



MARTIN CURRIE NORTH AMERICAN AND NORTH AMERICAN ALPHA FUNDS



Tom Walker,
Co-manager of the
funds



David Forsyth,
Co-manager of the
funds

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KEY POINTS FROM THE CALL

The market

- After a weak start to the year, we are now at an 18-month high in the US equity markets, up 4% in dollar terms and 12% in sterling terms. This strong start year-to-date is second only to Japan.
- The main drivers for the market's return this year have been the strong earnings results season, more confidence and guidance from management, and a pick up in merger and acquisitions activity, particularly in the oil and gas sector. The strength of the dollar, or perhaps the weakness of the euro and sterling, has also contributed to returns.
- The strongest sectors year-to-date have been industrials, financials and consumer discretionary which have returned 9.4%, 8.6% and 8.4% respectively. At the other end of the spectrum telecoms and utilities have underperformed over the period, returning (2.1%) and (0.1%) respectively, a reflection on last year's events. Also this year we have seen a reversal in the fortunes for both the resources and technology stocks. Technology, the strongest performer last year, finds itself towards the lower end of sector rankings, returning 1.4% year-to-date (Martin Currie Statpro gross return in GBP year-to-date).
- The mixed messages we have received from macro economic data flow have not helped. Consumer confidence, which is still at low levels compared to a few years ago, and housing data are slightly weaker. Unemployment continues to be high, mid-February data showing a rate of 9.7% (Thomson Reuters Datastream as at February 2010).

Portfolio performance

- Stock selection is a positive contributor to performance year-to-date. Sector positioning was negative for the period due to our underweight position in the financial sector. We also suffered from our overweight position in the technology sector.
- Nextel International, the Latin American telecoms operator, and MetLife have been our top contributors to performance.

Portfolio positioning

- Our overweight position in the technology sector is driven by individual companies and we are comfortable with these. One of our holdings, Google, has been in discussions regarding their presence in China. We believe this is more important for the rating of the stock rather than any dramatic earnings impact. We expect Google to see major improvements in its global advertising activity.
- Apple is another of our favoured technology stocks. Apple is currently trading on around 16 times earnings and has shown very strong growth. There are many positive stories surrounding the stock and we believe its valuation will remain encouraging.
- Despite our overweight position in the consumer discretionary sector, we remain relatively cautious on the US consumer.
- Our position in financials remains underweight. We believe there is still a lot of uncertainty around the credit cycle and regulation.
- We continue to favour international earnings instead of US domestic earnings.

Outlook

- As companies have cut costs, this has resulted in higher margins. Financial leverage is at a low level which means that operating leverage could be very positive for earnings growth going forward.
- The credit markets have improved but there is still a concern that they are not normalising. Liquidity has also improved. However non-performing assets are still going up, while reserve ratios for the banking sector are higher than ever before. The reserve coverage is almost at record low levels as non-performing assets have continued to climb.
- We remain concerned about government bonds and treasuries. They look very expensive and this may continue. Longer term, we might see a bubble in government bond paper as the economy continues its slow grow.
- We believe unemployment is going to remain quite elevated. Average number of hours per week has fallen and, although it has bounced off the bottom, it needs to increase before we will see any significant boost in employment.
- The American market is trading on about 15 times earnings which is about 6.5% earnings yield. We believe that this year we will see good positive earnings growth.

CONTACT FOR FURTHER INFORMATION

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PERFORMANCE

GBP	YTD	3 year rolling performance to February					Since manager's tenure p.a.*
		2010	2009	2008	2007	2006	
Martin Currie North American Fund %	3.8	6.0	(21.7)	34.2	26.8	56.3	2.3
Sector average %	4.2	6.1	(26.7)	13.1	18.8	43.6	0.7
MSCI North America index %	5.4	10.8	(23.6)	18.4	26.3	48.8	2.5

GBP	YTD	1 year	2 years	Since inception
			p.a.	p.a.†
Martin Currie North American Alpha Fund %	3.9	35.4	(0.6)	1.2
Sector average %	4.2	39.5	4.4	2.4
MSCI North America index %	5.4	45.2	6.7	4.6

* Tom Walker became manager of the fund on 30 April 2002.

† Launched 19 November 2007. Please note that this fund is unconstrained by a benchmark. For illustrative purposes we compare the fund to the MSCI North America index.

Source: Lipper hindsight. Bid to bid basis with net income reinvested over periods shown to 26 February 2010, in currency stated. These figures do not include initial charges. If these were included performance figures would be reduced. Past performance is not a guide to future returns.

IMPORTANT INFORMATION

The source for all information is Martin Currie Investment Management Ltd as at 26 February 2010 unless otherwise stated.

This information is issued and approved by Martin Currie Investment Management Ltd in its capacity as investment manager. It does not in any way constitute investment advice or an invitation or inducement to invest. Investments can only be made in accordance with the terms and conditions outlined in the Prospectus and the Simplified Prospectus. This document is for the recipient only and should not be given or sent to other parties.

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RISK FACTORS

Market and currency movements may cause the capital value of shares, and the income from them, to fall as well as rise and you may get back less than you invested when you decide to sell your shares.

The entire market of a particular asset class or geographical sector may fall, having a more pronounced effect on funds heavily or solely invested in that asset class or region.

Some funds have the ability to invest in unquoted companies and due to the nature of these investments the fund might not get back the full amount originally invested.

Overseas markets

Funds investing in overseas securities are exposed to and can hold currencies other than sterling. As a result, exchange rate movements may cause the value of investments to decrease or increase.

Smaller companies

Smaller companies may be riskier and their shares may be less liquid than larger companies, meaning that their share price may be more volatile.

Concentrated portfolios

Funds may have a concentrated portfolio of assets. Lower diversification and active stock selection can result in greater than average investment in individual companies. Such concentration can give rise to more risk than where investments are spread over a large number of companies. Whilst this may increase the potential gains, this concentration of exposure and lack of diversification may also substantially increase the risk of loss to the fund.

Martin Currie Investment Management Ltd, registered in Scotland (no 66107) **Martin Currie Unit Trusts Ltd**, registered in Scotland (no 104896)
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