

Greencape Wholesale High Conviction Fund

Fund report and commentary – 31 March 2007

Overview: The Greencape Wholesale High Conviction Fund (Fund), valued at \$26.09 million on 31 March 2007, posted a return of 8.06% (after fees)* compared with the S&P/ASX200 Accumulation Index (benchmark), which returned 6.89%.

Performance					
	3 months (%)	1 year (%)	3 years (%) p.a.	5 years (%) p.a.	Inception (%) p.a.
Greencape Wholesale High Conviction Fund	8.06	-	-	-	29.36
Growth return	7.34	-	-	-	28.40
Distribution return	0.71	-	-	-	0.95
S&P/ASX200 Accumulation Index	6.89	-	-	-	21.90
Active Return (net)	1.17	-	-	-	7.46

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 long term through a highly concentrated portfolio of Australian shares, and provide returns above the benchmark, the S&P/ASX200 Accumulation Index, over rolling three-year periods.

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

Asset allocation

	Current (%)	Range (%)
Securities	98	85 - 100
Cash	2	0 -15

Fund facts

	Greencape Wholesale High Conviction Fund
Inception date	11/09/2006
Fund size (\$M)	26
APIR code	HOW0035AU

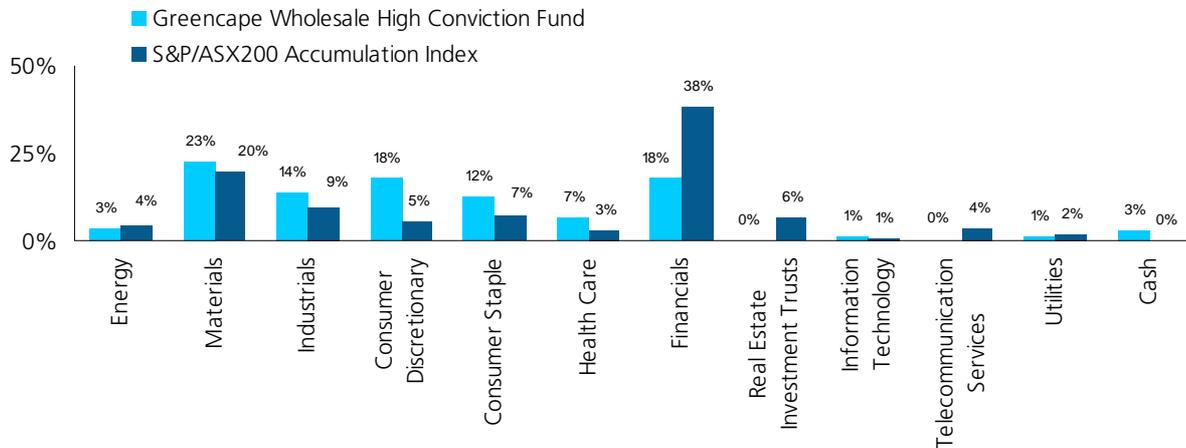
Fees

	Greencape Wholesale High Conviction Fund
Entry fee	Nil
2005/06 MER	NA
Management fee	0.90% 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%

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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 index during the quarter. Overweight positions in Tassal Group, Reece Australia and JB Hi-Fi contributed to performance. A zero holding in Telstra detracted from returns, as did overweight positions James Hardie Industries and A.B.C. Learning Centres.

Fund Activity

During the quarter the Fund initiated positions in Chemgenex Pharmaceuticals, Futuris Corporation, Healthscope, Insurance Australia Group, McMillan Shakespeare and Onesteel. We exited positions in Austbrokers, Australian Worldwide Exploration, AWB and Publishing & Broadcasting.

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 from a top down driven strategy.

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