

# Wholesale Enhanced Yield Fund

## Quarterly update

December 2011

### Historical risk and return analysis (before fees and expenses)

As at 31 December 2011	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	Inception pa
Total Fund (excluding franking)	1.04%	2.92%	1.05%	4.47%	6.61%	9.74%	6.31%
Total Fund (including franking)	1.08%	3.01%	1.19%	4.80%	6.96%	10.10%	6.79%
RBA cash rate benchmark	0.36%	1.12%	2.31%	4.69%	4.52%	4.10%	5.23%
Excess return (excluding franking)	0.69%	1.80%	-1.26%	-0.22%	2.09%	5.63%	1.08%
Excess return (including franking)	0.73%	1.89%	-1.12%	0.11%	2.44%	6.00%	1.56%

### Market insights

- Global credit markets were volatile during the quarter, reflecting the changing risk appetite among global investors. At times, risk aversion among investors increased due to the latest headlines surrounding the European sovereign debt crisis. At other times, risk assets such as equities and high yield bonds performed well.
- Several economic data releases came in ahead of consensus expectations, but these appeared to have a limited influence on sentiment. Markets remained almost exclusively driven by headlines regarding the problems and potential solutions associated with the European sovereign debt crisis.
- Corporate earnings appear to be holding up relatively well, which provided some support to the Australian share market during the quarter.

### Fund activity

- Within the Global Credit Income Fund, the portfolio is much more lightly exposed to the financials sector than most market indices. We had reviewed the Fund's European financials exposure during 2010 and cut all but the most systemically important banks. This positioning thus provided protection against some of the recent market concerns.
- In spite of some volatility, high yield securities performed relatively well during the period. In fact, in October the International High Yield Fund delivered its highest monthly return for two and a half years. In the quarter as a whole, this vehicle rose in value by more than 6%, which provided a favourable contribution to overall Fund performance.
- The Fund participated in the issue of a fully franked Woolworths Note, which listed strongly in late November and generated attractive returns for Fund. This was the first listed note we had considered for some time, as we believed most recent issues had been unfavourably structured to the debt holder. Better opportunities for yield appeared to exist in the corporate bond market.
- The Fund's allocation to equity strategies increased modestly during the quarter, but remained a relatively small part of the overall portfolio due to the high levels of volatility currently being experienced in equity markets.

### Key features

Fund size (A\$ m)	458.7
Benchmark	RBA Cash Rate
Target alpha (including franking and before fees over rolling 3 yrs)	3% pa
Number of equity strategies	12
Number of hybrid strategies	11
Number of fixed interest and credit issuers	667
Buy/sell spread	0.15%/0.15%
Currency exposure	AUD
Inception date	March 2005

### Asset allocation

Over the course of a market cycle, sector allocation will vary according to the availability of investment opportunities in the hybrid securities market and equity strategies.

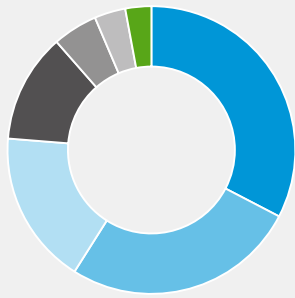
The Fund invests across a range of asset classes in the ratio given below:

- Cash, fixed interest and hybrid securities 70 – 100%
- Cash and fixed interest 50 – 100%
  - Hybrid securities 0 – 50%
  - Equity strategies 0 – 30%

### Market outlook and Fund positioning

- Volatility in the bond market is likely to persist as policy makers debate potential solutions to the situation in Europe. The situation remains fluid and we are monitoring events closely.
- Volatility in bond and credit markets presents an opportunity to amend the portfolio's positioning as and when suitable opportunities are identified. In spite of the ongoing volatility and uncertainty, we believe an allocation to global credit – including high yield securities – will assist performance over time.
- Quality hybrid issuances remain scarce, but we will continue to assess the relative merits of new issues. Equity positions are also held which we believe will improve the overall yield of the portfolio.
- The Australian share market continues to be driven by the latest headlines regarding the European sovereign debt crisis and proposed solutions to it. As January progresses, however, investor attention will increasingly focus on FY12 semi annual results, which will be announced by most listed companies in February.

Portfolio diversification



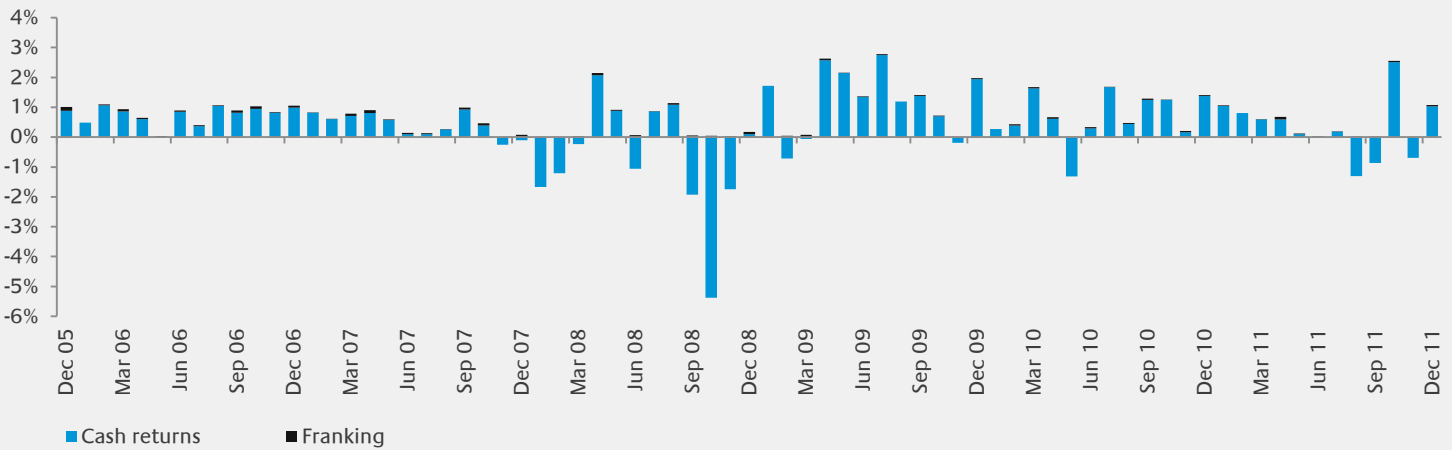
- Global Credit Income Fund 31.65%
- Wholesale International High Yield Fund 25.55%
- Wholesale Cash Fund 16.78%
- Hybrid Securities 11.9%
- Cash\* 4.89%
- Equities Strategies (effective exposure) 3.39%
- Fixed Interest & Credit Futures 2.83%
- Direct Fixed Interest 0%

Credit rating

Rating group	% of total holdings
AAA	7.08
AA	11.34%
A	11.58%
BBB	10.06%
BB	13.97%
B	16.14%
CCC	0.36%
Not Rateable (Cash, FX, Equities, IR Swaps)	29.46%

\*Cash includes cash at bank and cash exposure from options

Monthly returns cash vs franking



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There are fees and costs payable for managing investments in the Fund that are deducted from the Fund as a whole. The fees payable by investors in the Fund may be negotiated and can differ between investors. For this reason the performance figures used in this document are shown before fees and costs as at 31 December 2011. Investors should have regard to the Information Memorandum or their negotiated fee agreement for further information on the fees and costs applicable to their investment in the Fund.

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