

# Greencape Wholesale Broadcap Fund

## Fund report and commentary – 31 March 2007

**Overview:** The Greencape Wholesale Broadcap Fund (Portfolio), valued at \$36.6 million on 31 March 2007, posted a return of 7.58% (after fees)\* compared with the S&P/ASX300 Accumulation Index (benchmark), which returned 6.96%.

### Performance

	1 month (%)	3 months (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Inception (%) p.a.
<b>Greencape Wholesale Broadcap Fund</b>	2.75	7.58	-	-	-	26.97
Growth return	2.26	7.06	-	-	-	26.36
Distribution return	0.50	0.52	-	-	-	0.61
S&P/ASX300 Accumulation Index	3.30	6.96	-	-	-	22.13
<b>Active Return (net)</b>	-0.55	0.62	-	-	-	4.84

Returns are calculated after fees have been deducted, assuming reinvestment of distributions. No allowance is made for tax. Past performance is not a reliable indicator of future performance.

### Investment objective

The Fund aims to provide capital growth over the medium to long term investment horizon through a diversified portfolio of large, mid and small capitalisation Australian shares and provide returns above the benchmark, the S&P/ASX300 Accumulation Index, over rolling three-year periods.

### Asset allocation

	Current (%)	Range (%)
Securities	100	85 - 100
Cash	0	0-15

### Investment manager

Greencape Capital Pty Ltd

### Investment strategy

Greencape is an active, bottom-up stock picker. Whilst not targeting a specific investment style and investing in stocks displaying 'value' and 'growth' characteristics, Greencape's focus is on a company's qualitative attributes, which will generally lead to 'growth' oriented portfolios. This is an outcome of Greencape's bottom up process. As such, Greencape's investment style may be classified as 'growth at a reasonable price' (GARP).

### Distribution frequency

Quarterly

### Suggested minimum investment timeframe

At least five years

### Fund facts

	Greencape Wholesale Broadcap Fund
Inception date	11/09/2006
Fund size (\$M)	36.6
APIR code	HOW0034AU

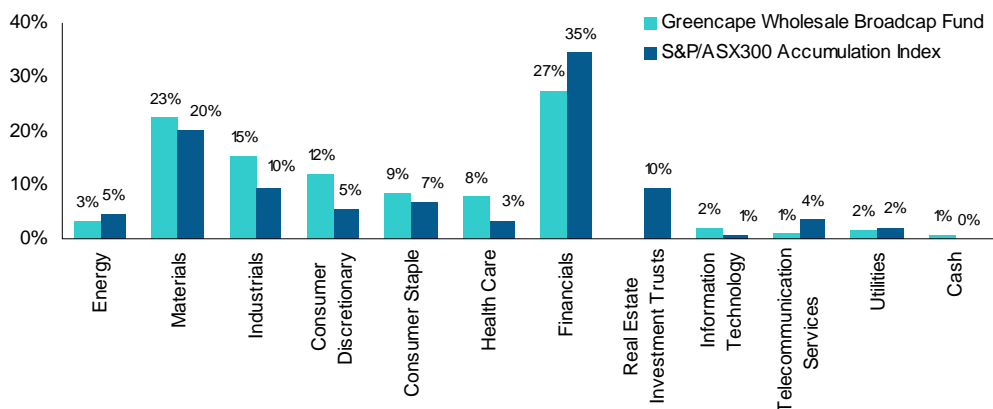
### Fees

	Greencape Wholesale Broadcap Fund
Entry fee	Nil
2005/06 MER	NA
Management fee	0.95% p.a.
Performance fee	15% of the Fund's after mgmt fee return above the Fund's benchmark.
Buy/sell spread	+0.30%/-0.30%

# Greencape Wholesale Broadcap Fund

Fund report and commentary – 31 March 2007

## Sector exposures as at 28 February 2007



## Market Review

The market maintained a strong positive momentum from the previous quarter, fuelled by a solid February reporting season. A feature of the quarter was a sharp but short sell off in late February and early March. A common explanation given by market commentators was that it was driven by fears of a US economic slowdown whilst inflation remained relatively high. We considered it was more a case of the market looking for an excuse to sell and lock in some solid gains made very quickly over the previous six months. The market then rebounded very strongly, with the rally broader than the previous quarter. Many record highs were recorded making stock picking challenging. The Private Equity phenomenon continued to capture the market's attention, with "corporate activity premiums" being priced into many stocks.

## Performance

The Fund outperformed the benchmark for the quarter. Contributors to performance included overweight positions in Reece Australia, Tassal Group and SMS Management & Technology. Detractors from performance included a zero weight position in Telstra and overweight positions in A.B.C. Learning Centres and Campbell Brothers.

## Fund Activity

During the quarter the Portfolio initiated positions in Avastra, Chemgenix, Mariner Bridge Telstra Instalment Receipts, Insurance Australia Group, Onesteel, Futuris, Australian Barley Board, Energy Developments, GUD Holdings, Macquarie Communications Infrastructure, McMillan Shakespeare, SMS Management and Technology, Resmed, Sydney Roads Group, Santos, and Pearlstreet. We sold out of Pearlstreet, Sigma, Henderson Group, Dyno Nobel, Cochlear, Boral, Australian Wheat Board and Wesfarmers during the quarter.

## Fund outlook

Recent global and domestic macro economic data suggests continued solid growth, combined with significant corporate activity, has resulted in lower market equity risk premiums. We are confident that there are pockets of value in the market; long duration growth stocks with focussed management teams are favoured within the portfolio. We observe our portfolio currently has defensive attributes with a beta of less than 1. This is evidenced as relative performance is typically positive in down days. This apparently defensive portfolio is an outcome of our bottom up process rather than top down driven strategy.

Any information contained in this publication is current as at 31/03/07 unless otherwise specified and is provided by Challenger Managed Investments Ltd ABN 94 002 835 592 AFSL 234 668, the issuer of the Fund. It should be regarded as general information only rather than advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain a Product Disclosure Statement (PDS) relating to the product and consider that Statement before making any decision about the product. A copy of the PDS can be obtained from your financial planner, our Investor Services team on 13 35 66, or on our website: [www.challenger.com.au](http://www.challenger.com.au). If you acquire or hold one of our products, we will receive fees and other benefits, which are disclosed in the PDS for the product. We and our employees do not receive any specific remuneration for any advice provided to you. However, financial advisers (including some Challenger group companies) may receive fees or commissions if they provide advice to you or arrange for you to invest with us. Some or all of the Challenger group companies and their directors may benefit from fees, commissions and other benefits received by another group company.