



Monthly – High Conviction Fund

June 2009

Performance Summary

	1 month	3 months	6 months	Inception
Portfolio ¹	4.6%	14.6%	12.2%	-18.6%
Benchmark ²	4.0%	11.5%	9.4%	-20.3%
Performance	+0.6%	+3.1%	+2.8%	+1.7%

Month Summary

The portfolio returned 4.5% for the month of June 2009. This outperformed the benchmark S&P/ASX 300 Accumulation Index, which returned 4.0% for the month.

The market continued to rally in June, maintaining an unbroken streak of monthly gains since March. Capital raisings continued, with Rio Tinto and Asciano among the largest this year, as companies seek to take advantage of the rally to raise capital in order to repair overleveraged balance sheets. Concerns over the sustainability of the rally sparked a rotation back into defensive stocks with Telecommunications, Healthcare and Financials outperforming while Utilities, Materials and Energy lagged.

Portfolio Activity

A new position in CSL was established during the month. The stock was sold down

to attractive levels early in the month on concerns the highly accretive acquisition of a competitor (Talecris) would not receive regulatory approval and a costly legal challenge would ensue. However, soon after the deal was blocked by the regulator, the company scrapped plans to appeal the decision in favour of a 9% buyback. We are pleased to have instigated a position in such an impressive business at prices that do not reflect its high quality. The company was priced on an approximate market multiple due to negative short term sentiment and disappointment at the outcome of the Talecris deal. We believe this is very cheap considering that its excellent franchise remains intact and the company will have a very strong balance sheet even after the buyback. The stock has historically traded on at least a 30% premium to the market.

The strong appreciation in the share prices of Gunns and Abacus Property Group pushed them to levels where we deemed it prudent to trim these positions.

Stock Performance

The top performer for the month was STW Communications (+24.0%), which has strengthened in recent months following several positive announcements, including a capital raising to strengthen its balance sheet and positive commentary at its AGM where it stated that “the average analyst forecast for underlying NPAT for the 2009 year is conservative.” Other top performers included Suncorp (+13.6%) after reporting the embedded value of its life/wealth business at \$2.2 billion, which was higher than the market was expecting and Commonwealth Bank (+11.0%) after raising its variable mortgage rates by 10 basis points and regaining ground on peers following several months of underperformance.

The main underperformers for the month were small cap holdings as the Small Ordinaries Index underperformed the broader market by 0.9%. There were no stock specific reasons for the underperformance of these stocks, which included Regional Express (-12.1%), Fleetwood (-8.5%) and Transfield Services Infrastructure (-4.6%).

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