

December 2009

*'the market remains reasonable value and should deliver solid total returns ...'*

#### Market Review

Portfolio performance for the month of December 2009 saw a gain of 5.32% versus the benchmark return of 5.25%.

The Australian equity market reported a 3.7% rise in December, bringing the total return for the calendar year to +37.6%. M&A activity remained a key focus for investors during December after NAB announced a surprise bid for AXA - exceeding an increased (and final) offer from AMP. Telstra, meanwhile, downgraded its FY10 revenue guidance and announced the formalisation of its terms of engagement on the NBN with the Government. Stocks with USD earnings began to outperform as many investors reduced underweight USD denominated earnings exposures in anticipation of an eventual recovery in the US dollar.

#### Portfolio Review

At a sectoral level, the Portfolio benefited from its overweight position in Industrials and Telecommunications, whilst the underweight positions in Consumer Staples, Information Technology and Healthcare also aided performance. Conversely, the overweight position in the Consumer Discretionary sector, as well as the underweight Energy and Utilities exposure detracted from performance.

At a stock level, the overweight positions in MacArthur Coal, REA Group, Boart Longyear and Alumina were the largest positive contributors to performance. Not holding Nufarm also assisted relative performance. Detractors to the Portfolio included the overweight positions in David Jones, Bradken and Mirabella Nickel, as well as the nil holding in Macquarie Airports.

#### Outlook

The domestic economy remains well positioned amongst OECD peers with both cyclical and structural factors driving a rebound in economic growth. The strong government fiscal position, the country's competitive advantage in delivering commodities into growth markets and its strong population growth from both natural increase and immigration are helping to underpin a surprisingly strong recovery. The emerging leader market segment should continue to perform well following on from a strong 09 close. This portion of the market should also see further activity on the IPO front and may also even see further remnant recapitalisation measures. Some of these measures may in fact be ultimately directed towards corporate activity rather than balance sheet rescue as mid/small cap companies turn towards the micro cap and private company space for non-organic growth options. Our expectation is for earnings to be upgraded for the broader market and this small/mid cap sub-segment over the next 6 months. On that basis we believe that the market remains reasonable value and should deliver solid total returns over that period.

#### Portfolio Characteristics

Returns as at 31st December 2009

Period	Portfolio Return%		Benchmark %	Out/Under Performance%	
	Gross	Net		Gross	Net
One Month	5.32	5.25	5.25	0.07	-0.01
Three Month	5.23	4.88	3.22	2.01	1.66
One Year	47.38	45.26	42.28	5.10	2.98
Three Yrs p.a.	1.36	-0.12	-4.70	6.07	4.58
Five Years p.a.	11.62	10.08	6.30	5.32	3.78
Seven Years p.a.	20.20	18.39	13.02	7.17	5.37
Since Inception p.a.	17.27	15.51	11.43	5.84	4.08

#### Top 10 Stocks

	Portfolio <sup>1</sup> %	Index <sup>2</sup> %	Tilt%
Mirvac	4.21	2.64	1.56
Harvey Norman	3.79	1.33	2.46
James Hardie Industries	3.75	2.03	1.72
Asciano	3.71	2.94	0.77
Alumina	3.70	2.52	1.19
David Jones	3.58	1.49	2.08
Bank of Queensland	3.52	1.34	2.17
Seek	3.24	1.25	2.00
Mirabella Nickel	3.23	0.24	2.99
Oz Minerals	3.02	2.03	0.99

#### Portfolio Sector Tilts

	Portfolio <sup>1</sup> %	Index <sup>2</sup> %	Tilt%
Energy	2.49	9.85	-7.36
Materials	28.77	22.67	6.10
Industrials	22.20	18.32	3.88
Consumer Discretionary	28.26	14.13	14.13
Consumer Staples	0.97	4.60	-3.63
Healthcare	0.00	6.36	-6.36
Financials (x LPT)	6.51	7.07	-0.56
LPTs	8.66	11.38	-2.72
IT	0.00	1.04	-1.04
Telecommunications	0.85	0.69	0.16
Utilities	0.00	3.88	-3.88
Cash	1.29	0.00	1.29
Total	100.00	100.0	-

<sup>1</sup> Ausbil Investment Trusts- Australian Emerging Leaders Fund (AAP0104AU)

<sup>2</sup> 70% S&P/ASX Midcap 50 Acc Index and 30% S&P/ASX Small Ord Acc Index