



CANNAE

Capital Partners

Monthly – High Conviction Fund

September 2009

Performance Summary

	1 month	3 months	6 months	12 months	Inception annualised
Portfolio ¹	7.0%	17.4%	34.6%	6.2%	-3.6%
Benchmark ²	6.3%	21.6%	35.6%	8.5%	-2.5%
Performance	+0.7%	-4.2%	-1.0%	-2.3%	-1.1%

Month Summary

The portfolio returned 7.0% for the month of September 2009. This outperformed the benchmark S&P/ASX 300 Accumulation Index, which returned 6.3% for the month.

September marked the seventh month in a row of positive returns from the Australian equity market, which has now rallied 55% from its March low. As was the case in August, the market continues to focus on investing in sectors with leverage to a perceived rebound in the economy with Financials and REITs strongly outperforming for a second month in a row while consumer discretionary rounded out the top three best performing sectors. Defensive sectors were again weak. Resources lagged for the second month in a row as investors took profits on the large diversified miners and several large energy stocks, which had run strongly through most

of the seven month rally.

Telecommunications, Energy and Materials were the largest underperformers.

Portfolio Activity

Portfolio activity was higher than usual during the month as we believe the value proposition has shifted clearly in favour of defensives, as cyclicals have become less attractively priced. Hence we added to holdings in Ansell, CSL, Metcash, Tatts Group and Telstra, all of which are high quality defensive stocks that have been 'left behind' by a market chasing leverage through cyclicals. These additions were funded by reducing exposure to Abacus, Fairfax, Fleetwood, Lend Lease, Pacific Brands and STW Communications, while the small position in Gunns was completely exited.

A new position was initiated in Austbrokers. The company is a small cap insurance broker that has historically grown through a highly successful roll-up strategy in a fragmented market with little acquisition competition. Its growth strategy has been based on its owner-driver model, whereby it takes an equity stake in an independent broker to ensure that both parties are motivated and committed, which we believe will ensure its success going forward. The company has a defensive earnings stream, a strong balance sheet with capacity for future acquisitions and a solid track record of growing earnings while maintaining high returns on capital.

Stock Performance

The top performers for the month tended to be undervalued smaller stocks. They particularly benefited from reporting solid full year results in late August after which the market began to acknowledge their quality and attractive share prices. These included Regional Express (+24.5%), Abacus (+22.2%) and Fairfax (+16.7%).

Investors took profits on Bank of Queensland (+2.4%) following a stellar run in its share price over the previous two months. Telstra (+0.3%) underperformed as the government announced a plan to force Telstra to structurally separate “voluntarily”. Anticipation of regulatory change drove the share price down to three month lows mid-month, however, the stock rallied into the end of the month as it is under owned and attractively priced even under plausible damaging outcomes of this process.

Important Information:

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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