AUSTRALIAN SMALLER COMPANIES MULTI-BLEND FUND

as at 31 December 2009

WHOLESALE FUND RETURN as at 31 December 2009[1]

	3 months (%)	6 months (%)	1 year (%)	2 years (%)	3 years (%)
Growth Return	5.26	28.08	36.05	-26.27	-17.00
Distribution Return	0.00	3.22	6.73	10.49	12.19
Total Return	5.26	31.30	42.78	-15.78	-4.81
Benchmark Return[2]	4.88	27.76	57.43	-14.14	-4.80

[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.
[2] Benchmark: S&P ASX Small Cap Ordinaries Accumulation Index.
Past performance is not a reliable indicator of future performance.

INVESTMENT MARKET COMMENTARY

The Australian equity market lost some steam heading into the last quarter of 2009 but still managed to finish at a 12 month high delivering a robust 3.4% for the past three months and 37.6% for the calendar year. The market has now surged approximately 60% from its March lows but still remains around 20% down from its pre-credit crisis high in November 2007.

The latest data on the Australian economy suggest that it is one of the best performing major economies in the world. Most sectors of the economy continued to show solid growth towards the end of 2009. Rising business confidence and increases in employment suggest the growth will continue through to 2010. However, the fiscal stimulus induced boost to the consumer sector has moderated largely as a result of RBA's interest rate hike and even higher lending rate rises from banks.

Investor sentiments were mostly influences by macro economic issues like the delay in Dubai World's debt repayment, possible Greek sovereign debt default, the pace of the economic recovery, interest rates, currency and commodity prices. Company specific announcements also had their influences on the market with capital raisings, M&A and profit results all influencing price movements.

There is a general air of optimism amongst the companies with many going through an inventory restocking process in anticipation of a pick up in sales. Key issues for investors to consider are: How much of the recovery has already been priced in, how sustainable is it and what are the influences on the market as the fiscal stimuli works through and leaves the global economy.

Materials stocks soared during the December quarter and drove most of the positive performance as commodity prices strengthened on the back of a weak US dollar and the prospects of increased demand as the global economic recovery gathers pace. At the other end of the scale, the worst performing sectors were energy and financial. Despite rising oil prices, energy stocks slid on disappointing profit announcements and equity raisings, while financials were under pressure due to concerns about funding costs as the RBA raised its official interest rate by a successive third time in December. Both large and smaller companies performed solidly during the December. Increase in risk appetite has supported the strength of smaller companies over the past nine months. Smaller companies have outperformed their larger peers by more than 20% over the year.

FUND AND MANAGER PERFORMANCE COMMENTARY

The Australian Smaller Companies Multi-Blend Fund returned 5.26% for the quarter, outperforming its benchmark in one of the strongest quarter performances on record.

Contango outperformed for the second quarter in a row, recovering some of the underperformance earlier in the year. The portfolio benefited from underweight Telecom and Consumer Staples as the defensive sectors lagged over the quarter. Strong stock selection in Materials, Consumer Discretionary and Information Technology also benefited the portfolio over the quarter. Portfolio holdings in Mount Gibson, Aquarius Platinum, Seek, Carsale.com and WOTIF.com added value, while holdings in Bannerman Resources, Ausenco, and Hastie Group held back performance. Contango's exposure to micro-cap stocks also detracted as it declined in a generally positive market. Contango believe that small company valuations are still at a discount to their larger peers. Contango is attracted to companies that provide leverage to improvements in economic activity and expect global growth to continue to recover in 2010. Contango believe that Australian small companies are well placed to take advantage of a recovery that will favour equity markets leveraged to the expansion in emerging economies, including China.

Souls continues it strong momentum outperforming over the quarter and delivering solid outperformance over the past twelve months. Several stocks continued to deliver quarterly double digit performance, with Specialty Fashion House, BSA Limited and Lycopodium again up strongly. Souls performance over the year has been underpinned by the degree of pessimism of small cap valuations and the resulting stock opportunities in 1st quarter 2009. Despite the strong performances several stocks in the portfolio are still supported by attractive yields (BSA: 8% yield, vs Small Ords 3.5%). The portfolio continued to benefit from the re-rating of the suppliers to the resource and oil/gas sectors resulting from the thawing of bank lending policies which is expected will improve project activity levels. Souls is cautious regarding valuations and believes that the small company universe on a whole have moved from very attractive to fully or overvalued. Souls continue to focus the portfolio on companies that have strong value support and can perform irrespective of the business cycle.

MIR was removed and Northcape was added to the Multi-Blend portfolio. MIR has experienced a disappoint year in 2009 and weighed on the Multi-Blend Fund performance over the year. The addition of Northcape to the portfolio is expected to provide a more consistent performance outcome for the Multi-Blend Fund.

Northcape lagged a little in the late December market strength, however, the manager has performed broadly inline with the market since its addition to the portfolio in November. Northcape has positioned their portfolio for a cautiously optimistic view at the beginning of 2010 due to China's demand for resources and Australia's debt burden less negative than the USA, however, the manager is cautious that the market may have a little too much optimism priced in currently.

MANAGER ALLOCATION

The current manager line-up and the benchmark allocation to each manager is as follows:

	Style	Benchmark Allocation (%)
Northcape	Core / Multiple Portfolio Manager	40
Contango	Thematic/GARP	35
Souls	Style Neutral/ Valuation Focused	25

TOP FIVE PORTFOLIO HOLDINGS

		Portfolio (%)	Benchmark (%)	+/- (%)
1.	CONTANGO MICROCAP LIMITED	2.87	0.00	2.87
2.	SALMAT LIMITED	2.32	0.37	1.95
3.	SMS MANAGEMENT AND TECHNOLOGY	2.29	0.39	1.90
4.	ASG GROUP LIMITED	2.17	0.00	2.17
5.	APN NEWS AND MEDIA LIMITED	2.07	0.99	1.06
TOTAL		**15.44**	**2.65**	