



CANNAE

Capital Partners

Monthly – High Conviction Fund

September 2008

Performance Summary

	1 month	3 months	Inception
Portfolio	-12.1%	-10.0%	-10.0%
Benchmark	-9.9%	-10.7%	-10.7%
Performance	-2.2%	+0.7%	+0.7%

commodity prices resulted in Materials and Energy sectors lagging, while Utilities also lagged on the back of continued de-rating of several Babcock and Brown satellite entities due to the financial stress of their 'parent' company.

Month Summary

The portfolio returned -12.0% for the month of September 2008. This underperformed the benchmark S&P/ASX 300 Accumulation Index, which returned -9.9% for the month.

During the month, an unprecedented number of US financial institutions collapsed, were placed under administration by the US Government or sold to peers. A US\$700bn 'rescue package', proposed by the US Fed/Treasury failed to pass through Congress by month end resulting in further market declines. Restrictions on short selling, introduced across a range of global exchanges, also kept investors sidelined. Despite increasing concerns around US financial markets, the domestic Financial sector was among the highest outperforming sectors, along with IT and Consumer Staples. The weakness in

Portfolio Activity

The positions in Abacus and Lend Lease were increased at attractive prices following steep share price declines mid month. Holdings in Caltex, Fleetwood, OneSteel and Rio Tinto were trimmed to fund these purchases.

During the month, a new position was established in the Commonwealth Bank (CBA). While we remain cautious on Financials, CBA appears to be relatively low risk compared to its peers with a stronger capital position, lower capital intensity (due to a higher proportion of wealth management earnings), the largest source of 'cheap' deposit funding and relatively strong asset quality. To fund this new holding, the position in Westpac was reduced. While Westpac has many of the above-mentioned positives in common with

CBA, it had significantly outperformed the other major banks in recent months. Coupled with the increasingly likely merger with St George Bank (and associated execution risk of the transaction) it was deemed prudent to trim the position.

A new position in Origin Energy (ORG) was established during the month. This followed the announcement that ConocoPhillips (COP) was selected as its Coal Seam Gas 50% joint venture partner to develop a four train LNG project. As part of the deal, COP will invest up to \$9.6 billion for its share with \$6 billion due to be received in November 2008. This will significantly de-risk ORG from a financial and valuation perspective. ORG will have a strong balance sheet with a net cash position, enabling it to manage capital, and the company has announced a 25c special dividend and \$1.25b share buyback. At the current share price, little value is being attributed to ORG's 50% share of the joint venture or potential upside from the deal.

The holding in Beach Petroleum was completely sold to fund the position in Origin. Our level of conviction in its management faded in recent months following decisions to close its hedge book for a significant loss at near record high oil prices and raise capital to fund Egyptian acquisitions, both of which increase the risk profile of the company.

Stock Performance

The top performers for the month were Caltex (+1.3%) on widening refining margins as a significant amount of refining capacity in the USA was taken out by Hurricane Ike, Metcash (+0.8%) after reiterating guidance at their AGM and reporting that first quarter sales were "broadly in line with expectations" and Fleetwood (+0.2%) after being awarded a contract to manufacture accommodation units for Rio Tinto.

Weaker commodity prices and plunging sentiment on China's demand for raw materials resulted in resource companies being the main underperformers. These included Rio Tinto (-33.1%), Mount Gibson (-32.0%) and OneSteel (-30.8%).

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.