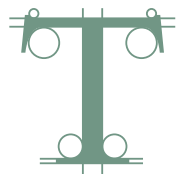


# Absolute Insight Currency Fund

April 2011



The Absolute Insight Currency Fund takes a measured medium-term view to profit from global macroeconomic themes whilst remaining nimble to exploit short-term volatility. This approach has enabled the Fund to make a good start to 2011, delivering positive returns to investors against a background of renewed volatility in most risk asset markets.

## Portugal bailout positive for euro

Portugal is the third eurozone country to receive a bailout package, following on from Greece and Ireland. On balance we believe this is a positive development for the euro. When a bailout for these countries was uncertain, a euro break-up was a real possibility, but now investors should turn their attentions to the fact that the core European countries are in relatively good shape versus the other major developed countries.

In the Fund we are currently positioned long the euro versus the US dollar to reflect this view. The euro should also outperform the pound. The pound shares many of the negative characteristics of the US dollar and the UK economy needs a weak pound. There is little chance that the large depreciation of the pound in 2008 is going to be reversed.

## US dollar to weaken

The US dollar is an unloved currency at the moment. The US is experiencing a sub-par recovery and the economy is

likely to weaken in the near future as higher oil prices hit the consumer. There is a large amount of spare capacity in the US economy and the Federal Reserve remains intent on keeping monetary policy extremely loose. The US is running large current and fiscal deficits and has been supported only by buying from Asian and OPEC countries during ongoing currency intervention programmes. For these reasons we are short the US dollar.

## Structural shift to emerging markets

Currencies will have a big role to play in the switch in purchasing power from the western consumer to the emerging market consumer. Developed market currencies will decline in real terms versus emerging market currencies and this represents a long-term theme in our Fund. We hold structural long positions in the Chinese yuan and the Korean won. Against this we will hold short positions in whatever developed market currencies our analysis suggests is going to be cyclically weakest.

The value of investments and any income will fluctuate and is not guaranteed (this may be partly due to exchange rate fluctuations). Investors may not get back the full amount invested.

This interview is available online on our audio and video library.  
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