

ADVANCE AUSTRALIAN GEARED EQUITY FUND

as at 31 December 2009

WHOLESALE FUND RETURN AS AT 31 DECEMBER 2009¹

| | 3 months (%) | 6 months (%) | 1 year (%) | 3 years (% p.a.) | 5 years (% p.a.) | 7 years (% p.a.) |
|--------------------------------|--------------|--------------|------------|------------------|------------------|------------------|
| Growth Return | 1.30 | 47.93 | 49.31 | -21.74 | -18.21 | -8.41 |
| Distribution Return | 0.00 | 1.62 | 8.78 | 9.80 | 22.79 | 20.02 |
| Total Return | 1.30 | 49.56 | 58.09 | -11.94 | 4.58 | 11.61 |
| S&P/ASX 200 Accumulation Index | 3.39 | 25.62 | 37.03 | -0.70 | 8.36 | 11.86 |

¹ 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.

Past performance is not a reliable indicator of future performance.

FUND COMMENTARY

The Advance Australian Geared Equity Fund invests into the Advance Sharemarket Fund, managed by Maple-Brown Abbott Investment Managers (MBA). The gearing level for the Fund at the end of December was 50.52%. The Fund underperformed the benchmark S&P/ASX 200 Accumulation Index over the quarter.

MARKET PERFORMANCE

The Australian share market (S&P/ASX 200 Accumulation Index) increased 3.4% in the December quarter, a relatively subdued return compared to the strong quarterly performance achieved in June and September 2009. For the year, the market increased 37.0%, whilst from its March lows the market increased by 59.6%. The rally was broad based with most of the major sectors enjoying strong double-digit gains.

The year saw defensives outperform the market in the first quarter as investors reduced risk in their portfolio as economic conditions weakened, whilst financial and cyclical sectors outperformed over subsequent quarters as conditions improved.

The resources sector was weak during the early part of 2009 as demand for commodities slumped on declining world industrial production. A more positive outlook on the resources sector mid-way through the year was driven by the inventory restocking cycle (led by China) and improving economic fundamentals. Consequently commodity prices rose sharply which drove strong gains in the resources sector.

The strong performance of resource stocks in 2009 is reflective of the strength, now bordering on dominance, of the Chinese economy. Whilst many of the mature economies registered little, if any, economic growth during the year, the Chinese economy is likely to have grown at around 9%. The Australian economy generally, and the resource stocks in particular, have been a key beneficiary of

the growth that China continues to experience (China is now Australia's largest trading partner for both exports and imports).

FUND PERFORMANCE

Not surprisingly, BHP Billiton and Rio Tinto outperformed the market. Over the quarter and also twelve months, the Fund's overweight position in Rio Tinto contributed to portfolio performance whilst this was partly offset by an underweight position in BHP Billiton. Rio Tinto returned 152.6% over 12 months whilst BHP Billiton returned 45.4%.

Looking outside the resources sector, key detractors from relative portfolio performance over the quarter include overweight positions in Aristocrat Leisure and Brambles. Since the start of the rally, Aristocrat Leisure and Brambles have largely underperformed their cyclical peers. Both companies are attractively valued with strong balance sheets. Brambles underperformed during the quarter as the market disliked the AGM trading update and US Review outcomes. Although conditions in the US remain weak and the US Review highlighted additional investment is required to upgrade its offering in the region, MBA believe the longer term prospects for the company remain highly attractive. The company has a solid balance sheet, good cashflow and strong market positions in an industry with high barriers to entry.

Major contributors to relative performance over the quarter include zero holdings in Westfield Group and Woodside Petroleum. In contrast to the strong relative performance of defensives in 2008, these companies (with less volatile earnings) have largely underperformed cyclical over the past 12 months. However, the Fund's zero holdings in expensive defensives (Woolworths, CSL and QBE Insurance Group) have contributed significantly to relative performance and this has more than offset the negative contribution from key holdings including Singapore Telecommunications, Telstra and Foster's Group.

The Commonwealth Bank was the best performing major bank by a significant margin, increasing 97.7% over 12 months. As such the Fund's zero holding detracted significantly from performance and together with Brambles was the source of most of the underperformance for the year.

OUTLOOK

Whilst the recent period has been volatile, it is encouraging to see the Fund achieve strong one year relative outperformance. MBA are confident the consistent application of their contrarian and value-based philosophy will continue to generate above market returns over the longer term.

TOP 10 HOLDINGS

| | Fund (%) | Benchmark (%) |
|-------------------------|----------|---------------|
| BHP Billiton | 8.95 | 12.78 |
| National Australia Bank | 8.18 | 5.07 |
| Westpac Banking Corp | 7.84 | 6.63 |
| ANZ Banking Group | 7.55 | 5.06 |
| Telstra Corp | 6.88 | 3.37 |
| Rio Tinto | 4.94 | 2.88 |
| Brambles | 4.16 | 0.84 |
| Wesfarmers | 3.88 | 3.20 |
| Fosters Group | 3.84 | 0.94 |
| Coca-Cola Amatil | 2.76 | 0.53 |

SECTOR ALLOCATIONS

| | Fund (%) | Benchmark (%) |
|--------------------------------|----------|---------------|
| Consumer discretionary | 9.46 | 3.72 |
| Consumer staple | 15.47 | 9.72 |
| Energy | 3.63 | 7.91 |
| Financial (ex Property Trusts) | 27.17 | 32.13 |
| Healthcare | 5.59 | 4.29 |
| Industrials | 5.24 | 5.49 |
| Information technology | 0.00 | 0.57 |
| Materials | 15.63 | 24.45 |
| Property trusts | 4.52 | 5.20 |
| Telecommunications services | 9.24 | 4.93 |
| Utilities | 0.00 | 1.59 |
| Other | 2.80 | - |
| Cash | 1.25 | - |

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