

Bennelong SGI Global Equities Fund

Monthly performance update

As of 31 May 2010

Market overview

Only bond investors and gold bugs were safe this May. As concerns over sovereign debts, budgets and austerity programmes mounted throughout Europe, the euro moved sharply lower against other currencies (down 7.4% versus the USD) and stock markets plummeted. Asia and Japan, with significant exposures to Europe through their export activities also saw their markets sink. China's moves to dampen its property market ricocheted through the materials complex with one result being a sharp 8.6% decline in the Australian dollar versus the greenback. While consensus is generally supportive of US economic recovery, US markets were not immune. US investor confidence was further damaged by the BP/Transocean/Halliburton oil disaster in the Gulf of Mexico and the spectre of drilling cessations, oil supply disruptions, spiralling cleanup costs and environmental degradation.

North America

With May's 8% decline the S&P 500 sacrificed all of the year's gains and now sits slightly below the 2009 close. Given Europe's bank and budget travails it should come as no surprise that the finance sector was the major contributor to index declines. We are slightly overweight the US finance sector but stock selection was good; albeit in a falling market. North American selections accounted for the majority of the fund's out-performance during the month. None of our finance positions were profitable but several held their ground, particularly among the insurance companies. Transport was the strongest sector in North America as our positions in a variety of airlines gained during the month. Healthcare was another sector that enjoyed out-performance. A strong quarterly report by top ten holding Express Scripts helped that stock buck the market trend. Overall, we are underweight the Americas, although we have added two names in Canada over the past month; Toronto Dominion Bank and Osisko Mining, a gold mining company.

Europe

MSCI Europe's 13% (USD) drop continued the bifurcation we have seen throughout the year between the core and peripheral markets of Europe. Spain, Italy and France fell by 15-18%, while Germany dropped 11%. The EU/IMF rescue package, which temporarily provided relief, has not banished persistent solvency fears, as witnessed by the strong performance of US bonds, gold and other "flight to safety" instruments. The jury remains out on the ability of Greece and its indebted brethren to manage their obligations but the experiences of those countries that have successfully adopted austerity programs, such as Ireland and the Baltics, makes clear that all will experience diminished economic activity. One can argue over whether these developments are "in the price" but we see better

opportunities within the northern European countries with their more stable finances and an opportunity to bolster exports on the back of a weaker euro. We are currently equal weight the European market.

Japan

Japan was not immune to the market downdraft and the Topix Index declined 11% in JPY terms, while the yen strengthened slightly versus the USD and more against the AUD. We were overweight Japan during the month and our selections out-performed the market. Top ten position Hitachi suffered during the month despite a good earnings report and solid management guidance and we remain committed to the stock. Other positions were largely flat during the month.

Asia

MSCI Pacific declined by 10%. Our exposure was in line with the benchmark and we out-performed the index return. Two new additions in May were Neptune Orient Lines; a Singapore-based marine shipping company that provided a positive return during the month; and Commonwealth Bank of Australia. The addition of these two stocks has pushed our Asian exposure to an overweight position.

Performance

	Fund %	MSCI Index %	Alpha %
1 month	1.45%	0.35%	+1.10%
3 months	4.80%	2.53%	+2.27%
1 year	9.24%	8.41%	+0.83%
Since inception*	5.99%	9.52%	-3.54%

*Inception date: 2 April 2009

Regional breakdown

Region	Weight %
Asia (ex Japan)	8.0%
Europe	29.0%
Japan	11.4%
The Americas	50.2%
Cash	1.4%
Total	100%

Top 10 holdings

Stock name
1. Hitachi
2. Apple Inc.
3. UGI Corp.
4. Sony Financial Holdings
5. Compass Group
6. Julius Baer Gruppe
7. Standard Chartered
8. Fresenius Medical Care
9. Express Scripts
10. Ace Ltd.

Positioning and outlook

Our current portfolio is fully invested and carries a predicted beta of 0.97. The predicted annual standard variability of returns is 20.5%, in line with the benchmark estimate of 20.5%. Our top ten positions account for 31.7% of the fund; the highest number we have reported this year and the intended result of an effort to gain the greatest exposure possible, within established risk parameters, to our best ideas. Factor exposures remain modest.

The consistent relative performance of the fund year-to-date has been due to stock selection as we have maintained risk parameters such as beta, annual expected standard deviation of returns and factor exposure within conservative guidelines. We do not seek to achieve out performance through portfolio positioning. Rather, we focus on stock selection.

From a sector perspective, we are overweight services, technology hardware, transportation and health care. Our largest underweight positions are in retail trade, software, communications and media. Emerging markets account for 4.7% of the fund.

This document is issued by Bennelong Funds Management Ltd (ACN 111 214 085, AFSL 296806) in relation to the Bennelong SGI Global Equities Fund (the Fund). The information provided in this document is general information only and does not constitute financial advice or a forecast. The content of this document does not constitute tax or legal advice or an offer or solicitation to subscribe for units in the Fund. The information in this report has been prepared without taking account of your objectives, financial situation or needs. Before acting on the information or deciding whether to acquire or hold a product, consider its appropriateness and the relevant Product Disclosure Statement (PDS) which can be requested via the Bennelong Funds Management website (www.bennfundmanagement.com.au). The manager, their affiliates and associates accept no liability for any inaccurate, incomplete or omitted information of any kind or any losses caused by using this information. All investments carry risks. There can be no assurance that the Fund will achieve its targeted rate of return and no guarantee against loss resulting from an investment in the Fund. Past fund performance is not indicative of future performance.

Copyright MSCI 2009. Unpublished. All Rights Reserved. This information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. None of this information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. This information is provided on an "as is" basis and the user of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information makes any express or implied warranties or representations with respect to such information or the results to be obtained by the use thereof, and MSCI, its affiliates and each such other person hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating this information have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated, the possibility of such damages.