



Monthly – Australian Share Fund

August 2008

Performance Summary

	1 month	Inception
Portfolio	+4.44%	+0.75%
Benchmark	+4.04%	-0.84%
Performance	+0.40%	+1.59 %

Month Summary

The portfolio returned 4.4% for the month of August 2008. This outperformed the benchmark S&P/ASX 300 Accumulation Index, which returned 4.0% for the month.

Due to the high volume of company data released during the August reporting season, individual sector performance was primarily driven by stock-specific information rather than macroeconomic trends. The Australian equities market traded in a band between 4800 and 5050 for most of the month before finishing strongly over the last two days to close above 5100. Healthcare was the top performing sector, while REITs and Consumer Discretionary also outperformed after being the two biggest underperformers over the past twelve months. Telcos, Utilities and Materials

lagged although the gap between outperforming and underperforming sectors was narrower than in recent months.

Portfolio Activity

The position in Lend Lease was increased at attractive prices following a sharp sell off early in the month. Holdings in Pacific Brands and Cabcharge were trimmed following strong rebounds in their share prices from July lows. The position in Fantastic Holdings continues to be reduced.

Investments in Northern Iron and RP Data were completely sold during the month. Northern Iron had been a stellar performer since it listed in December 2007 but looked fully priced and we realised the position for a substantial profit. The investment case for buying RP Data was built around increased penetration of automated valuation models. However, the take up of these has been slower than anticipated and consequently our earnings growth forecasts have been lowered to levels where the valuation was no longer compelling. Hence the holding was exited at similar levels to the entry price.

Stock Performance

The top performers for the month were Transfield Services Infrastructure (+30.9%), STW Communications (+29.0%) and Fletcher Building (+23.5%). We believe that these stocks had been significantly oversold by the market throughout the year. The market appeared to be anticipating that these companies (and the industries in which they operate) would experience a significant downturn in profitability, far worse than what we believed to be likely, even in a 'worst case' situation. As reporting season progressed and these stocks and their competitors reported, it became apparent that the market was overly pessimistic about their prospects and all three rebounded strongly.

The main underperformers were Gunns (-29.3%) following a disappointing FY08 result as doubts remain over funding the proposed Bell Bay pulp mill, Cabcharge (-10.1%) on anticipation of slowing fare growth and greater competition, and Mount Gibson (-8.4%) as concerns about the strength of the Chinese economy and strengthening US dollar impacted resources stocks in the first half of the month.