



## Managing Director's Quarterly Report

DECEMBER 2001

### Investment Performance

(These figures are unaudited)

Quarter to	Dec-01	Sep-01
Total Net Market Value of Assets	\$17,942,946	\$16,624,013
Net Market Value (Before un-realised CGT provision)	137.0c per share	126.9c per share
Total return to Shareholders over the Quarter	+8.0%	-8.2%
Change in All Ords over Quarter	+12.5%	-12.8%
Change in Bank Bill Index over the Quarter	+1.2%	+1.3%

### Asset Allocation

Australian Equities	93.1%
Cash	6.9%

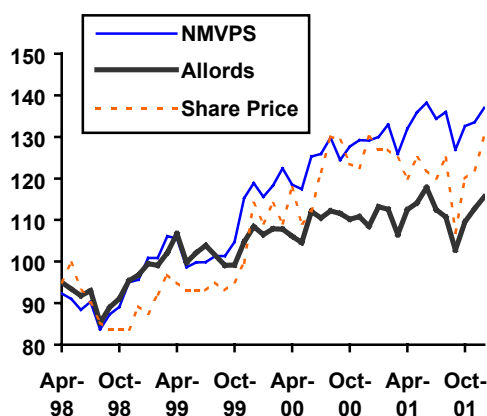
### Five major investments

(As a % of the portfolio)

	Dec-01	Sep-01
Macquarie	10.1%	10.6%
Rio Tinto	9.3%	8.5%
NAB	7.6%	6.7%
Perpetual	7.2%	7.1%
Telstra	6.8%	7.7%
Total	41.0%	40.6%

### Relative Performance History

(After adjusting for the rights issue)



### Investment Activity

- The entire holding in AGL was sold and our holdings in CSL and Westfield Holdings lightened. Cash on hand increased and we purchased additional shares in OPSM (30,000 shares). A new addition to our portfolio was Baycorp Advantage.
- The best performing investment over the quarter was Rio Tinto. Of the other investments, NAB and Perpetual performed extremely well, while Woolworths came off its recent highs after a stellar performance.

### Fund performance

- During the quarter under review, the Net Market Value of the Assets on a per share basis (NMVPS) increased by 8.0% from 126.9 cents as at 30 September 2001, to 137.0 cents at 31 December 2001.
- Over a rolling twelve-month period the total return to shareholders was 7.5% compared to the All Ordinaries Index which increased by 6.5% over the same period.

### Market facts

- The Australian market, as represented by the All Ordinaries Index, increased by 12.5% over the quarter and by 6.5% over the rolling twelve-month period.
- Clearly the Australian equity market has recovered well and is now above the level at which it was prior to the September 11 terrorist attacks. There was a continued strong performance of the Australian economy and a further reduction in interest rates by the Australian Reserve Bank. We expect excellent operational results from the companies in which we invest over the next twelve months as a result of the current favourable business environment and the expected world recovery over the next twelve to eighteen months.
- The world equity markets as measured by the MSCI World Index increased by 8.4% over the quarter while the firming of the Australian dollar reduced the increase to 4.2% for Australian investors. In the twelve-month period to December 2001 the world equity markets declined in Australian dollar terms by 10.1%.