

## WHOLESALE FUND RETURN AS AT 31 DECEMBER 2009<sup>1</sup>

	3 months (%)	6 months (%)	1 year (%)	2 years (%)	Inception <sup>2</sup> (% p.a.)
Growth Return	6.83	27.46	28.63	-6.51	-6.61
Distribution Return	0.00	1.84	5.46	2.96	2.62
Total Return	6.83	29.30	34.09	-3.55	-3.99
S&P/ASX 200 Accumulation Index	3.39	25.62	37.03	-8.16	-8.42

<sup>1</sup> Performance figures are calculated using withdrawal values and assume that income is reinvested. Annual management fees and expenses have been taken into account; however, no allowance has been made for entry fees, tax or any rebates that may be given.

<sup>2</sup> Inception date is 30 June 2004.

Past performance is not a reliable indicator of future performance.

## FUND COMMENTARY

The Advance Alleron Australian Equity Growth Fund, managed by Alleron Investment Management (Alleron), strongly outperformed its benchmark S&P/ASX 200 Accumulation Index, for the three months to December. The Fund has strongly outperformed since the Fund's inception.

## MARKET PERFORMANCE

Global equity markets managed to post their third straight quarter of positive returns. Stronger than expected quarterly earnings results along with stronger economic data from the US once again spurred investors to add risk to their portfolios. This was supported by monetary authorities from major international economies who continued to indicate a preference for easy interest rate policies to support economic growth. Investors were reminded however of the effects of the financial crisis with downgrades or near default of certain sovereign debt issues.

The Australian market focus was on the RBA and their positive view of the economy which prompted them to three consecutive increases in the official interest rate to 3.75% from 3.0%. Despite the rate rise, the Australian market posted gains for the quarter supported by Australia's banking sector which posted growth in half year earnings that was within expectations. The market was also boosted by a number of takeover offers for certain companies, the largest of which were those for AXA AP and Transurban group.

## FUND PERFORMANCE

The Fund benefitted from holding an overweight position in AXA Asia Pacific Holdings. The share price jumped after the company received two competing bids for the company during the quarter. Also contributing to performance was the Fund's overweight exposure to

Seek. The earnings outlook for Seek was enhanced by the positive growth in job vacancies along with an improved economic outlook. An overweight position in ConnectEast Group also added value. The share price responded to the strong growth in traffic on their toll road over the quarter. Also contributing positively to relative performance was the Fund's overweight position in ANZ. The share price performed strongly over the quarter. The company announced that growth in bad debts was slowing and cash earnings were in line with the previous year.

The Fund's zero exposure to Westfield was positive for performance. Shares in Westfield weakened in October prior to the release of its September quarter review to the market on November 12. Despite recording strong growth in retail sales in Australia, pressure remained evident in the US.

A major detractor to performance was the Fund's exposure to Arrow Energy. The price fell as the market questioned the Company's partner's ability to raise sufficient funds for their first LNG project. Also detracting from performance was the Fund's allocation to David Jones. The share price pulled back after a strong performance. There was no new information. Also impacting performance was the Fund's holding in Suncorp-Metway. The stock price experienced consolidation after a strong rise over the previous two quarters.

## OUTLOOK

Recent corporate activity confirms that companies with strategic assets could offer significant value to competitors. Alleron's investment decision will continue to be based upon identifying triggers for earnings growth and realising the company's underlying strategic value.

## TOP 10 HOLDINGS

	Fund (%)	Benchmark (%)
BHP Billiton Limited	10.58	12.78
Westpac Banking Group	5.82	6.63
NAB Limited	5.66	5.07
QBE Insurance Group	5.25	2.31
Cochlear Limited	4.92	0.33
Telstra Corporation	4.80	3.37
AXA Asia Pacific Holdings	4.67	0.56
Suncorp-Metway Limited	4.41	0.98
Computershare Limited	4.40	0.48
Arrow Energy Limited	3.93	0.22

## SECTOR ALLOCATIONS

	Fund (%)	Benchmark (%)
Consumer discretionary	8.20	3.72
Consumer staple	2.36	9.72
Energy	5.67	7.91
Financial (ex Property Trusts)	31.51	32.13
Healthcare	11.25	4.29
Industrials	7.69	5.49
Information technology	4.83	0.57
Materials	16.03	24.45
Property trusts	2.88	5.20
Telecommunications services	4.80	4.93
Utilities	0.00	1.59
Other	0.00	-
Cash	4.79	-

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