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Portfolio investing - an anchor for your long term wealth

Making more possible



ABN-AMRO Private Banking



inflation - paying more for the same

In 2002, a private university education in the US cost an average of US\$100,000. By 2007, the same education cost approximately \$130,000¹. Had you invested \$100,000 in a cash deposit over the same period, you would have close to \$117,182^a - an erosion of almost 10% in actual purchasing power.

According to a recent survey of medical insurers², average medical costs for Hong Kong were projected to grow by 18.7% over the 2006-2008 period. This means that the same medical services which cost US\$100,000 in 2006 would have risen to US\$118,701 by 2008^b. If you had invested US\$100,000 in a cash deposit at the end of 2006, you would have US\$107,193^c in 2008 - an erosion of nearly 10% in actual purchasing power.

Meanwhile in Singapore, average medical costs were expected to grow 14.5% over 2006-2008. China's costs were projected to rise by a staggering 45.0% over the same period. In addition to this expected rise in cost, the currencies of both countries are not pegged to the US dollar, making the likely real impact of inflation even higher.

1 Average Published Tuition, Fees and Room & Board Charges at 4-Year Institutions (Enrollment-Weighted). Figures rounded up to the nearest thousand. Source: Annual Survey of Colleges, The College Board, NY

2 Watson Wyatt 2008 Survey of Medical Insurers

a Based on 12-month London Interbank Offered Rates (LIBOR) on end-December 2002 - 2007

b Hong Kong Dollar (HKD) is pegged to the USD

c Based on London Interbank Offered Rates (LIBOR) at January 2008



changing market conditions are eroding your returns on cash

The price of goods, services and assets all increase with time. The cumulative effects of inflation may appear gradual but they are none-the-less substantial. How, then, can we guard against such chronic depreciation of purchasing power?

Keeping your wealth predominantly in cash-based investments, such as time deposits and other money market instruments, may guarantee safe and predictable returns but market forces such as inflation and currency weakness still exact a drastic toll on your wealth. In the face of continuous erosion, the comparative worth of cash-based investments struggle to keep pace and, in the long-term, the real value of your cash may have actually shrunk.

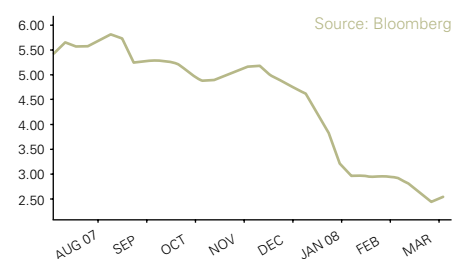
a falling US dollar value and declining interest rates

The charts below show how changing market conditions are eroding the returns of your USD denominated cash-based investments. The value of the US dollar (Chart A) has been falling due to an increasing US Trade and Budget deficit and lower US interest rates. Additionally, the overall rate of return of cash (Chart B) is declining steadily.

Chart A: US dollar index



Chart B: 3-Mth LIBOR USD rates



One way to combat such erosion is to invest in a portfolio of assets. With a well-managed portfolio, the likelihood of positive growth can be significantly improved through the intelligent diversification of your investments and the benefit of time.

portfolio investing – better returns can help you keep up with rising prices

It is true that cash returns offer no risk and guaranteed gains through interest rates. However, in reality, these gains are often outstripped by the higher pace at which prices rise. Inflation has real long-term repercussions and affects all investors, including those preserving wealth for important future plans - such as passing it on to the next generation or for future business expansion.

Investing in a portfolio of assets can significantly improve the returns generated by your wealth above and beyond those typically offered by cash deposits. While greater returns also bring with it greater risk, this can be managed with a long-term and diversified portfolio.

the diversification advantage

A diversified portfolio may invest in a combination of cash, stocks, bonds, funds and other securities across a range of industries and regions. This variety helps spread the risk and generates more predictable returns.

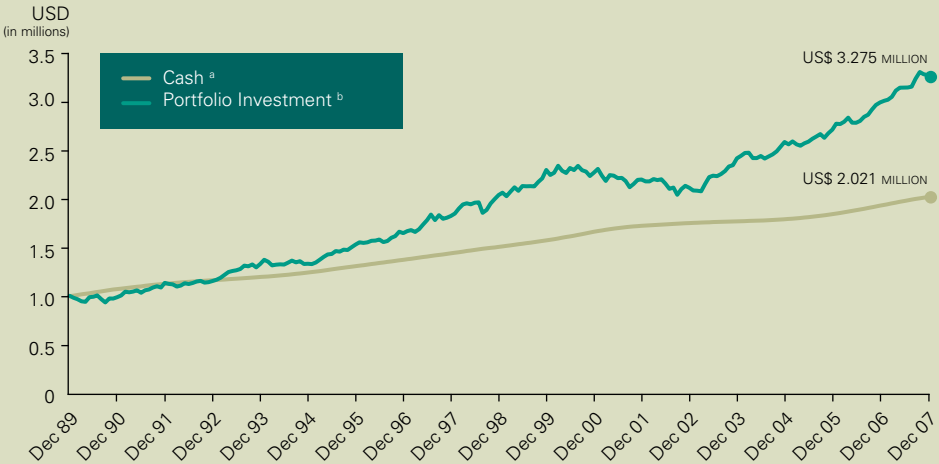
the long-term advantage

On top of diversification, taking a long-term view towards investing also raises the likelihood of positive growth. The chart on the next page shows the historical performance of a hypothetical portfolio that has invested in a combination of cash, equities, bonds and alternative investments. The performance of this portfolio illustrates that over a longer period of time market fluctuations are minimised and returns are significantly above the returns of typical cash-based investments.



portfolio investing: an example

If you had invested USD 1 million in cash^a at the end of 1989, you would have USD 2.021 million at the end of 2007. Had you invested the same amount in a portfolio^b of cash, equities, bonds and alternative investments, your investment would have grown to USD 3.275 million, yielding a compelling 62% higher return over your cash-based investment.



^a Based on Citigroup 1 month treasury Bill

^b Based on portfolio that has invested 10% in cash, 40% in bonds, 40% in equity and 10% in alternative investments



your wealth
our management
your discretion
our proposal



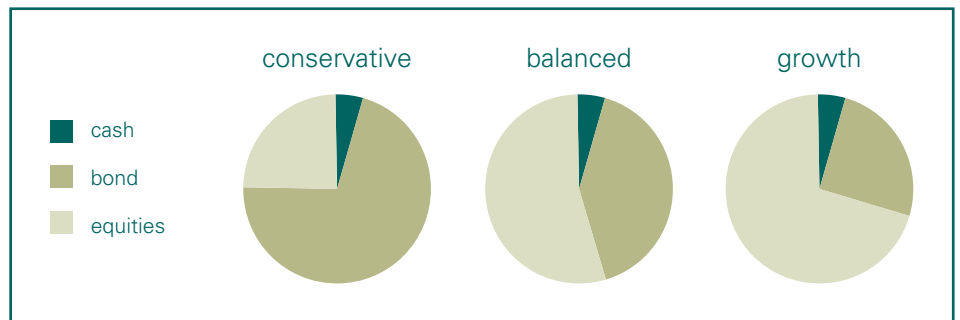
entrust the management of your wealth to our experts

We know it takes valuable time to manage a portfolio of investments. The resources needed to research markets, monitor performance and manage complex investments are also not within the reach of most individual investors. A Discretionary Portfolio places your investments in the hands of our professional portfolio managers.

deciding your personal risk profile

Together, we'll find the best way for you to achieve your goals. We discuss your personal attitude towards risk, your objectives and your circumstances. Let us manage your exposure to risk accordingly while you reap the fullest benefits of our experience without needing to invest the necessary time and energy.

Discretionary Portfolio Risk Profiles



Enjoy the fruits of your labour now, with the assurance that your future needs are being well taken care of. Do not hesitate to contact your private banker to discuss how a portfolio can help provide an anchor for your long term wealth.