



Monthly – Australian Share Fund

December 2008

Performance Summary

	1 month	3 months	6 months	Inception
Portfolio ¹	+0.8%	-17.7%	-25.3%	-25.3%
Benchmark ²	-0.1%	-18.5%	-27.2%	-27.2%
Performance	+0.9%	+0.8%	+1.9%	+1.9%

Month Summary

The portfolio returned +0.8% for the month of December 2008. This outperformed the benchmark S&P/ASX 300 Accumulation Index, which returned -0.1% for the month.

December was the fourth month in a row of negative performance for Australian equity market, despite rallying 7.0% intra-month to close marginally down. Notably, the market is comfortably above its lows set in late November. Riskier assets returned into favour as gold and the Australian dollar appreciated during the month (both correlate somewhat with changes in global growth expectations), while oil and global equity markets rallied strongly off intra-month lows. Sector performance tended to reverse from the previous month as lower risk aversion resulted in higher beta sectors outperforming, including IT and Consumer Discretionary while traditionally defensive

sectors such as REITs and Telecoms underperformed.

Portfolio Activity

There was minimal portfolio activity during the month. The small position in Equinox was completely exited on concerns over global growth and potential further downside for the copper price. The holding in Commonwealth Bank was trimmed early in the month on concerns over its bad debt provisions and capital adequacy, which were proven valid as the bank announced a capital raising and increase in loan impairment expenses later in the month.

Stock Performance

The fund participated in the Transfield Services Limited capital raising, which addressed concerns over high levels of gearing. The company had not appreciated the risk associated with unhedged US dollar denominated debt. The stock has increased +45.6% since the placement. Other top performers for the month included Transfield Services Infrastructure (+23.1%), which recovered ground after being sold down over the previous two months on concerns about the financial health of its parent that have now been alleviated. Fairfax (+21.1%) rose following a change in CEO and a reduced dividend payout ratio to preserve capital.

The largest underperformers were Pacific Brands (-41.9%) after cutting its dividend for the next 12 months which it intends to fully underwrite, Abacus Property (-21.8%), which continues to be impacted by negative sentiment against mid-small cap property trusts and Rio Tinto (-18.5%) on further deterioration in the outlook for commodities and concerns over gearing. However, Rio Tinto did not harm relative performance as it is an underweight position.

The significant overweight position in Telstra (-5.7% price return for the month) proved costly for the portfolio's performance after the government's NBN Expert Panel excluded Telstra from the NBN RFP process on what the company believes is a legally questionable technicality. While it remains unclear which path the NBN process will take, this turn of events was unexpected and we remain of the view that Telstra is the only party with the financial capability and technical know-how to build the NBN. If the NBN does not go ahead or if it is awarded to a competitor, Telstra has a number of mitigating factors (e.g. dominant market share, infrastructure ownership, strong balance sheet and cash flow generation) that make it an attractive investment at the current share price, which we believe is factoring in a near worst case scenario.

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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.

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.

¹Source: RBC Dexia Investor Services

²Benchmark: S&P/ASX 300 Accumulation Index