

Bennelong Concentrated Australian Equities Fund

Monthly performance update

As at 28 February 2010

Market review

The Australian equity market reported a 2.05% increase in February. While December profit results were generally positive, investors became increasingly concerned about sovereign debt default risks in Europe and the chance of a Chinese slowdown. The top performing sectors were consumer staples (+6.2%), health care (+3.8%) and utilities (+3.2%). This was offset by the relatively weaker performance of the telecommunications (-10.2%) and energy (0.5%) sectors.

Company news was dominated by the profit reporting season which was generally positive and resulted in earnings upgrades. Many companies successfully reduced operating costs and deleveraged balance sheets using the proceeds from capital raisings and cash flow. In a strong vote of confidence in the outlook for corporate earnings, the bank sector disclosed better than expected bad debt performance. There was a long list of positive results which included AGL Energy, Asciano Group, Ansell, ANZ, Bradken, CBA, New Corp, OneSteel, Resmed, Seek and Wesfarmers. Conversely, companies with downgraded outlooks included Aristocrat Leisure, Fosters, Primary Health Care, QBE, Sonic Healthcare, Suncorp-Metway, Tabcorp, Telstra, Toll Holdings and Westfield.

Domestic economic news remained positive as the RBA kept rates on hold in February. The unemployment rate surprisingly fell to 5.3% as consumer confidence moderated and business conditions continued to improve.

Strategy in review

The Bennelong Concentrated Australian Equities Fund achieved a 3.12% return for the month versus the S&P/ASX 300 Accumulation Index return of 2.05%. The outperformance can be attributed to overweight positions in the health care and media sectors. This was partially offset by negative returns attributable to the underweight position in the consumer staples sector.

Outlook

Although the RBA paused in February, it is clearly seeing signs of a more sustained economic recovery which concurs with the IMF's recent upgraded guidance for global GDP in 2010. While China led the recovery in world growth last year, the market will be closely monitoring the speed and magnitude of China's slowdown and the ability of the US and Europe to offset the growth imbalance. Sovereign debt default risks and tighter credit conditions will create some headwinds into the recovery. Nonetheless, we continue to see upside in the Australian equity market. The December results confirm that many companies have emerged from the downturn with better cost structures and stronger balance sheets and are well positioned to benefit from any pick-up in demand.

Performance

| Performance | 1 mth | 3 mths | 1 year | Since Inception* |
|---|--------|--------|--------|------------------|
| Bennelong Concentrated Australian Equities Fund | 3.12% | 1.39% | 47.36% | 41.08% |
| Benchmark [#] | 2.05% | -0.72% | 45.06% | 35.17% |
| Value added | +1.08% | +2.10% | +2.30% | +5.90% |

* Inception date: 30 January 2009 [#] S&P ASX 300 Accumulation Index