

## March 2011

### Total Net Market Value of Assets

\$37,472,410 or \$1.504 per share

### Investment Performance

(These figures are unaudited)

	Quarter	One Year
Portfolio return over the period *	4.9%	-1.2%
Change in All Ords. over Period	1.7%	0.7%
Total return over the period (NAV & div)	2.5%	-2.2%
Change in Bank Bill Index over the Period	1.2%	4.9%

\* This return is before all fees, costs, taxes and dividends while the NAV return is after fees, costs and taxes paid. Past performance is no guide for future performance.

### Asset Allocation

Financials	28.0%
Consumer Discretionary	15.3%
Materials	14.7%
Information Technology	9.0%
Energy	7.9%
Industrials	7.6%
Cash and Equivalent	6.1%
Health Care	5.8%
Consumer Staples	5.6%

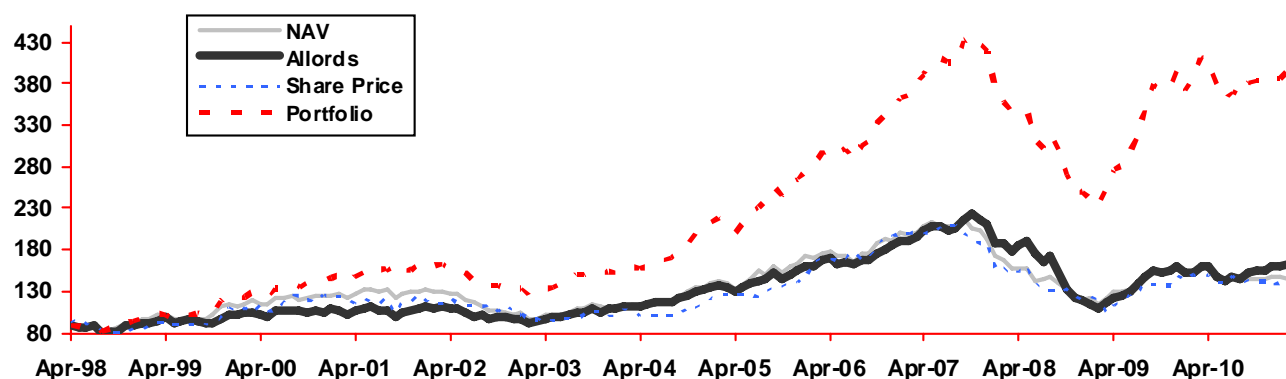
### Five Major Investments

(As a % of the portfolio)

	Mar 11	Dec 10
Rio Tinto	7.5%	6.8%
BHP Billiton	7.3%	7.9%
Commonwealth Bank	6.4%	6.3%
Cochlear	5.8%	5.7%
Woolworths	5.6%	6.6%
<b>Total</b>	<b>32.6%</b>	<b>33.3%</b>

### Relative Performance

(After adjusting for the rights issues)



### Investment Philosophy

Our investment process focuses on investing in companies with talented management that are able to consistently grow their business earnings because they have a sustainable competitive advantage, a sound balance sheet and a proven ability to generate operational cash-flow.

### Performance

The portfolio performance for the quarter to March 2011 of 4.9% is better than the market return of 1.7% primarily due to the improved performance of the industrial companies in the portfolio. The decline in the portfolio over the past twelve months of -1.2% compares with a slight increase in the market of 0.7%. Our underweight position in mining related companies arises from our focus on quality companies that meet our investment philosophy. Resource companies do not meet our definition, primarily due to their lack of competitive advantage (other than through size as is the case with RIO Tinto and BHP Billiton), the high risk nature of the mining business and the volatility of revenues. As a result, any continued out-performance by the resources sector could result in short-term under-performance of our portfolio as compared to the market. However, our quality focus has always stood us in good stead over the longer-term.

### Investment Activity

The portfolio's exposure to Cash, Rio Tinto and WorleyParsons was increased during the quarter under review, whilst exposure to the REA Group, Platinum Asset Management and Woolworths was reduced. No new companies were added to the portfolio during the March quarter.

### Market facts

While the MSCI increased over the quarter by 4.3% in US\$, in A\$ it only increased by 3.3% as a result of a 0.9% increase in the value of the A\$.

The All Ordinaries Index is up 81.7% since April 1998. The NAV (after tax) per share has increased since April 1998 by 68.4%, while the total return including dividends paid to shareholders is 145%. The portfolio total return since April 1998 was 375%.

The portfolio has a dividend yield of approximately 4% substantially fully franked.

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