



Monthly – Australian Share Fund

May 2009

Performance Summary (total returns after fees)

	1 month	3 months	6 months	Inception
Portfolio ¹	+2.3%	+18.0%	+8.5%	-19.6%
Benchmark ²	+1.5%	+15.9%	+5.1%	-23.4%
Performance	+0.8%	+2.1%	+3.4%	+3.8%

Month Summary

The portfolio returned +2.3% for the month of May 2009. This outperformed the benchmark S&P/ASX 300 Accumulation Index, which returned +1.5% for the month.

For a third consecutive month, risk tolerance increased and investors favoured high beta stocks. The Australian market ended higher after drifting sideways for much of the month. Deeply discounted equity issues accelerated as companies continued to deleverage balance sheets ahead of debt refinancing. Sectors with earnings leveraged to the economic cycle such as Materials, Energy and IT outperformed as macro leading indicators and commodity prices increased or became less negative during the month. Defensive sectors such as Telecommunications, Healthcare and Consumer Staples lagged.

Portfolio Activity

The position in Fairfax was increased during the month. The stock was sold down mid-month, which provided an attractive price at which to top up the holding. We maintain our view that Fairfax is a solid, well diversified media company. It has been somewhat overlooked by the market in recent months, with other cyclicals performing better in anticipation of an economic recovery. Fairfax is well positioned to benefit from a turnaround in the advertising cycle and we expect that the recent share price performance gap to other cyclicals (e.g. steel stocks, discretionary retailers and building materials) will rapidly narrow.

The strong appreciation in a number of holdings pushed prices to levels where we deemed it prudent to trim them. Hence exposure to Fleetwood and Pacific Brands was reduced, while the position in OneSteel

was exited. OneSteel's share price has risen over 70% since its March lows, to the point where it appears expensive for a company of its quality. In accordance with our sell disciplines, we deemed that the stock was no longer attractive compared to other potential opportunities and we sold the entire holding.

Stock Performance

The top performers for the month included Pacific Brands (+23.1%) as investors became more positive following a capital raising to pay down debt, Orica (+19.9%) on the back of a strong first half operating result, and Ramsay Health Care (+18.9%) following profit guidance of +20% compared with previous guidance of +10-12%, assisted by a lower interest rate environment.

The main underperformers for the month were stocks which had positive news flow that was ignored by the market, primarily because their defensive characteristics were out of favour among less risk averse investors. Tatts Group (-11.6%) underperformed in spite of Victorian EGM revenues increasing 6.9% during April, as the Government stimulus drove gaming spend. Gunns (-10.5%) gave back some ground following a strong rise over March and April notwithstanding the announcement of a new, experienced CEO. Origin Energy (-9.2%) fell despite announcing the acquisitions of CSG acreage, wind farm assets and a 30% increase in the oil price.

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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