

Bennelong ex-20 Australian Equities Fund

Monthly performance update

As at 31 July 2010

Market review

The Australian market (S&P/ASX 300 Accum Index less the top 20) recovered in July to close 4.00% higher. News flow was reasonably quiet during the month ahead of the interim profit reporting season in August. Investor sentiment improved as concerns about Chinese economic growth and European sovereign debt subsided. In Australia, Prime Minister Julia Gillard announced the revised Minerals Resource Rent Tax (MRRT) and set an election date for 21 August. Industrials, Financials (ex-REITs) and Materials outperformed. Telecommunications, Health Care and REITs underperformed.

In company news, Woolworths fourth quarter sales result was overshadowed by Wesfarmers' comparably better retail performance. The bank sector benefited from better than expected announcements regarding the Basel Committee rulings and the EU bank stress test results. Major resource companies reacted positively to the new MRRT proposal. Merger and acquisition activity continues to increase with bids being made for Healthscope, Mitchell Communication, Intoll Group, Centennial Coal and a merger proposal between Graincorp and AWB. The downgrade club was joined by QBE, IAG and NUF.

Economic news was mixed in July. The Australian labour market continues to deliver strong jobs and wages growth which helps underpin the outlook for consumer confidence. The RBA kept rates unchanged at 4.5% citing global economic uncertainty and underlying inflation within the target range. In the US, GDP growth and second quarter profit announcements have been positive however the labour market improvement has been slow. The AUD/USD rebounded strongly from 84 cents to finish the month at 90.5 cents.

Strategy in review

The Bennelong ex-20 Australian Equities Fund achieved a 2.46% return for the month versus the ex-top 20 Index return of 4.00%. The underperformance can be attributed to overweight positions in the Health Care and Media sectors. This was partially offset by positive returns attributable to the overweight position in the Gaming & Leisure sector and underweight positions in the Gold and REIT sectors.

Outlook

While there are global economic imbalances, Australia is well positioned to benefit from the relatively strong GDP growth and fiscal positions of the emerging market regions. The market continues to trade at a significant discount to historical averages while discounting above average earnings growth forecasts for 2011. Investors have already been tested by companies forced to downgrade guidance ahead of the August result season. In the short term, investors will be focused on earnings announcements and the Federal Election.

Performance

Performance	1 mth	3 mths	Since Inception*
Bennelong ex-20 Australian Equities Fund	2.46%	-6.14%	5.68%
Benchmark [#]	4.00%	-6.51%	-1.71%
Value added	-1.54%	+0.37%	+7.40%

* Inception date: 2 November 2009

[#] S&P ASX 300 Accumulation Index excluding S&P ASX 20 Leaders Index

NB: performance figures are gross (before fees and expenses)