

Australian Shares

The Australian Shares Portfolio is designed to provide a diversified exposure to the Australian shares sector, with 90% of the portfolio invested in large cap funds and 10% invested in a specialist small cap fund.

The portfolio's large cap exposure is diversified across four long-only funds, and one long-short fund, each bringing their own unique exposure to the portfolio. The first large cap fund is the Ausbil - Australian Active Equity Fund, a style-neutral product managed by Ausbil's highly experienced investment team. Ausbil employs an intuitive investment approach that combines both top-down and bottom-up inputs. The second large cap fund is the Perpetual Wholesale Concentrated Equity Fund (PWCEF), which provides exposure to a "concentrated" portfolio of the investment team's 20 to 45 best stock ideas. PWCEF is a high quality value-style Australian shares offering that is well regarded by Zenith. The third fund is the Fortis Investments Australian Equity Fund, a growth-style investment product managed by Fortis' very well resourced and highly experienced investment team. The fourth large cap fund is the Fidelity Australian Equities Fund, a broadly style neutral, active Australian equities fund, with a strong emphasis on fundamental research and bottom-up selection.

Additional diversification is provided by the Acadian Wholesale Australian Equity Long/Short Fund (AALS), which aims to generate a higher level of outperformance than most long only funds through a more flexible long/short investment approach. Zenith believes Acadian is well placed to add value from this approach based on its well constructed quantitative investment process, broad investment universe (1000+ stocks) and proven ability to add value from short selling.

Finally, exposure to Australian small companies is provided by the Patriot Small Companies Fund. Zenith's conviction in the Patriot fund stems from Patriot's experienced and stable investment team and its well developed investment process.

Portfolio Objective

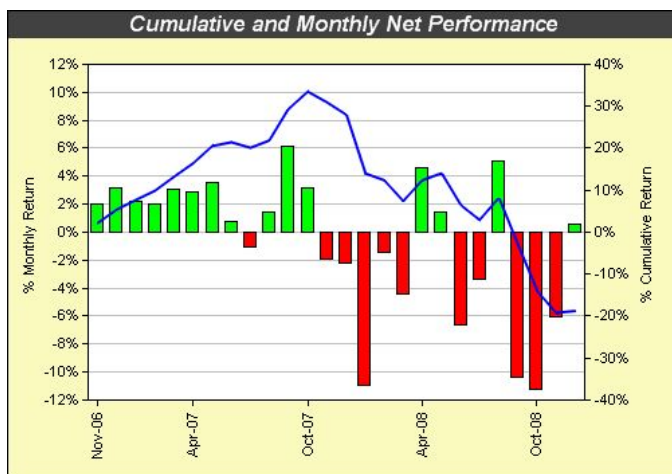
The objective of the portfolio is to provide investors with capital appreciation over the medium term (7 years+) through investments in a diversified portfolio of quality Australian equity managed funds. The portfolio will seek to outperform its benchmark (i.e. 90% S&P/ASX 300 Accumulation index and 10% S&P/ASX Small Ordinaries Accumulation index) over this timeframe.

Portfolio Investor Type

This portfolio is suitable for investors with a high risk tolerance seeking a growth based investment with low levels of income. Investors should expect high levels of volatility in the unit price over short and medium term periods and therefore need to adopt a long term investment horizon of 7 years+ when investing in this portfolio.

Recommended Portfolio

Funds	Weight	Amount
Acadian Wholesale Australian Equity Long/Short Fund	18.00 %	\$ 18,000.00
Ausbil - Australian Active Equity Fund	18.00 %	\$ 18,000.00
Fidelity Australian Equities Fund	18.00 %	\$ 18,000.00
Fortis Investments Australian Equity Fund	18.00 %	\$ 18,000.00
Patriot Small Companies Fund	10.00 %	\$ 10,000.00
Perpetual's Wholesale Concentrated Equity Fund	18.00 %	\$ 18,000.00
Total	100.00 %	\$ 100,000.00



Performance Analysis

Performance Statistics	2 Yrs (% p.a.)	1 Yr (% p.a.)	6 Mths (%)
Performance - Portfolio	-12.23	-36.60	-23.76
Performance - Benchmark	-16.76	-40.43	-28.75
Performance - Median Manager	-14.90	-36.98	-24.87

The Performance Statistics Table measures the performance of the fund over different time periods versus its benchmark and competitors, measured by the median manager. Zenith seeks to find funds that can outperform their benchmark and competitors over their suggested investment timeframe. Performance is annualised for periods of 1 year or greater.

Consistency Analysis

Consistency Statistics	2 Yrs	1 Yr
History of Monthly Excess Return (%)	70.83	75.00
History of Monthly Excess Return (Rising Mkts %)	58.33	75.00
History of Monthly Excess Return (Falling Mkts %)	83.33	75.00

The Consistency Statistics Table measures the number of months (in percentage terms) a fund has outperformed its benchmark over different time periods. Zenith seeks to find managers who can outperform their index in greater than 50.0% of months, as it represents a persistence of manager skill. The table also breaks down the fund's historical monthly outperformance of its benchmark in rising and falling markets, to ascertain which market environments the fund is best suited.

Risk / Return Analysis

Risk / Return Statistics	2 Yrs	1 Yr
Information Ratio - Portfolio	1.59	1.04
Information Ratio - Median Manager	0.27	0.46
Sharpe Ratio - Portfolio	-1.12	-2.31
Sharpe Ratio - Median Manager	-1.32	-2.40
Standard Deviation (% p.a.) - Portfolio	17.27	19.14
Standard Deviation (% p.a.) - Median Manager	16.90	18.87
Tracking Error (% p.a.) - Portfolio	2.84	3.67
Tracking Error (% p.a.) - Median Manager	4.07	4.88

The Risk/Return Statistics Table measures a number of variables that measure a fund's volatility and risk adjusted performance.

The first statistic requiring explanation in any risk / return analysis is standard deviation. Standard deviation of a fund is a measure of a fund's variability or dispersion of returns. The higher the standard deviation, the higher the required investment returns to compensate for volatility. Tracking error is a derivative of standard deviation. It measures the standard deviation of the excess returns between fund and benchmark (market index).

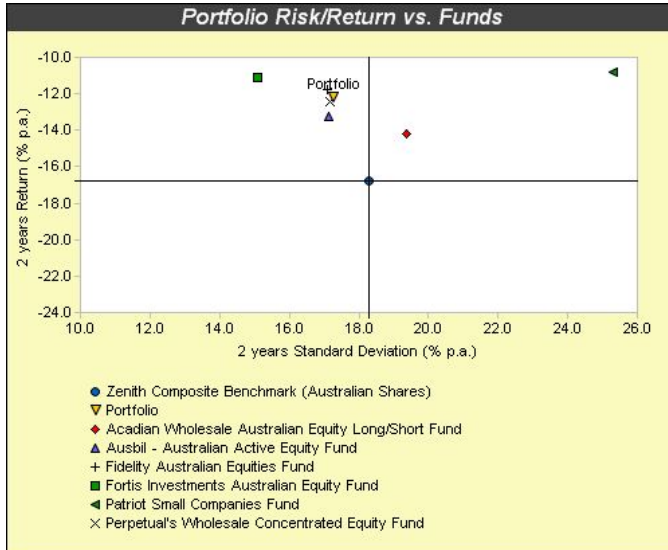
The key distinction between standard deviation and tracking error is the relative comparison to benchmark. Standard deviation measures the dispersion of monthly returns experienced by the fund and therefore the end investor (i.e. absolute risk), while tracking error measures risk relative to benchmark. Accordingly, standard deviation is typically used to measure the risk of absolute return funds, while tracking error is more appropriate to measure the risk of benchmark aware funds.

Pulling together both the risk and returns sides of the equation are the risk adjusted measures, information and Sharpe ratios.

The information ratio reflects the increase in return above a fund's benchmark, relative to the risk of both fund and benchmark. Risk being measured by the standard deviation of the excess returns between the fund and benchmark, also known as tracking error.

The Sharpe ratio reflects the increase in return above the risk free rate of return (cash), relative to the risk of the fund. Risk being measured as the standard deviation or variability / dispersion of fund returns.

An information and / or Sharpe ratio above 1.0 is an excellent result as it indicates the fund is delivering a greater amount of outperformance for every unit of risk.



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