Ausbil Dexia Limited

Monthly Performance Update

Geared Strategy

June 2010

'...A reasonable result season and a refocus on the supportive underlying metrics should prove to be the catalyst for a domestic market re-rating..'

Market Review

Portfolio performance for the month of June 2010 was -8.62% versus the benchmark return of -2.65%.

The Australian equity market closed the month 2.7% lower, which has left the market down 10.1% for the calendar year to date, but returning a gain of 13.1% for the 2009/10 financial year. 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 overweight position in Materials and underweight positions in Industrials and Energy. Conversely, the underweight position in Telecommunications, and overweight positions in Consumer Discretionary and Financials (ex REITs) detracted from performance.

At a stock level, overweight positions in Coca-Cola Amatil, Amcor, Asciano and Mirvac Group were the largest positive contributors to relative performance. However, the overweight positions in Boral and News Corporation and the nil holding in Newcrest Mining detracted from performance.

Outlook

Whilst a more subdued growth outcome may be likely, the market has moved to price in a very bearish scenario. Current consensus earnings price the market at 10.9 times the FY11 forecast – almost a 30% discount to historical trading norms. The market will undoubtedly repeg earnings assumptions in the wake of the forthcoming August reporting season and the risk is for some downward adjustment to this forecast, which currently rests at +25.3% year on year EPS growth. However with such a large discount embedded in prices valuation support is likely to emerge and the market should begin to focus on the level of underlying earnings recovery, rather than the immediate direction of earnings adjustments. FY12 is still being viewed as a further recovery year with +13.2% built into assumptions and resulting in a single digit PE of 9.6 times. Aside from the distractions of politics, the domestic economy remains very buoyant with strong employment and GDP data continuing to flow offset by a weak global backdrop which has weighed significantly upon domestic market sentiment. A reasonable result season and a refocus on the supportive underlying metrics should prove to be the catalyst for a domestic market re-rating.

Portfolio Characteristics

Returns[1] as at 30th June 2010

Period	Portfolio Return%	Benchmark%	Out/Under Performance%
One Month	-8.62	-2.65	-5.97
Three Months	-28.71	-11.20	-17.51
One Year	14.95	13.05	1.89
Three Years p.a.	-25.33	-8.05	-17.28
Since Inception Date: May 2008	-24.49	-7.53	-16.96

Top 10 Stocks

	Portfolio%	Index[2]%	Tilt%
BHP Billiton	14.87	12.25	2.62
ANZ Bank	8.37	5.31	3.06
Commonwealth Bank	6.89	7.31	-0.42
Westpac Bank	6.16	6.13	0.03
Rio Tinto	5.79	2.81	2.97
Wesfarmers	4.83	3.22	1.61
National Australia Bank	3.83	4.79	-0.96
News Corp	3.16	0.67	2.49
Amcor	2.73	0.75	1.98
Asciano	2.58	0.46	2.12

Sector Tilts

	Portfolio%	Index[2]%	Tilt%
Energy	5.29	7.26	-1.97
Materials	30.77	25.46	5.32
Industrials	4.92	6.20	-1.29
Consumer Discretionary	8.58	4.21	4.36
Consumer Staples	6.43	8.91	-2.48
Healthcare	0.00	3.59	-3.59
Financials (x LPT)	35.00	31.96	3.04
LPTs	3.07	6.28	-3.20
IT	0.00	0.79	-0.79
Telecommunications	1.41	3.95	-2.54
Utilities	0.00	1.38	-1.38
Cash	4.53	0.00	4.53
Total	100.00	100.00	-

1 All returns are net of fees and interest.
2 S&P/ASX 300 Accumulation Index

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