

Market Review

Fund performance for the month of January was 5.34% versus the benchmark return of 5.13%.

The Australian equity market as measured by the S&P/ASX 300 closed the month 5.1% higher. Equity markets rallied in January assisted by a growing confidence from investors as sovereign bond yields in Europe eased and US earnings results exceeded expectations due to substantial productivity gains. Better than expected macroeconomic data out of China saw increased investor appetite for risk during the month. However, local data remains generally weak for non resources related activity.

Fund Review

The Fund is positioned for a modest pick-up in growth with tilts in favour of domestic cyclicals (ex Retail) where valuations appear compelling. There have been some tactical adjustments to existing positions; including the overweight in Financials (ex LPTs) being slightly reduced.

At a sectoral level, the Portfolio benefited from the overweight position in the Materials Sector and the underweight positions in the Healthcare and Information Technology sectors. The Materials sector outperformed the broader market due to a stronger risk appetite from investors that pushed commodity prices higher. Conversely, the overweight positions in the Financials (ex LPTs), Telecommunications and Consumer Discretionary sectors detracted from relative performance.

At a stock level, overweight positions in Leighton Holdings and Alumina were the largest positive contributors to performance. Not holding QBE, Woolworths and CSL also assisted relative performance. Detractors to the Portfolio included the overweight positions in Amcor and Suncorp and the nil holdings in Newcrest Mining, Woodside Petroleum and Iluka.

Outlook

Europe's ability to deliver a credible and co-ordinated plan to counter the sovereign debt issues of several of its constituents remains a key focus for investors. Recent attempts have resulted in a modestly improved environment with the impact felt via a general re-rating of risk assets globally. While events in Europe will continue to drag on market sentiment, confirmation of a recovery in the US recovery or a clear indication of robust Chinese growth (at a minimum, as per the 12th 5 year plan projections) would see Europe's relative importance reduced in the eyes of investors. On China, the move by the PBOC to ease the Reserve Requirement Ratio for the first time since early 2010 should backstop expectations that growth is being appropriately managed.

Fund Characteristics

Returns¹ as at 31st January 2012

Period	Portfolio Return ¹ %	Benchmark ² %	Out/Under Performance%
One Month	5.34	5.13	0.21
Three Months	-0.55	0.06	-0.61
One Year	-6.87	-6.51	-0.37
Three Years p.a	10.87	11.31	-0.44
Five Years p.a	-1.02	-1.78	0.76
Seven Years p.a	6.09	4.93	1.16
Ten Years p.a	8.10	6.54	1.56
Since Inception p.a <i>Date: July 1997</i>	9.81	7.29	2.52

Top 10 Stocks

	Portfolio%	Index ² %	Tilt%
BHP Billiton	14.11	11.59	2.52
ANZ Bank	8.64	5.49	3.15
National Australia Bank	7.76	5.13	2.63
Westpac	6.28	6.21	0.07
Wesfarmers	6.00	3.38	2.62
Telstra	5.36	3.99	1.37
Commonwealth Bank	4.96	7.69	-2.73
Rio Tinto	3.94	2.90	1.04
Amcor	3.19	0.83	2.36
Suncorp	2.77	1.04	1.73

Sector Tilts

	Portfolio%	Index ² %	Tilt%
Energy	4.80	7.36	-2.57
Materials	31.21	26.34	4.87
Industrials	7.67	7.21	0.46
Consumer Discretionary	6.32	3.87	2.46
Consumer Staples	7.45	7.69	-0.24
Healthcare	0.00	3.40	-3.40
Financials (x LPT)	34.74	31.45	3.30
LPTs	1.38	6.18	-4.80
IT	0.00	0.62	-0.62
Telecommunication	5.36	4.29	1.07
Utilities	0.93	1.58	-0.65
Cash	0.13	0.00	0.13
Total	100.00	100.00	0.00

¹ Portfolio returns are net of fees and before taxes.

² S&P/ASX 300 Accumulation Index