

## International Fixed Interest - Specialist

31 Aug 2005

Zenith Recommended Funds	3 Mth (%)	1 Yr (% p.a.)	3 Yrs (% p.a.)	5 Yrs (% p.a.)	Rating
<b>Specialist - Active</b>					
CFS Wholesale Global Credit Income Fund	2.14	6.65	7.63	-	Highly Recommended
Basis Yield Fund	2.85	12.31	-	-	Highly Recommended
Merrill Lynch Monthly Income Fund (Class D Units)	2.49	7.14	-	-	Recommended
<b>UBS Bank Bill Index</b>	1.42	5.67	5.34	5.31	
<b>Lehman Global Aggregate Index ex-Treasury bonds ex-US MBS Hedged (\$A)</b>	2.05	9.19	8.83	-	

### Specialist - Active

#### CFS Wholesale Global Credit Income Fund

As with the vast majority of global corporate debt funds, this Fund recorded a negative monthly return in April as global debt securities experienced a significant fall in value. To the manager's credit, this negative return was very small and in a relative sense was much less significant than some of the Funds competitors in the sector. We believe this provides sound evidence of the excellent security selection process adopted by the manager and the highly diversified nature of the portfolio across securities (around 200 securities in portfolio), security type, industry and rating bands. Since the small negative return recorded in April the Fund's returns have rebounded back to more "normal" levels and are back on track to meet the return objective.

#### Basis Yield Fund

Since the launch of the Fund in December 2003, the performance of this Fund has been exceptional and it has delivered on its objective of providing a stable and consistent level of income above that of the cash return (as measured by the UBS Bank Bill Index). The Cumulative and Monthly Net Performance chart illustrates the consistency of the Fund's monthly returns since inception. The Performance Statistics table also illustrates that the Fund has outperformed its benchmark (the UBS Bank Bill Index) and is currently delivering in excess of its return objective (outperforming the index by 2.5% - 5.0% p.a. over a rolling three year period).

On a relative return basis, the Fund has easily outperformed the median manager return since its inception.

#### Merrill Lynch Monthly Income Fund (Class D Units)

##### Short Term Performance

On a total returns basis, short term performance has suffered as a result of the significant fall in corporate securities prices in March resulting in MIF's first negative monthly return. In addition, while returns in the subsequent two months were positive, they were significantly below the "normal" level. Since then, returns in June and July are much improved and we expect MIF's shorter term "blip" in returns to smooth out over the medium term.

As MIF has matured to a level of around \$325 million in size the manager has been very active in diversifying the portfolio

across industry type, security type and rating bands. From an industry exposure perspective MIF is now invested in 83 securities across 20 industries ranging from a small exposure to 0.5% in the transportation sector and a significant exposure of 36.0% to banks.

The types of securities invested in are also well diversified and is spread across mortgage and asset backed (13.5%), domestic issuers (24.9%), global corporate issues in \$A (2.8%), global corporate issues swapped back to \$A (49.6%) and cash (9.2%).

The majority of the securities in the portfolio have a credit rating of A (30.7%) and BBB (43.2%). This is consistent with MIF's expected weighted average credit rating of between A and BBB.

This broad diversification across industries, security types and credit ratings assists in reducing investment risk.

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