Wingate Global Equity Fund

Fund Performance Update - 28 February 2011

Australian Unity
WINGATE ASSET MANAGEMENT

A high conviction, actively managed, global equity fund.

About the Fund

The Fund aims to deliver strong returns over the medium to long term, regardless of the performance of global sharemarkets.

A high conviction approach is taken to construct a concentrated portfolio of investments in large, quality companies from around the globe.

The Fund primarily invests in global equities, either directly or via derivatives, in order to generate income from dividends and option premiums and for capital growth.

What is the investment objective?

The Fund aims to out-perform the MSCI World Index (ex-Australia) $A Net Dividends Reinvested by 2% per annum (before fees), over a rolling three-year period.

Who is the investment manager?

Wingate Asset Management Pty Ltd (Wingate) is a distinctly different global equities manager and was formed by a joint venture with Australian Unity in 2008. Wingate manages the Fund's investment portfolio.

What is their investment style?

Wingate seeks to preserve capital and generate stable and attractive returns in all market conditions.

Wingate invests in companies with strong cash flows and stable balance sheets, and with large market capitalisations. It focuses on high quality companies with certain and determinable future cash flows.

This allows Wingate to make investment decisions that can effectively manage risk, deliver performance and preserve investors' capital.

Portfolio characteristics

The Fund typically has between 14 and 40 holdings, including:

- cash
- physical securities, and
- derivatives (non-geared, synthetic securities).

Key strengths of the Fund

- Access to an experienced team of global equities managers
- Application of in-depth research and analysis for stock selection
- Exposure to global investment opportunities and trading strategies not readily accessible to individuals
- Options strategies that create value in rising markets and a buffer against downturns.

Performance as at 28 February 2011

	1 mth %	3 mths %	1 yr %	2 yrs % p.a.	3 yrs % p.a.	5 yrs % p.a.	Since inception* % p.a.
Return on Foundation units	(0.12)	3.30	0.44	7.85	(2.91)	0.62	3.59
MSCI World (ex Aust) $A Net Dividends Reinvested	1.29	7.03	7.00	8.01	(3.16)	(3.77)	(1.68)
Active return	**(1.41)**	**(3.73)**	**(6.56)**	**(0.16)**	**0.25**	**4.39**	**5.27**
Return on Wholesale units	(0.23)	3.00	(0.59)	6.74	N/A	N/A	(6.28)
MSCI World (ex Aust) $A Net Dividends Reinvested	1.29	7.03	7.00	8.01	N/A	N/A	(4.54)
Active return	**(1.52)**	**(4.03)**	**(7.59)**	**(1.27)**	**N/A**	**N/A**	**(1.74)**

* Inception date for performance calculations is 1 October 2005 for Foundation units and 18 August 2008 for Wholesale units. Past performance is not a reliable indicator of future performance. Returns are calculated after fees and expenses and assume the reinvestment of distributions.

Asset allocation

Asset class	Actual %
Global equity	53.75
Cash - option cover	26.15
Cash - unrestricted	20.10
Total	**100.00**

Equities (fully exposed basis)

Sector	Portfolio weight* %
Pharmaceuticals	13.32
Packaged Foods & Meats	7.97
Soft Drinks	6.48
Diversified Banks	6.09
Health Care Equipment	5.33
Integrated Oil & Gas	5.16
General Merchandise Stores	4.82
Electric Utilities	4.25
Food Retail	4.25
Hypermarkets & Super Centers	2.74
Oil & Gas Drilling	2.69
Home Improvement Retail	2.45
Reinsurance	2.39
Construction Materials	2.24
Data Processing & Outsourced Services	2.21
Other	7.51
Total	**79.90**

* Includes option positions held.

Wholesale units risk/return

	1 yr %	2yrs % pa
Standard deviation (% p.a.) (1)	7.29	8.86
Risk reward ratio (2)	(0.08)	0.76
Active return (% p.a.) (3)	(7.59)	(1.27)
Tracking error (% p.a.) (4)	3.25	5.96
Information ratio (5)	(2.34)	(0.21)
Consistency (%) (6)	33.33	41.67

Foundation units risk/return

	1 yr %	2yrs % pa	3yrs % pa	5yrs % pa
Standard deviation (% p.a.) (1)	7.30	9.13	14.38	12.52
Risk reward ratio (2)	0.06	0.86	(0.20)	0.05
Active return (% p.a.) (3)	(6.56)	(0.16)	0.25	4.39
Tracking error (% p.a.) (4)	3.16	6.09	8.69	10.00
Information ratio (5)	(2.08)	(0.03)	0.03	0.44
Consistency (%) (6)	41.67	45.83	52.78	53.33

(1) Annualised standard deviation of the Fund's monthly returns. A measure of the variability of returns.

(2) Return divided by standard deviation. A measure of the return earned per unit of risk taken.

(3) Return earned by the Fund less the benchmark return (MSCI Word (ex Aust) $A Net Dividends Reinvested). A measure of the value added relative to the benchmark returns.

(4) The annualised standard deviation of the monthly excess returns. A measure of the variability of the Fund's returns relative to the benchmark returns.

(5) The excess return divided by the tracking error. A measure of the value added per unit of risk taken relative to the benchmark.

(6) The number of positive excess monthly return periods as a percentage of the total periods. A measure of the consistency of out-performance.

Top 5 portfolio holdings

Company name	Country	Sector	Portfolio weight %
Roche	Switzerland	Pharmaceuticals	5.10
Unilever NV	Netherlands	Packaged Foods & Meats	4.90
Enel	Italy	Electric Utilities	4.41
Abbott Laboratories	US	Pharmaceuticals	4.34
Kroger	US	Food Retail	4.25

Major option positions

Company name	Put/Call#	Country	Sector/Theme
Ageas	Put	Belgium	Multi-line Insurance
Martin Marietta	Put	US	Construction Materials
Visa	Put	US	Data Processing & Outsourced Services
Baxter International	Put	US	Health Care Equipment
Family Dollar	Put	US	General Merchandise Stores
Lowe's	Put	US	Home Improvement Retail
Nestlé	Put	Switzerland	Packaged Foods & Meats
PepsiCo	Put	US	Soft Drinks
PartnerRe	Put	US	Reinsurance
Target	Put	US	General Merchandise Stores
Wal-Mart	Put	US	Hypermarkets & Super Centers
Enel	Call	Italy	Electric Utilities

Option positions are written by Wingate and are fully backed by cash/shares.

Fund snapshot

	Foundation units	Wholesale units
Inception date	1 October 2005	18 August 2008
Funds under management (net asset value)	$7.27m	$36.26m
Funds under management (combined net asset value*)	$43.54m	
Unit price as at 28 February 2011 (redemption price)	$0.8439	$0.7937
Distributions	Yearly	Half-yearly
Minimum initial investment	Closed to new investments	$25,000
Open to investments	Closed	Daily

* Foundation units and Wholesale units have been combined.

Sector in review

February saw the continued upward march of global equity markets as a steady stream of positive economic news in the United States combined with strong liquidity to propel markets higher. This strong start to the month was only partially moderated by nervousness later in the month surrounding unrest in the Middle East.

Fears of oil supply disruptions into Europe pushed oil towards $US100 a barrel — a level not seen since September 2008. As a consequence, Energy stocks were the best performers in February, rising more than 6%.

Amidst a broad market rally, Resource stocks rose 4.4%, while Financials climbed 3.6% as signs of a global economic recovery continued. Information Technology and Utility stocks were the relative underperformers for the month as investors sought exposure to faster-moving sectors of the current market. A key sign of increased investor appetite for risk was the strong outperformance of small cap shares versus large cap shares during February.

The Australian dollar also gained 2% over the month, retracing its decline from January. The currency maintains its strong positive correlation to global equity markets as economic factors keep it at historically high levels.

Fund in review

The Fund returned -0.23% for the month as the underlying performance was masked by the appreciation of the Australian dollar. Over the last 12 months the Australian dollar has gained 14% which has eliminated the majority of gains achieved from strong stock selection. As the portfolio is unhedged, any retracement in the Australian dollar will have a material positive impact on the Fund's performance.

World equity markets continued their relentless rise in February, following the trend of the preceding six months. During this period, significant monetary stimulus in the United States (QE2) helped propel the market's return. We are concerned that asset prices, including equities, have run ahead of their sustainable earnings power, increasing investment risk.

As a result, we have exited some long-standing positions where we feel the share prices have run ahead of fundamentals. Two examples include industrial firm General Electric and agribusiness company Syngenta. We continue to believe that both these businesses are well run and operate in attractive industries, and await the opportunity to repurchase when valuations are more reasonable. As is the case with many of the Fund's trades, these positions were exited via the sale of call options which increased the realised selling price.

Despite the market's overall buoyant performance, we continue to see compelling investment opportunities. Specifically, within the pharmaceutical and consumer staples sectors, we have identified opportunities in businesses with high and robust cashflows, strong brands and defensible business models.

As always, valuation is critical in the investment process and many stocks in these sectors appear to have been overlooked in the market's push for more cyclical or highly leveraged companies. During the month, we initiated positions in Nestle, PepsiCo and Roche Holdings at what we believe to be attractive valuations. We anticipate being rewarded as shareholders as these businesses grow their intrinsic value over time.

The Fund's implementation process which uses options and helps to produce a reliable income stream has generated approximately 1.6% in local currencies over the past two months. The Fund remains on track to generate approximately 10% of income via its implementation strategy this calendar year. Equity market exposure remains at the lower end of the expected range due to a lack of adequately-priced opportunities. Importantly, we are very well placed for any market turbulence that may unfold.

Outlook

Equity markets appear firmly supported by the weight of money looking for a home and the lack of attractive alternatives. While pricing in a considerable level of good news, we believe that equities are not yet at a price to be considered excessively valued. This makes the likely short-term direction difficult to predict and makes stock selection increasingly important. We remain true to our conviction of buying high quality businesses with enduring advantages at attractive valuations.

We are fortunate to have many levers available to achieve positive absolute and relative performance in the period ahead. We anticipate that the Fund will benefit from any combination of a declining Australian dollar, increased market volatility and a switch back to large cap outperformance.

Commentary courtesy of Wingate Asset Management.

For further information regarding our products, we welcome you to visit our website at www.wingateassetmanagement.com.au.

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