

## EDITORIAL

After 2008 brought us to the brink of financial and economic disaster, we saw financial markets returning to stability and a gradual but clear improvement in economic conditions in 2009. In the New Year the odds are heavily in favour of an economic recovery that will continue to gain traction in response to fiscal and monetary stimuli. To be clear, we do not see in the year ahead significant risks of systemic and widespread problems that may take us again to the verge of a meltdown. On the contrary the outlook is rather positive, on balance. However, this does not mean that the ride towards economic recovery will be smooth and uneventful. Indeed, embarking on the road ahead is likely to be bumpy and full of potholes.



**Andrew Popper**  
SGPB Hambros  
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In 2009 equity markets staged one of the most impressive rallies on record to end the year with solid double-digit gains.

Corporate bonds rallied on an epic scale offering once-in-a-generation opportunities and investments in other asset classes also proved rewarding.

Most client portfolios recorded healthy returns outperforming their benchmarks and higher-risk portfolios often enjoyed returns in double digits for the year.

In the New Year the odds are heavily in favour of an economic recovery that will continue to gain traction in response to fiscal and monetary stimuli and we do not see significant risks of systemic and widespread problems that may take us again to the verge of a meltdown.

However, this does not mean that the ride towards economic recovery will be smooth and uneventful.

The Dubai debt crisis and the downgrade of Greece's national debt have brought into focus the issue of sovereign risk.

The exceptional and unusual investment opportunities of 2009 are not likely to be repeated, but we anticipate the year ahead to produce positive returns for many of the asset classes in portfolios.

**Changes in major indices (year on year, 31 December 2008 – 31 December 2009)**

	UK	US	EUROZONE	JAPAN
Equities	22.1% FTSE 100	18.8% Dow Jones	21.1% DJ Euro Stoxx 50	19.0% Nikkei
Bonds Bloomberg/EFFAS Government Bond (all maturities >1 year) Indices	-1.3%	-3.8%	4.4%	0.9%

Indices are for guidance purposes only. Percentages are based on capital returns in local currency  
 Past performance should not be seen as an indication of future performance  
 Source: Thomson datastream

**Recommended asset allocation\***

	OVERALL	UK	US	EUROZONE	JAPAN	EMERGING MARKETS
Equities	<b>neutral</b>	underweight	overweight	<b>neutral</b>	<b>neutral</b>	overweight
Government bonds	underweight	underweight	underweight	<b>neutral</b>	<b>neutral</b>	
Investment grade corporate bonds	<b>neutral</b>	<b>neutral</b>	<b>neutral</b>	overweight		
Alternative investments	overweight					

\*In relation to the SGPB Hambros benchmark allocation

## Sovereign risk comes into focus

**After 2008 brought us to the brink of financial and economic disaster, we saw financial markets returning to stability and a gradual but clear improvement in economic conditions in 2009. Equity markets started the year on a note of doom and gloom, discounting a Great Depression and reached their nadir in early March. As it became evident that the vast array of fiscal and monetary counter-cyclical measures were going to work, at least in the short run, equity markets staged one of the most impressive rallies on record to end the year with solid double-digit gains.**

Equally impressive was the rally in fixed-income markets, especially corporate bonds. Consistent with the negative sentiment in equity markets, the spreads between high-quality investment-grade corporate bonds and government bonds had widened early in the year to unprecedented levels, in effect predicting massive corporate defaults. As perceptions changed, corporate bonds rallied on an epic scale offering once-in-a-generation opportunities to investors.

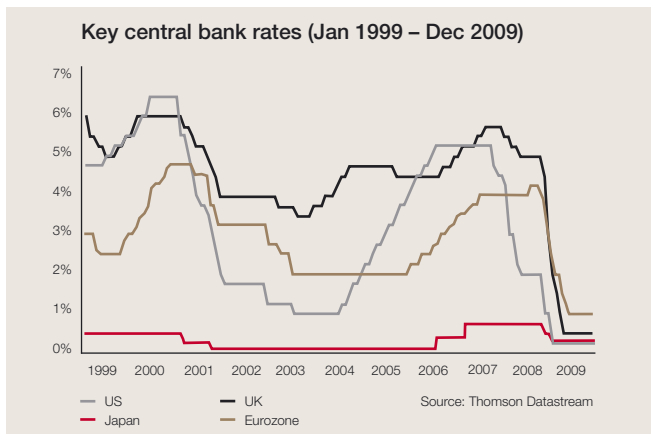
Investments in other asset classes also proved rewarding. Taking advantage of market distortions and reduced competition a chastised but refreshed hedge-funds industry also delivered on their promises. A rally in commodities – especially gold that reached new highs on concerns over future inflation – provided another set of good investment returns.

After a very painful period for most investors in 2008 and early last year, the picture had brightened up considerably by the end of 2009. Most portfolios will have enjoyed healthy returns from a variety of sources. Clients were generally well placed to benefit from the market moves mentioned above as we gradually increased exposure to risky assets. Higher-risk portfolios often enjoyed returns in double digits for the year, and most portfolios outperformed their associated benchmarks.

In the New Year the odds are heavily in favour of an economic recovery that will continue to gain traction in response to fiscal and monetary stimuli. Funds earmarked by governments are still in the pipeline and they will boost aggregate demand as they are disbursed. Business inventories declined sharply in 2009 and are now very low. Even a small increase in inventories from such depressed levels will provide an important engine of growth. Similarly, as businesses held back on capital investments during the credit crunch, there is significant pent-up demand for capital goods. These factors will contribute to world economic growth in the year ahead when most large economies will be well out of recession.

To be clear, we do not see in the year ahead significant risks of systemic and widespread problems that may take us again to the verge of a meltdown. On the contrary the outlook is rather positive, on balance. However, this does not mean that the ride towards economic recovery will be smooth and uneventful. Indeed, embarking on the road ahead is likely to be bumpy and full of potholes. One of the main negatives will remain the stubbornly high levels of unemployment. This implies further risk of consumer credit defaults for the financial institutions. As a result credit supply will remain impaired as banks will be very protective of their balance sheets.

Central banks will continue to navigate in treacherous waters between the dangers of deflation and inflation and markets participants will be watching them with jittery anticipation. As economic conditions improve, central banks will implement their exit strategies from quantitative easing (QE) and will attempt to reduce their bloated balance sheets. First, this implies not acquiring additional assets from banks and second, selling back into the market assets already bought. The European Central Bank (ECB) has already hinted that operations to unwind QE may be start soon. However, other central banks may be less decisive. The US Federal Reserve Bank (Fed) is likely to be slower in its approach for fear of stifling the recovery and because of difficulties in finding buyers for assets of doubtful quality. The Bank of England will also find it hard to unwind QE as it is under pressure to monetise the



Government's ever increasing public debt. Thus concerns about inflation further on the horizon will legitimately persist.

A big bump encountered recently on the road to recovery was the surprise request made in late November by the state-owned conglomerate Dubai World to reschedule USD 22 billion of debt, in fact an admission of insolvency. Dubai, one of the emirates which form the United Arab Emirates, has embarked for many years on a major spending spree with borrowed money to build a major metropolis.

Dubai's credit problems sent shock waves through financial markets reminiscent of the worst days of 2008. In the end Dubai's cash-and-oil-rich UAE neighbour Abu Dhabi stepped in with a rescue package and the world breathed a sigh of relief. Although the Dubai scare proved to be short-lived and localised, it brought into focus the issue of sovereign risk. Indeed if anyone needs to be reminded, countries can go bankrupt in particular if their debt is denominated in a currency other than their own.

In the midst of the Dubai crisis, major rating agencies downgraded Greece's sovereign debt to BBB, which is perilously close to non-investment grade. Greece is a member of the Eurozone but if its sovereign debt drops below investment grade it will no longer be eligible as collateral for the ECB, raising the possibility of default.

The creation of the Eurozone has meant that member countries cannot issue debt in their own currency but only in euros, in effect a foreign currency for them that can be issued only by the ECB. In principle this is a good idea meant to promote fiscal responsibility. But as we live in a world of moral hazard, responsibility is a rare commodity. The weak countries of the Eurozone live and act in hope of finding their own Abu Dhabi should they get in trouble because of fiscal profligacy. However, will the German or French taxpayers (the presumed Abu Dhabis of Europe) be willing to rescue their down-at-heels partners? We will eventually find out, but in the meantime the euro is likely to remain under pressure and investors should steer clear of the weaker sovereign debt within the Eurozone.

Sadly, concerns about sovereign risk have also been raised about the debt issued by the UK Government. Indeed UK fiscal spending is out of control and deficits have soared into the double digits to levels not previously seen in peacetime. As the UK is not in the Eurozone, the Government can issue debt in its own currency and the Bank of England is able to monetise the debt. Thus the risk

of sovereign downgrade or default is less pronounced in the case of UK bonds, but investors need to be aware of the risk of capital erosion through inflation.

The exceptional and unusual investment opportunities of 2009 are not likely to be repeated, but we anticipate the year ahead to produce steady positive returns for many of the asset classes in our portfolios, including equities. We do not believe that the recent equity rally – which has been indeed supported by ample liquidity provided by central banks – has led to another asset bubble. One has to remember that the recovery has started from very depressed levels and we are still well below previous highs. Indeed in most cases we are at the end of a "lost decade" with equity indices still below points reached ten years ago. Moreover, valuations (in terms of price/earnings ratios) are still attractive and likely to improve moderately as the earnings momentum remains favourable. Investors worldwide still hold an unusually high proportion of assets in cash and they may well continue to redeploy it towards riskier asset classes.

Although equities are not likely to produce the stellar results of 2009 in the year ahead, we expect positive performances from this asset class and are maintaining our exposure at normal levels. However current market conditions call for a more selective approach. In developed markets we will give preference to US markets to which we have assigned a positive grading. Of all the major developed economies only the US is emerging out of the recession with major reductions in unit labour costs and productivity gains. An undervalued currency will also help the US corporations to compete successfully on a global scale.

The large amount of public issuance to cover huge public deficits and concerns about the long-term sustainability of public finances are likely to gradually push up long-term yields in the coming months. As a consequence, we have a negative view on the sovereign bonds as an asset class. We have a more positive view on investment grade corporate bonds for which the risk/reward profile is still attractive.

Good trading and arbitrage opportunities remain in place at both macro and microeconomic levels. There are therefore many reasons to believe that hedge fund returns will continue to exhibit their attractive risk-adjusted profile well into 2010 and we maintain our overweight recommendation for this asset class.

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Andrew Popper  
SGPB Hambros Group Chief Investment Officer

## Equities

### Changes in major indices (30 September 2009 – 31 December 2009)

#### EQUITIES

UK	FTSE 100	5.4%
US	Dow Jones	7.4%
Eurozone	DJ Euro Stoxx 50	3.2%
Japan	Nikkei	4.1%

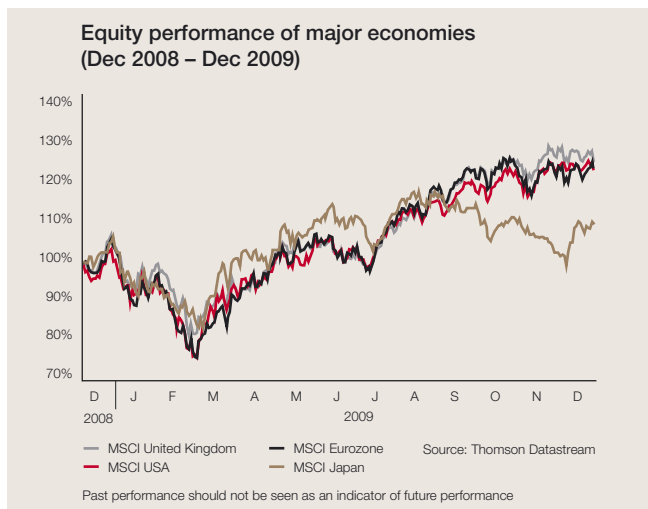
Past performance should not be seen as an indication of future performance

Source: Thomson Datastream

#### United Kingdom

During the final quarter of 2009, the UK equity market delivered positive returns although the market traded in a fairly narrow range for most of the period. The FTSE 100 index posted a return of 5.4% for the quarter, resulting in a solid 22% return for 2009. As the year drew to a close investor sentiment remained cautiously optimistic despite the many economic and political challenges ahead for 2010. One of the key considerations for the UK economy relates to the ending of government stimulus packages.

During the quarter the best performing sectors were cyclical and related to global economic recovery themes. Not surprisingly, the mining and energy sectors posted relatively strong gains. The UK retail sector also delivered good results mainly driven by better-than-expected corporate results from companies including Marks & Spencer, Next and Kingfisher. The UK banking sector suffered as capital raising efforts weighed heavily on sentiment, including the largest ever rights issue from Lloyds Banking Group. Economic data in the UK continued to be mixed although recent GDP data broadly points to economic stabilisation; an encouraging backdrop for the equity market as we approach the start of a new calendar year.



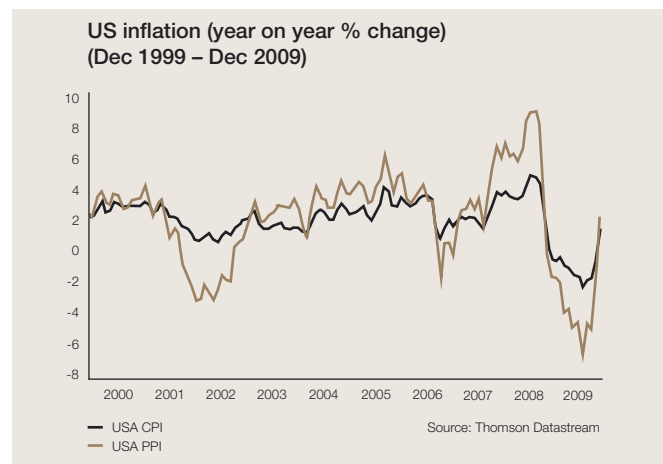
#### United States

There are clear signs of recovery in the US economy. Job losses have shrunk substantially and businesses are now expanding the workweek. As a result, income is actually growing modestly. Employment growth also appears to be on track for early 2010, which should further boost household income. Household wealth has also stabilised, and even adjusted somewhat to the upside over the past two quarters. In Q2 and Q3, net consumer wealth rose by a combined USD 4.9 trillion, unwinding about a third of total losses imposed by the financial and housing meltdown.

Despite the encouraging evidence, the recovery remains fragile. A jobs recovery, though increasingly likely, is not yet certain. Even if employment materialises, it will take a while for inflationary pressures to build again. For these reasons, Fed officials have been very cautious in embracing the recent improvements and reiterated their commitment to an extended period of low rates.

Turning towards equity markets, it has been over nine months since the S&P 500 bottomed on March 9 at 676.53. Since then, the index has rallied 64%, the largest nine-month gain since 1933. This 64% nine-month gain was preceded by a nine-month decline of 51% and markets still have some way to go to return to previous highs. The financial sector has been the best performing sector of the equity market revival, mainly due to the implicit guarantees and major fiscal benefits provided by the US Government. However, during the last quarter the sector is down 3.6% vs. a rise of 5.5% for the S&P 500.

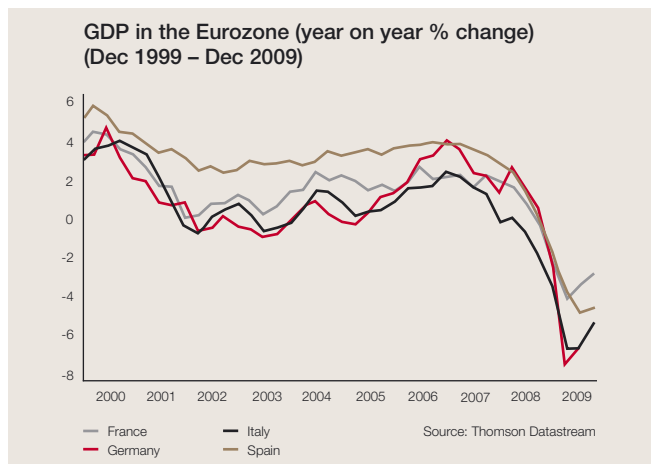
Among mature economies, the US equity market offers the best prospects for 2010 as earnings gain momentum reflecting significant productivity gains. A still-undervalued USD will also be beneficial for companies with overseas exposure in sectors such as materials and industrials.



## Eurozone

The ECB has made the first move of an exit strategy and announced an end to long-term emergency loans and a tightening in refinancing terms. This is in response to an overall improvement in bank funding and confirms that financial crisis in the Eurozone is finally behind us. Economic data has continued to support the improving outlook in core Europe although life remains very difficult in countries such as Greece and Ireland that are still hamstrung by sizeable fiscal deficits. Europe's services and manufacturing industries are expanding at the fastest pace in two years and exports are at the highest level for twelve months. Unemployment remains at unacceptable levels at just under 10% and – along with rising inflation – this remains a challenge for policymakers in 2010.

Business and investor confidence is very positive and this provides a solid backdrop for markets at the beginning of a new year. Improving earnings and increasing mergers and acquisitions (M&A) will support further European equity appreciation although we are mindful of the fact that interest rates are likely to rise earlier than previously expected in 2010. We prefer those sectors that are well placed to benefit from global growth such as consumer brands and infrastructure industrials.



## Japan

Currently, with the Nikkei 200 at over 10,500, the Japanese equity market is within 3% of its high for the year but is one of the worst performing equity markets over the course of 2009. The Nikkei was also one of the worst performers over a two-year period. This is somewhat surprising given that Japanese institutions should have benefitted from their long-standing experience of confronting and overcoming deflation problems, which were relatively new for the other leading economies.

The yen's post election rally has finally petered out and we are still obliged to note the inverse relationship closely linking the Japanese equity market and currency. Moving forward, the prospects of Japanese markets depend on the global economy indeed pulling itself out of the recession. The Nikkei's performance during 2010 is likely to be dependent on the pace and sustainability of the US and global economic recovery and of course the yen. On balance we give the Japanese the benefit of the doubt and anticipate an improved performance in 2010.

## Rest of world

### South East Asia

Asian markets have rallied strongly since March, although the pace has slowed during the final quarter of 2009. We remain concerned about the potential for a short-term pull back, but believe the long-term fundamentals remain positive, particularly when compared to Western markets. Domestic demand remains relatively strong, and debt levels are low compared to the West.

We maintain a positive view on South Korea, where valuations are at reasonable levels, and Taiwan whose manufacturing sector could benefit from export growth. We remain neutral on India and China, where equities are more expensive, but high single-digit growth is expected.



## Emerging Europe

The economies of the main new entrants in the European Union present a mixed but improving picture. In Poland the economy is expected to slowly recover, supported by stronger global demand and a rebound in business investment, although growth will remain well below pre-crisis levels. In Hungary the restrictive fiscal policy combined with the weak labour market will continue to take its toll on domestic demand. However the past Hungarian currency depreciation and the global recovery will support exports. In the Czech Republic the recovery in exports and in investment will allow the economy to rebound in 2010-11.

In Russia growth collapsed during 2008 and early 2009 as energy prices plunged and the global credit crunch severely impacted on Russian liquidity. Net capital outflows and rapidly reduced money supply growth sharply constrained corporate and household access to credit. Counter-cyclical fiscal spending, the rouble devaluation, rising oil prices and government support for big companies have stabilised conditions, allowing a weak recovery starting in late 2009,

## Bonds

### Changes in major indices (30 September 2009 – 31 December 2009)

**BONDS**

**Bloomberg/EFFAS Government Bond (all maturities >1 year) Indices**

UK	-2.2%
US	-1.3%
Eurozone	0.0%
Japan	0.5%

Past performance should not be seen as an indication of future performance

Source: Bloomberg

A whole range of factors – relatively high real bond yields produced by low or negative inflation rates, very steep yield curves, quantitative easing and the flow of funds into the bond markets from investors normally wedded to cash – provided a very favourable environment for bonds in 2009. Some of these ‘supports’ are likely to become less potent in the months ahead.

Faced with still very high unemployment the Fed has recently reiterated their commitment to an extended period of low interest rates. However as signs of recovery multiply there is increased speculation that US interest rates could rise to more ‘normal’ levels. Whilst the outlook for interest rates in the US is less benign, UK policy makers remain concerned with an economy still clearly in recession. With stubbornly declining bank lending and with lack of growth in money supply we can rule out an early rise in UK interest rates. The Chancellor’s pre-Budget report – the last before the election from a government that has lost control of borrowing – tried to be as popular as possible, but was not received well by investors.

Inflation data on both sides of the Atlantic suggests that the trough in both producer and consumer price inflation for the current cycle was passed around July of this year. We do not expect the inflationary outlook to deteriorate significantly but it seems prudent to increase exposure to inflation-linked bonds especially in the UK where inflation risks are higher due to accommodative policy and an increasingly weak currency.

The large amount of public issuance to cover huge public deficits and concerns about the long-term sustainability of public finances are likely to gradually push up long term yields in the coming months. As a consequence, we have an overall negative view on sovereign bonds as an asset class. However, the Eurozone bond markets remain more attractive than other markets as the ECB seems more in control than other central banks. We recommend focusing on 3 to 5-year bonds issued by the Eurozone’s strong countries (Germany and France), which are more attractive than their US and UK counterparts.

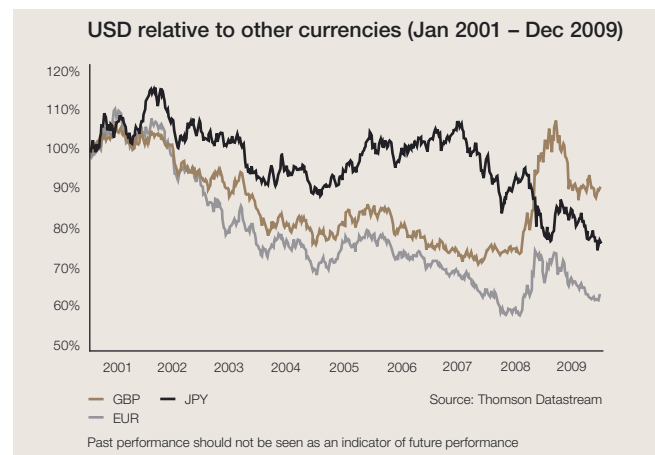
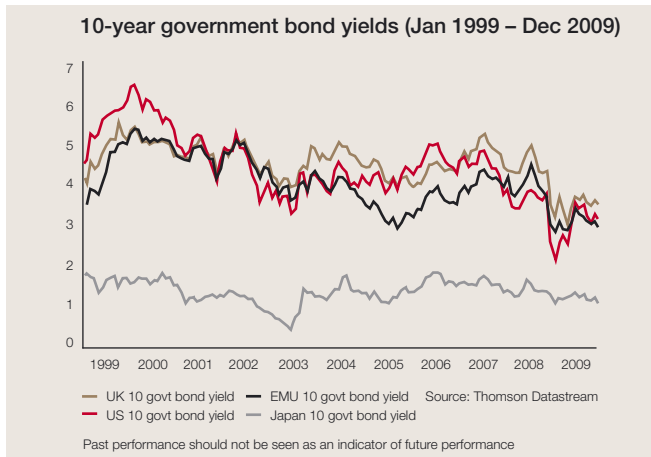
For corporate bonds we maintain a positive grading for the Eurozone, while US and UK markets are rated neutral mirroring the sovereign bond relative values. The risk/reward profile of this asset class is still attractive but less than before as spreads are in line with expected default rates. Primary issues with a 3-5 year maturity are the preferred segment in order to limit the exposure to interest rate moves.

## INCISIVE

## Currencies

In 2009 the US dollar declined against most major currencies to end the year weaker on balance despite a rally in the closing months of the year. The vulnerability of the US unit was in response to very low short-term rates and concerns over very large fiscal deficits. Low-cost financing turned the dollar into the favourite currency for so called carry trades – market participants borrowing dollars to buy higher-yielding assets. Last but not least, major holders of FX reserves especially in Asia attempted to diversify into other currencies adding to the dollar’s negative momentum.

As the year drew to a close, the negative trend for the dollar started to reverse and we expect this to continue in the months ahead. The very fact that the dollar has been used to finance carry trades implies the possibility of a quick turnaround. As US short-term rates are expected to rise such trades are quickly exited to avoid the risk of currency loss. Also, the process of reserves diversification seems to have slowed down as holders of reserves become happier with the current composition. The relative strength of the US economy has also reminded traders that the greenback still the investment currency of choice.



The EUR was strong across-the-board for most of the year but lost its positive momentum in the final quarter of 2009 in response to concerns over the sovereign risk of some members of the Eurozone. These factors are expected to continue to weigh on the euro in the months ahead.

Sterling recently experienced a bout of weakness against the dollar. Market participants see the British economy's prospects of recovery as clearly lagging behind the core Eurozone countries and are concerned about the size of the fiscal deficit. There is also a widespread perception that the Bank of England will maintain its very accommodative policies much longer than the ECB.

IN LIEU

### Alternative investments

After a very difficult 2008 the hedge fund industry emerged leaner and reasserted its nimbleness and ability to react to changes in the market. Hedge funds returns have surpassed expectations in 2009, with the HFRX Global Index up 12.8% to the end of November.

The primary drivers of returns have been the normalisation of markets and reduced competition from proprietary trading desks and other hedge funds. The largest gains have come from the Convertible Bond players as well as from managers in the Event Driven space that have benefitted from corporate restructurings and attractive merger deal spreads. On the other hand, hedge funds managers investing in the Equity space failed to capture this year's rally.

Strategically, considerable opportunities remain in both macro and microeconomic spheres. At the macro level, trading specialists will attempt to capitalise on the divergent speeds of economic recovery and inflationary prospects in various regions of the global economy. At the microeconomic level, many companies are still working their way through administration proceedings, and represent good opportunities for Event Driven managers. There are therefore many reasons to believe that hedge fund returns will continue to exhibit their attractive risk-adjusted profile well into 2010.

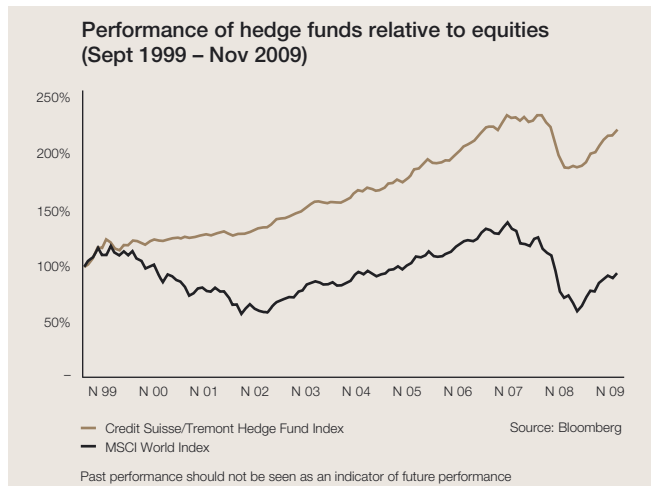
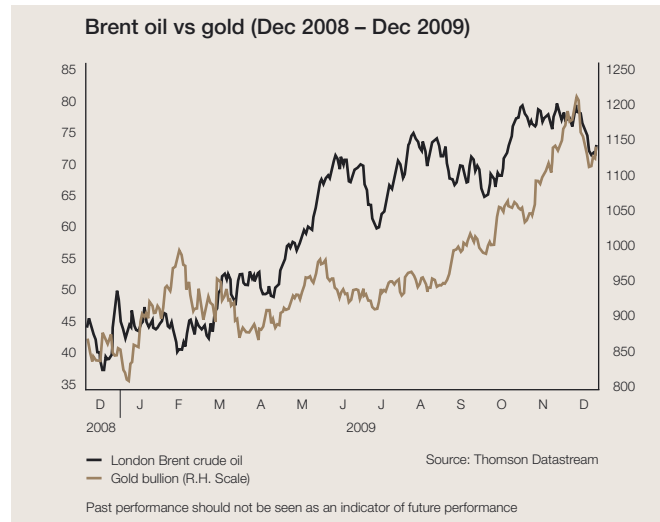
### Commodities

In the last quarter gold has made most of the headlines as it has surged to new highs. A combination of inflationary concerns driven by the printing of money, and the related weakness in the US dollar, have driven investors to look for a store of value. The news that the Indian central bank had made significant gold purchases led to an acceleration of the rally.

Other commodities have benefited from the better growth outlook with metals such as copper and platinum and agricultural products including wheat, corn, rice and coffee – all enjoying significant moves upwards.

Also helped by the improved economic backdrop is oil, which had a move up in early October then stabilised in the high USD 70's per barrel. Oil stocks remain high as does OPEC spare capacity, and these factors are likely to moderate any short-term rise in the oil price.

We expect the pattern of stronger economic numbers to continue over the next few months and this should continue to support commodities. The rise in gold is driven by speculative investment and as such the extent of the rally is very difficult to anticipate; currently there is significant momentum, but investors should be aware that this is a high-risk trade as it depends on continued investment demand.



## Composite benchmarks

SG Hambros calculates composite benchmarks appropriate for different investor objectives, based upon MSCI Equity indices, Bloomberg/EFFAS Bond Indices, overnight cash rates and HFRI fund of hedge fund indices. The proportions vary according to strategy and are available on request.

The fourth quarter of 2009 continued the trends that have been in place since March, with equity indices strong and government bonds doing poorly, as the signs of economic recovery strengthened. Over the year returns for higher risk benchmarks have been strong whereas holders of government bonds have suffered, reversing the patterns of 2008. Hedge fund indices have also recovered significantly showing steady returns.

DATA TO 31 DECEMBER 2009	3 MONTHS	6 MONTHS	9 MONTHS	12 MONTHS
<b>STERLING DOMESTIC</b>				
Bond portfolio	-1.7%	0.8%	-0.3%	-0.9%
Defensive	0.0%	6.5%	8.1%	5.5%
Income and growth	0.7%	9.9%	12.7%	8.2%
Balanced	1.9%	15.0%	19.8%	12.6%
Capital growth	3.4%	20.0%	27.1%	17.1%
Aggressive growth	3.9%	23.7%	32.2%	19.5%
<b>STERLING INTERNATIONAL</b>				
Bond portfolio	-1.7%	0.8%	-0.3%	-0.9%
Defensive	-0.1%	6.4%	7.9%	5.4%
Income and growth	0.6%	9.8%	12.4%	8.1%
Balanced	1.6%	14.8%	19.3%	12.4%
Capital growth	3.0%	19.7%	26.2%	16.8%
Aggressive growth	3.4%	23.4%	31.1%	19.0%
<b>US DOLLAR</b>				
Bond portfolio	-1.1%	0.7%	-1.9%	-3.0%
Defensive	0.3%	5.7%	9.0%	6.0%
Income and growth	1.0%	8.6%	15.4%	10.4%
Balanced	1.8%	11.8%	22.8%	15.6%
Capital growth	3.3%	17.1%	36.0%	25.0%
Aggressive growth	3.9%	20.2%	43.3%	29.1%
<b>EURO</b>				
Bond portfolio	0.0%	2.3%	2.8%	3.6%
Defensive	0.9%	6.0%	10.2%	8.6%
Income and growth	1.6%	8.7%	15.3%	11.9%
Balanced	2.2%	11.3%	20.6%	15.2%
Capital growth	3.3%	15.3%	29.2%	19.9%
Aggressive growth	3.8%	18.0%	34.8%	22.8%

Hedge fund returns are estimated based upon HFRI data as of 30 December 2009

Past performance should not be seen as an indication of future performance

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SGPB Hambros is registered in England and Wales under number 964058. The company's registered office and principal place of business is at 31 St James's Square, London SW1Y 4JR. SGPB Hambros is authorised and regulated by the Financial Services Authority.

SG Hambros Bank & Trust (Bahamas) Limited ("SGPB Hambros Bahamas")  
SGPB Hambros Bahamas is incorporated under the laws of the Commonwealth of the Bahamas under number 385. The company's registered office and principal place of business is at SG Hambros Building, West Bay Street, Nassau, Bahamas.

SGPB Hambros Bahamas is licensed under the Banks and Trust Companies Regulation Act. The company's principal activities are trust, banking and fund administration. The paid-up capital and reserves of SGPB Hambros Bahamas exceeded US\$28 million as at 31 December 2006. Whilst the company's financial statements are not a matter of public record, copies of the most recent audited financial statements are available on request.

SG Hambros Bank (Channel Islands) Limited ("SGPB Hambros CI")  
SGPB Hambros CI is registered in Jersey under number 2693. The company's registered office and principal place of business is at PO Box 78, SG Hambros House, 18 Esplanade, St Helier, Jersey JE4 8PR.

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The paid-up capital and reserves of SG Hambros Bank (Channel Islands) Limited exceeded £166 million at 31 December 2008. Copies of the most recent audited summary financial statements are available on request. There are no investor compensation schemes in Jersey or Guernsey. SG Hambros Bank (Channel Islands) Limited is a participant in the Jersey Banking Deposit Compensation Scheme; details are available on request.

SG Hambros Bank (Channel Islands) Limited, Guernsey Branch is a participant in the Guernsey Banking Deposit Compensation Scheme; details are available from our office on request.

SG Hambros Bank (Gibraltar) Limited ("SGPB Hambros Gibraltar")  
SGPB Hambros Gibraltar is registered in Gibraltar under number 1294. The company's registered office is at 32 Line Wall Road, Gibraltar. The company's principal place of business is at Hambro House, 32 Line Wall Road, Gibraltar.

SGPB Hambros Gibraltar is regulated by the Gibraltar Financial Services Commission. The paid-up capital and reserves of SGPB Gibraltar exceeded £43 million as at 31 December 2008. Copies of the most recent audited financial statements are available on request.

SGPB Hambros Gibraltar is a participant in the Gibraltar Deposit Guarantee Scheme ("the Scheme") established under the Deposit Guarantee Scheme Act ("the Act"). Payments under the Scheme cover 100% of the bank's total liability to a depositor in respect of deposits which qualify for compensation under the Act subject to a maximum payment to any one depositor of €50,000.

Further details of the Scheme are available on request or can be found at [www.gdgb.gi](http://www.gdgb.gi). The Scheme does not apply to fiduciary deposits. SGPB Hambros Gibraltar is a participant in the Gibraltar Investor Compensation Scheme. Further details are available on request or can be found at [www.gics](http://www.gics)

The price and value of investments and the income derived from them can go down as well as up and you may not get back the amount you invest. Changes in the rate of exchange may have an adverse effect on the value, price and income of investments in a currency other than your own. Past performance should not be seen as an indication of future performance. Any services and investments referred to may have tax consequences and it is important to bear in mind that we do not provide tax advice. The level of taxation depends on individual circumstances and such levels and bases of taxation can change. You should seek professional tax advice in order to understand any applicable tax consequences.

For more information about SGPB Hambros, please visit [www.privatebanking.societegenerale.com/hambros](http://www.privatebanking.societegenerale.com/hambros)

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