

Performance statistics – Dec Q09

Index	31 Dec 2009	% Change
All Ordinaries	4,883	3.0%
Banks	6,488	-3.1%
Materials	12,777	13.7%
Industrials	4,005	3.6%
Real Estate	2,115	-6.1%
US S&P 500	1,115	5.5%
UK FTSE 100	5,412	5.4%
Japan Nikkei	10,546	4.1%
German DAX	5,957	5.0%
Shanghai Comp	3,277	17.9%
Hang Seng	21,873	4.4%
RBA Cash Rate	3.75%	+75bp
90 Day bill rate	4.15%	+76bp
10 year bond	5.73%	29bp
Oil (WTI) \$US	\$79.67	12.8%
Gold \$US	\$1,096	8.6%



Investment Themes for a New Decade

Over a tumultuous decade that included the September 11 terrorist attacks, Middle-East wars, the Global Financial Crisis, the rise to prominence of China and increased focus on climate change, the S&P 500 lost 24% while the All Ords rose 57%. What lies in store for the next decade?

Lonsec lists the key top-down investment themes likely to dominate the new decade.

Developing v developed economies

Strong growth in the developing and high population countries of China, India, Brazil, Russia, Mexico and South Korea was an emerging investment theme during the last decade and is likely to gain further strength in the current decade as growth moves from net exports to investment and ultimately consumption.

In contrast, the major developed economies of the world in the US, Europe, UK and Japan are dealing with post GFC issues that threaten to crimp growth prospects for many years to come. Such issues include fragile banking systems, high public and private sector debt levels, regulatory reform, political change and currency debasement due to loose fiscal and monetary policy.

Lonsec sees a strong case for commodities because of growing consumption from developing economies and growing investment demand, as investors seek to diversify assets away from the undisciplined paper currencies of the US, Japan and Europe. Investors should also increase equity exposure to developing economies at the expense of developed economy exposure. Finally, investors need to be wary of low bond yields in the developed world at a time when bond issuance is increasing exponentially and interest rates are set to rise.

Australian economic strength

The Australian economy has shown remarkable resilience over the past two years and is now the leading developed economy in the world, in terms of economic fundamentals and growth prospects. Australia is a small open economy that is rich in natural resources with a close proximity to Asia. It has well developed financial, regulatory and political systems and a growing population which drives organic growth in GDP.

The main growth industries are Mining, Energy, Financial Services, Wholesale & Retail Trade, Construction and Healthcare. Manufacturing is still a large sector but is struggling to remain competitive with a rising AUD. Accordingly, Lonsec recommends a bias to Australian assets with a particular focus on the aforementioned sectors.

Climate change/renewable energy

While the recent Copenhagen climate summit failed to achieve any binding agreement to reduce carbon emissions, at least there is now global recognition of the issue and a global consensus that action needs to be taken.

Regardless of whether the science is totally proven or not, Lonsec sees merit in moving away from fossil fuels, which are ultimately a finite resource, in favour of renewable (and lower emission) energy sources. To achieve this, the use of cheap fossil fuels needs to be discouraged while incentives to utilise more costly renewable energy needs to be increased.

A move to cleaner burning gas away from coal and oil is already underway and this trend should continue towards renewable energy. Australia has legislated a renewable energy target of 20% of electricity supply by 2020 and the eventual introduction of an emission trading scheme should encourage the use of renewable energy in the future. Lonsec expects carbon credits and renewable energy to become an emerging investment theme this decade.

Population trends

The global population was 3 billion in 1960, 6 billion in 2000 and 6.8 billion in 2010. Population birth rates fall as nations become developed but 78% of the population currently reside in developing nations, so it is a reasonable expectation that the population will continue to rise for some time yet. The UN forecasts 9 billion people by 2050. Can the Earth support such population growth in terms of food, water and energy, not to mention the effect on the environment?

The affirmative argument is that humans will always find innovative ways to adapt while the negative argument says the earth is already overpopulated and under stress. Some of the investment themes mentioned here (commodity supply, renewable energy and technology) give hope to the affirmative argument. Other opportunities will be in construction and transport. Ultimately, Lonsec suspects that global leaders will do what they have to do when they have to, so the next big issue after climate change could well be population control.

Another trend to be aware of is the ageing population, particularly in the developed world. The median age is expected to increase from 37 to 45 for developed nations and 34 to 40 for developing nations by 2050, according to the Oxford Institute for Ageing. This could limit growth in the labour force, as the baby boomer generation retires, and suggests Government Budgets will come under increasing strain from rising healthcare and pension costs. Investors need to consider this when assessing growth prospects and sovereign risk but also look for opportunities in private healthcare and retirement products.

Technology

Sustainability, efficiency, productivity and innovation are likely to be the key issues of the next decade (and beyond) as the burgeoning human population looks for sustainable economic growth without harming the environment.

Technology opportunities include the internet, fixed and wireless broadband, hybrid engines, emission reduction, renewable energy, long-life batteries, genetics, farming, aquaculture, water production and preservation, robotics, nanotechnology and healthcare.

Geo-political issues

US/China – linked via trade, finance and currency (China pegs Yuan to the USD). The US is concerned about the undervalued Yuan and China as its major creditor. While China is concerned about loose US fiscal and monetary policy and increasing trade protectionism. Policy outcomes involving these issues could have major implications for financial markets.

Eurozone – coming under increasing strain as economic problems in Ireland, Greece, Spain, Italy and Eastern Europe gather steam. With the European Central Bank setting policy for the Eurozone, struggling countries only have fiscal policy as an economic tool. Disagreement over economic policy is rising between the French and German dominated ECB and these smaller states. How well the Eurozone holds together post the GFC will be another defining issue of the next decade.

Middle-East – the US is bogged down in wars in Afghanistan and Iraq. Interestingly, Iran is located right between these two countries. Is there a hidden agenda here? Will the US move to overthrow the Iran leadership in the next decade? Events in this area have implications for global terrorism and oil supply. The relationship between the US, China and Russia is also likely to be tested in resolving middle east issues.

Global economic outlook

Gradual recovery with developing economies leading the world out of recession

The IMF has upgraded its outlook for global growth with activity expected to expand by 3.3% over 2010. Developed economies (which represent about 60% of global GDP) are expected to grow by 1.5% over 2010, while developing economies (40% of global GDP) are expected to grow by 6.0%. The IMF expects a weak recovery in developed economies and a moderate recovery in developing economies.

The US economy (23% of Global GDP at market exchange rates)

Economic data flow has improved in the US, although the recovery still looks fragile. The unemployment rate has increased to 10% (the highest since 1983), but monthly payroll decline has reduced to around 90,000 down from 700,000, early in the recession. The financial crisis wiped out a great deal of US wealth but the S&P 500 has since recovered 67% since the March low and the housing market looks to have found a base and is slowly recovering. Post financial crisis, US consumers have gone into their shells and are seeking to pay down debt. The savings rate in the US has jumped to 5.9% — the highest level since 1995. This is bad news for US consumption, which has grown to represent over 70% of the US economy.

Fiscal and monetary policy has been turned to maximum stimulus with the US Federal Reserve cutting interest rates to zero and printing money to buy US mortgage-backed securities and US bonds in an effort to keep mortgage rates low. The Federal Government is spending huge amounts supporting the financial system and the real economy and is expected to run a budget deficit exceeding US\$2 trillion or 14% of GDP. These efforts seem to have stabilised the US economy, in the short term at least, but have led to a weakening USD.

The big picture is the US economy is heavily indebted, with US\$42 trillion in debt across the private sector and US\$10 trillion in debt across the public sector, against an economy worth US\$14 trillion. The US has many years of low growth ahead as consumers reduce spending to pay down debt, and the Government will eventually have to reduce spending and/or increase taxes to do the same. The IMF forecasts the US economy will grow by 1.5% over 2010.

The European economy including the UK (21% of Global GDP)

Europe does not look much better than the US with forecasts for a mild recovery after a deep recession. Unemployment in Europe also hit 10% by the end of 2009. It seems the member states outside France and Germany have deeper economic troubles, particularly Ireland, Spain, Italy, Greece and various Eastern European states. The ECB has cut the cash rate to 1.0% and, like the US Federal Reserve, is embarking on some limited 'quantitative easing' (purchase of bonds to try and keep bond yields low). However, Europe still seems reluctant to investigate the solvency of its Banks, particularly those with Eastern European exposure, while Germany seems very reluctant to provide fiscal stimulus. This complacency could hinder the Eurozone's recovery.

The UK seems to be acting more decisively than Europe and has seen a more rapid recovery. 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 the real economy with a £20bn fiscal stimulus package. The Government's Budget deficit is set to rise to £118bn (12% of GDP) over the year. The IMF expects the European economy to grow by 0.3% and the UK economy to grow 0.9%, over 2010.

The Asian economy (21% of Global GDP)

After a dismal FY09, the Japanese economy is showing some signs of recovery. Improved consumer confidence, a rebuild of inventories and a strong turnaround in net exports are expected to lift growth in coming quarters. The Nikkei has recovered 54% from its March 09 low and the recent Tankan survey reported that business confidence has recovered to -24 from its record low of -58 in 1Q09. The Bank of Japan has cut interest rates to 0.1% from 0.3% and the Government is mulling over a new stimulus plan, although with a public debt to GDP ratio of 220%, its options are limited. Deflation will probably re-emerge as a problem for the Japanese economy during 2010.

China has moved decisively to head off the collapse in global trade that has harshly affected similar export-dependent economies like Japan, Korea and Germany. The Chinese Government released a 4 trillion yuan (US\$585bn) stimulus package focused on stimulating internal consumption and investment. At the same time, Chinese State-owned Banks lent 9 trillion yuan (US\$1,353bn) in new loans over 2009, nearly double the 2008 amount. There are signs this massive stimulus is indeed boosting economic growth but there are some concerns about new asset bubbles in property and shares. The IMF expects the Japanese economy to grow 1.7% and China's economy to grow 8.5% over 2010.

Key global issues to watch	Lonsec view
Global credit conditions	Credit conditions easing but bond yields at risk of rising over 2010 due to oversupply
G7 economic growth	Gradual recovery over 2010
Inflation/Deflation	Deflation a risk in the short term due to excess capacity but Government and Central Bank liquidity should lead to inflation emerging later
Asian economic growth	China to maintain an 8% growth rate; Japan to experience a mild recovery
Commodity prices	Likely to remain buoyant as a recovery in OECD demand boosts Asian demand and the USD remains weak

Domestic economic outlook

Australia is the best performing developed economy in the OECD

The Australian economy avoided recession in 2009, experiencing only a mild slowdown. Lonsec expects growth to pick up to between 3.0-3.5% in 2010. This would be the 19th consecutive year of growth for Australia cementing it as the best performing economy in the OECD and the third best performing globally, after China and India.

Much of the credit for the resilient performance has to go to the Federal Government and Reserve Bank of Australia (RBA) who moved quickly to counter the negative effects of the global financial crisis and related global recession. The Government implemented two stimulus packages equivalent to \$52bn or 4-5% of GDP, while the RBA moved swiftly to cut the cash rate by 425bp to 3.00%, over a period of 8 months. With the economy now recovering, the RBA has begun the process of increasing the cash rate to more 'neutral' levels, thought to be in the range of 4-5%. At the same time, the Federal Government is winding down its fiscal stimulus programs.

Australia's strong fundamentals relative to most OECD countries include:

- The economy is in its 19th consecutive year of growth;
- The financial system is in good health;
- The Government is in a relatively strong fiscal position;
- The unemployment rate remains relatively low at 5.7%;
- The housing market has proven resilient;
- Asia, Australia's major export partner, has been less affected by the GFC than Europe and the US; and
- Prices for Australia's key commodity exports are rising once again.

The combination of Australia's relative economic strength and a weakening USD has led to the AUD strengthening to US\$0.93, at the date of this report. While a rising currency hurts our export competitiveness, it isn't all bad news as Australia still runs a current account deficit. Put simply, Australia imports more than it exports and it also borrows a large amount of capital offshore (about \$680bn in foreign debt). A rising currency lowers the cost of imports and reduces our interest costs in AUD terms. It is probably a net positive in the short term but will tend to lead to long-term problems if our current account deficit continues to expand.

With consumer and business confidence rising, consumption and investment should rebound over 2010. Finance is generally available but some sectors, like commercial property development, still have restricted access. The housing sector could also add to growth, given that housing starts of around 130,000 pa are well below estimated demand of 180,000 pa. Rising house prices and relatively cheap finance are expected to provide the incentive for new housing construction, over the short to medium term.

The main risks to the economy are inflation, a rising currency and any faltering of growth in China. While headline inflation has fallen to 1.8%, the underlying rate has remained stubborn at 3.5%. If monetary and fiscal stimulus remains expansionary for an extended period there is a risk underlying inflation will start trending up. This could drive interest rates higher and lend further strength to the AUD. Rising interest rates would dent consumption and investment, while a rising AUD could seriously affect Australia's export income. Any faltering in China's growth path would exacerbate the risk to export income. Lonsec expects that inflation will be subdued in the short term but is concerned that it could re-emerge as a real issue over the medium term. Accordingly, Australian interest rates are expected to move higher from here.

Overall, the economy should continue to recover over 2010 and 2011. China and broader Asia will become increasingly important to the Australian economy, in terms of trade and capital flows. The RBA will increase rates but will need to be mindful that rising Bank credit spreads have already significantly increased loan rates and the private sector is still carrying a large debt burden. Lonsec expects the case rate to peak at 4.5% in 2010. The IMF expects the Australian economy to grow 2.0% over 2010.

Key local issues	Lonsec view
Cash rate	Cash rate to gradually increase to 4.5% over 2010 and then remain on hold for some time
Unemployment	Unemployment rate to remain below 6.0%
AUD/USD	Highest cash rate in the G20 likely to support AUD; risk of going past \$1.00 if US Government continues to run loose fiscal and monetary policy
Commodity Prices	Likely to remain buoyant as a recovery in OECD demand boosts Asian demand and the USD remains weak
House Prices	Higher rates and roll-off of FHB should limit growth in 2010
Bond yields	Australian bond yields to rise as underlying inflation starts to become an issue

Recommended Tactical Asset Allocation

No changes this quarter. Lonsec is generally positive on the economic outlook for Australia and emerging Asia but has reservations about the US, Europe and Japan. The USD is expected to remain weak in the short to medium term. We remain concerned that Government and Central Bank stimulus will eventually stoke inflation, which will be bad news for bonds ie bond yields will rise and hence prices will fall. Accordingly, Lonsec remains underweight bonds. Finally, the growth allocation is likely to be further increased in future quarters but the focus will be on Australian Equities and Property rather than International.

Investment Category	Asset Class	Dec 09 Quarter	Mar 10 Quarter
Income	Cash	Overweight	Overweight
Income	Australian Fixed Interest	Slightly Underweight	Slightly Underweight
Income	International Fixed Interest	Underweight	Underweight
Growth	Australian Property (LPT)	Neutral	Neutral
Growth	Australian Equities	Slightly Overweight	Slightly Overweight
Growth	International Equities (Unhedged)	Neutral	Neutral

Cash – Overweight

The RBA has begun the process of lifting the cash rate from its historic low of 3.0% which had been put in place to insulate the economy against a global recession. The Australian economy has avoided recession and indeed has outperformed most OECD countries. Accordingly, the market now expects the cash rate to revert back to more 'neutral' levels of between 4-5% over the next financial year. Lonsec expects the peak in the cash rate to be lower than in the past because Bank credit spreads have increased, post the GFC, and high private sector debt levels make the economy highly sensitive to interest rates. Cash rate to peak at 4.5% in late 2010.

Australian fixed interest – Slightly Underweight

Australian Government bond yields are not overly attractive versus cash and fixed term deposit rates. If the cash rate reverts to around 4.5% there will be a narrow spread between the cash rate and 10-year bonds at 5.75% ie the yield curve is expected to flatten. Lonsec is not as concerned about increased bond issuance as it once was as the Budget deficit looks to be more modest than previous estimates. Public (Federal and State) debt levels look set to peak at around \$150bn rather than \$250bn in 2012/13 forecast by economists. However, Lonsec still remains concerned that inflation will return over the medium to long term and hence bond yields will continue to rise ie bond prices will fall. Based on this view, Lonsec is slightly underweight on Australian bonds.

International fixed interest – Underweight

Lonsec finds the investment case for global bonds to be unattractive as yields range from 3.5% to 4.0% on most major global 10-year bond issues. The return seems inadequate given the supply of most issues will increase dramatically as G20 Governments issue debt to finance ballooning Budget deficits. You would only find global bonds attractive if you believe the global economy is in for a lengthy period (5 years+) of deflation, which is not Lonsec's base case scenario. Lonsec believes that at some point in the future, Central Banks and Governments will be successful in jump-starting inflation either by conventional or non-conventional means ie money printing.

Australian property (LPT or A-REIT) – Neutral

Lonsec has been Neutral on the LPT sector for the past year because it has suffered a major correction and the nine major trusts have largely recapitalised now. Indeed, the sector has rallied 70% from its March low as the large discount to NTA has narrowed. However, the sector is still down 60% from its 2007 high.

From here, the focus will be on where cap rates settle for each type of commercial property and future distribution growth. Lonsec believes the sector will be more 'plain vanilla' from now on, meaning trusts will deliver a relatively high running yield with only modest capital growth over the long term. The major risks facing the sector are continued access to debt finance at competitive rates and rising bond yields. If 10-year bond yields begin to rise, as Lonsec expects, investors will require a higher yield from A-REITS hence the sector's recovery may be capped. That said, Lonsec is positive on the Australian economy and AUD dominated assets. We are considering increasing the A-REIT weighting, after reviewing the February profit season.

Australian equities – Slightly Overweight

The Australian market has rallied 60% since the March low, although the All Ordinaries Index is still 27% below the 2007 peak of 6,850. The easy money has already been made from PE expansion after the cyclical low and now most sectors are beginning to look fully valued. The market will require solid earnings growth to keep moving higher from here.

Sector	Market weight	FY10 PER*	FY11 PER*
Resources & Energy	31%	21.4x	15.8x
Industrials	29%	14.3x	12.5x
Banking	25%	13.7x	11.3x

*IRESS broker consensus estimates

The good news is the top-down outlook for the Australian economy is quite positive and so earnings growth should be quite strong for most sectors over the short to medium term. The Australian economy is expected to grow 3.0% over 2010 as business and consumer confidence recovers, public and private investment booms and Asian exports continues to grow at a solid pace. Judging by current pricing, the market is expecting company earnings to rebound by at least 20% in FY11.

The main risks to keep an eye out for are: renewed weakness in the US economy leading to a fall in the S&P500; continued AUD strength and its impact on export competitiveness; rising domestic interest rates and the impact on domestic demand; and any hiccups in Asia, particularly China and India, affecting our exports. Regulatory risk is another risk that is on the increase of late. The Labor Government is reviewing regulation and licences in a number of industries including Banking, Wealth Management, Health, Telecommunications, Gaming and Media. The outcomes may have an adverse impact on certain sectors and need to be watched closely.

Lonsec is generally positive on the fundamentals of the Australian economy and its increasing links to Asia. The US economy is now less relevant to Australia than in the past but investor sentiment is still driven by the US lead. It seems that if Australia's future is increasingly tied to the developing economies of Asia then the US lead will become increasingly irrelevant. Indeed, one would expect the correlation of the All Ordinaries Index with the S&P 500 to fall over time.

Lonsec expects the local market to keep pushing higher over 2010 with a target of 5,500 by year end. Lonsec recommends that investors use any correction to move to Slightly Overweight.

International equities (unhedged) – Neutral

Financial markets have rebounded since March 2009. Apart from a rising unemployment rate, most of the US data has improved over 2009 and results from the US reporting season have generally surprised on the upside. Consumer and business sentiment is also improving across the US, Europe and Asia. China's fiscal and monetary stimulus looks to have been successful, with 3Q GDP growth of 8.9% (annualised). This is providing hope that the Asian region can decouple from the US.

These are all signs that the global economy is stabilising and hope for a gradual recovery is rising. It does seem the major downside risks are now diminishing and that investors are becoming less risk adverse. Lonsec still has concerns about the high debt levels across the private and public sectors of the US, Europe and Japan, but believes these issues will be addressed over the medium to long term. In the short term, equity markets are likely to rise, as risk premiums contract to normal levels.

Lonsec expects global growth to be subdued, due to still tight credit conditions and the deleveraging process that has now begun across the private sectors of the developed world. Private demand will struggle while consumers, particularly in the US, look to increase their savings rate and pay down debt. Lonsec notes that the troubled economies of the US and Europe represent the vast majority of the MSCI World Index at 55% and 31%, respectively.

Overall, Lonsec expects AUD to outperform USD denominated assets and accordingly we are Overweight Australian equities and Neutral on International Equities. Our recommendation is to tilt International weightings to Asia.

Lonsec Direct Model Portfolios

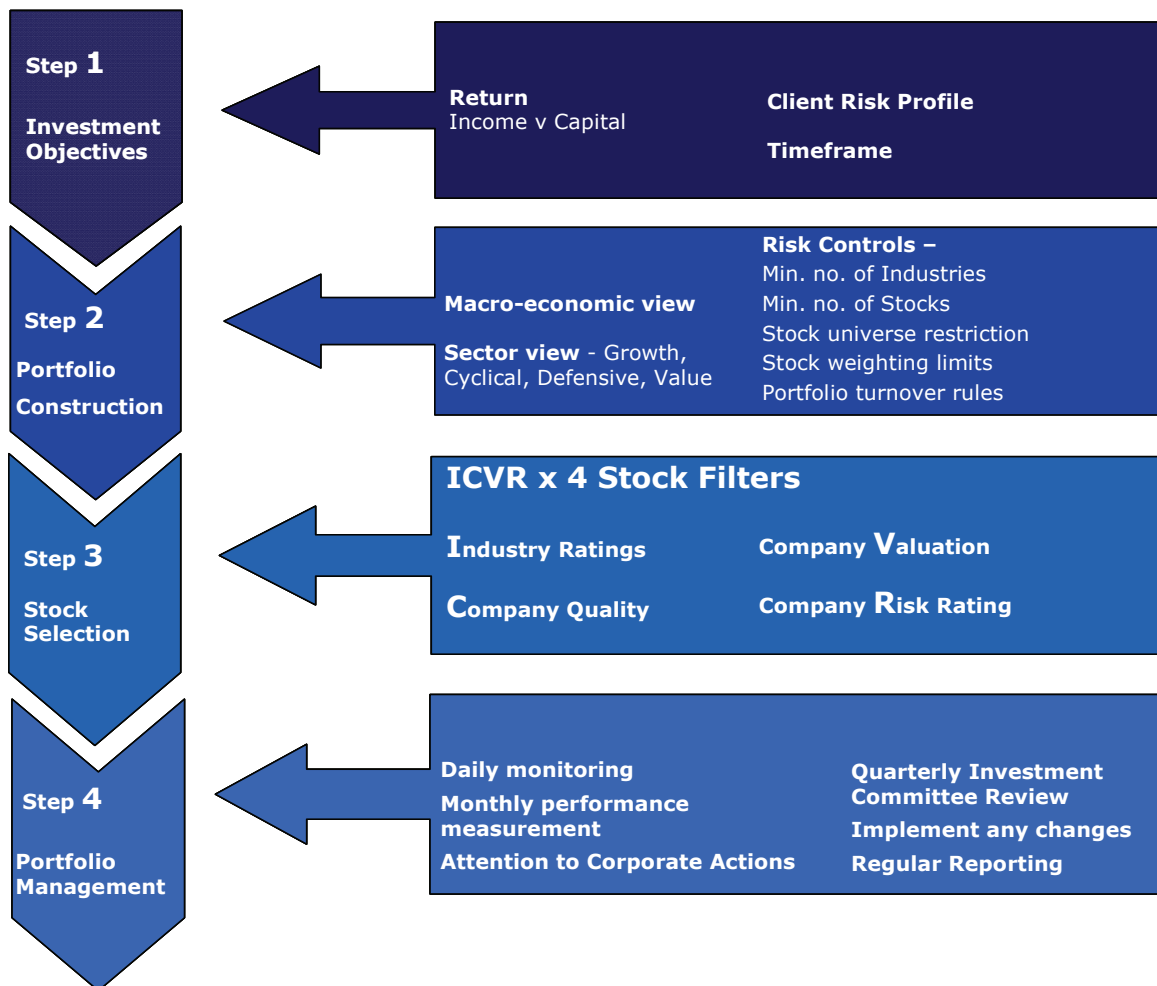
Lonsec Investment Philosophy

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 individual stock level.

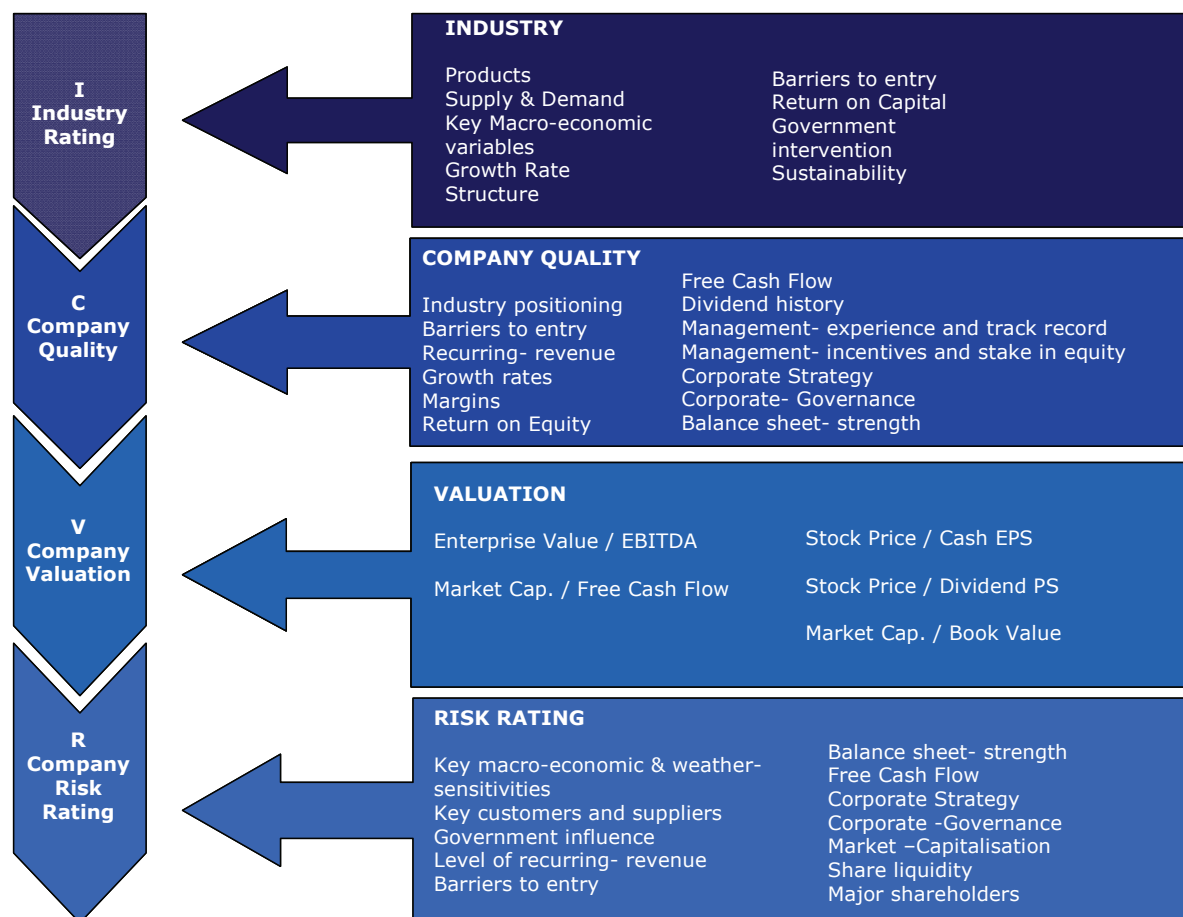
Lonsec’s Top-Down Investment Process

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 stocks at the Stock Selection level (Step 3). Risk is managed at both the Portfolio Construction and Stock Selection levels. 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 stock 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%
LPT weighting	0% (Refer to Property asset allocation)
Targeted portfolio turnover	30% pa

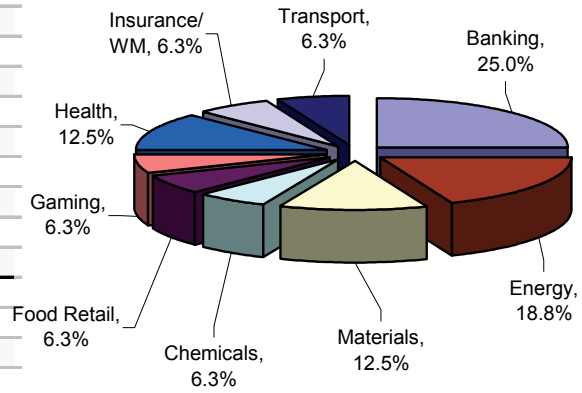
*Note: industry is a subset of the broader GICS sector.

Portfolio Profile

PORTFOLIO EXPOSURE BY INDUSTRY

		Weight
Banking	Banking	25.0%
Energy		18.8%
Materials	Materials	12.5%
Chemicals		6.3%
Food Retail	Food Retail	6.3%
Gaming		6.3%
Healthcare	Health	12.5%
Insurance/WM		6.3%
Transport	Transport	6.3%
Total		100.0%
TOP 50		87.5%
Ex-TOP 50		12.5%

Core Portfolio by Industry



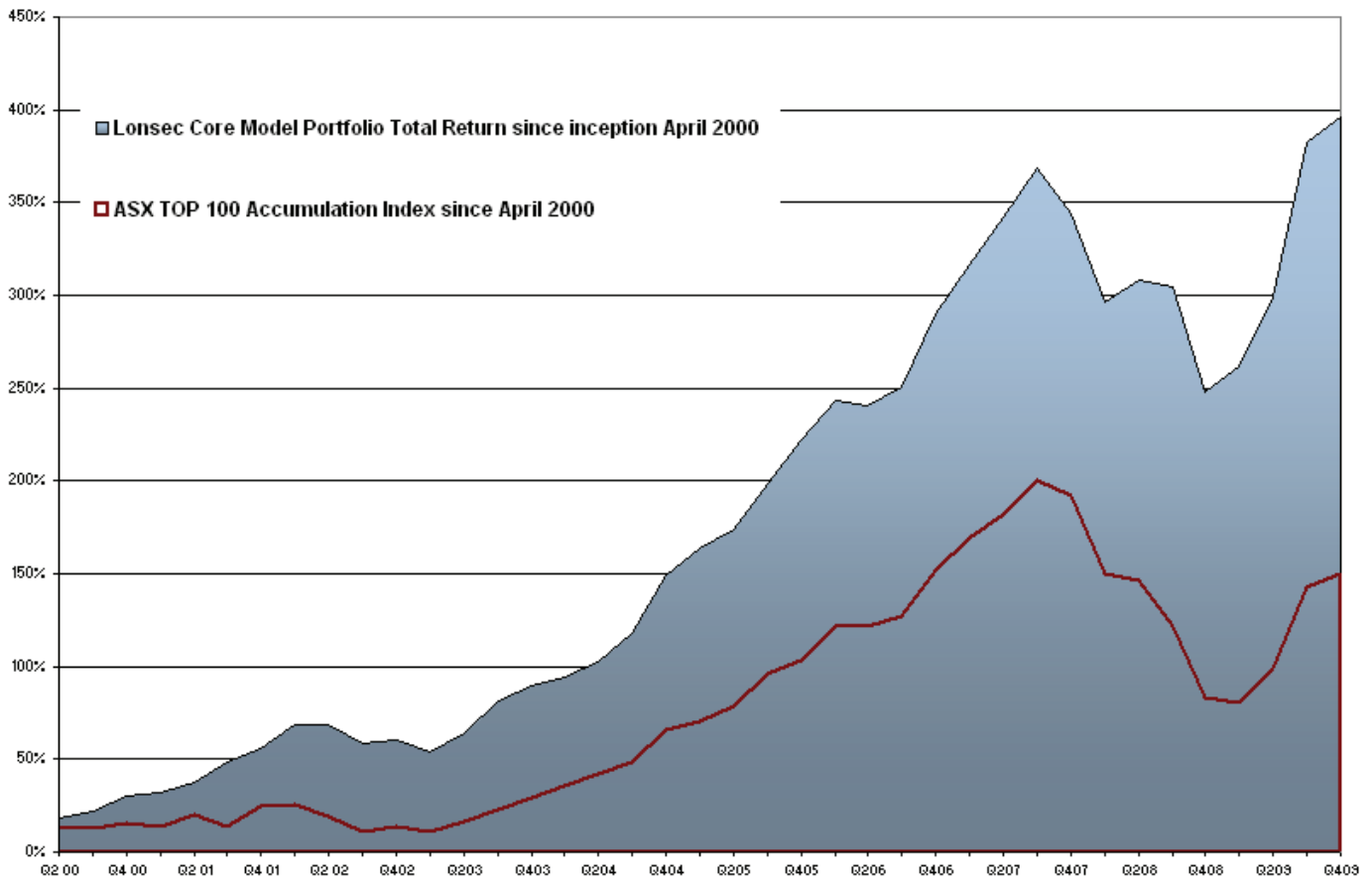
Portfolio Performance

INVESTMENT PERFORMANCE					2 Years	3 Years	4 Years	5 Years	7 Years	9 Years	Since Inception ¹	Since Inception ¹
Period ending	31 December 2009	Month	Qtr	Year	(pa)	(pa)	(pa)	(pa)	(pa)	(pa)	(p.a.)	(p.a.)
Lonsec Core Model Total Return² (%)		4.3	2.8	42.7	5.7	8.4	11.4	14.8	17.5	16.0	17.9	396.1
ASX TOP 100 Accumulation Index (%)		3.6	3.2	36.5	-7.4	-0.2	5.3	8.6	11.9	9.0	9.9	150.3
Out/Under Performance (%)		0.7	-0.5	6.2	13.1	8.5	6.2	6.2	5.7	7.0	8.0	245.8

¹ Inception date 17 April 2000

² 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. 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.



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

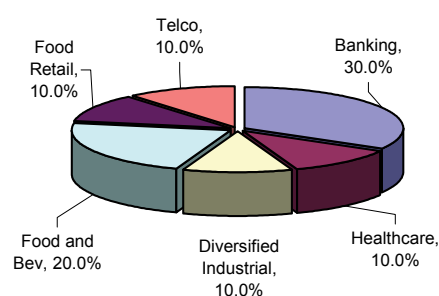
Investment universe	ASX TOP 150
Benchmark	ASX TOP 100 Industrial Accumulation Index
Min. no. of stocks	8
Min. no. of industries	4
Individual stock limit	12.5%
Minimum franking	100%
Cash weighting	0%
LPT weighting	0% (refer to Property asset allocation)
Targeted portfolio turnover	30% pa

Portfolio Profile

PORTFOLIO EXPOSURE BY INDUSTRY

	Weight
Banking	30.0%
Healthcare	10.0%
Diversified Industrial	10.0%
Food and Beverages	20.0%
Food Retail	10.0%
Telco	10.0%
Utilities	10.0%
Total	100.0%
TOP 50	80.0%
Ex-TOP 50	20.0%

Portfolio by Industry



Portfolio Performance

INVESTMENT PERFORMANCE

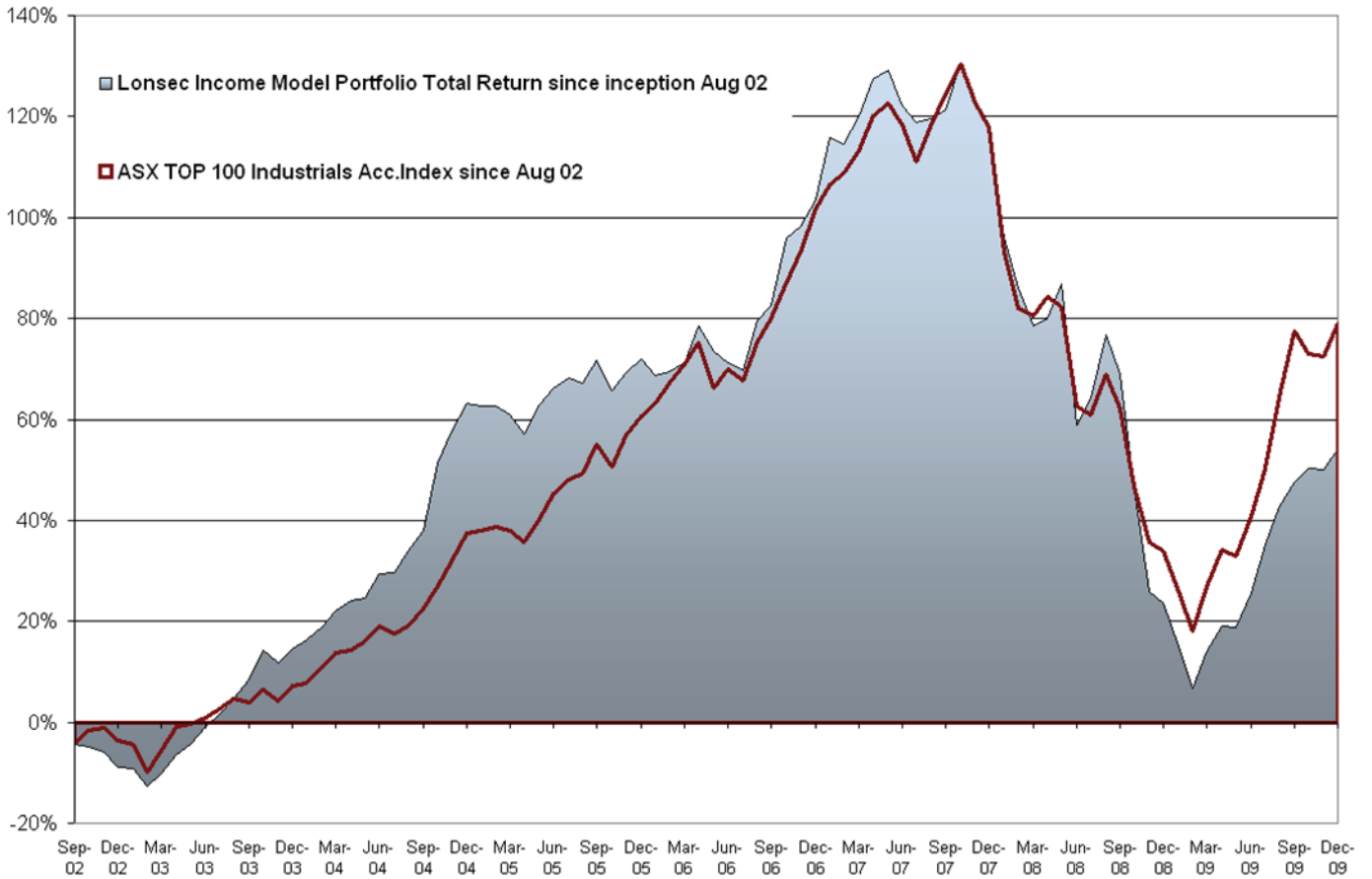
Period ending	31 December 2009	Month	Qtr	Six Mths	Year	2 Years % (pa)	3 Years % (pa)	5 Years % (pa)	7 Years % (pa)	Since Inception ¹
Lonsec Income Total Return²		2.7%	4.3%	22.5%	24.7%	-15.8%	-8.8%	-1.1%	7.8%	54.0%
ASX TOP 100 Industrial Accumulation Index		3.7%	0.9%	27.3%	33.5%	-9.4%	-3.9%	5.4%	9.2%	79.0%
Out/Under Performance		-1.0%	3.4%	-4.8%	-8.8%	-6.4%	-4.9%	-6.5%	-1.4%	-25.0%

¹ Inception date 20 August 2002

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

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Portfolio Performance since inception



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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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