

Market Commentaries

2010 was a roller coaster ride for most asset classes and it was a tough year for many professional money managers. As a recap of the various indices we monitor, the out performers for 2010 by ranking were:

(1) Gold (+29.52%), (2) US small cap equity (+25.31%) & (3) Russia equity (+23.21%)

Underperformers for 2010 by ranking were:

(1) Shanghai A share equity (-14.31%), (2) Euro zone equity (-5.81%) & (3) Japan equity (-3.01%)

The Hang Seng Index was +5.32% for the year underperforming the MSCI World Index which was +9.55% for the year.

“Balanced” Approach for 2011 Q1

For 2011, we anticipate the markets will continue to be liquidity driven, hence, keeping a well balance portfolio is important in order to participate in every mini boom cycle across different asset classes. Our team believes the main investment themes for 2011 would be competitive devaluation between the major currencies and the threat of inflation in emerging markets. As such we anticipate:

- The global markets to be less volatile compared with 2010 given most of the known situations have been addressed with possible solutions in 2010
- The major governments will continue to implement expansionary monetary policies to support economic recovery
- Core inflation with the G7 will be mild while the inflationary risks continue to be high for the emerging economies
- Global competitiveness will results in a continuation of a low interest rate environment
- Precious metals, base metals and agriculture commodities will continue to see support as investors continue to question the financial strength of major Governments
- RMB is likely to appreciate at modest levels as the China Government is implementing various measure to discourage speculators

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| MAJOR EQUITY MARKETS | | | | |
|----------------------|--------|------|-------|--------|
| | CLOSE | P/E | 1 M % | 2010% |
| HANG SENG | 23,360 | 14.4 | 0.17 | 5.32 |
| MSCI WORLD | 1,280 | 15.8 | 2.64 | 9.55 |
| S&P 500 | 1,258 | 15.8 | 2.69 | 12.78 |
| RUSSELL 2000 | 784 | 34.4 | 3.60 | 25.31 |
| DOW JONES | 11,578 | 14.1 | 1.72 | 11.02 |
| NASDAQ | 2,653 | 34.5 | 2.37 | 16.91 |
| FTSE 100 | 5,900 | 17.6 | 2.69 | 9.00 |
| EU ESTX50 | 2,793 | 12.0 | 0.37 | -5.81 |
| BRAZIL BVS | 69,305 | 13.8 | 2.36 | 1.04 |
| RUSSIA MICEX | 1,688 | 9.0 | 7.82 | 23.21 |
| INDIA SENSEX | 20,595 | 19.0 | 3.14 | 17.43 |
| SHANGHAI A | 2,808 | 18.1 | -1.21 | -14.31 |
| NIKKEI 225 | 10,229 | 19.9 | 2.94 | -3.01 |
| TAIWAN TAIEX | 9,025 | 15.8 | 4.65 | 9.58 |

| MAJOR BONDS | | | | |
|---------------------|-------|-----|-------|-------|
| | CLOSE | P/E | 1 M % | 2010% |
| iBoxx Treasuries TR | 186.6 | | -2.05 | 5.82 |
| JPM Global Bond | 490.0 | | 1.09 | 5.01 |

| MAJOR COMMODITIES | | | | |
|-------------------|---------|-----|-------|-------|
| | CLOSE | P/E | 1 M % | 2010% |
| GOLD SPOT \$/OZ | 1,419.7 | | 0.39 | 29.52 |
| WTI CRUDE OIL | 91.7 | | 2.40 | 7.87 |
| CRB INDEX | 332.8 | | 5.26 | 17.44 |
| DB AGRICULTURE | 110.6 | | 6.77 | 22.32 |
| DB BASE METAL | 248.1 | | 12.97 | 8.72 |

| MAJOR CURRENCIES | | | | |
|------------------|-------|-----|-------|--------|
| | CLOSE | P/E | 1 M % | 2010% |
| EURO€/US\$ | 1.33 | | -0.83 | -6.54 |
| GBPE/US\$ | 1.56 | | -1.45 | -3.45 |
| AUSS/US\$ | 1.02 | | 2.77 | 13.99 |
| JAP¥/US\$ | 81.27 | | 1.55 | -12.79 |
| CANS/US\$ | 0.99 | | 1.21 | -5.24 |
| RMB/US\$ | 6.61 | | 0.84 | -3.22 |

Source: Bloomberg (January 3rd, 2011), TTG (HK)

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