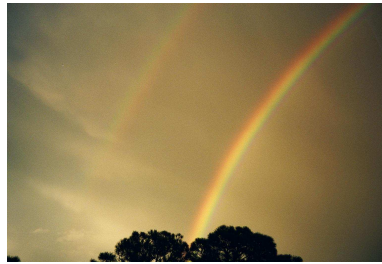


### Movement of Market Indices for the March Quarter 2009

Index	31 Mar 2008	% Change
All Ordinaries	3532	-3.50%
Banks	4552	7.70%
Materials	9098	4.60%
Industrials	2649	-20.9%
Real Estate	1546	-25.1%
US S&P 500	797.9	-11.7%
UK FTSE 100	3926.1	-11.5%
Japan Nikkei	8110	-8.50%
German DAX	4085	-15.1%
Shanghai Comp	2373	30.4%
Hang Seng	13576	-5.60%
RBA Cash Rate	3.25%	-100bp
90 Day bill rate	3.14%	-116bp
10 year bond	4.61%	63bp
Oil (WTI) \$US	\$49.67	26.5%
Gold \$US	\$922.60	4.33%



### Looking past the storm

The global economic outlook continues to deteriorate but so far the Australian economy is proving relatively resilient.

With the Australian sharemarket already heavily discounted, the market low might already be behind us.

Global GDP is estimated to have fallen by an unprecedented 1.25% (5.0% pa annualised) in the last quarter of 2008. The International Monetary Fund (IMF) has revised down its 2009 forecast for global growth from -0.5 to -1.0% - the weakest growth forecast since World War II.

However, the IMF expects growth to gradually recover in 2010 due to the unprecedented fiscal and monetary policy stimulus efforts across the G20 countries. It does warn that recovery will depend on the global financial system stabilising thus mitigating the negative feedback loop between the financial system and the real economy ie reduction of credit worsens the recession which in-turn further impairs bank assets.

The Australian economy contracted by a relatively modest 0.5% (2% pa annualised) in the last quarter of 2008 and has not yet officially entered recession, although a 2009 recession is now widely expected. To date, the Australian economy looks to be in better shape than most developed countries. Consider these positive points: the financial system is stable and functioning; monetary policy has been effective in lowering borrowing rates; fiscal stimulus has been somewhat successful in supporting retail sales and the housing sector (increased first home buyer demand has helped contain the fall in house prices to only 3% over 2008), the unemployment rate is still modest at 5.2%; and the Federal Government has relatively low debt levels putting it in a strong position to continue expansionary fiscal policy.

Why then is the Australian sharemarket down around 48% from its November 2007 highs? Part of the explanation is that equity risk premiums have rapidly increased, hence valuations have fallen. Another reason is the increased volume of equity capital raisings has diluted earnings per share. In addition, future profit expectations continue to be lowered.

With the forward market Price to Earnings Ratio (PER) now around 10-11x versus a historical average of 14x (since 1987), it does seem the market has already priced in a mild to moderate recession.

So the key to market performance from here is the depth and length of recession in Australia versus market expectations. If Australia experiences a relatively mild recession compared to the 1990-92 experience, it is entirely possible that the local market continues its March-April recovery.

The pessimistic view is that Australia's immunity to global recession won't last, as the economy is still exposed to the global economy (particularly Asia) via commodity exports and its material net foreign debt (A\$678bn borrowed offshore by Australian Banks and Corporations). The global recession is expected to significantly reduce export income and make it difficult to retain foreign capital.

Only time will tell how deep the Australian recession will be but one thing is for sure – the sharemarket has already been discounted by 48% in anticipation of recession and the market is starting to become conditioned to bad news. Investors need to retain an opportunistic attitude from these levels, with a view that economic recovery will ultimately eventuate.

**Global Economic Outlook**

**Global recession during 2009 but gradual recovery possible in 2010, if the financial system is stabilised**

The IMF has revised down its 2009 forecast for global growth from -0.5 to -1.0% - the weakest growth forecast since World War II. Developed economies (which represent about 65% of global GDP) are expected to contract by between -3.0 to -3.5% while developing economies (35% of global GDP) are expected to slow significantly but still grow by between 1.5 to 2.5%. The IMF expects a gradual recovery in 2010 conditional on comprehensive policy steps to stabilise financial conditions and continue fiscal stimulus.

**The US economy (26% of Global GDP at market exchange rates)**

The US officially entered recession in 2008. The US economy contracted by an annualised figure of -6.3% in 4Q08 - the largest decline since WWII. The US Federal Reserve has cut interest rates to zero while the Obama administration has gained approval for a second and much larger fiscal stimulus package worth US\$877bn (6% of GDP). In addition, the US Treasury and Federal Reserve have been busy supporting the US financial sector which is swaying under the weight of credit losses. Recent initiatives include a private/public partnership to buy toxic assets from the Banks while the US Federal Reserve has implemented 'quantitative easing' whereby it directly buys US debt securities to lower the yield curve. According to Treasury forecasts, the US Budget Deficit will likely exceed US\$2 trillion by 2010 while total Government debt will reach \$8.1 trillion (58% of GDP).

The global financial crisis has sparked a de-leveraging cycle and demand shock that has led to asset and consumer prices falling. The US share market fell 38% over the year to 31 March 09 while US house prices fell on average 19%. The large decline in consumers' net wealth coupled with tight credit conditions have led to a sharp pull-back in consumer demand. In turn, the price of goods and services have declined sharply and production has been cut back. Inflation has been vaporised with the CPI falling to 0.1% pa, indeed deflation is now the primary concern. Industrial production fell 11.2%, on the year to 31 March 09 while the unemployment rate increased to 8.5%. The IMF forecasts the US economy to contract by 2.6% over 2009.

**The European economy including the UK (23% of Global GDP)**

Europe has also slid into recession surprisingly quick resulting in the ECB slashing the cash rate to 1.25%. The European economy contracted by an annualised rate of -6.0% in the Dec 08 quarter. Inflation has fallen to 1.2% by March 2009 and is expected to remain subdued for most of 2009. The European Commission has released a €200bn stimulus package (1.5% of GDP) but individual countries continue to debate the details. It seems the member states outside France and Germany have deeper economic troubles particularly Ireland, Spain, Greece and various Eastern European states. The IMF expects European growth to decline by -3.2% over 2009.

The UK seems to be in a deeper recession than Europe because debt levels are higher and the decline in the housing and financial sector has been greater. The BOE has slashed the cash rate to 0.5% and is also engaging in 'quantitative easing' while the Government has been busy providing support for the Banking sector and recently announced a £20bn fiscal stimulus package. The Government's Budget deficit is set to rise to £118bn (11% of GDP) over the year. The IMF expects the UK economy to shrink by 3.7% over 2009.

**The Asian economy (21% of Global GDP)**

The Japanese economy shrank an alarming 3.3% (13.2% annualised) in the Dec 08 quarter. Export volumes have declined sharply and the Yen has strengthened causing major problems for the export dependent economy. The Nikkei sank 59% over 2008 and the recent Tankan survey reported that business confidence has fallen to record lows. The Bank of Japan has cut interest rates to 0.1% from 0.3% and the Government is mulling a new stimulus plan, although with a public debt to GDP ratio of 158%, its options are limited. Deflation will probably re-emerge as a problem for the Japanese economy during 2009. The IMF expects the Japanese economy to shrink by 5.8% over 2009.

China's economy was also exposed during 2008 with exports slumping and its property boom ending abruptly. Foreign capital is retreating as US and European Banks withdraw funding. China's growth rate has fallen to 6.8% down from the heady 12% rates of 2006. The Chinese Government has eased monetary policy and released a 4 trillion yuan (\$585bn) stimulus package that is focused on developing new infrastructure over the next three years. There are tentative signs the stimulus package is working but the impact is likely to be gradual. The IMF expects China's economy to grow by 6% over 2009.

Key global issues to watch over 2009	Lonsec view
Global credit conditions	Credit conditions likely to remain tight until the Banking system is re-capitalised
G7 economic growth	Recession to deepen over 2009; depth and length dependant upon global policy response and co-ordination
Inflation/Deflation	Deflation more likely in the short to medium term due to the major reduction in credit and aggregate demand leading to excess capacity, money printing could lead to inflation re-emerging later
Asian economic growth	Japan recession to worsen over 2009; China to slow to 6% growth rate
Commodity prices	Likely to remain subdued until production is cut back to meet lower levels of demand

## Domestic Economic Outlook

***“The Australian economy is expected to slow sharply with the major risks being global recession, gradual withdrawal of foreign capital and falling commodity prices.”***

The Australian economy is proving resilient thus far with the economy yet to enter recession. However, the last four quarterly growth figures of 0.6%, 0.4%, 0.1% and -0.5%, clearly show a contraction is underway. Another negative result in the March 09 quarter is widely expected and will confirm Australia is in recession.

The Federal Government and Reserve Bank have moved quickly to counter the negative effects of the global credit crisis and evolving global recession. The Reserve Bank of Australia (RBA) has moved swiftly to cut the cash rate by 425bp to 3.00%, over a period of 8 months, while the Government has implemented two stimulus packages equivalent to \$50bn or 4-5% of GDP. In addition, the Government has continued to lower income tax rates and provide deposit/debt guarantees for the Australian Banking system and State Governments. The RBA has also been active in providing increased liquidity for the Banking system.

### **How deep will Australia’s recession be?**

To date, Australia seems well positioned relative to most developed economies. Consider these positives points:

- The Banking system is stable and functioning;
- Monetary policy has been more effective in Australia – borrowing rates have come down with the cash rate;
- The Government is in a relatively strong financial position to provide fiscal stimulus;
- The unemployment rate remains relatively low at 5.2%;
- House prices have proven fairly resilient to date;
- The oil price decline has led to cheaper petrol prices and inflation is now declining; and
- The lower AUD helps buffer export income.

During 2009 it is likely the RBA will continue to cut the cash rate given the deteriorating global outlook (including Asia) and the rapid retreat in inflation. Lonsec expects the cash rate to fall to 2.75% by June 30 and 2.0% by year end. The Government is also likely to continue providing fiscal stimulus to help buffer the fall in private demand that is expected. Lonsec expects the Budget will move into \$30-40bn deficits as tax revenues decline from slower growth and spending increases. Note the Government will be going into deficit from a position of relative strength (relative to most developed countries) in that current public debt levels are negligible relative to GDP.

What then are the negatives that could lengthen and deepen the recession? The global credit crisis has led to tight credit market conditions, falling asset and commodity prices and a sharp fall in consumer and business confidence. Consumer spending has slowed sharply while business investment also shows sign of falling sharply. The Banks have reduced mortgage rates but business lending rates still remain relatively high as the Banks seek to increase margins. This could be self-defeating if business investment slumps.

The Australian share market is down around 48% from its November 07 highs, wiping \$700bn in value (hence investor wealth) from market capitalisation. And with house prices falling in the UK and US by nearly 20%, many economists are worried the relatively expensive Australian housing market could be next. Concern about falling wealth is obviously having a major negative impact on consumer spending. But if consumers don’t spend, business suffers and jobs are eventually shed which worsens the situation further. Rising unemployment could be the straw that breaks the back of the Australian housing market.

So the key is for Government to try and keep spending at high enough levels to contain job losses. The trouble is commodity demand weakness has already seen job losses in the mining sector while the finance and auto sectors are also shedding jobs rapidly. If business investment falls rapidly, more jobs will be lost because one company’s capital expenditure is another company’s revenue. The decline in consumption and business expenditure could swamp any increase in Government expenditure and the economy would shrink.

Another area where the Australian economy is vulnerable lies in the current account deficit; most of the current account deficit relates to interest payments on net foreign debt totalling A\$678bn. Australian Banks and Companies have borrowed most of this debt and it will need to be refinanced or repaid in coming years. The global financial crisis has made this task much harder and the Government has already had to lend its AAA rating to the Banks to help them roll their debt while Australian companies will increasingly need support from Australian debt markets to replace their foreign debt.

All in all, the Australian economy is likely to perform better than most developed economies primarily because its financial system is stable and Public debt levels are low. Expansionary fiscal and monetary policy is likely to be effective in cushioning the economy. However, the severity of the global recession and global credit crisis will still have a major impact, so a mild to moderate recession has to be expected. Lonsec expects the Australian economy to contract by 1% over 2009.

Key local issues to watch over 2009	Lonsec view
Cash rate	Cash rate to decline to 2.0% by end of 2009
Unemployment	Unemployment rate to climb to 7.5% during the year and 8.5% in 2010
House Prices	House prices to decline by 5% over 2009
Commodity Prices	Iron ore and coal prices to be cut by between 40-60%

## Recommended Tactical Asset Allocation

Lonsec remains defensive but acknowledges that it is considering increasing its growth asset allocation in future quarters. Lonsec recognises the sharp reduction in the yield curve and the recent rally in equity markets but believes it is still too early in the macroeconomic cycle to overweight growth securities.

Lonsec sees little value in International bonds but there is still some value left in Australian bonds, in particular corporate bonds and hybrids provide opportunity for those prepared to take on some risk. While cash rates are moving down, investors need to be mindful that inflation is also retreating, so the real rate may still be reasonable. Cash will remain important to protect capital in the short-term but eventually Lonsec believes the quest for yield will be the major reason investors move back into the share-market, once earnings and dividend visibility improves.

Investment Category	Asset Class	Mar 09 Quarter	June 09 Quarter
Income	Cash	Very Overweight	Very Overweight
Income	Australian Fixed Interest	Neutral	Neutral
Income	International Fixed Interest	Underweight	Underweight
Growth	Australian Property (LPT)	Neutral	Neutral
Growth	Australian Equities	Slightly Underweight	Slightly Underweight
Growth	International Equities (Unhedged)	Slightly Underweight	Slightly Underweight

### Cash – Very Overweight

Cash rates are falling rapidly but with deflation a real threat, capital protection has become a priority as asset prices continue to fall. Lonsec expects the cash rate to fall to 2.75% by June 30 and to 2.0% by year end. However, inflation is also likely to fall significantly over the year as the economy slows and commodity prices tumble. Investors should remain overweight cash until the global financial system is stable and credit is flowing again.

### Australian Fixed Interest – Neutral

Government bond yields have fallen rapidly meaning bond prices have rallied but corporate bond yields have blown out negating some of this upside for those following benchmark based portfolios. Lonsec believes that investors will continue to flock into the safety of cash and bonds until the global financial system is stabilised and economic growth returns. Lonsec also expects that investors seeking higher yield will first gravitate towards corporate bonds and hybrids and eventually high yield shares, as risk appetite increases again.

### International Fixed Interest – Remain Underweight

Lonsec finds the investment case for global bonds to be unattractive given yields range from 1.7% on 5 year notes to 3.6% on 30 year issues. The return seems inadequate given the supply of most issues will increase dramatically as Governments issue debt to finance ballooning Budget deficits. You would only find Global bonds attractive if you think that the global economy is in for a lengthy period (5 years+) of deflation, which is not Lonsec's base case scenario.

### Australian Property (LPT or A-REIT) – Neutral

The LPT sector is down 70% from its 2007 highs on a variety of negative themes set in motion by the global financial crisis. These themes include: very tight debt market conditions; falling property asset values; volatile currency & equity markets; and rapidly slowing global economic growth. These related events combined to create a 'perfect storm' which forced most of the trusts to raise equity capital to reduce gearing levels, cut distributions back to operating income, write-down asset values and retreat back to a traditional rental income model, based on an Australian property portfolio.

Lonsec believes the future for LPTs will look a lot like the past (from the 70's to 90's) where the investment case is the return of relatively high income and modest capital growth over the long-term. The trusts are likely to trade at a set premium to bond yields and around NTA, once again.

Lonsec recently made a decision to cease operating its LPT Model Portfolio in favour of an index approach. The key reasons for this decision include: from a universe of 20 stocks only 8 could now be considered investment grade and Westfield now dominates the index with a weight of 55%. Effectively, an investor can cover 75% of the LPT index with just 3 stocks. Investors decision to underweight or overweight the Australian LPT sector will add most of the value to the portfolio. And in that regard, Lonsec retains a Neutral allocation from these depressed levels but stresses a bias to 'plain-vanilla' trusts with low gearing and largely domestic portfolios. The investment case for LPT's will return to relatively high income rather than capital growth. For further information see (*LPT Model Portfolio Cessation* on the Lonsec Website).

### Australian Equities – Slightly Underweight

The S&P/ASX Top 300 Accumulation Index fell 29.8% on the year to 31 March 2009. After hitting a low around 3,100 in early March 2009, the market has rallied by 16% back up to the 3,700 level but the index is still down 48% from its 2007 highs. Many investors expect a rebound over 2009 given the market has historically recovered after such a major fall. Lonsec is more cautious as the global financial crisis is not a typical end of cycle event - it is more an end of era event.

Since 1993 there has been a gradually leveraging of the global banking system which in turn has leveraged global economic growth and company earnings. The global financial crisis represents the spectacular collapse of this cycle and a new period of de-leveraging and reduced consumption and investment. This means that aggregate demand is unlikely to return to 2007 levels for many years and as such company earnings are very unlikely to return to the heights of 2007 for a similar period. How low they go from here is very uncertain, hence the increased volatility in equity markets as investors try and assess the present value of future earnings for each company.

Complicating valuations at the moment is the de-leveraging process whereby companies are raising equity capital to reduce gearing to more comfortable levels. However, a strong balance sheet today may not be so strong tomorrow due to falling asset prices, reduced earnings and volatile currency movements. Many companies are finding they need to raise increasing levels of equity capital.

In Lonsec's view, the market has fallen 48% for three main reasons:

1. Equity risk premiums have increased markedly post the credit crisis (hence valuations have fallen);
2. A large increase in equity capital raisings has diluted earnings per share; and
3. Profit and dividend expectations have been lowered moving forward.

The market forward Price to Earnings Ratio (PER) is now around 10-11x versus a historical average of 14x (since 1987), it does seem the market has already priced in significant cuts to earnings and dividends. So the key to market performance from here, is the depth and length of recession in Australia versus market expectations. If Australia experiences a relatively mild recession compared to the 1990-92 experience, it is entirely possible that the local market continues its March-April 09 recovery. However, if the economy enters a lengthy period of declining aggregate demand then company earnings will continue to fall over FY10 and PE ratios will revert back into expensive territory.

All in all, much depends on the depth and length of an Australian recession. The market could have further downside if earnings decline by more than expected over 2009 and 2010. Lonsec remains cautious, given the scale of the global financial crisis and subsequent global recession, and prefers to wait for the FY09 reporting season to assess the outlook for FY10 before making any call to increase the Australian Equity weighting back to Neutral.

### International Equities (Unhedged) – Slightly Underweight

The IMF expects advanced economies to contract by between 3.0-3.5% over 2009 and remain flat over 2010. The OECD takes a more bearish view and expects developed economies to contract by 4.3% over 2009 with a further contraction of 0.1% in 2010. However, both state that risks are tilted to the downside with recovery dependent upon policy actions to stabilise financial conditions and bolster aggregate demand.

In recognition of this bearish outlook, the S&P 500 is down 46% from its 2007 highs. According to Citigroup estimates the S&P 500 is currently trading on a 2009 PER of 13.5x and dividend yield of 3.0%. This compares to a long term average (since 1984) of 19.6x. While the US market looks cheap in relative terms, in absolute terms it still does not offer compelling value, unless there is a recovery in 2010 earnings. Given the scale of the US Banking crisis and the severity of the US recession to date, one would need to be fairly optimistic to expect earnings to recover quickly. It is more likely the US economy is in for a lengthy recession where company earnings decline over successive years.

Lonsec remains cautious on the prospects for a quick recovery in the US economy and views the recent rally in equity markets as unsustainable. In Lonsec's view, it is still too early in the macro-economic cycle to see a recovery in the US economy and hence company earnings. Lonsec prefers to wait for greater visibility on the outlook for 2010 earnings before moving back to Neutral on International Equity.

## Lonsec Direct Model Portfolios

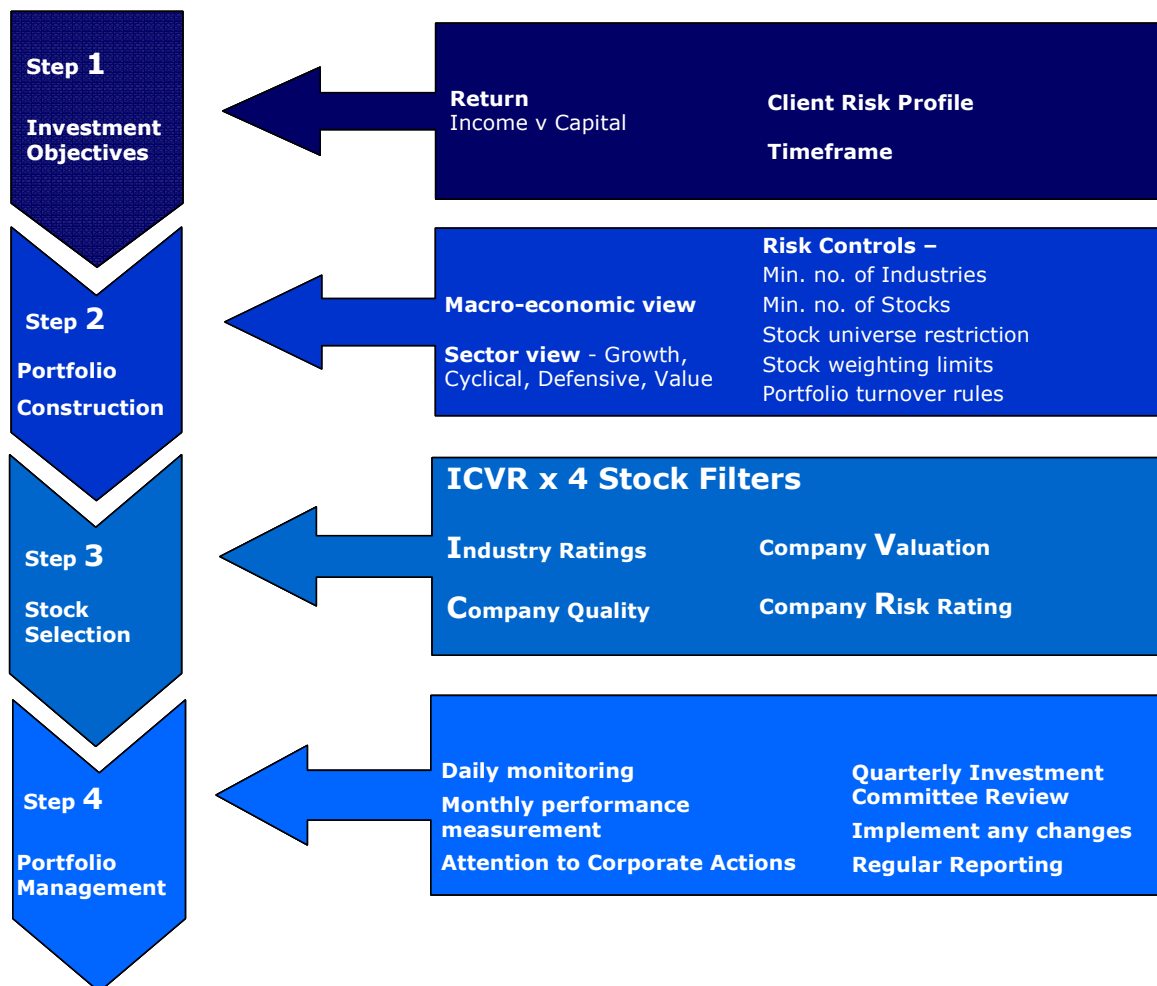
### Lonsec Investment Philosophy

Lonsec takes an active approach to investing and focuses on generating absolute returns, over the medium to long term, through high conviction portfolios.

Lonsec employs a four-step investment process that has a strong focus on “top-down” macro-economic and sector themes. Risk is managed at both the portfolio and the individual stock level.

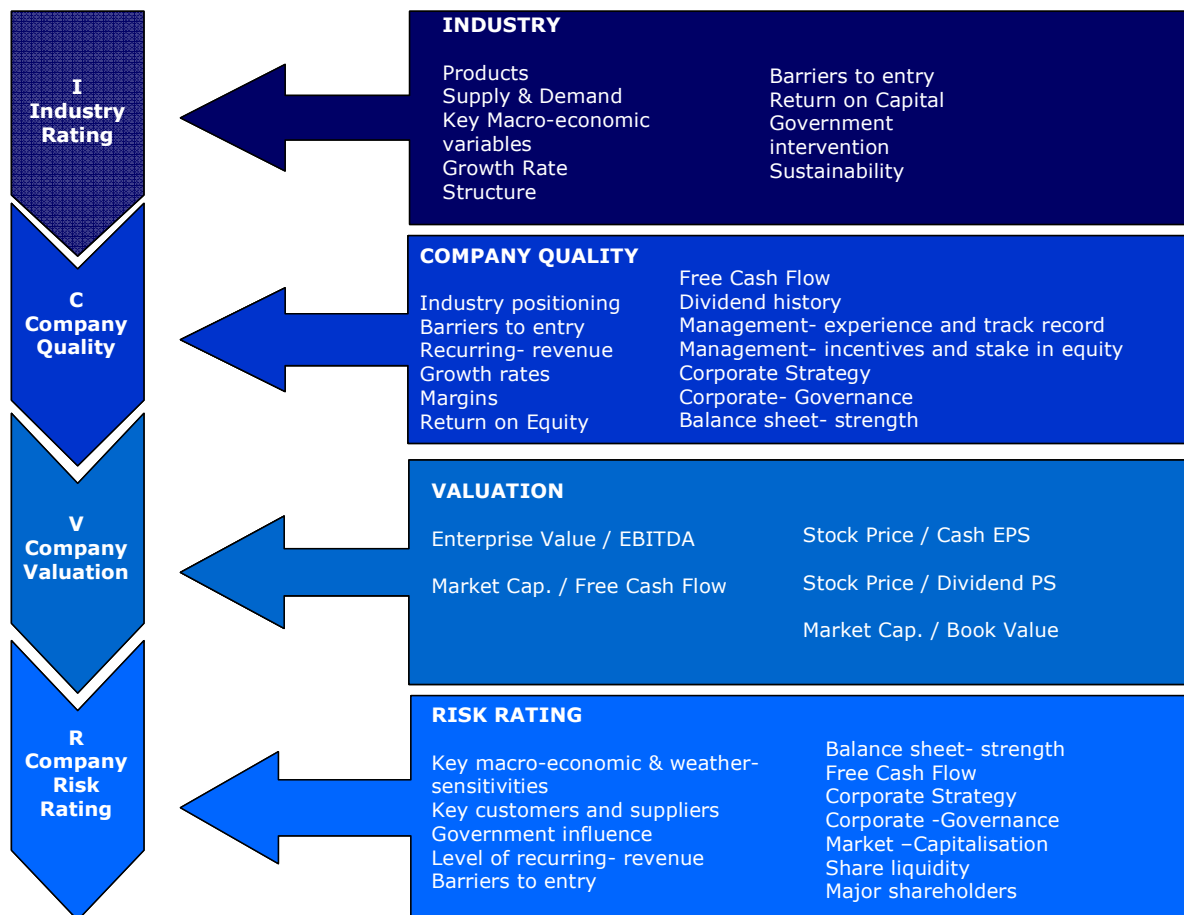
### Lonsec’s Top-Down Investment Process

Lonsec employs a four-step investment process. The portfolio is heavily influenced by top-down themes at the Portfolio Construction level (Step 2). We employ four stock filters (Industry, Company quality, Valuation and Risk) to select our stocks at the Stock Selection level (Step 3). Risk is managed at both the Portfolio Construction level and the Stock Selection level. The final step is to manage the portfolio and regularly review our top-down themes and stock selections.



### Lonsec’s Stock Selection Filters (ICVR)

Each of our stocks is selected after a rigorous qualitative and quantitative analysis involving four stock filters. A Lonsec stock will have high ratings in each category based on our analysis and judgement.



### Lonsec Core Model Portfolio

#### Objective

To deliver strong absolute returns, over the medium to long term, through a diversified “blue-chip” portfolio invested across a number of industries.

#### Portfolio Rules

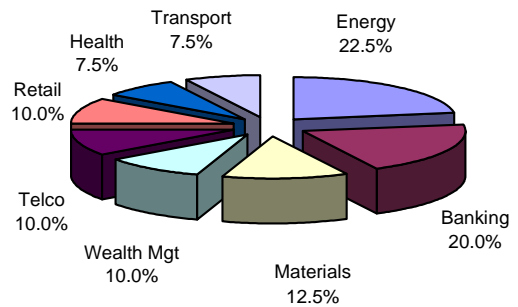
Investment universe	ASX TOP 150
Benchmark	ASX TOP 100 Accumulation Index
Min. no. of stocks	10
Min. no. of industries*	8
Individual stock limit	12.5%
Cash weighting	0%
Targeted portfolio turnover	30% pa
No LPT stocks	(Refer to Lonsec Property Research)

\*Note: industry is a subset of the broader GICS sector.

### Portfolio Profile

PORTFOLIO EXPOSURE BY INDUSTRY	Weight
Energy	22.50%
Banking	20.00%
Materials	12.50%
Wealth Management	10.00%
Telecommunications	10.00%
Retail	10.00%
Healthcare	7.50%
Transport	7.50%
<b>Total</b>	<b>100.00%</b>
TOP 50	92.50%
Ex-TOP 50	7.50%

Portfolio by Industry



### Portfolio Performance

INVESTMENT PERFORMANCE				2 Years	3 Years	5 Years	7 Years	8 Years	Since	
Period ending	31 March 2009	Month	Qtr	Year	(pa)	(pa)	(pa)	(pa)	Inception <sup>1</sup>	
<b>Lonsec Core Model Total Return<sup>2</sup></b>		<b>9.6%</b>	<b>4.1%</b>	<b>-8.8%</b>	<b>-6.8%</b>	<b>1.8%</b>	<b>13.2%</b>	<b>11.5%</b>	<b>13.5%</b>	<b>261.9%</b>
S&P/ASX TOP 100 Accumulation Index		7.9%	-1.8%	-27.9%	-18.2%	-6.7%	5.8%	5.3%	6.0%	80.0%
Out/Under Performance		1.7%	5.9%	19.1%	11.4%	8.5%	7.4%	6.2%	7.5%	181.9%

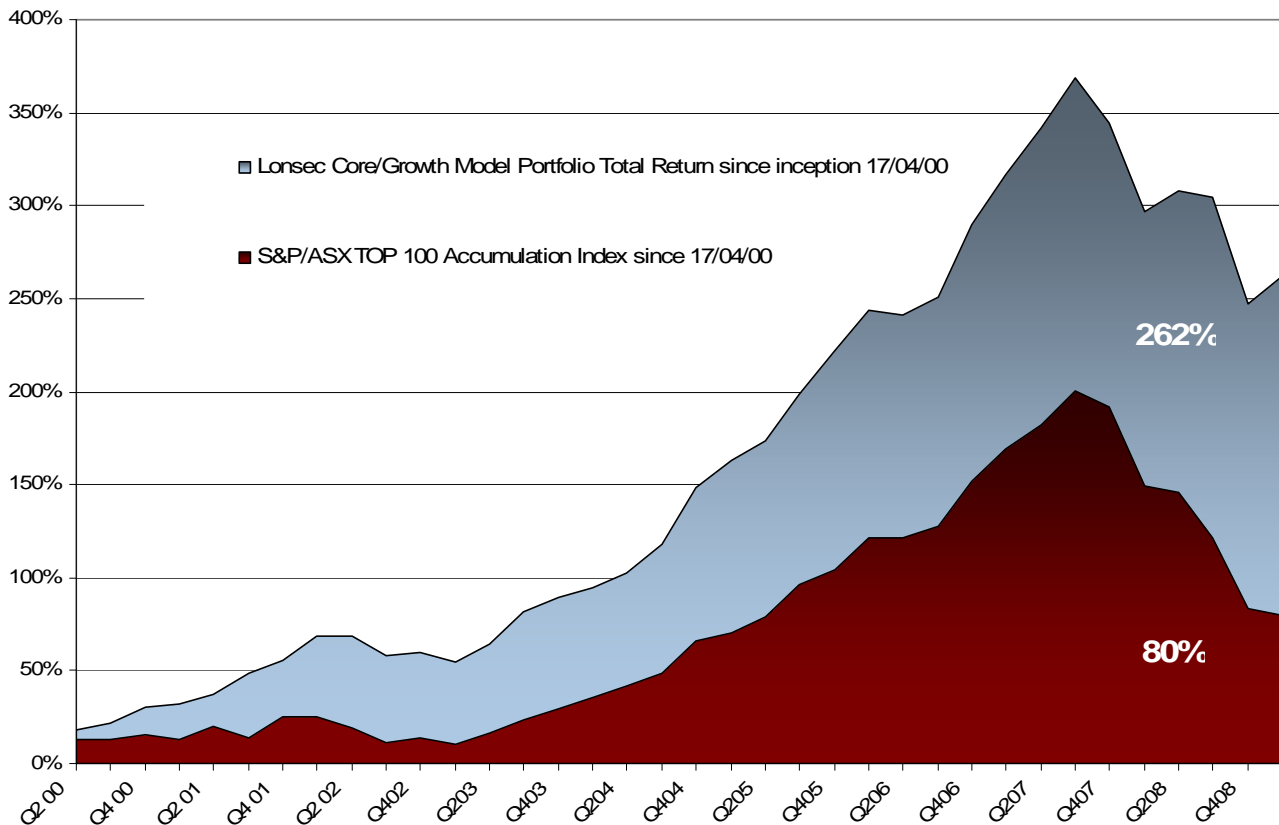
<sup>1</sup> Inception date 17 April 2000

<sup>2</sup> Investment Performance is calculated before fees, charges, brokerage and taxes. Dividends are reinvested at the end of each month.

The portfolio is reset at the end of each month back to the model portfolio weightings. This prevents portfolio weightings from skewing over time and ensures performance figures remain relevant. The Lonsec Core Model portfolio is a fully-invested notional portfolio with no cash weighting. Lonsec does not manage a physical portfolio. Physical portfolio results will differ depending on cash levels, start date, fees, taxes and compliance with model weights. Past performance is not a reliable indicator of future performance.

**Standard Deviation** (volatility of quarterly returns)

Lonsec Core	20.10%	14.56%	15.27%	13.79%	12.99%	12.29%	12.83%
ASX TOP 100 Acc. Index	19.15%	15.67%	18.37%	15.81%	14.24%	13.94%	13.91%
<b>Tracking error</b> (correlation with the index)	6.39%	5.88%	6.46%	5.69%	5.89%	7.36%	7.20%
<b>Information ratio</b> (relative reward for relative risk taken)	2.99	1.44	1.31	1.31	1.06	1.02	1.20
<b>Sharpe ratio</b> (absolute reward for absolute risk taken v bonds)	- 0.68	- 0.70	- 0.16	0.65	0.56	0.75	0.87



## Lonsec Income Model Portfolio

### Objective

To deliver an attractive fully-franked income yield together with some capital growth, over the medium to long term, through a focused income portfolio.

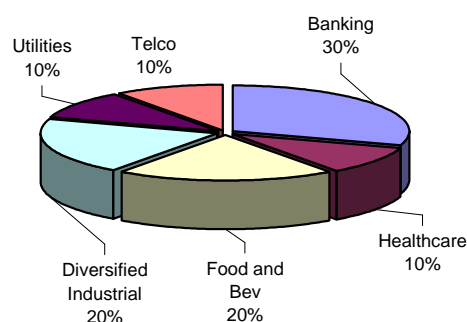
### Portfolio Rules

Investment universe	ASX TOP 150
Benchmark	ASX TOP 100 Industrial Accumulation Index
Min. no. of stocks	8
Min. no. of industries	4
Individual stock limit	12.5%
Minimum franking	100%
Targeted portfolio turnover	30% pa
No LPT stocks	(Refer to Lonsec Property Research)

### Portfolio Profile

PORTFOLIO EXPOSURE BY INDUSTRY		Weight
Banking	Banking	30.0%
Healthcare	Healthcare	10.0%
Food and Bev	Food and Bev	20.0%
Diversified Industrial	Diversified Industrial	20.0%
Utilities	Utilities	10.0%
Telco	Telco	10.0%
<b>Total</b>		<b>100.0%</b>
TOP 50		70%
Ex-TOP 50		30%

Portfolio by Industry



### Portfolio Performance

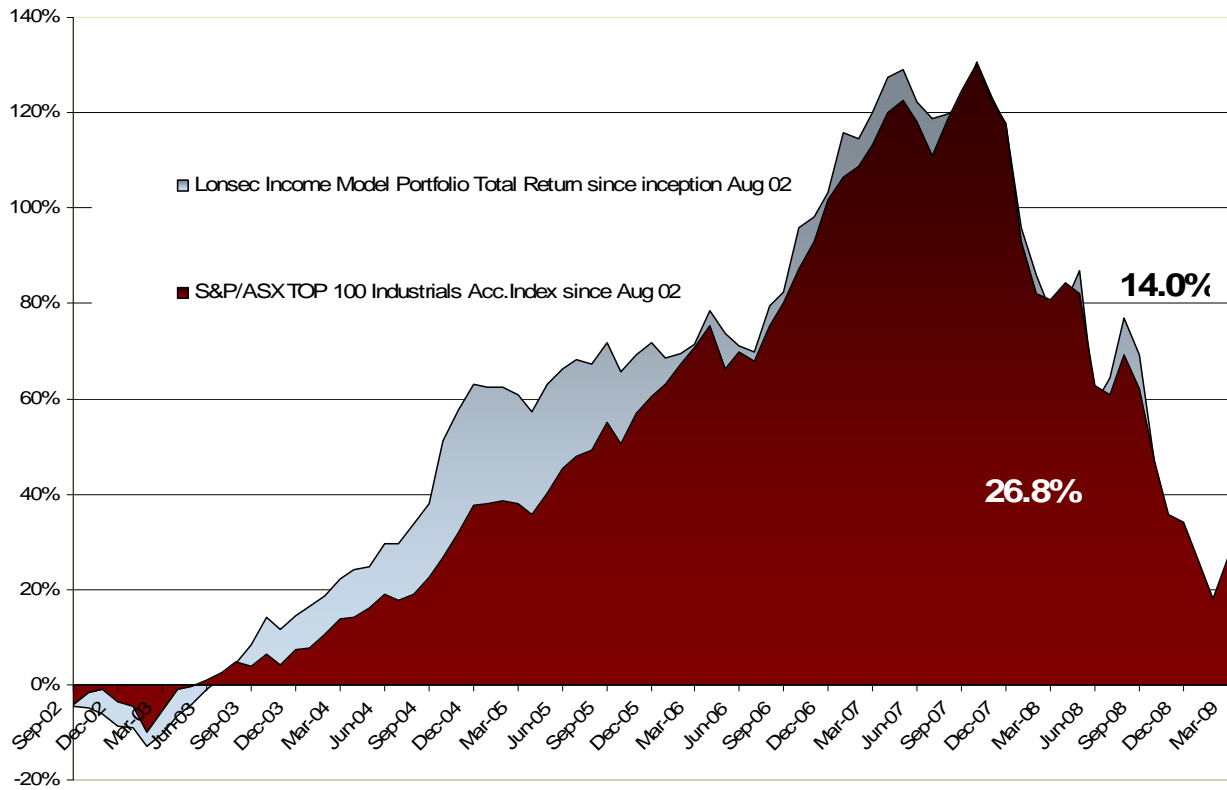
INVESTMENT PERFORMANCE					2 Years	3 Years	5 Years	6 Years	Since
Period ending	31 March 2009	Month	Qtr	Year	% (pa)	% (pa)	% (pa)	% (pa)	Inception <sup>1</sup>
<b>Lonsec Income Total Return<sup>2</sup></b>		<b>6.8%</b>	<b>-7.7%</b>	<b>-36.2%</b>	<b>-28.0%</b>	<b>-12.7%</b>	<b>-1.4%</b>	<b>4.1%</b>	<b>14.0%</b>
S&P/ASX TOP 100 Industrial Accumulation Index		7.4%	-5.4%	-29.8%	-22.9%	-9.5%	2.2%	5.0%	26.8%
Out/Under Performance		-0.6%	-2.3%	-6.4%	-5.1%	-3.2%	-3.6%	-0.9%	-12.8%

<sup>1</sup> Inception date 20 August 2002

<sup>2</sup> Investment Performance is calculated before fees, charges, brokerage and taxes. Dividends are reinvested at the end of each month.

The portfolio is reset at the end of each month back to the model portfolio weightings. This prevents portfolio weightings from skewing over time and ensures performance figures remain relevant. The Lonsec Income Model portfolio is a fully-invested notional portfolio with no cash weighting. Lonsec does not manage a physical portfolio. Physical portfolio results will differ depending on cash levels, start date, fees, taxes and compliance with model portfolio weights. Past performance is not a reliable indicator of future performance.

**Portfolio Performance since inception**



**IMPORTANT NOTICE:** The following Warning, Disclaimer, Disclosure and Analyst Certification relate to material presented in this document published by Lonsec Limited ABN 56 061 751 102 ("Lonsec") and should be read before making any investment decision.

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**Warnings: Past performance is not a reliable indicator of future performance** Any express or implied recommendation or advice presented in this document is limited to "General Advice" and based solely on consideration of the investment and/or trading merits of the financial product(s) alone, without taking into account the investment objectives, financial situation and particular needs ("financial circumstances") of any particular person. Before making an investment decision based on the recommendation or advice, the reader must consider whether it is personally appropriate in light of his or her financial circumstances or should seek further advice on its appropriateness.

Investment Performance is calculated before fees, charges, brokerage and taxes. Dividends are reinvested at the end of each month. The portfolio is reset at the end of each month back to the model portfolio weightings. This prevents portfolio weightings from skewing over time and ensures performance figures remain relevant. The Lonsec Model portfolios are fully-invested notional portfolios with no cash weighting. Lonsec does not manage a physical portfolio. Physical portfolio results will differ depending on cash levels, start date, brokerage, fees, taxes and compliance with model weights. Note: recommendations made within the Lonsec Model portfolios may differ from other research published by Lonsec.

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