

# Model Portfolio Update



MARCH QUARTER 2010

discoveryinvestments.com.au

## Discovery Value (DI0002)

### Market Overview

March saw the Australian equity market have its biggest monthly gain in six months and recorded its highest monthly close since August 2008. In contrast the performance for the quarter as a whole was much more subdued with the S&P ASX/200 Accumulation Index ending the quarter up just 1.4%. Investor focus was centred on 'reporting season' as most ASX 200 companies reported earnings for the first half of the 2010 financial year. Overall earnings reports saw positive surprises outweighing negative ones, but guidance and outlook statements were frequently guarded.

We see further evidence of earnings leverage to an improving economy in a generally better than expected reporting season, and we remain focused on the shape of the recovery. Continued strength in expectations for GDP growth, housing data and strengthening employment growth is encouraging, although we believe that the outlook for retail sales growth could be weaker than expected, with the roll off of fiscal stimulus more material than implied by the market. Strength in Asian economies, led by China, remains significant.

### About the Model Portfolio

#### Investment Objective

The Discovery Value Model Portfolio (the "Model") aims to achieve capital growth and dividend income by investing in a portfolio of 20 to 30 stocks in the S&P/ASX 200 Accumulation Index that are ranked well on characteristics such as price to earnings, price to operating cashflow and other measures of comparable value.

#### Investment Strategy

The investment objective of the Model is pursued by investing in a basket of securities, classed as "value" securities, that track the market. The Model composition is reviewed monthly. The Model invests in stocks in the S&P/ASX 200 Accumulation Index that are ranked well on measures of comparable value.

#### Designed for Investors who...

- Seek both income and capital growth
- Are happy to receive market returns
- Accept the risk of significant price fluctuations

Past performance is no indicator of future performance. Long term performance returns show the potential volatility of returns over time. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially. Model portfolio composition and performance have been based on theoretical tracking of the model portfolio and are gross of fees and do not take tax positions into account. Please note, actual portfolios may not perform in the same manner as the model depicted in this document, depending on the nature of your personal Portfolio and any customisations. Rounding used in the presentation of data may result in minor variations.

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### Top 10 Holdings as at 31/3/2010

Amcor Ltd
ANZ Banking Group Ltd
Commonwealth Bank of Australia
National Australia Bank Ltd
Origin Energy Ltd
Stockland Corporation Ltd
Telstra Corporation Ltd
Wesfarmers Ltd
Westfield Group
Westpac Banking Corporation

### Summary

Model Portfolio name	Discovery Value Model
Model Code	DI0002
Model inception date	18/10/2006
Principal investment objective	To achieve capital growth and dividend income by investing in a portfolio of 20 to 30 stocks in the S&P/ASX 200 Index that are ranked well on measures of comparable value
Can derivatives be used?	No
Indicative number of stocks	20 – 30
Minimum Model investment	No fixed minimum*
Model Provider's Fees <sup>#</sup>	
Investment Fee	0.40% p.a.
Benchmark Index	S&P/ASX 200 Accumulation Index

\* Please refer to the Product Disclosure Statement for further details.

### Performance as at 31/3/2010

	Gross	Benchmark <sup>#</sup>	Out-performance*
1 Month	3.69%	5.75%	-2.06%
3 Months	2.46%	1.36%	1.10%
6 Months	4.30%	4.80%	-0.50%
1 Year	41.63%	41.71%	-0.07%
2 Years (pa)	2.90%	-0.06%	2.96%
3 Years (pa)	-3.95%	-2.44%	-1.50%
Since Inception (pa) <sup>^</sup>	-0.15%	1.52%	-1.67%

# S&P/ASX 200 Accumulation Index.

\* Shows the difference between Portfolio Gross Return and Benchmark Return.

<sup>^</sup> Performance Inception date 31/10/2006.

This model has no benchmark, the returns of the S&P/ASX 200 Accumulation Index are shown for comparative purposes only. This index contains stocks which can be classified as either "value" or "growth". On occasions the "growth" stocks will outperform the "value" stocks and vice-versa, so the returns of this model can be expected to fluctuate around those of the S&P/ASX 200 Accumulation Index.