

Performance Summary

	1 month	3 months	6 months	12 months	Inception annualised
Portfolio ¹	-2.6%	+0.5%	+12.7%	+36.2%	-2.9%
Benchmark ²	-6.2%	-1.0%	+9.9%	+35.7%	-3.8%
Performance	+3.6%	+1.5%	+2.8%	+0.5%	+0.9%

Month Summary

The portfolio returned -2.6% for the month of January 2010. This outperformed the benchmark S&P/ASX 300 Accumulation Index, which returned -6.2% for the month.

The Australian equity market had its largest monthly fall since the height of the global financial crisis in November 2008. While commentators point to concerns over monetary tightening in China and increasing US banking sector regulatory risk, it should be remembered that markets rallied almost without pause from the March 2009 lows and were very overbought on a medium term basis. Cannae was early but ultimately correct in anticipating that the market's infatuation with "high beta" stocks would not continue without interruption.

Energy and Materials were the two weakest sectors as speculators responded to reports that China will slow its economy more than expected to control increasing inflation. Consumer Staples lagged on concerns over

lower price inflation impacting sales and increasing rivalry among the two major competitors. Some sectors perceived as defensive outperformed, including IT, REITs and Telecommunications.

Portfolio Activity

There was minimal portfolio activity during the month.

Stock Performance

The top performers for the month were Regional Express (+9.6%) after being awarded the Victorian air ambulance tender and winning regional airline of the year from Air Transport World, and Ramsay Healthcare (+5.3%) after announcing an acquisition that will expand its operations into the lucrative continental European market. STW Communications (+4.0%) belatedly rose after announcing several

major new account wins over the previous three months.

The bottom performers for the month were BHP Billiton (-8.6%) as commodity prices fell in anticipation that the Chinese government will act to counter rising inflation risks and as the US dollar rose, Lend Lease (-8.1%) on concerns over its credit rating in the wake of several major project wins, and Orica (-7.3%) as investors took profits after the stock outperformed in each of the previous three months. BHP is an underweight position.

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 High Conviction 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