

2011 ANNUAL REVIEW and 2012 PREVIEW.

PREFACE

Since 2008 the process of reviewing a year past, has become a much more onerous and complicated process. In relatively normal trading periods one generally has only a few lingering overhangs which perhaps could have some level of impact on the year ahead? Sufficient understanding of proposals would enable a reasoned analysis of the “winners and losers” and combined with an oversight process on “trend” movements, one could still expect to present a reasonably accurate economical performance matrix. Indeed history shows that very rarely do economical downturns last longer than three years and even financially induced recessions normally only have a five year cycles. So pervasive and insidious has this recession become that...as we shall explore later...perceptions, poor governance and the necessity for governments to address long overdue fiscal and economical changes at the least propitious moment; continue to weigh on sentiments. No review of 2011 can ignore these events. However an assessment of 2012 need not linger overly long on individual countries political baggage, as within the year, elections will take place in many major economies which by default will change perceptions; as there is generally a “honeymoon period” after a plebiscite decision. Notwithstanding that reality, I expect



good governance or the lack thereof will still have a major impact, especially in the first half of the year.

2011 REVISITED.

It is somewhat ironic that 2011 began with a world enthralled by an “Arab spring” motivated with the desire for democratic opportunities, while large established democracies filibustered, procrastinated and even at times sought quite specifically to use the democratic process for self serving political reasons, while well aware of the short and long term negative consequences of their selfish actions on their electorate. It was the newest philosophical/political entity within the established economies which had and continues to have the major impact during the year. Europe and especially the Eurozone were rarely out of the news. Poor governance, differing political philosophies combined to the constrains incorporated in (Maastricht) treaty legislation offered little room for the quick adaptation of the policy changes needed to address longstanding structural/fiscal/revenue problems while providing the various elements necessary to ensure a well financed and workable programme. No event occurred...for good or bad...in 2011 which was not then, assessed against and tempered by the “Euro” effect. The “Euro” was insidious and omnipresent and as each of the many attempts to resolved the issues was rightly rejected as being “too little and too late” contagion increased and confidence dropped.

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Intersecting these events the USA was downgraded and lost its AAA rating. Less surprising many of the troubled Eurozone economies were also reassessed and most lost position and were put on “negative” watch. The former mainly because the polarised intransigence stance of their political leaders made even simple decisions nearly impossible and assessed the likelihood of any significant attempt to address long term debt reduction until after this years elections as unlikely. Rating

agencies viewed the USA political morass as a self afflicted negative while viewing the Eurozone austerity programmes as generally unworkable (see below 2012 projections). The rest of the world saw their future economical prospects being continually complicated by Eurozone travails and the general consensus for future growth was muted as continual headwinds were forecasted.

As these events are still with us and nearly all of the underlying difficulties unchanged, I believe it would be better to address their ongoing impact within our 2012 review. Notwithstanding these various events and their associated difficulties, it is our traditional endeavour



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to forecast the year ahead’s market movements within our annual review; while revisiting and analysing our annual and shorter term predictions within the year past.

I commenced last year’s 2010 overview and 2011 review with the very percipient statement that the year ahead would be a difficult one to assess. Indeed very much against the trend I proposed that the S&P500 would reach 1375 during the year. It reached 1370.80 in May. Under the circumstances I believe the 0.34% miss is forgivable. Within a plethora of Interim Reports we accurately anticipated corrections; the recovery of the S&P500 to hit 1250 after the August correction and the modest “Santa Claus” rally into 2012. There is nothing so challenging to a financial analyst, within times of instability...especially when coupled to often erratic and irresponsible decision making of our governing bodies and their leaders... to predict market performances. However 2012 should be easier! This may seem an extraordinarily statement to make under the circumstances however certain elections in Europe and the USA this year will require some proposals to be presented to disillusioned electorate in the run up to the elections and these proposals will be stringently assessed as to viability.

We understand the challenges facing the world over the coming year and certainly recent history would not...at first sight... give much confidence as to the outcome. However if we extend the historical focus over a century or even many centuries, the world faced many sterner challenges that it faces today and successfully moved forward.

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As stated the Euro and its associated sovereign debt/banking difficulties has been the outstanding issue for over two years. The poorly handed solutions were always behind the curve. During the coming quarter Italy, Spain and other zone countries must raise nearly \$200billion USD to meet fiscal requirements and almost a similar amount during the second quarter. EU banks are estimated to need to raise their “tier one” by a similar amount and if they are forced to “mark their assets to market” IE the anticipated “haircut” on sovereign as well as pricing their burgeoning mortgage portfolios to proper values then at least double IE \$500billionUSD will be required. It became apparent...as each successive proposal presented by the EU and major Eurozone countries failed to gain traction that the philosophically optimistic checks and balances legally encapsulated in the Maastricht treaty were hindering any elegant

solutions. This remains the case. It is quite possible that no elegant solution will be found. However, it is equally true that no government in the world is unaware that this problem needs to be resolved and all... to greater or lesser degrees... expect a solution to be quickly found. They are wrong to be so optimistic. It will take years to solve.

Never the less there are some

positive consequences of the process and even although there is still little transparency, each minute improvement offers a further insight to the scale of the testing times ahead. The continuing challenge facing the Eurozone can be divided into two specific areas. The first is the short term problem of raising a sufficiently large amount of money to support troubled economies and ensure liquidity of the banking system. The second and much more challenging is to create the fiscal discipline within each of their member states to address long term debt while ensuring sufficient short term growth to avoid long term recession. As far as markets...with their blinkered short term focus... are concerned if the first difficulty is addressed then sentiment will be much improved. Indeed if the major macro financial/fiscal difficulties are successfully addressed, then even if a number of individual countries still remain troubled that programmes to assist them could be managed more effectively.

As stated above, the Maastricht treaty was written neither with specific conditions or mechanisms incorporated to allow the “Euro” club to expel members nor for a member to leave. Equally the role of the ECB was defined whereby it was specifically refused permission to lend directly to countries or buy their sovereign debt. The latter is the principal reason that programmes to date have been poorly received. Without the necessary funds to cover country and bank debts and more importantly, implement parallel

programmes to stimulate short term growth; the Euro and the countries it serves are unlikely to survive in their present format. The recent programme from the ECB to inject credit/liquidity to the European banking system should help ease some immediate concerns. However, as with the USA Treasury Secretary Henry Paulson's \$125BillionUSD loan to major US banks four years ago, it looks as if the banks ...rather than buying sovereign debt or lending it to clients...have used the money to buttress their own capital base. Interbank overnight rates are expensive and lending almost non existent. Some easing has occurred but it's too soon to assess whether it will continue. It is therefore expected that credit/lending will further contract adding additional pressures on the powers to be to change the ECB's role. The dichotomy for the EU is that any change of the ECB's role will almost certainly see some current members leaving the Euro as existing austerity programmes would become impossible to sustain within the structures being proposed. (See 2012 preview)

Throughout the year Eurozone difficulties impacted all parts of the world and added to already changing dynamics. Some countries...especially within the Asian sphere...have used these troubled times to look inward and began to implement internal growth programmes which gives some hope as to the deleveraging of economies. The "Arab spring"...at least philosophically... is an important; indeed historic series of events. However we end the year optimistic as to the long term benefits these events should herald. However, they do highlight the fact that changes there are predominately becoming bloodier and freedom of choice does not necessarily take the same form as western philosophies would wish. Iran, Syria and Egypt, but much more importantly what happens in Saudi Arabia in the coming year/s will have an enormous impact...for good or bad...on any "growth programmes" implemented by established economies around the world.

The USA malaise in 2011 can be simply described as the lingering "hangover" of the 2008 financial meltdown and the lack of political will by both main parties to overcome their own political re-election ambitions and find workable short and long term programmes to put the country and its economy back on track. Corporate USA is once again lean and generally well financed. The last two quarters saw better than expected confidence index levels in small and medium size companies. (Note: For clarity purposes it should be more accurately stated as "less pessimistic"). The coming election will help to identify and assess ideas and programme possibilities. As yet it is too early in the process to find much beyond generalities to focus on. In many ways the events of 2011 in the USA was much more worrisome than the events in the Eurozone. The latter as stated, had little "real wiggle room" within their treaty confines. The USA also missed opportunities to implement new growth programmes, debt, entitlement and tax changes nor came close to addressing their insidious housing problem.

We leave 2011 with the impression of a year "more in transit" than arriving anywhere, with just enough negative events, for us to leave it with alacrity. Little of the good news comes with any short term resolution and indeed more likely will offer some considerable obstacles to overcome; further diluting focus and energy needed to meet the challenges that 2012 will require.

2012 PREVIEW

If any of the outstanding major worries of 2011 had come even close to finding some fundamental consensus as to a pragmatic series of workable programmes; to even begin addressing our outstanding difficulties; then the S&P500 would be closer to 1500 rather than below 1300. IE Markets would be 20% higher. Indeed, if more than one was affectively addressed and some lessons learned from the past, then we would be beginning a bull run which would over take all previous in length and size. One of the hardest disciplines I have had to learn over the years is to bring a fresh look each day when I assess market's fundamentals. The daily noise of short term "Trading" news often obscures the other...vastly more important... fundamental demographically influenced trends. The fact that last year China built twenty million cars for internal demand informs me of the trend to meet the growing consumer needs and aspirations of their citizens. Equally the fact that new built cities capable of housing millions of people are like ghost towns where only tens of thousands live indicate they still have difficulties in transforming philosophies into practical realities. These conflicting aspects of Chinese

reality may condition short term investment suggestions, however I state now that companies offering Health Care; health, property and life insurance; financial services and marriage brokers (China's one child policy means that the number of available brides is way below demand and likely to remain so for decades) are but a few which will grow exponentially over the next ten years.

In other parts of the Pacific region economies are also focused on growing their internal economies and modernising their infrastructures. These economies are still mainly export orientated but their internal demographical needs are relentless and when coupled to modern "social interactions" platforms...such as seen in North Africa...are ignored at their peril. Indeed the message we take into 2012 is that there may be a serious shortfall in governance abilities in dealing with current difficulties but ensconced in our youth...as always it has resided... is the desire for change. Governments are likely to have their feet held much closer to the fire than seen within the past two or three decades. As I addressed in recent Interim Reports the unintended consequences of our unresolved difficulties is that history shows that even complaisant electorates eventually become more demanding of their governments. In countries, such as the USA and trouble European countries where real unemployment is probably double the official rate, the need for new political initiatives has become an imperative. This, as we shall discuss later will be a difficult "sell" to make to already "stimulus tired" populations. Never the less, neither the Eurozone nor the USA can hope to address their challenges without another round of QE stimulus programmes.

However we should firstly view the year ahead without the unresolved baggage of the year past. As markets are corporate watchers; if we view them as entities apart from the politic worries then we would have to say that large international companies are in pretty good health. They are lean, cash rich and over the past two years have sustained very high productivity ratios. During the second half of 2011 major companies began looking to divest themselves of non core divisions. I expect to see these, increase considerably and the M&A side of the banking industry should benefit accordingly. Most interested observers of economies view our current position as generally better placed than previous years...even when the baggage is included... as most of the problems are now understood; even if not solved. Economics is a discipline which can be broken down into four component parts; Philosophy, Mathematics, Politics and History. It should be combined with some practical commonsense but the latter is perhaps too much to expect.

As stated before; if a few of our outstanding global difficulties were seen to be seriously addressed where a workable solution was begun to be implemented, then our 2012 preview would have a completely different profile. It would certainly enable me to present my prediction with greater certitude as so many unresolved, economical and geo political events are still far away from resolution. Therefore my predictions will be predicated on a number of scenarios I believe are more likely to occur and I shall temper them with the possible negative events which could derail my thesis.

Firstly when I sit down a year from now and write the 2012 review and 2013 Preview, the world will be a much happier and confident place. Whatever the trials and tribulations of 2012 the future ahead will have plans to follow and a general consensus that pragmatic governance is the way forward. Whatever 2012 finally unfolds 2013 will have programmes in place to address them. No matter their quality, decisions on key economical and political policies will have been defined. This alone should boost markets and general confidence. China's need to ease their fiscal tightening initiated during 2011, will seek to boost internal expansion, which will support commodity prices globally (or at least compensate for lack of demand elsewhere). Job creation will improve slightly especially in the USA (As their cycle is approaching 5 years. Europe is at least a year probably two behind). The higher productivity rates within the USA should offset the likely strengthening of the USD and about the start of the second half of the year. President Obama and the selected Republican Party candidate must begin to present their policies to their electorate. France will have had its election and the prospects for the survival of the Euro better understood. (See below)

Few of the major outstanding issues will be even partially addressed before the second half of 2012. Which is likely to create a reasonable first quarter:-

USA should show signs of recovery and better sentiments. (Historically five years into the cycle)
Evidence of China's growing internal service and consumer focus and a reasonable 7-8% annual growth expectation. Similar signs of internal growth within other emerging countries.
Copper rebounding from the increase in demand (new consumers in emerging economies tend to buy large durable items) and supply constraints.
Hedge funds predominately performed badly over the past five years and there is a built in need to position their strategies back into the "Risk" side of the equation. I expect to see \$billions USD to re-enter the market; especially when dips offer medium term possibilities.

I see a difficult second quarter!

Within the next few weeks, it will become obvious that Greece has once again missed its targets. The second tranche of their "bailout" is to be assessed in late January and paid in March. Sarkozy will want this tranche paid as French banks are amongst their largest creditors. He rightly views the possibility of further downgrading of French banks and even France itself as an enormous negative in his re-election battle in May. The timetable for the new Eurozone treaty is similar. On 30th January they meet to discuss and March they are expected to have a treaty signed. The datelines are not coincidental. The €150Billion Euros needed by Greece to service its debt and avoid a "default" if paid, allows Sarkozy a fighting chance in his election. Here we see the "political side" of economics at play. However, the mathematical and historical side will resist... or at least find and highlight the flaws within... the plan. Even if signed, quite a number of member states will be required to have their parliament's approval and some may be forced to hold referendums. Once again we are likely to be presented with a Political expedient solution with considerable built in negative consequences. It is difficult to assess when in the first quarter these events will begin to have their inevitable impact. They will certainly be felt during the second quarter. (See Summary /S&P downgrade below)

1st quarter earnings slowdown and revised yearly projections

Poor banking results and still unresolved transparency as to their actual solvency while sovereign, mortgage and interbank debt obligations remain unknown. It seems likely therefore that banks will be seen as continuing to shrink their balance sheets rather than lending.
Fear of a major bank in Europe becoming insolvent.

3rd quarters are historically somewhat subdued. The old investment adage is taking your money away in May and not return until autumn could once again be a successful investment strategy.

However, by now the French election is resolved. The candidates for the USA election identified and presenting their programmes to tackle their problems and any success of deleveraging within emerging markets to boost their internal economies as well as overall recession expectations in developed countries, can be assessed. If "risk aversion" in the first half was still prevalent, then a heavier burden on "hedge funds" to buy the dips and position the future will become relentless. Certainly, sentiments after elections tend to have at least a positive effect on markets no matter who is elected; at least for a short while. As stated before markets are leading indicators and tend to reflect what is expected six months later.

This being the case I view the fourth quarter as likely to outperform.

GENERAL EUROZONE NOTE: I believe the Euro will survive, but not with all its current members. Either some of the weaker economies will leave (at least temporarily) or some of the stronger will and a new or older currency/ies appear. Assuming that the ECB can be morphed into "the lender of last resort"...either by treaty changes or by tacit approval then it is quite possible that the Euro can be protected from implosion for a certain amount of time. Italy especially will be in focus during the first quarter and if they can be refinanced then the "zone" will avert the worst scenario. However, it is likely that Greece will once again

come into focus, before too long. They just can't meet their austerity change obligations and we are about to revisit the size of the "haircut", forcefully negotiated and to be voluntarily accepted by the private sector. I expect the first bond sales in Italy and Spain to be supported by the ECB through the secondary markets and from some of the money lent to banks late last year, however the size and flexibility of their arsenal is presently inadequate for the task ahead. If Sarkozy loses in the coming election (which current poll figures anticipate as being extremely likely) his main rival has stated that they would renegotiate. In short a near perfect execution of complicated negotiations must be traversed and even then some austerity programmes are unworkable. The Philosophical and even the Political will are extant. However the mathematical and historical side of the economical format, will I fear, require some to leave to enable the remainder, a chance of redemption.

SUMMARY.

I had hoped that markets would have been given until the 30th January to gain some traction before Eurozone difficulties needed to be revisited. However the S&P downgrade of most of the Eurozone countries last Friday has certainly derailed that possibility. A weekend is too short a time to accurately assess its likely, longer term impact. Never the less, even although it was generally anticipated, it cannot be considered as a helpful event within the current stage of the process. Perhaps the most important technical impact and where most focus is likely to be addressed is the repercussion to the size of the Eurozone's EFSA fund to support beleaguered bond issues in Spain and Italy. As France was the second most important "guarantor" to the fund, its lost AAA rating could reduce/effect up to €180 billion of the €440 billion Fund. It's likely that some method will be quickly put in place to cover the shortfall. However once again we find Eurozone leaders needing to divert, already constrained, time and effort to address this additional challenge; rather than fine tuning their new treaty needs and other outstanding issues. Coincidentally, while the S&P applied the downgrade, disappointing news out of Greece regarding the private lenders "haircut" agreement was experiencing difficulties. It is not known whether this latest episode of brinkmanship in the Greek "saga" is government or bank lead. It will be Tuesday before USA markets are open and we have the opportunity of assessing how markets react to these events and Wednesday before the players revisit the problem; and hopefully settle the matter. In addition, some time will be required to assess how Friday's S&P downgrade will impact borrowing costs for governments and their private/public companies. Moody's and Finch have declared that they will keep France's AAA for the foreseeable future.

It would seem that 2012 will continue to have sufficient "high profile" events to make the process of predictions as fraught as 2011. However, no matter the headline concerns; the world does move on and depending on the actions/decisions taken, certain likely repercussions can be anticipated. In addition other geopolitical and economical events will play out their natural cycles.

2012 is likely to be another year of Interim Reports as varied proposals are presented and implemented to address challenges. I certainly anticipate the first half of the year to be especially busy as apart from the Eurozone and the USA, many other important events are expected to have their own impacts.

GENERAL OUTLOOK.

The series of Interim Reports and past two Quarterly Reviews during the second half of last year pretty well addressed our assessment of likely events in the first half of 2012. The Eurozone downgrade was well signalled and as with the USA last year, tends to be a "lagging indicator". The €500Billion infusion by the ECB has helped liquidity ahead of their imminent sovereign bond issues, which has buoyed sentiment. Therefore:-

I expect the Santa Claus rally to continue until the full force of this year's "headwinds" (Initially Greece) is revealed.

I expect second half 2012 to offer better prospects than the first two quarters. The travails of developed countries are such that FED, ECB, BOJ and BOE (Japan and Britain are the latter two) easing seem inevitable. Emerging markets in 2009/10 were "caught unprepared" as capital inflows into their currencies

distorted their exchange rates. They are quick learners and I expect a better response this time around from countries in Latin America especially. Pacific rim EM's (as discussed above) will also see some disconnection from developed countries travails. I expect "Easing" (printing money) in Europe and the USA especially will at least buoy commodity prices if not increase.

Our focus is likely to shift around the middle of the year to currency appreciation and internal rebalancing within emerging markets as part of the longer-term process of global rebalancing.

Developed countries...with their Central Bank's imposed "low interest rate policies" and large outstanding debts...cannot be viewed as healthy economies. However two factors are worth noting. Firstly, most of the major large cap "Global" companies are headquartered or owned by either USA or European located entities. These companies have been favoured by investors as "lower risk" holdings which generally pay a dividend (higher than bank rates) while they wait for growth to return. They are leaner and better financed than ever before and if the expected discarding of "non core" well known brands is accurate then growth can be the reward added to the dividend. I especially expect these events... although not exclusively...within the food and beverage industry. Energy, oil and gas (especially liquid natural gas LNG sector), natural resources, health, non banking financial services and basic materials.

Secondly, even although I believe that growth prospects for the USA are somewhat overly optimistic for "fundamentals" reasons; as well as the expectation of a particularly polarising election campaign and...of course...the possible impact of the ubiquitous ongoing "Eurozone" crisis; I still believe USA markets will be somewhat underpinned by 2013 possibilities and expectations. It is still way too early (apart from the very aggressive investor) to view US housing or banking sectors as without "short term" risks. I view the former as less problematic as the latter. Never the less, as we get closer to the election the race to position portfolios for the years ahead will likely offer valuations similar as if the anticipated 3% GDP growth expectations was achieved.

Therefore although I see some unsettled cloudy and variable periods ahead, I expect the S&P to reach 1400 during the year as sentiment and events occasionally improve.

The main short term "downside event" will still be Greece and to a lesser degree how successfully China handles its "economy cooling" process, while they...like us... are reluctantly required to constantly monitor what Europe is doing. The fact that Greece will default seems inevitable whether it triggers a "Credit event" is the question. If so, then all bets are off, as default insurance CDS's and counterparty risk agreements become payable. This has always been the fear as no one seems to know where and how far the impact will finally reach. The current discussions collapsed last week as the negotiations effectively were raising the voluntary "haircut" for private lenders to 60-75%. Banks are not happy but Hedge Funds were furious. As noted, if agreement cannot be reached then the default insurance "credit event" will be breached and things could quickly unravel. One has to believe that Germany especially...even while holding their noses... will somehow make available the necessary funding to enable the "haircut process" to conclude at the 50% level. The alternative will be very much more costly. Never the less, if poorly handles then our current more optimistic outlook could be severely undermined.

China, I believe...if the world outside is reasonably settled... will be successful in effecting a softer landing than many predict. The cyclical effect of higher food prices has moved into the surplus phase as very high prices encouraged growers to raise more livestock and grain bringing prices down. In addition although some areas of the world are still recovering from poor weather events; improving growing conditions are easing pricing difficulties.

The more variable negative possibilities will likely stem from the Middle East and Africa. In the case of Iran, Syria and Nigeria will be the direct and in the case of Syria indirect impact on oil prices. All of the likely Macro events in Europe, USA and China can be handled, however we are still within a weak economical cycle and any prolonged spike in oil prices can very easily hold recovering economies within recession parameters. In conclusion, the investment suggestions we made in September last year

predicated what we believed we would be facing in the run up to the end of last year and the first quarter 2012.

Performances since suggestions are:-

Aggressive +12.2%

Mid-Aggressive +13.38%

Mid Large Conservative +13.36* Note: This selection had 30% allocated in bonds and they were then and still are very expensive therefore, the performance reflects a cash position. If invested the performance would be +11.7%.

The last two quarters have seen a slight swing away from a “Trading” philosophy into a more “value buy and hold” mindset of the markets. As yet the volumes are still low and far and away restricted to Institutional and professional investors. Retail investors are generally still too nervous of outstanding concerns to participate with much confidence. Never the less, it is a sign that some believe that we are much nearer the “tipping point” than before. If we can avoid a major “systemic event” then markets will build on this momentum with some enthusiasm.

Frankly, I dislike intensively the fact that we still find ourselves stuck in the “if” dilemma, when it comes to predicting the future. Given a choice I would prefer that one of the major critical events failed and we could seriously test the level of difficulties we face. That is a challenge the world would rise too. Markets of course would tank; however, would soon recover. An individual company faced with such challenges, would immediately file for bankruptcy. A pragmatic programme would be initiated and protection from creditors would be in place and if viable the company could easily reach successful trading levels once again. If however the same company was fed money to keep it alive while directors and managers were attempting to restructure, make changes in work processes, develop new product lines, find new markets while renegotiating with creditors; then the outcome would be less assured.

The entire outstanding concerns...especially a Eurozone financial default, which would jump oceans and wreck some global bank's survival... would instigate a much greater event that that initiated by the “subprime debacle”. Initially because the amounts involved are much greater. Greece alone owes over a \$trillion USD. However, bank's other distressed assets...trillions of bad mortgages...which Eurozone concerns have enabled them to avoid discussing or avoiding much revaluation pressures, will create a domino effect much greater in size than faced during the 2007/8 meltdown. We know that governments, regulators, central banks, businesses as well as all international and smaller banks fully understand what the problems are. Governments offer the easiest solutions...with the least long term impact... however their implementation would not be palatable to any of their citizens. As such it is worth remembering as we face the challenges and opportunities of 2012 plus 2013 and further years ahead that the least effective process is currently in play. What gives us some level of comfort is that everyone is aware of the challenges.

However, the major “ifs” ...whether on the positive or negative side...will still be present and generally unresolved until the second half of 2012. The current “Santa Claus” rally/improvement in sentiment reflects some success the...company; metaphorically speaking...has had in clearing some deadwood out of the process and effectively redirected a focused amount of resources and talent to specific areas which has enabled certain short term positive results to be experienced. These of course could be built upon and the company regain...or even surpass... its previous high status. However bankruptcy laws were created and are generally successfully utilised as the most effective methodology to address those difficulties. No one is sure what the collapse of a division of the company would entail. They only know that cross party/division obligations will scupper any chance of saving the whole and undermine any “simple bankruptcy process” in the future. It would be a messy process.

There is only one positive “if”. They got it right! So many exist on the other side!

The initial test will once again centre on Greece. They have the next two weeks to resolve the issue or once again an EU summit will be “high jacked” from its initial purpose IE. Negotiating the terms of a new treaty; into another last minute scramble to patch together a short term solution. Chancellor Merkel stated last week that...regarding the Eurozone... this year would be more challenging than last. I view this challenge and how it’s resolved as a leading indicator of how markets and sectors will perform going forward. As such I shall raise a Interim Report in early February with addition “winners and losers” to add to those mentioned earlier, once the outcome of Greece’s negotiations and the summit are concluded.

Till then may I take this opportunity of wishing you and your families a Very happy New Year?

Regards

R.A. Lamb
Managing Director.