

# The Ausbil Investment Trusts Unitholder Quarterly Report

## December 2009

AUSBIL DEXIA LIMITED  
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A Member of the Dexia Group

Neither Ausbil Dexia Limited nor any member of the Dexia Group guarantee the performance of The Ausbil Investment Trusts, the repayment of capital or any particular rate of return.

**Money does not perform. People do.**



## Key Economic & Investment Points

## Unit Prices and Performance Details

### International Review

Last year started with the world economy in a tailspin and most developed countries deep in recession. The interbank system was barely functioning and was headed for a short term freeze in March of 2009. International trade was collapsing due to the inability of exporters to fund working capital. The breakdown in trade finance also choked off export orders everywhere.

Move twelve months ahead and the transformations have been dramatic. Trade has rebounded and growth has commenced a recovery in most developed economies. Key developing economies have led the recovery. Ultra easy monetary policy has not only stopped a liquidity crisis but made liquidity super abundant. Asset markets have rallied strongly.

There are two schools of thought about the aftermath of the extreme crises, particularly around the contraction in credit. The first argument is that the underlying recession will be prolonged, or that the recovery will be temporary, because the debt has to be repaid and the upswing is taking place under the weight of damaged balance sheets.

The other, more optimistic argument is that the economy has been pushed far from "normal" operating capacity levels and that sustained recovery is possible. The positive effects of the various stimulus measures have improved output in an environment of capacity underutilisation. It is increasingly apparent that policy has been dealing with the liquidity crisis and US consumer spending remains stronger than might be expected by the bearish protagonists.

Both fiscal and monetary policies should then be judged successful in preventing a collapse in key economies. China stands out. Noted for a national savings surplus and an economy in which the government allocates large amounts of capital, China was able to respond to the credit crisis in a spectacular fashion. As one barometer of Chinese stimulus, the bank lending figures accelerated. China's fixed asset investment growth has also been particularly successful. The main initiative at the household level has been to promote growth via incentives to encourage replacement and the purchase of consumer durables. The Chinese growth measures also had a positive flow on impact on Australian resource demand. This, combined with our own stimulatory measures, has promoted local growth.

Internationally and domestically, the problem with policy having worked so well is that it has to be withdrawn. We expect the removal of stimulus policies put in place in 2009 to be a central theme in 2010. At the end of this process, monetary and fiscal policy will be closer to "neutral", before moving toward "restrictive". We expect 2010 growth to be above current market consensus.

Recovery in Asia has been rapid; output gaps have started to close quickly. History shows that governments and central banks that act pre-emptively to head off inflation pressures achieve better results than those that allow them to build. The sweet spot afforded by economies starting from a position of having surplus capacity disappears as those output gaps close. Early interest rate rises are becoming a policy requirement as Asian economies need to contain the liquidity created by their recurring current account surpluses.

### The Australian Active Equity Fund

Active Portfolio	3 Months %	1 Year %	3 Years p.a %	5 Years p.a %	7 Years p.a %	10 Years p.a %
Return*	3.79	40.81	1.96	11.37	15.56	11.53
Benchmark**	3.37	37.59	-0.78	8.29	11.85	8.69
Value Added	+0.42	+3.21	+2.74	+3.08	+3.71	+2.84

\* Returns are after fees but before taxes \*\* S&P/ASX 300 Accumulation Index

	Price \$*	Distribution \$
31 December 2009	2.990540	0.049472

\* Redemption cum price

### The Australian Geared Equity Fund

Geared Portfolio	3 Months%	1 Year%
Return*	5.73	71.56
Benchmark**	3.37	37.59
Value Added	+2.36	+33.97

\* Returns are after fees but before taxes \*\* S&P/ASX 300 Accumulation Index

	Price \$*	Distribution \$
31 December 2009	0.513090	n/a

\* Redemption cum price

The Australian Active Equity Fund performance for the December Quarter 2009 was 3.79% versus the benchmark return of 3.37%.

The performance for the Australian Geared Equity Fund was 5.73% versus the benchmark return of 3.37%.

At a sectoral level, the Portfolios benefited from its positioning in the REITs, Materials and Healthcare sectors. Conversely positions in the Financials (ex REITs), Consumer Discretionary and Telecommunications sectors detracted from performance.

At a stock level, the overweight positions in AXA Asia Pacific, Rio Tinto, Wesfarmers, and BHP were the largest positive contributors to relative performance. The nil holding in Westfield Group also contributed to performance. Detractors to the Portfolio included the overweights in NAB, Macquarie Group and ANZ Bank.

## Unit Prices and Performance Details

Purchases	Sales
Goodman Group	Telstra
Coca-Cola Amatil	Wesfarmers (Partially Protected)
QBE Insurance	

The Portfolio purchased Goodman Group (GMG) in October. GMG operates an "own, manage, develop" business model focused on industrial, warehouse and business park property in Australia, Europe and Asia. GMG's attraction is driven by a solid balance sheet (following capital raisings during calendar 2009), and good positioning to achieve scale through leveraging platforms in Australia, Europe and Asia. Its development business offers a key driver of future growth, providing space for occupier customers and property product for investor customers. There were no significant sales for the month of October.

In November there were no significant purchases. The Portfolio holdings in Telstra were sold due to concerns over regulatory risk. A more aggressive stance by the Government/ACCC would potentially have a negative impact on revenues and cash flow, with the recent reduction in prices for unconditioned local loop service a clear example.

In December the portfolio purchased Coca-Cola Amatil (CCL) and QBE Insurance Group (QBE). CCL is a bottler of Coke and other mainly non-alcoholic beverages. CCL's attraction included; the Coke brand, distribution network, innovative products and packaging, solid financial management, and strong trading and earnings outlook. The addition of CCL reduced the slightly cyclical bias in the portfolio. QBE is one of the better managed global general insurance and reinsurance companies, operating in 45 countries with around 80% of shareholders funds invested in offshore subsidiaries. QBE's attraction included; its excellent business model based on conservatism, strong operational management team well versed in assessing risk, and robust balance sheet and strong cash flow providing funds for expansion without resorting to new equity capital. The Portfolio holdings in Wesfarmers Partially Protected shares were sold in December to help fund the purchases. The Portfolio retained its overweight Wesfarmers (Ordinary shares) stake.

## Unit Prices and Performance Details

### The Australian Emerging Leaders Fund

Emerging Fund	3 Months %	1 Year %	2 Years p.a %	3 Years p.a %	4 Years p.a %	5 Years p.a %
Return*	4.88	45.26	-7.32	-0.12	6.57	10.08
Benchmark**	3.22	42.28	-14.04	-4.70	2.68	6.30
Value Added	+1.66	+2.98	+6.72	+4.58	+3.89	+3.77

\* Returns are after fees but before taxes

\*\* 70% S&P/ASX Midcap Accumulation Index and 30% S&P/ASX Small Ordinaries Accumulation Index

	Price \$*	Distribution \$
31 December 2009	2.525384	0.023637

\* Redemption cum price

Fund performance for the December Quarter 2009 was 4.88% versus the benchmark return of 3.22%.

At a sectoral level, the Portfolio benefited from its positioning in the Consumer Staples, Industrials and Telecommunication sectors. Conversely positions in the Consumer Discretionary, Utilities and Financials (ex REITs) sectors detracted from performance.

At a stock level, the active positions in REA Group, Wotif.com, Seek Limited and Challenger Financial were the largest positive contributors to relative performance. The nil holding in Caltex also benefited performance. The major performance detractors to the Portfolio were overweight positions in Mirabela Nickel and Myer Holdings, and the underweight position in Sino Gold.

Purchases	Sales
Goodman Group	JB HiFi
Mineral Resources	Nufarm
Dexus Property Group	Resmed
Myer Holdings	AWB Limited
Kathmandu Holdings	Felix Resources
Boom Logistics	Aristocrat Leisure
SP Telemedia	

The Portfolio purchased Goodman Group in October (GMG). GMG operates an "own, manage, develop" business model focused on industrial, warehouse and business park property in Australia, Europe and Asia. GMG's attraction is driven by a solid balance sheet (following capital raisings during calendar 2009), and good positioning to achieve scale through leveraging platforms in Australia, Europe and Asia. Mineral Resources (MIN) is an Australian based company servicing the resources and infrastructure sectors. MIN offered attractive value and possesses potential upside from, amongst others: additional pipeline and crushing contracts, expansion of mineral processing operations and the commencement of manganese mining operations from March 2010. Dexus (DXS) owns property funds management and development businesses. Its property portfolio is skewed towards Australia and has exposure to New Zealand, the United States, Canada, France and Germany.

## Unit Prices and Performance Details

Attractions include a high quality investment portfolio, internal management and conservative gearing. The Portfolio also participated in the institutional placement of Myer Holdings (MYR). Myer operates 65 department stores across Australia with locations mostly spread across eastern states. Competitive advantages include a well established brand and scale benefits from a relatively large store base. The Portfolio holdings in JB HiFi, Nufarm and Resmed were sold in October to help fund the purchases.

In November the portfolio participated in the Kathmandu Holdings (KMD) IPO. KMD is a vertically integrated designer, marketer and retailer of outdoor and adventure clothing and accessories. KMD is in the midst of a store roll-out with around 85 stores currently and potential for another 60. The strength of the brand should drive strong earnings growth over the next two years assuming discretionary retail demand holds up in Australia and New Zealand. The Portfolio purchased SP Telemedia (SOT), a multi-media full service telecommunications company providing a range of voice, internet and data solutions to a wide range of customers. SOT developed and rolled out a national IP network which it built from the ground up. Key attractions include being one of the lowest cost operators and the growth potential from new products. The Portfolio also purchased Boom Logistics (BOL), a leading Australian provider of cranes and other heavy lifting equipment. BOL has a number of attractive features: an experienced management team, scale (which provides significant barriers to entry), and a diversified and loyal customer base. BOL is the only player with true national coverage having made several acquisitions in the fragmented lifting solutions industry. The Portfolio holdings in AWB Limited, Felix Resources and Aristocrat Leisure were sold in November to help fund the purchases.

There were no significant purchases or sales for the month of December.

### The Balanced Fund

Balanced Fund	3 Months %	1 Year %	3 Years p.a %	5 Years p.a %	7 Years p.a %	10 Years p.a %
Return*	2.78	17.45	0.99	6.83	8.91	6.47
Benchmark	2.18	13.57	-0.56	5.64	7.43	5.58
Value Added	+0.60	+3.88	+1.55	+1.18	+1.49	+0.90

\* Returns are after fees but before taxes

	Price \$*	Distribution \$
31 December 2009	1.330884	0.017227

\* Redemption cum price

## Unit Prices and Performance Details

Fund performance for the December Quarter 2009 was 2.78% versus the benchmark return of 2.18%.

The Fund continued to increase its exposure to domestic and international equities. The 50% currency hedge on the international equities holdings was closed noting the recovery outlook of the USD. The Australian bond exposure was retained with interest rates positive plus credit improving substantially. The direct property holdings have seen a turning point in the quarter, as asset valuations are now no longer deteriorating. A positive outlook in 2010 is expected for the direct property market as well as domestic and international equities.

### The Dexia Sustainable Global Equity Fund

Dexia Fund	3 Months %	1 Year %	3 Years p.a %	5 Years p.a %
Return*	2.42	2.37	-11.01	-2.17
Benchmark**	2.13	0.77	-9.73	-0.78
Value Added	+0.30	+1.60	-1.28	-1.39

\* Returns are after fees but before taxes \*\* MSCI World Index

	Price \$*	Distribution \$
31 December 2009	0.722949	n/a

\* Redemption cum price

Fund performance for the December Quarter 2009 was 2.42% versus the benchmark return of 2.13%.

Sector, region and style biases are minimized to ensure stock specific factors drive portfolio performance rather than predetermined investment themes.

Significant contributors to performance over the quarter were overweight positions in American Express from the Financials sector and Plum Creek Timber also from the Financials sector. American Express, an overweight position based on its good quantitative 'Capital Spending Discipline' and 'Analyst Sentiment' scores, stated that annualised spending worldwide climbed in October, another sign that the worst of the financial crisis may have passed for the largest U.S. credit-card company.

Plum Creek Timber Company, an overweight based on its good 'Capital Spending Discipline' and 'Valuation' scores, reported third-quarter profits that beat analysts' estimates as costs decreased. The timberland REIT, one of the largest private landowners and timber processors in the US is part of the supply chain hit hard by the housing slowdown. Nevertheless, the company sees better times ahead as timber markets stabilise and log prices show improvement in some regions. An attractive dividend yield of more than 4% has also attracted investors.





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