

June 2011

Total Net Market Value of Assets

\$35,121,402 or \$1.419 per share

Investment Performance

(These figures are unaudited)

| | Quarter | One Year |
|---|---------|----------|
| Portfolio return over the period * | -6.8% | 4.6% |
| Change in All Ords. over Period | -5.5% | 7.8% |
| Total return over the period (NAV & div) | -5.7% | 4.3% |
| Change in Bank Bill Index over the Period | 1.2% | 5.0% |

* This return is before all fees, costs, taxes and dividends while the NAV return is after fees, costs and taxes paid. Past performance is no guide for future performance.

Asset Allocation

| | |
|------------------------|-------|
| Financials | 28.9% |
| Consumer Discretionary | 15.9% |
| Materials | 14.2% |
| Information Technology | 9.7% |
| Industrials | 8.5% |
| Energy | 8.3% |
| Consumer Staples | 6.6% |
| Health Care | 5.8% |
| Cash and Equivalent | 2.3% |

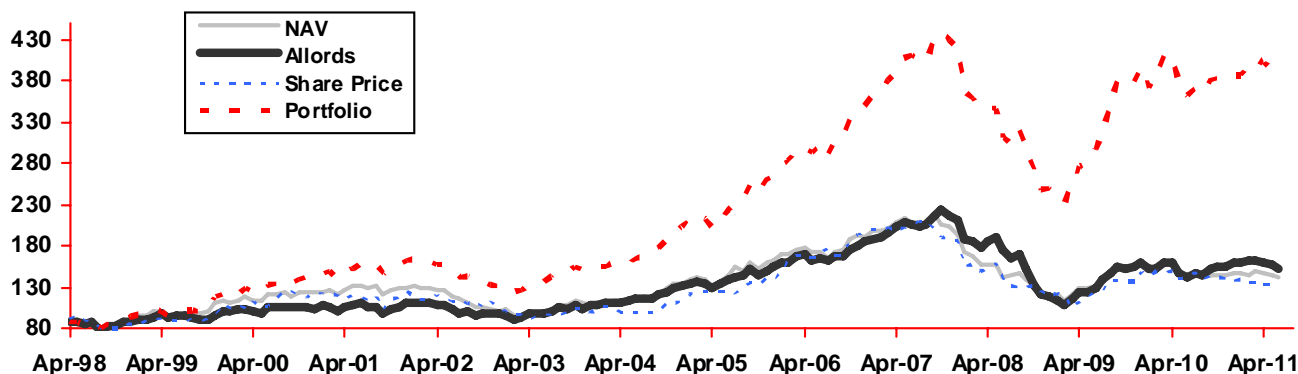
Five Major Investments

(As a % of the portfolio)

| | Jun 11 | Mar 11 |
|-------------------|--------------|--------------|
| Rio Tinto | 7.5% | 7.5% |
| Commonwealth Bank | 7.3% | 6.4% |
| BHP Billiton | 6.6% | 7.3% |
| Woolworths | 6.6% | 5.6% |
| Seek | 6.0% | 5.5% |
| Total | 34.0% | 32.3% |

Relative Performance

(After adjusting for the rights issues)



Investment Philosophy

Our investment process focuses on investing in companies with talented management that are able to consistently grow their business earnings because they have a sustainable competitive advantage, a sound balance sheet and a proven ability to generate operational cash-flow.

Performance

The portfolio performance for the quarter to June 2011 of -6.8% is lower than the market return of -5.5% primarily due to the poor performance of the industrial companies in the portfolio. The 4.6% increase in the portfolio over the past twelve months compares with the increase in the market of 7.8% as mining companies continued to dominate market performance. Our under-weight position in mining related companies arises from our focus on quality companies that meet our investment philosophy. Resource companies do not meet our definition, primarily due to their lack of competitive advantage (other than through size as is the case with RIO Tinto and BHP Billiton), the high risk nature of the mining business and the volatility of revenues. As a result, any continued outperformance by the resources sector could result in under-performance of our portfolio as compared to the market. However, our quality focus has always stood us in good stead over the longer-term.

Investment Activity

The portfolio's exposure to Woolworths, Commonwealth Bank, IRESS and Seek was increased during the quarter under review, whilst exposure to the Cash, BHP Billiton, Count Financial and Platinum Asset Management was reduced. We removed Perpetual from the portfolio during the June quarter.

Market facts

While the MSCI declined over the quarter by 0.3% in US\$, in A\$ it declined by 3.9% because of a 3.8% increase in the value of the A\$.

The All Ordinaries Index has increased by 4.2% on an annual basis since April 1998. The NAV (after tax) per share has increased since April 1998 by 3.6%, while the total return including dividends paid to shareholders was 4.3%. The annualised portfolio total return since April 1998 was 11.6%.

The portfolio has a dividend yield of approximately 4% substantially fully franked.

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