

QUARTERLY UPDATE SEPTEMBER 2011

About the Portfolio

The objective of the Income Portfolio is to outperform its benchmark, the RBA Cash Rate plus 4% (Cash +4%), over rolling three year periods. The portfolio seeks a franked income stream from investing in the Australian equity market (excluding property trusts) over at least three to five years and is for investors who accept the risk of price fluctuations.

Portfolio Strategy

TPPM employs van Eyk's three stage process to evaluate and rank each company in the S&P/ASX 300 Index.

Firstly, van Eyk evaluates the quality measures under the categories of growth, stability, financial condition, competitive advantage, and outlook.

Secondly, van Eyk classifies each stock into one of six general categories. This classification process takes into account not only the growth potential of the company but also the quality attributes – a more robust approach than simply classing a stock as value or growth on the basis of Price to Earnings Ratio or Price to Book Value.

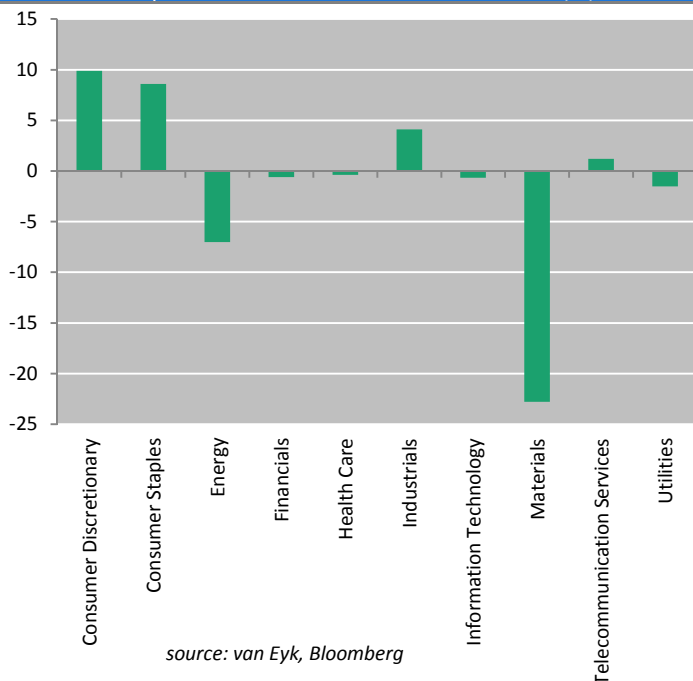
Finally, van Eyk values each stock based on the strategies and methodologies expounded by four of history's greatest investment practitioners, in van Eyk's opinion.

The portfolio invests in stocks within the S&P/ASX 300 Index. Within this universe, the portfolio is not managed in terms of market capitalisation or correlation to the benchmark; rather, it seeks stock specific returns.

Designed for investors who...

- Seek to benefit from investing in large capitalisation Australian shares over at least 3 to 5 years;
- Accept the risk of price fluctuations; and
- Prefer lower portfolio turnover (approximately 30% per year) for tax-effective performance.

GICS Sector Exposure Relative to S&P/ASX300 Index (%)



As at 30 September 2011	Gross	Cash +4%	Relative Performance
1 Month Return	-3.65%	0.69%	-4.34%
3 Month Return	-9.70%	2.14%	-11.84%
6 Month Return	-12.34%	4.29%	-16.63%
1 Year Return	-10.72%	8.72%	-19.44%
2 Year Return	-3.47%	8.38%	-11.86%
3 Year Return	-1.97%	8.17%	-10.14%
Since Inception (%pa) [^]	-1.16%	9.18%	-10.34%

Source: BlackRock

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

[^] 14 August 2006

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.

Portfolio Information

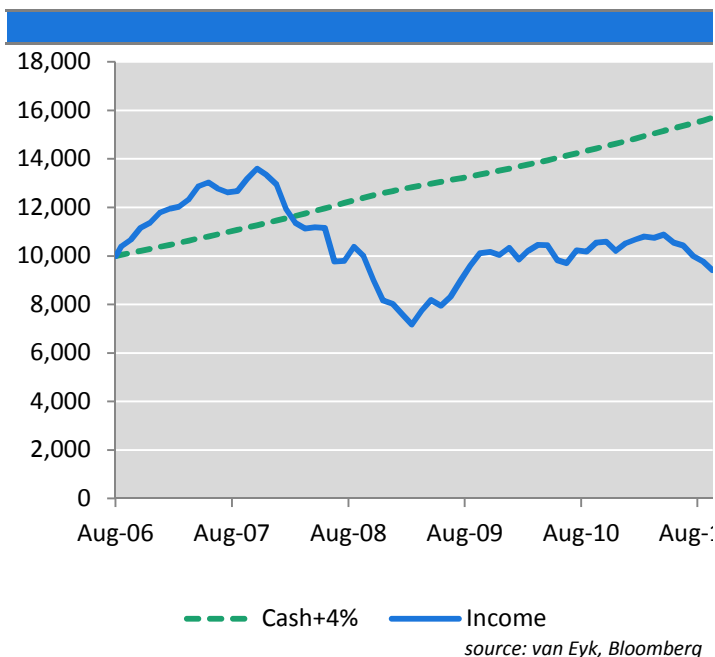
Model Portfolio Name	van Eyk Income
Code	VE 0002
Model Inception Date	27 June 2006
Principle investment objective	Growing income stream with some capital growth from Australian shares over at least 3 to 5 years.
Can derivatives be used?	No
Indicative number of stocks	15-25
Minimum Model investment	No fixed minimum
Investment Fee	0.33% p.a.
Performance Fee applicable	11% of outperformance over the benchmark
Benchmark index	4% above the RBA cash rate after costs

Top 10 Holdings

1	Commonwealth Bank of Australia	9.8%
2	Cash	9.2%
3	Westpac Banking Corp	8.2%
4	Australia & New Zealand Banking Group Ltd	8.2%
5	Coca-Cola Amatil Ltd	7.2%
6	Wesfarmers Ltd	6.0%
7	Telstra Corp Ltd	5.4%
8	National Australia Bank Ltd	5.0%
9	Metcash Ltd	4.7%
10	GUD Holdings Ltd	4.0%

Model Portfolio Activity

No changes to the portfolio during the quarter.



As at 30 September 2011	Portfolio	S&P/ASX 300 Index
P/E Ratio	10.0	11.2
Price/Book	1.7	1.6
Price/Sales	1.7	1.4
ROE	13.6	14.2
Net Yield	6.2	4.7
Gross Yield	8.7	6.3

Top Five Contributors for the Quarter

1	Telstra Corp Ltd	0.4%
2	Coca-Cola Amatil Ltd	0.3%
3	Wesfarmers Ltd	0.0%
4	Suncorp Group Ltd	0.0%
5	Metcash Ltd	0.0%

Top Five Detractors for the Quarter

1	Transfield Services Ltd	-1.3%
2	Commonwealth Bank of Australia	-1.3%
3	GUD Holdings Ltd	-0.9%
4	Australia & New Zealand Bankin	-0.9%
5	Cash Converters International	-0.9%

Market Outlook

For the quarter ending September 30 2011, world markets suffered a mini crash as concerns over the European debt crisis escalated and further talk of a double dip recession saw risk appetite take a sharp turn for the worse. The S&P/ASX300 Index lost -13.06%, the US S&P 500 slumped -14.3%, the Euro Stoxx crashed -22.07% and the China Composite fell -14.59%.

Within the Australian market, industry sector contributions to the benchmark index indicated investors' continuing defensive positioning as per the previous quarter, albeit on a larger scale. The Telco sector was the only area in the black, with all others in strongly negative territory. The Materials and Energy sectors were the worst performers with falls of 19.2 % and 17.8% respectively.

Key technical support levels were breached in most markets over the period, although at around current levels we are seeing a period of consolidation. For example, while the ASX 300 hit a low of around 3850 in late September, post the quarter's end we have had a sharp bounce to 4250 at the time of writing. (+10.4%).

In our previous quarterly note we pointed out that our market was on the cheap side of fair value at around 4400, with some risk at that level as consensus earnings continue to be get trimmed and the macro picture becomes cloudier. However, at below 4000 the market was clearly very cheap and pricing in very significant risks to both company earnings and the macro picture at large. Having said that, given the instability in Europe, and the US it seems likely that volatility will remain for some time. There is also an argument that, given the current state of affairs in global markets, there seems little reason for any significant expansion in the short term of the market's PE ratio to historical averages of around 14.5 times.. One possible catalyst for a reasonable bounce is the potential for the Reserve Bank to cut interest rates. Compared to other central banks the RBA does have ample ammunition. Indeed, recent market speculation that the bank will act sooner rather than later has increased. The concurrent fall in the Australian dollar that would result from rate cuts would also be a

positive given the higher than expected currency over the past few quarters has provided many challenges on the company earnings front. Nonetheless, we see this ongoing volatility as providing opportunities for investors to position themselves in quality stocks. While a three month view requires more of a trading mentality and a strong risk appetite, on a three year view there appears to be some very good value and strong yields on offer.

Moving on to the broader themes in our portfolio strategy: we are neutral on the banks. Soft credit growth and strong competition are key headwinds, while there are also rising concerns over Australia's inflated residential property market. However the bank sector does have solid franked yields and unchallenging valuations.

We maintain across the board exposure to commodities, albeit not overweight in a significant way. While world economic growth is slowing and commodity markets have corrected, the three key drivers for the sector remain in place, namely emerging market demand, lax fiscal and monetary policy (creating excess liquidity and negative real interest rates) and demand for quality resources assets. Corporate activity remains a feature, with several M&A actions occurring during the quarter. The possibility of the US Federal Reserve introducing further measures (QE3?) also cannot be ruled out given the ongoing weakness of the US economic recovery, which would likely see a new flood of money into risk assets. We also remain overweight gold stocks as a necessary hedge against monetary instability, which we expect for the foreseeable future.

With regard to the industrials, we retain a preference for those companies exposed to the strong capital spend in the resources and energy sectors, while we remain very cautious on the consumer discretionary area. The healthcare sector remains attractive, offering a mix of defensive and growth attributes.

The key risks have changed little over the last few quarters and will be with us for some time: namely, the precarious fiscal position of the Eurozone and the USA and the ongoing efforts (or lack thereof) to bring

Market Outlook

sufficient relief to the situation.

In reality this will need not only combined fiscal and monetary policy initiatives but also plenty of time to allow the deleveraging process to progress in a reasonably orderly fashion and avoid any sudden shocks to the system, also known as a “Lehman moment”.

If you have any queries relating to any of this information or to obtain a copy of the Product Disclosure Statement, please contact BlackRock’s Adviser Services Centre on 1300 366 101.

This publication has been prepared by van Eyk Research Pty Ltd ABN 99 010 664 632, corporate authorised representative of van Eyk Financial Group Pty Ltd ABN 28 149 679 078, AFSL 402146 (authorised representative number 408625) (van Eyk) and is general advice only. Past performance information is given for illustrative purposes only and should not be relied upon as it is not an indication of future performance. The publication is not intended to influence you and your client’s investment decision in relation to any products contained in this publication and does not take into account your client’s individual financial situation, needs or objectives. We recommend that you and your client do not rely on this publication in making an investment decision and instead you seek advice from an appropriate investment adviser and read the product disclosure statement before making such a decision. BlackRock Investment Management (Australia) Limited ABN 13 006 975, AFS Licence Number 230523 (BlackRock), is the responsible entity for the Separately Managed Accounts ARSN 114 818 530. This document is not issued by BlackRock and BlackRock takes no responsibility for the content of this document except for the Model Performance and the Top 10 holdings information. Investments in the Separately Managed Accounts are subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither BlackRock nor any other member company of BlackRock guarantees the performance of the Separately Managed Accounts or the repayment of capital from the Separately Managed Accounts.

FINANCIAL SERVICES GUIDE

Updated: 25 July 2011

This Financial Services Guide provides information about who we are, what services we provide, how we are remunerated and the procedures we follow when dealing with complaints

What is this document?

This Financial Services Guide (**FSG**) is an important document which we are required to give you as a providing entity of a financial service. The FSG is to assist you in determining whether to use the financial services provided by Three Pillars Portfolio Managers Pty Ltd ABN 65 116 010 649, corporate authorised representative of van Eyk Financial Group Pty Ltd ABN 28 149 679 078, AFSL 402146 authorised representative number 301271) (**Three Pillars**). The distribution of this FSG by Three Pillars has been authorised by van Eyk Research Pty Ltd ABN 99 010 664 632, corporate authorised representative of van Eyk Financial Group Pty Ltd ABN 28 149 679 078, AFSL 402146 (authorised representative number 408625) (**van Eyk**).

Three Pillars has prepared and issued this FSG. The matters covered by this FSG include:

- Who we are and how we can be contacted;
- What financial services we are authorised to provide you;
- How we are remunerated;
- Details of our conflicts of interest management policy and disclosure; and
- Details of our internal and external dispute resolution procedures and how you can access them.

You can contact us by:

Street & Mailing Level 1, 9 Castlereagh Street,
Address: Sydney, NSW, 2000
Telephone: (02) 9225 6000
Email: support@vaneyk.com.au
Website: www.vaneyk.com.au

Our financial services

Three Pillar's business primarily comprises as a portfolio manager of Australian shares. Three Pillars operates managed accounts and provides advice predominantly on listed investment companies to wholesale and retail clients.

Three Pillars is authorised to provide the following financial services to wholesale and retail clients:

- (a) provide personal and general financial product advice about a broad range of financial products: securities (eg shares and non-government debentures); derivatives (eg swaps); stocks; managed investment schemes, including investor directed portfolio services (eg managed accounts); and
- (b) deal in each of the financial products referred to above, on behalf of another person.

About general financial advice

Any advice we give you will be general in nature and will have been prepared without taking into account your objectives, financial situation and needs. You should consult a financial adviser if you would like advice that is appropriate to your objectives, financial situation and needs. When making an investment decision in relation to a financial product you should first refer to the disclosure document (eg prospectus) (if any) for that product.

Three Pillars is authorised to provide all the above financial services as corporate authorised representative of van Eyk Financial Group Pty Ltd ABN 28 149 679 078, AFSL 402146 authorised representative number 301271), the authorising licensee. van Eyk's contact details are as follows:

Street & Mailing Level 10, 9 Castlereagh Street,
Address: Sydney, NSW, 2000
Telephone: (02) 9225 6000
Email: support@vaneyk.com.au
Website: www.vaneyk.com.au

Remuneration

Three Pillars does not currently receive remuneration in respect of the financial services it provides.

Conflicts of interest

Three Pillars takes seriously the management of conflicts of interest relating to its business. Three Pillars has established arrangements aimed at minimising such conflicts of interest. More information about these arrangements can be obtained on request from Three Pillars.

Compensation and Insurance

Three Pillars has affected professional indemnity insurance in accordance with its obligations under section 912B of the *Corporations Act 2001 (Cth.)*.

Complaints handling

Three Pillars is committed to: providing a high standard of client service; maintaining our reputation for credibility and accountability; independent ownership by a small number of individuals (who are also involved in the day to day management of Three Pillars).

If our services fail to meet your expectations we would like you to inform us of your concerns. Should you wish to lodge a complaint please contact us using the contact details listed above.

In the event that the outcome of your complaint is not satisfactory to you, you may request that the matter be referred to the Financial Ombudsman Service (**FOS**). You may request further information about the complaints scheme at any time. FOS may be contacted at any time. Their details are:

Financial Ombudsman Service

Street & Mailing GPO Box 3
Address: Melbourne VIC 3001
Telephone: 1300 78 08 08
Fax: (03) 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

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