

June 2010

'...the smaller cap stocks should be a major beneficiary of the ongoing improvement in domestic (and to a lesser extent, global) macroeconomics and provide good leverage to recovering cyclical earnings..'

Market Review

Portfolio performance for the month of June 2010 was -4.17% versus the benchmark return of -3.92%.

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) closed the month 2.7% lower, which has left the market down 10.1% for the calendar year to date, but up 13.1% for the 2009/10 financial year. Returns outside the large cap stocks were slightly below the performance of the broader market with the S&P/ASX Mid Cap Index recording a gain of 11.7% whilst the S&P/ASX Small Ordinaries returned 11.2%. The performance in the Mid Cap Resources (-1.8%) contributing to the relatively weaker outcome. The equity market was mainly driven by continued concerns over European sovereign debt, moderating growth expectations in the US and China, and the implications for the rate of global recovery. Domestically, the market also continued to deal with the uncertainty around the proposed Resource Super Profits Tax (RSPT), the potential for a profits tax to be extended to other sectors, and a change in the Office of Prime Minister.

Portfolio Review

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

At a stock level, the overweight positions in Mineral Resources, Kathmandu, MacArthur Coal and Pan Australian Resources were the largest positive contributors to performance. Not holding Downer EDI also assisted relative performance. Detractors to the Portfolio included the overweight positions in James Hardie, AWE, Kagara Zinc and TPG Telecom.

Outlook

The Emerging Leader market segment continues to be penalised in the current flight to safety but the fundamental story remains positive. The well capitalised domestic corporate landscape is likely to result in moves to consolidate market share and open up growth options via merger and acquisition activity. In combination with new IPOs and some secondary market placements, the mid and small cap space is likely to be a very active market segment, particularly once confidence and clarity on future domestic and global growth prospects returns. Ultimately the smaller cap stocks should be a major beneficiary of the ongoing improvement in domestic (and to a lesser extent, global) macroeconomics and provide good leverage to recovering cyclical earnings.

Portfolio Characteristics

Returns as at 30th June 2010

Period	Portfolio Return%		Benchmark ¹ %	Out/Under Performance%	
	Gross	Net		Gross	Net
One Month	-4.17	-4.23	-3.92	-0.25	-0.31
Three Months	-12.16	-12.44	-11.01	-1.15	-1.42
One Year	18.69	17.06	11.63	7.06	5.43
Three Years p.a	-6.08	-7.64	-13.00	6.92	5.36
Five Years p.a	7.55	6.09	2.68	4.87	3.41
Seven Years p.a	16.44	14.59	9.67	6.77	4.92
Since Inception Date: April 2002	14.56	12.82	8.90	5.66	3.92

Top 10 Stocks

	Portfolio ¹ %	Index ² %	Tilt%
Mirvac	4.38	2.82	1.56
Seek	4.21	1.49	2.72
Mineral Resources	4.11	0.19	3.92
Bank of Queensland	3.81	1.44	2.37
Alumina	3.68	2.46	1.23
James Hardie	3.42	1.77	1.65
Harvey Norman	3.34	1.23	2.11
David Jones	3.18	1.40	1.78
REA Group	3.03	0.00	3.03
CSR	3.01	1.69	1.32

Portfolio Sector Tilts

	Portfolio ¹ %	Index ² %	Tilt%
Energy	3.11	9.76	-6.65
Materials	26.41	21.84	4.56
Industrials	20.86	16.80	4.06
Consumer Discretionary	26.11	15.39	10.72
Consumer Staples	1.07	4.30	-3.24
Healthcare	1.05	7.15	-6.10
Financials (x REITS)	8.97	6.96	2.01
REITS	9.60	12.38	-2.78
IT	0.00	1.05	-1.05
Telecommunications	2.03	0.57	1.47
Utilities	0.00	3.80	-3.80
Cash	0.79	0.00	0.79
Total	100.00	100.0	-

¹ Ausbil Investment Trusts- Australian Emerging Leaders Fund (AAP0104AU)

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