



Monthly – Australian Share Fund

September 2008

### Performance Summary

	1 month	3 months	Inception
Portfolio	-9.9%	-9.3%	-9.3%
Benchmark	-9.9%	-10.7%	-10.7%
Performance	0.0%	+1.4%	+1.4%

outperforming sectors, along with IT and Consumer Staples. The weakness in commodity prices resulted in Materials and Energy sectors lagging, while Utilities also lagged on the back of continued de-rating of several Babcock and Brown satellite entities due to the financial stress of their 'parent' company.

### Month Summary

The portfolio returned -9.9% for the month of September 2008. This performed in line with the benchmark S&P/ASX 300 Accumulation Index, which returned -9.9% for the month.

During the month, an unprecedented number of US financial institutions collapsed, were placed under administration by the US Government or sold to peers. A US\$700bn 'rescue package', proposed by the US Fed/Treasury failed to pass through Congress by month end resulting in further market declines. Restrictions on short selling, introduced across a range of global exchanges, also kept investors sidelined. Despite increasing concerns around US financial markets, the domestic Financial sector was among the highest

### Portfolio Activity

The positions in Cabcharge, Lend Lease and Telstra were increased at attractive prices following steep share price declines mid-month. The holding in Rio Tinto was trimmed to partly fund these purchases. The position in Fantastic Holdings was completely exited after being sold down in previous months.

A new position in Origin Energy (ORG) was established during the month. This followed the announcement that ConocoPhillips (COP) was selected as its Coal Seam Gas 50% joint venture partner to develop a four train LNG project. As part of the deal, COP will invest up to \$9.6 billion for its share with \$6 billion due to be received in November 2008. This will significantly de-risk ORG from a financial and valuation perspective.

ORG will have a strong balance sheet with a net cash position, enabling it to manage capital, and the company has announced a 25c special dividend and \$1.25b share buyback. At the current share price, little value is being attributed to ORG's 50% share of the joint venture or potential upside from the deal.

The holding in Beach Petroleum was completely sold to fund the position in Origin. Our level of conviction in its management faded in recent months following decisions to close its hedge book for a significant loss at near record high oil prices and raise capital to fund Egyptian acquisitions, both of which increase the risk profile of the company.

## Stock Performance

The top performers for the month were ANZ (+12.9%) which rebounded following underperformance in previous months versus its peers and after strengthening its capital position by issuing a hybrid convertible note, Amalgamated Holdings (+9.4%) following a strong full year result and acquisition of the Gold Coast International Hotel and Caltex (+1.3%) on widening refining margins as a significant amount of refining capacity in the USA was taken out by Hurricane Ike.

Weaker commodity prices and plunging sentiment on China's demand for raw materials resulted in resource companies being the main underperformers. These included Rio Tinto (-33.1%), Mount Gibson (-32.0%) and OneSteel (-30.8%).

### **Important Information:**

While the information contained in this report has been prepared with all reasonable care, Cannae Capital Partners Limited (Cannae) AFSL 320051 accepts no responsibility or liability for any errors, omissions or misstatements however caused. This information is not personal advice. This report has

been prepared without taking account of your objectives, financial situation or needs.

Treasury Group Investment Services Limited (TIS) AFSL 227326 is the responsible entity for the Cannae Australian Share Fund (Fund). Applications can only be made on the form in the current product disclosure statement dated 26 May 2008 for this Fund.

The product disclosure statement can be obtained by contacting Cannae or at [www.cannae.com.au](http://www.cannae.com.au).

Potential investors should consider the product disclosure statement before deciding whether to invest, or continue to invest in the Fund.

Investors should be aware that past performance is not indicative of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments.