

Bennelong Concentrated Australian Equities Fund

Monthly performance update

As at 31 January 2010

Market review

The Australian equity market experienced some profit taking in January with the S&P ASX 300 Accumulation Index down 6.17%. Selling pressure emerged over the month as investors became increasingly concerned about the risk of changes in policy settings. Commodities underperformed as it became evident that Chinese authorities were willing to tighten monetary policy to offset increasing inflation risks. In the US, President Obama's proposal to re-regulate the bank sector also impacted sentiment. Defensive stocks generally outperformed the broader market, led by the REITs (-2.9%), telecommunications (-3.1%) and utilities (-3.6%) sectors. This was more than offset by the underperformance of the energy (-7.1%), materials (-9.1%) and consumer staples (-8.4%) sectors.

Company news was relatively quiet ahead of the much anticipated reporting of the December interim financial results. Several companies did, however, release market updates. Companies to upgrade earnings included Commonwealth Bank, Computershare and Flight Centre. Meanwhile, Worley Parsons downgraded earnings expectations. This was followed by Woolworth's most recent quarterly sales figures which disappointed the market.

Domestic economic news-flow over the month remained positive with further signs of strong employment, retail and building markets. Although the RBA did not meet in January, the market was clearly anticipating another rate rise. In the US the economic data was more mixed. While the latest ISM report indicates a US manufacturing recovery, the more recent jobs, home sales and retail data reflects continued weakness.

Strategy in review

The Bennelong Concentrated Australian Equities Fund achieved a -5.61% return for the month versus the S&P/ASX 300 Accumulation Index return of -6.17%. The outperformance can be attributed to overweight positions in the gaming & leisure and discretionary sectors, together with the underweight position in the energy sector. This was partially offset by the negative returns attributable to the overweight position in the transportation sector.

Outlook

Australia is uniquely positioned to benefit from a number of factors which are driving strong economic growth. We have a stronger national balance sheet than most developed economies, and a large resource base which is well positioned to benefit from growing global demand for commodities. Furthermore, population growth and a relatively strong employment market are positives for the consumer and housing sectors.

While we are generally positive on the outlook for equities, it is important to be aware of potential headwinds. As the world weans itself off the expansionary policy measures of recent times, investors will be wary of tighter monetary policy, re-regulation, and the potential re-emergence of public debt stress.

Performance

Performance	1 mth	3 mths	1 year	Since Inception*
Bennelong Concentrated Australian Equities Fund	-5.61%	0.30%	40.60%	40.47%
Benchmark [#]	-6.17%	-0.95%	35.67%	35.56%
Value added	+0.56%	+1.25%	+4.93%	+4.91%

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