

December 2011

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Market Review

Fund performance for the month of December was -2.59% versus the benchmark return of -1.44%.

The Australian equity market as measured by the S&P/ASX 300 closed the month 1.4% lower. Equity markets fell in December for the eighth time in 2011 as investors avoided risk assets due to ongoing concerns over the sovereign debt crisis in the European Union and its impact on global growth. Stocks were also negative due to concerns regarding a potential near term Chinese growth slowdown. However on a positive note, markets were surprised by stronger than expected US economic data released during the month.

Fund Review

The Fund is positioned for a modest pick-up in growth, with the Resources overweight slightly reduced on global market uncertainty and its resultant negative impact on commodity prices. There have been some tactical adjustments to existing positions.

At a sectoral level, the Fund benefited from the overweight position in the Financials (ex LPTs) and Telecommunications Sectors. The Financials outperformed the broader market thanks to the prospect of further interest rate cuts in coming months by the RBA. The underweight in the Energy and REITs sectors were also relative contributors to performance. Conversely, the overweight position in the Materials and Consumer Discretionary sectors and underweight in the Healthcare sector detracted from relative performance.

At a stock level, overweight positions in ANZ Bank, News Corporation and Telstra were the largest positive contributors to performance. Not holding Newcrest Mining and Woodside Petroleum also assisted relative performance. Detractors to the Fund included the overweight positions in Alumina and David Jones, the underweight in the Commonwealth Bank and the nil holdings in Woolworths and CSL.

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. Attempts thus far have fallen short of the mark and the impact felt via a general de-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.

Portfolio Characteristics

Returns¹ as at 31st December 2011

Period	Portfolio Return ¹ %	Benchmark ² %	Out/Under Performance%
One Month	-2.59	-1.44	-1.15
Three Months	3.00	2.05	0.95
One Year	-32.07	-10.98	-21.09
Two Year p.a.	-23.50	-4.76	-18.74
Three Years p.a.	0.14	7.67	-7.53
Since Inception Date: May 2007	-20.80	-4.95	-15.85

	Portfolio%	Index ² %	Tilt%
BHP Billiton	13.52	11.19	2.33
ANZ Bank	8.76	5.54	3.23
Westpac	7.93	6.17	1.76
National Australia Bank	7.78	5.28	2.51
Wesfarmers	6.21	3.46	2.75
Telstra	5.40	4.20	1.20
Commonwealth Bank	4.92	7.86	-2.94
Rio Tinto	3.71	2.66	1.05
Amcor	3.59	0.89	2.70
Suncorp	3.33	1.09	2.23

Sector Tilts

	Portfolio%	Index ² %	Tilt%
Energy	4.57	7.13	-2.56
Materials	30.10	25.10	5.01
Industrials	6.98	7.14	-0.16
Consumer Discretionary	6.17	3.89	2.28
Consumer Staples	7.87	8.02	-0.16
Health Care	0.00	3.62	-3.62
Financials	35.93	32.13	3.80
LPTs	1.23	6.17	-4.94
Information Technology	0.00	0.67	-0.67
Telecommunication	5.40	4.50	0.90
Utilities	0.97	1.63	-0.65
Cash	0.78	0.00	0.78
Total	100.00	100.00	0.00

¹ All returns are net of fees and interest.

² S&P/ASX 300 Accumulation Index