



Monthly – Cannae Australian Share Fund

February 2010

### Performance Summary

	1 month	3 months	6 months	12 months	Inception annualised
Portfolio <sup>1</sup>	+2.5%	+1.3%	+7.8%	+49.0%	+0.9%
Benchmark <sup>2</sup>	+2.1%	-0.7%	+5.2%	+45.1%	-2.5%
Performance	+0.4%	+2.0%	+2.6%	+3.9%	+3.4%

### Month Summary

The portfolio returned +2.5% for the month of February. This outperformed the benchmark of +2.1% for the month.

This will be Cannae's last report as the Cannae team has merged with the Investors Mutual (IML) team. Our pooled funds are now closed and other money under management will be managed by Hugh Giddy under the IML structure. We are excited by the prospects for the new team. The Cannae philosophy is alive and well, and our investors will be able to access essentially the same investment competence and portfolio management under the IML banner.

We are pleased to report that Cannae has outperformed its benchmarks by a reasonable margin in the past year during a sharp market rally (the index is up over 45%

in twelve months). This outperformance has been achieved despite a significant holding in "defensive" stocks such as Metcash and Tatts Group and in the healthcare sector. These stocks have been sold by other investors to fund purchases of higher beta plays in the commodity arena and stocks with cyclical exposure. We have always been very mindful of the downside and have been unwilling to chase the blue sky and rapid recovery required to justify the valuations of most of those "high beta" stocks. We believe the outlook for world growth remains uncertain and the caution we have demonstrated will prove to have been justified although somewhat premature.

We would like to thank our investors for their support and look forward to continuing contact with you as part of a bigger, well resourced team.

## Portfolio Activity

There was minimal portfolio activity during the month.

## Stock Performance

The top performers in the portfolio for the month were all healthcare stocks, which produced outstanding half year results. We have held these stocks on the basis that the market significantly underestimated the quality of these businesses and their capacity to grow earnings. Regulatory concerns are warranted for the stocks with pathology operations and we have avoided these: Primary fell -20%, Healthscope -7% and Sonic -5%. Among our holdings, Ansell (+12.5%) rose on the back of a recovery in occupational sales reflecting improved industrial activity, and a strong focus on cost control. Ramsay Healthcare (+10.4%) upgraded earnings on better than expected margin improvement and CSL (+10.3%) enjoyed strong volume growth in its core plasma business.

The bottom performers for the month were stocks that have significant external uncertainty obscuring their medium term prospects. Transfield Services Infrastructure (-13.4%) fell after a reasonable result, overshadowed by a lack of news regarding the progress of its capital structure review. Telstra (-6.9%) is being weighed down by legislative and NBN uncertainty and fell following a marginally disappointing result. Fairfax (-4.8%) produced a solid first half result but advertising cycle uncertainty and limited earnings visibility continue to overhang the stock.

### **Important Information:**

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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](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.

<sup>1</sup>Source: RBC Dexia Investor Services

<sup>2</sup>Benchmark: S&P/ASX 300 Accumulation Index