7.14	11.14	8.10
Conservative Sterling	1.16	1.07	0.79	-0.49
Dynamic Sterling	5.67	-8.22	15.17	12.13
Progressive Sterling	3.55	-4.57	12.68	10.30
Conservative US Dollar	1.50	-0.80	0.70	-0.70
Dynamic US Dollar	6.63	-8.49	12.72	10.97
Progressive US Dollar	3.85	-3.99	10.54	4.85

Source: Morningstar. All funds are single priced with performance calculated in the base currency of the fund.