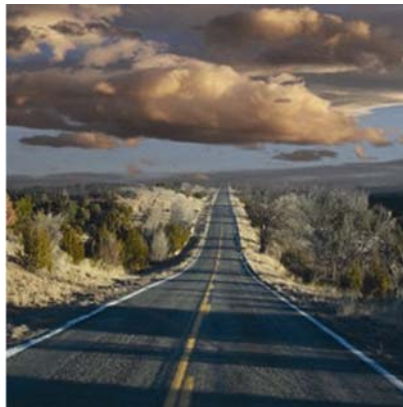


Movement of Market Indices for the June Quarter 2009

Index	30 Jun 2009	% Change
All Ordinaries	3948	11.8%
Banks	4936	8.4%
Materials	10140	11.4%
Industrials	2997	13.1%
Real Estate	1743	12.8%
US S&P 500	919.3	15.2%
UK FTSE 100	4249.2	8.2%
Japan Nikkei	9958	22.8%
German DAX	4809	17.7%
Shanghai Comp	2957	24.6%
Hang Seng	18379	35.4%
RBA Cash Rate	3.00%	-25bp
90 Day bill rate	3.19%	5bp
10 year bond	5.63%	102bp
Oil (WTI) \$US	\$69.82	40.57%
Gold \$US	\$927.40	0.52%



Crisis averted, but a long road to recovery lies ahead

The global economy looks to have pulled out from its financial-crisis-induced nose dive and stabilised in the second quarter of 2009.

Unprecedented monetary and fiscal intervention seems to have removed the risk of Depression but investors still face the prospect of a long road to recovery with at least a couple of speed bumps ahead.

Central Banks and Governments across the globe applied maximum stimulus to the global economy as it went into cardiac arrest in late 2008. The unprecedented fiscal and monetary stimulus, coupled with support for the global financial system, stabilised the global economy and financial markets began to recover in 2009. But like a shot of adrenaline to the heart, there are likely to be some unintended consequences from this near-death experience.

While the global economy and financial markets appear to be on the mend, Lonsec is wary of the high debt levels that now burden both the private and public sectors of Europe and the US. While China is a net surplus country and is expected to continue growing during 2009, it is unreasonable to expect China alone to rescue the global economy. One needs to put into perspective the relative size of the European economy (US\$12trillion) and the US economy (US\$14trillion), which together are nearly six times larger than the Chinese economy (US\$4.4 trillion). In addition, the Chinese economy has been built mostly on net exports and foreign investment rather than domestic consumption. In the short term, China will have its own challenges restructuring its economy towards internal growth and away from its slowing external sector.

So what could be some of the unintended consequences of all this fiscal and monetary intervention and recent capital raisings? Lonsec can identify six key issues investors will need to keep a close eye on during FY10:

- 1) Rising fiscal deficits across the OECD are likely to drive bond yields higher;
- 2) Central Bank efforts to keep a lid on bond yields by purchasing bonds with freshly printed money could weaken their currencies;
- 3) Low cash rates, expansion of money supply and weakening currencies could combine to unleash inflation (over the medium term);
- 4) Large capital raisings in equity markets are likely to be highly dilutive to EPS and DPS in the short term;
- 5) China's apparent decision to diversify its foreign reserves away from US bonds into commodities will lower demand for US bonds and support commodity prices which in-turn could exacerbate any rise in US bond yields and contribute further to inflation; and
- 6) The financial sector bailout programs of the US and Europe could delay the asset write-down and restructure process of the financial sector by allowing "zombie" Banks and Insurers to go on shrinking their books indefinitely, in an effort to become solvent again (a mistake Japan made during the 1990s).

That being said, that does not mean we are 'perma-bears' here at Lonsec. We are just being realistic. Lonsec acknowledges that the worst is probably behind us and the local market has probably seen its lows. However, it does seem to us to be a little 'doe-eyed' to expect a bull run from here after just avoiding a financial meltdown and spectre of the Great Depression II. It's more likely we all face a long bumpy road to recovery and that could mean a range trading market, in the short term at least.

Global Economic Outlook

Deep global recession with China the only major economy expected to grow over 2009/10

The IMF's latest outlook for global growth is for a decline of 1.4% over 2009 and a recovery of 2.5% over 2010. Developed economies (which represent about 65% of global GDP) are expected to contract by -3.8% over 2009, while developing economies (35% of global GDP) are expected to slow significantly but still grow by 1.5%. The IMF expects a weak recovery in developed economies and a moderate recovery in developing economies.

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

The US looks to be in a severe recession, with the last two quarterly GDP figures showing the economy shrinking at a rate of around 6.0% pa (annualised). The unemployment rate has increased to 9.6% (the highest since 1983), with payrolls falling at a rate of around 500,000 people per month. The financial crisis has wiped out a great deal of US wealth with the S&P500 down around 45% and house prices down on average 33% since the peak in 2007. US consumers have, not surprisingly, gone into their shells and are seeking to pay down debt. The savings rate in the US has jumped to 5.7% — the highest level since 1995. This is bad news for US consumption which had grown to represent over 70% of the US economy. With consumption in decline, production in the US (and globally) has to be cut and jobs are being lost in huge numbers.

Fiscal and monetary policy have 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 a lid on mortgage rates. 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\$2trillion or 14% of GDP. These efforts seem to have stabilised the US economy in the short term.

However, the bigger picture is that 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 pay down debt. The IMF forecasts the US economy to contract by 2.8% over 2009.

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

Europe does not look much better than the US with its two most recent quarterly GDP figures suggesting the economy is shrinking at a faster rate than the US, at around 8.0% pa (annualised). Unemployment in Europe (currently at 9.5%) also looks likely to exceed 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 Euro zone's recovery.

The UK seems to be acting more decisively than Europe but is still in a deep recession because debt levels are higher and the decline in the housing and financial sectors 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 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 European growth to decline by -4.8% and the UK economy to shrink by -4.2% over 2009.

The Asian economy (21% of Global GDP)

The Japanese economy shrank an alarming 4.0% (16.0% annualised!) in the March 09 quarter. Export volumes have declined sharply and the Yen has strengthened, causing major problems for the export dependent economy. The Nikkei sank 24% over FY09 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 over a new stimulus plan, although with a public debt to GDP ratio of 165%, 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 that is focused on stimulating internal consumption and investment. At the same time, Chinese State-owned Banks lent US\$1.2 trillion in the first six months of 2009 — more than was lent over the entire 2008 year! There are signs this massive stimulus is indeed boosting economic growth but there are concerns about its sustainability. The IMF expects the Japanese economy to shrink by -6.0% and China's economy to grow by 9.0% over 2009.

Key global issues to watch	Lonsec view
Global credit conditions	Credit conditions likely to remain tight, bond yields at risk of rising over 2009/2010
G7 economic growth	Recession to deepen over FY10; stabilisation expected in FY11
Inflation/Deflation	Deflation more likely in the short to medium term due to build up of excess capacity; money printing could lead to inflation re-emerging later
Asian economic growth	Japan recession likely to worsen over FY10; China to 'manage' an 8% growth rate
Commodity prices	Likely to remain subdued until production is cut back to meet lower levels of demand; however prices could rise, in nominal terms, if US money printing ramps up further

Domestic Economic Outlook

Australia outperforming the OECD with a relatively mild recession expected

The Australian economy is proving resilient thus far, with the economy yet to officially enter recession (two negative quarters of economic growth). However, the last four quarterly growth figures of 0.4%, 0.2%, -0.6% and 0.4%, clearly show the economy is slowing. Another negative result in the June 09 quarter will confirm Australia is effectively in a mild 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) 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 \$52bn 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 5.7%;
- House prices have proven fairly resilient to date;
- The oil price decline has kept a lid on petrol prices and inflation is now declining; and
- China (our major export partner) seems to be still growing.

During FY10 it is likely the RBA will continue to cut the cash rate, given the deteriorating global outlook and to ease the pressure on Australian Banks to increase loan rates in response to rising funding costs. Lonsec expects the cash rate to fall to 2.50% by year end. The Government is also likely to continue providing fiscal stimulus to help buffer the expected fall in private demand. Lonsec expects the Budget will stay in \$50-60bn deficits (representing 5-6% of GDP) for some time 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 deep recession across OECD countries. The Australian share market is down around 45% from its November '07 highs, wiping \$700bn in value (hence investor wealth) from market capitalisation. So far the Australian housing market is proving remarkably resilient but with house prices falling in most OECD countries, many economists are worried the relatively expensive Australian housing market could succumb if unemployment rises. Concern about falling asset prices is having a major negative impact on consumer and business sentiment.

While consumer spending is holding up reasonably well (most probably due to Government cash handouts), business investment is falling sharply. The Banks have reduced mortgage rates but business lending rates still remain relatively high as the Banks seek to increase interest margins. This could be self-defeating if business investment continues to slump.

Another area of weakness, moving forward, will be trade or net exports. As iron ore and coal contracts roll over to much lower prices (down between 30-40%), Australia's export income will fall markedly, as will Government tax and royalty revenue. The Qld, NSW and WA state economies will all come under pressure as the boom in iron ore and coal prices fades.

Australia's current account deficit betrays a large foreign debt position. Most of the current account deficit relates to interest payments going offshore 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 FY10	Lonsec view
Cash rate	Cash rate to decline to 2.5% by end of 2009
Unemployment	Unemployment rate to climb to 7.0% during the year and 8.5% in 2010
House Prices	Average House price to remain flat for many years
Commodity Prices	To fall in the short-term but could recover if US Fed money printing ramps up
Bond yields	Australian bond yields to rise as Federal and State Governments issue \$80bn in new bonds per annum
AUD/USD	To retreat as the RBA cuts rates and commodity prices fade but could firm again if US Fed money printing ramps up

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 cash rates and the recent rally in equity markets but believes it is still too early in the macroeconomic cycle to overweight growth assets.

Lonsec sees little value in International bonds but there is reasonable value in Australian bonds, in particular corporate bonds and hybrids provide opportunity for those prepared to take on some risk. Lonsec remains concerned that Government bond yields could continue to rise from here given bond supply is set to increase markedly as Governments across the OECD move into budget deficit. Investors should note that, generally, the value of existing bond portfolios fall as bond yields rise.

Cash will remain important to protect capital in the short term but eventually Lonsec believes the quest for growth will be the major reason investors move back into the share-market, once EPS and DPS visibility improves. Lonsec prefers to await the FY09 reporting season before making a call on whether or not to increase the equity weighting.

Investment Category	Asset Class	June 09 Quarter	Sept 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

The official cash rate is down to 3.0% and the RBA looks to be on HOLD in the short term. While the Australian economy has held up well to the June 09 quarter, Lonsec expects the economy to struggle in the second half of 2009 as net exports deteriorate, business investment worsens and fiscal stimulus wanes. At the same time, bond yields and swap rates are starting to rise which is putting pressure on the Australian Banks' wholesale funding costs. Lonsec expects the RBA will need to cut by another 50bp before the end of 2009 just to keep interest rates from rising as the economy weakens. Investors should remain in cash mainly for capital protection with the expectation of investing in bonds and equities at cheaper levels yet.

Australian Fixed Interest – Neutral

The long end of the yield curve is starting to rise with 10 year bonds currently at 5.5%, up from their lows of 4.0% earlier in the year. Lonsec believes that bond yields have the potential to rise even though inflation is likely to be a non-issue in the short term. Rather, the concern is the \$250bn in new issuance that will hit the market over the next four years as the Federal and State Governments run large fiscal deficits. This level of new issuance is very significant given that the Australian bond market is currently worth around \$135bn and the market cap of the ASX is around \$1,050bn. Given bond yields have already risen a touch and corporate bond yields are still relatively high (post credit crisis), Lonsec sees reasonable value in Australian bonds but warns that we could see higher Government bond yields yet (hence bond prices would fall).

International Fixed Interest – Remain Underweight

Lonsec finds the investment case for global bonds to be unattractive as yields range from 3.5% on US 10 year bonds to 4.3% 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. Lonsec believes that at some point in the future, Central Banks and Governments will be successful in jump-starting inflation either by conventional means or non-conventional means (money printing).

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 '70s to '90s) 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 has moved to Neutral on the LPT sector because it is down 70% from its highs and the eight remaining investment grade trusts have largely recapitalised. However, it is hard to be overly bullish on the sector given the trusts will now face issues around occupancy and rental income growth while rising bond yields might remove the relative attractiveness of the distribution yield. Overall, Lonsec expects the LPT sector to move sideways for some time with consolidation inevitable in the short to medium term.

Australian Equities – Slightly Underweight

The S&P/ASX Top 300 Accumulation Index fell 20.3% on the year to 30 June 2009. After hitting a low around 3,100 in early March 2009, the market put on a rally to the 4,000 level but its momentum is now fading. Overall, the market is still down around 45% from its 2007 highs. Many investors expect a rebound over FY10 given that 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 gradual 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 to 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 45% 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 (\$90bn over FY09) 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 12-13x versus a historical average of 14x (since 1987). It does seem the market has priced in an earnings dip over FY09. So the key to market performance from here is where FY10 earnings go and, as such, 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 recovers over FY10. However, if the economy enters a lengthy period of declining aggregate demand then company earnings will continue to fall over FY10 and PERs 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 recent equity raising dilution to EPS and DPS and the earnings 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 similar view with a forecast for developed economies to contract by 4.1% over 2009 and grow by a slender 0.7% over 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 42% from its 2007 highs. According to Citigroup estimates the S&P 500 is currently trading on a 2009 PER of 15.6x and 2010 PER of 12.6x. This compares to a long-term average (since 1984) of 19.6x. While the US market looks reasonably cheap in relative terms, there is a major risk that the expected recovery in 2010 earnings does not eventuate and therefore the market is actually fully valued. 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 macroeconomic 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

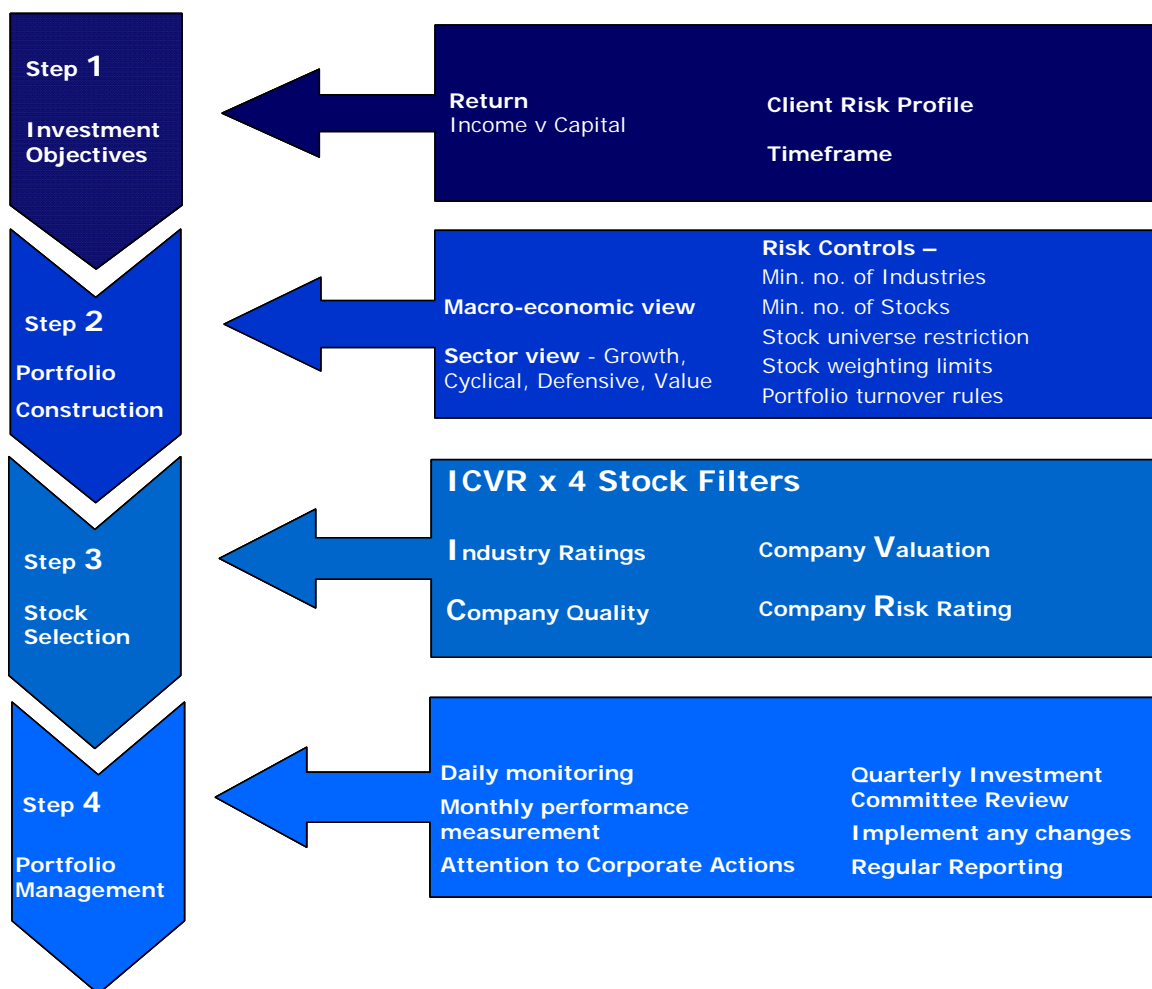
Lonsec Investment Philosophy

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.

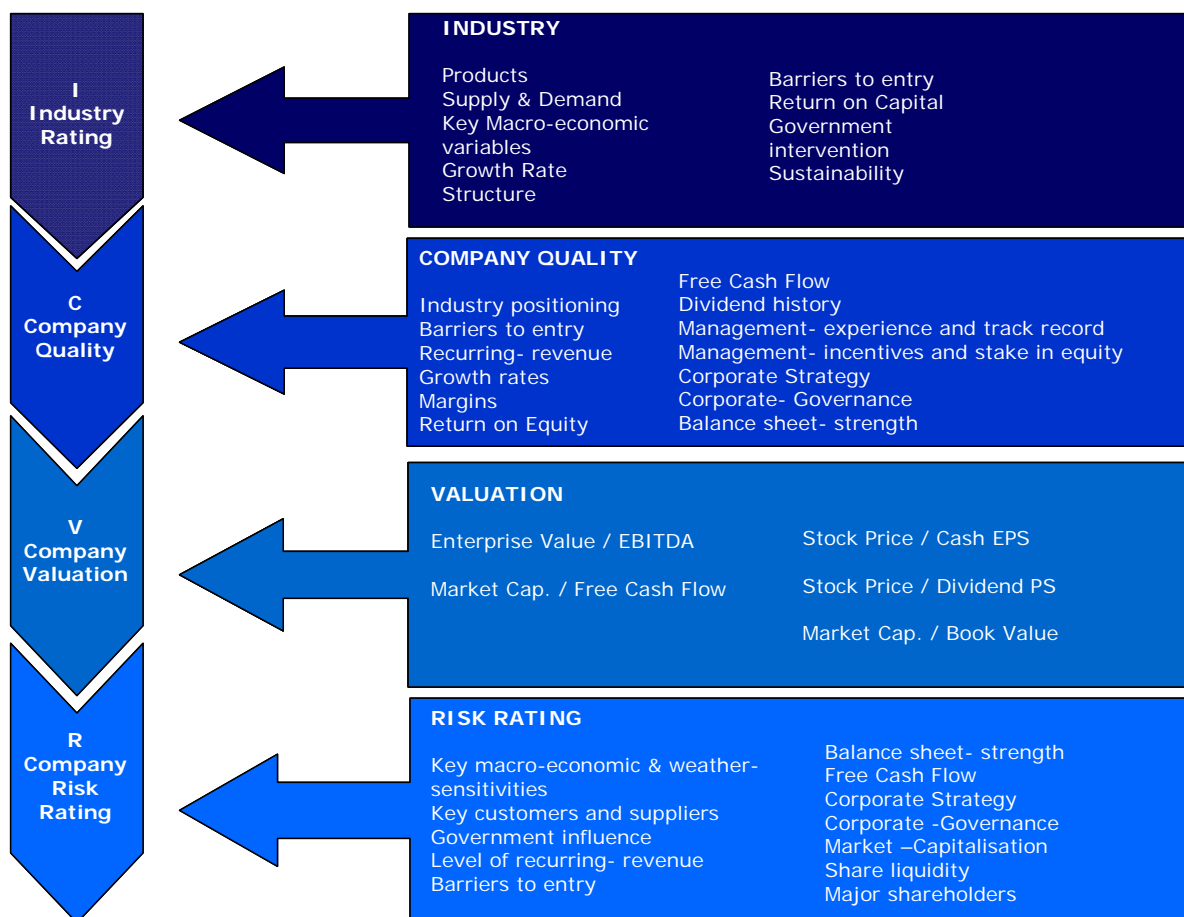
Lonsec’s Top-Down Investment Process

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

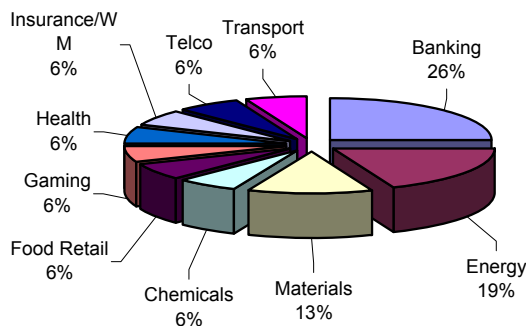
Investment universe	ASX TOP 150
Benchmark	ASX TOP 100 Accumulation Index
Min. no. of stocks	10
Min. no. of industries*	8
Individual stock limit	12.5%
Cash weighting	0%
Targeted portfolio turnover	30% pa
No LPT stocks	(Refer to Lonsec Property Research)

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

Portfolio Profile

PORTFOLIO EXPOSURE BY INDUSTRY		Weight
Banking	Banking	25.00%
Energy		18.75%
Materials	Material	12.50%
Chemicals		6.25%
Food Retail	Food	6.25%
Gaming		6.25%
Healthcare	Health	6.25%
Insurance/W/M		6.25%
Telecommunications	Telco	6.25%
Transport		6.25%
Total		100.00%
TOP 50		93.75%
Ex-TOP 50		6.25%

Core Portfolio by Industry



Portfolio Performance

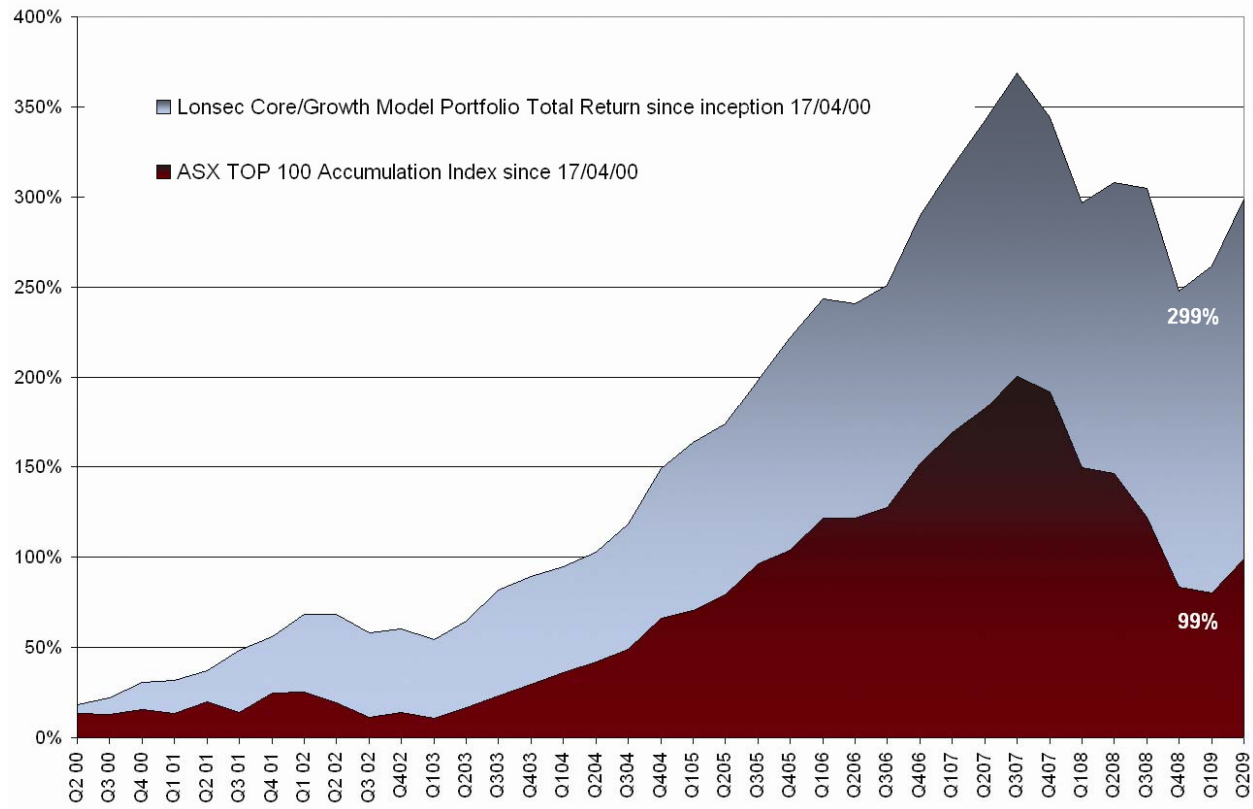
INVESTMENT PERFORMANCE		2 Years	3 Years	5 Years	7 Years	8 Years	9 Years	Since Inception ¹	Since Inception ¹
Period ending	30 June 2009	(pa)	(pa)	(pa)	(pa)	(pa)	(pa)	(p.a.)	(p.a.)
Lonsec Core Model Total Return²	3.7%	-5.0%	5.4%	14.5%	13.1%	14.3%	14.5%	16.2%	299.2%
ASX TOP 100 Accumulation Index	4.0%	-16.1%	-3.5%	7.0%	7.6%	6.5%	6.4%	7.8%	98.9%
Out/Under Performance	-0.3%	11.1%	8.9%	7.5%	5.5%	7.8%	8.1%	8.4%	200.3%

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. 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)		2 Years	3 Years	5 Years	7 Years	8 Years	9 Years	Since Inception ¹
Lonsec Core		19.27%	15.53%	15.92%	14.13%	13.08%	12.51%	12.65%
ASX TOP 100 Acc. Index		21.36%	16.53%	18.72%	16.28%	14.44%	14.21%	13.86%
Tracking error (correlation with the index)		6.54%	6.13%	6.49%	5.83%	5.54%	7.43%	7.16%
Information ratio (relative reward for relative risk taken)		2.60	1.46	1.38	1.29	1.00	1.04	1.12
Sharpe ratio (absolute reward for absolute risk taken v bonds)		- 0.30	- 0.56	0.15	0.82	0.77	0.90	0.97



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.

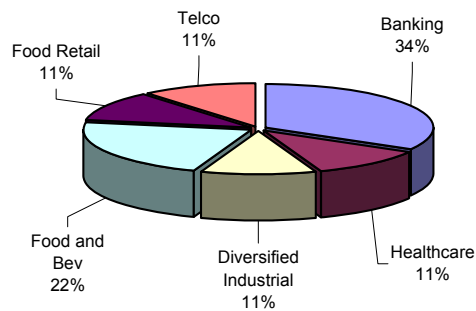
Portfolio Rules

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%
Diversified Industrial	Diversified Industrial	10.0%
Food and Beverages	Food and Bev	20.0%
Food Retail	Food Retail	10.0%
Telco	Telco	10.0%
Utilities	Utilities	10.0%
Total		100.0%
TOP 50		80.0%
Ex-TOP 50		20.0%

Portfolio by Industry



Portfolio Performance

Period ending	30 June 2009	Month	Qtr	Year	% (pa)	% (pa)	% (pa)	% (pa)	Inception ¹
Lonsec Income Total Return²		5.8%	10.3%	-20.9%	-24.8%	-9.8%	-0.6%	4.0%	25.7%
ASX TOP 100 Industrial Accumulation Index		5.7%	10.9%	-13.5%	-19.7%	-6.1%	3.4%	5.7%	40.6%
Out/Under Performance		0.1%	-0.6%	-7.4%	-5.1%	-3.7%	-4.0%	-1.7%	-14.9%

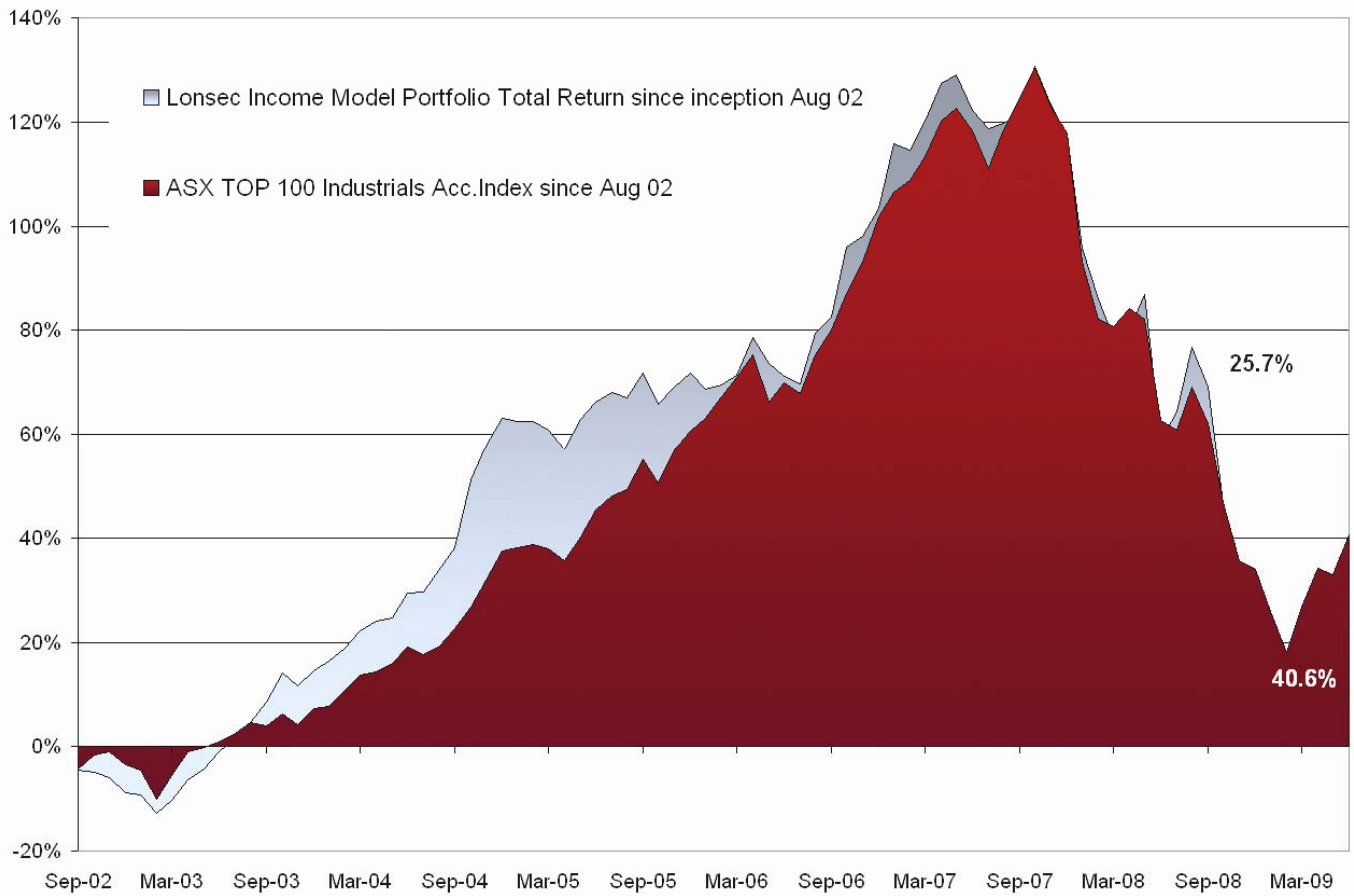
¹ Inception date 20 August 2002

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



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