



The Henley Snapshot

March 2008

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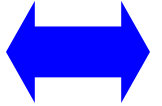
Cash / Currencies

Foreign exchange	22Feb08	% Change 1 Month	% Change 1 Year
GBP=USD	1.967	0.72	0.2
GBP=EUR	1.328	-0.67	-10.93
GBP=HKD	15.337	0.54	0.01
EUR=USD	1.482	1.37	12.53
USD=JPY	106.94	0.05	-11.69



USD remained the weakness and GBP re-bounced from recent lows.

Further US rate cuts pulled down USD. Expecting further US rate cuts in March, USD reached another new all-time low against EUR. Recent UK economic data slightly relieved poor sentiment on the UK economy and GBP bounced back. Though European Central Bank softened its hawkish rate policy, EUR remains in its upward trend against USD, underpinned by the weak USD. Due to the continuous US rate cuts, we are still bearish on USD. EUR remains our favourite currency.



Unchanged prospect from last month

Equities

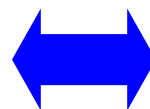
Equities	22Feb08	% Change 1 Month	% Change 1 Year
DJIA	12,381.02	1.02	-2.05
NASDAQ	2,303.35	-0.02	-8.39
S&P 500	1,353.11	1.02	-6.7
FTSE 100	5,888.50	-0.22	-8.01
FTSE E300	1,320.04	-2.83	-14.49
Nikkei 225	13,500.46	-2.6	-25.77
Hang Seng	23,305.04	-7.53	12.52

Staying in weak position. The flow of weak US economic data plus the crisis in the US municipal bonds' market (and student loans), plus Bernanke's downbeat outlook on US economy, kept investor sentiment weak on both the US economy and global equity markets. After rumours of a bailout plan for troubled bond insurers, equity markets regained some composure.



Cautious –
especially the US
and Europe

Fears about excess issues of new shares by China-listed companies, pulled both the China and Hong Kong stock markets down. After the Chinese government gave a green light to new funds to invest in the country's stock markets, both Shanghai and Hang Seng Index recovered from recent lows. Meanwhile, other Asia stock markets surged from the January's lows as well. Though equity markets bounced recently, the weak US economy and the continuing credit crisis still support our bearish view on the global equity markets in 1Q08.



Unchanged
prospect from last
month

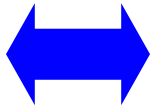
Fixed Interest

Equities	22 Feb 08 yield %	Change 1 Month	Change 1 Year
US Gov 2 yr	1.98	-0.23	-2.89
US Gov 10 yr	3.79	0.21	-0.94
US Gov 30 yr	4.58	0.3	-0.25
UK Gov 2 yr	4.4	-0.08	-1.12
UK Gov 10 yr	4.76	0.21	-0.18
UK Gov 30 yr	4.56	0.17	0.17



Bond price of
long maturity is
decreasing

Fed continues to cut rates to save US economy. Focusing less on inflation and more on growth, the Fed attempts to prevent recession by cutting rates aggressively. Meanwhile, the credit crisis left US municipalities and student loan providers facing the spiralling interest rate cost with yield of 20 percent. We expect both US and UK will keep cutting domestic rates to stimulate their economies in 2008.



Unchanged
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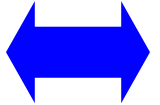
Property

Index	December	% Change 1 Month
Halifax UK House Price Index	638.4	0.11



Good times of
US and UK
house market are
not ready.

US property market takes time to recover. Although the US existing home sales dropped less than the expectation in January, the permits for new US buildings fell to the lowest in 16 years. Consequently, Fed will remain the rate cut policy to relieve poor credit conditions but the US housing market will take years to recover.



Despite the slight increase of UK house prices in Jan, numbers of mortgage approval to fund house purchase in the final three months of 2007 was significantly lower than during the same period a year earlier, showing the weakening UK house market.

Unchanged
prospect from last
month

In China, the housing prices in some cities such as Shanghai and Shenzhen fell more than 15% in January, indicated the demand for property in China is weakening.

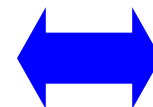
In general, we continue to avoid property funds which own shares in property-related businesses. We continue to like some rent-collecting property funds.

Commodities



Commodities as a
good haven of
investment

Commodities	22Feb08	% Change 1 Month	% Change 1 Year
Gold	943.65	5.72	37.56
Oil (Brent)	97.01	9.68	60.03



Unchanged
prospect from last
month

Hitting all-time highs. Investors see commodities as a hedge against rising inflation (and a falling USD) and pushed most of the metal, agriculture and energy prices to fresh highs.

The Gold price reached above the level of \$975/oz, helped by the faster-than-expected US inflation in Jan08. We expect gold to break through \$1,000 /oz before the middle of this year. Meanwhile, uncertainty about the impact of power supply disruptions in the South Africa pushed the platinum price over \$2,000/oz.

The colder weather in US plus uncertainty about OPEC production levels pushed the oil price to a new all-time high of \$101/bl since Jan08.

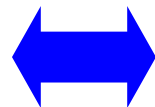
Prices of many soft commodities continued in an upward trend that is supported by worries over limited supplies and increasing demand from emerging markets. Wheat, soybean and corn prices surged to records. Wheat and soybean prices rose more than 90% in one-year period. We expect the fundamentals to remain unchanged and prices to hit further record levels.

Fund of Hedge Funds



Fund of hedge
funds rose with
the world index

Hedge Funds rose slightly after recent drops. The global hedge fund index, equity hedge index, event driven index and Merger Arbitrage Index performed between 0.5 % and 2.3% in the one-month period, rising with MSCI world index with one-month gain of 1.3%. In the current volatile market, we believe low-volatility multi-strategy funds of funds are a good compromise between risk and return in these uncertain times.



Unchanged
prospect from last
month

Asset Allocation



As the troubles in the US economy show few signs of easing, we continue to recommend caution for clients of all risk profiles. Although the eurozone economy would not escape consequences from a US recession, we expect EUR to remain relatively strong. We continue to like precious metals and agricultural products as a hedge against inflation, also the defensive qualities of funds of hedge funds for providing diversified investment strategies in volatile markets.

No changes to the model portfolios are being made at this time. More information will be available from your Henley consultants.

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