

Investment Brief

MARCH QUARTER 2005



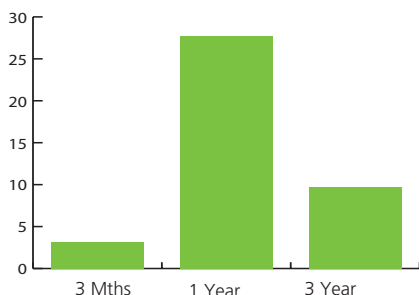
MAP Group Services:
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Fund Performance

Another strong period for the Fund and the Market in general with the Fund returning 3.2% for the quarter and 27.7%, after all fees, for the rolling 12 months. Australian Index returns (Benchmark) for these same periods were 2.6% and 25.4% respectively. Relative Fund and Benchmark returns for the past quarter, 1 and 3 years are shown in the table below.

Period ending 31 March 2005			
	Qtr (%)	1 Yr (%)	3 Yrs (%)
Fund	3.2	27.7	9.7
Benchmark	2.6	25.4	11
Variance	0.6	2.3	(1.3)

Table 1: Fund performance (after fees) vs S&P/ASX 300 Accumulation Index (no fees included)



Graph 1: MAP AEF performance to 31 March 2005

Market Review

Over the quarter the MSCI International Share Index returned 0.2% on an unhedged basis. This is roughly the same as the return of 0.4% in local currency terms as the depreciation of the Australian dollar (1%) against the US dollar was broadly offset by the appreciation of the Australian dollar by 0.4% against Sterling, 3.3% against the Japanese Yen and 3.4% against the Euro. On a Trade Weighted Index (TWI) basis the Australian dollar rose by 0.9% over the quarter.

Australian shares are still continuing to strongly outperform international shares (unhedged) over all time periods to 31 March 2005 as shown below.

	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Australian Shares	25.4	11.0	9.7	10.0	12.3
International Shares (Unhedged)	8.8	(6.2)	(7.7)	0.1	6.8
Variance	16.6	17.2	17.4	9.9	5.5

Table 2: Annual Index Returns for Australian/International Sharemarkets. Source: InTech Performance Survey

Turning to the Australian market, of the larger industry sectors over the quarter, the performance of Energy (+15%) and Materials (+8%) were the best while Consumer Discretionary (-6%) and Property Trusts (-3%) were the worst.

Some of the more significant moves by shares familiar to most people over the past quarter include:

Positive	% Change	Negative	% Change
Macarthur Coal	68	Pacific Brands	(21)
Caltex	43	Multiplex	(21)
Cochlear	30	Harvey Norman	(14)
Healthscope	27	Flight Centre	(14)
Unitab	22	Paperlinx	(13)
Woodside Petroleum	21	Boral	(11)
CSL	17	James Hardie	(11)
United Group	17	Patrick Corporatiao	(11)
BHP	16	Fosters Group	(11)
RIO Tinto	15	CSR	(8)

Table 3: Selected share price movements for the quarter 1 January - 31 March 2005

The main drivers of returns over the March quarter were:

- a strong reporting season with earnings generally exceeding expectations;
- positive views on World/Asian economic growth rates (and consequently commodity usage/prices);
- oil prices (positive for the energy sector and a negative for sectors reliant on oil as an input);
- concern about housing/consumer related stocks due to increases in petrol prices and fears of inflation/interest rate increases; and
- profit warnings/downgrades, particularly from smaller capitalisation stocks (see Glossary).

Over the quarter the Reserve Bank of Australia increased the official cash rate by 0.25% to 5.5% while the Federal Reserve (US Central Bank) increased their rates to 2.75%. Australian ten year bond yields increased from 5.3% to 5.7%. Concern about the oil price and its potential effect on inflation and disposable income appears justified as the oil price increased from US\$44/barrel to US\$54/barrel.

Market Outlook

As this newsletter is being written the world and Australian stockmarkets are undergoing a significant correction. We see this as being an overreaction and, if anything, presents a buying opportunity. For example, BHP is off by more than 10%. The resources sector in general is being sold off, as are many consumer discretionary stocks, especially the smaller ones. Banks have been one of the few sectors to benefit.

This is not to say that the correction cannot continue. We just don't think there is a justification for it to continue in the context of expected world economic growth of around 4% and interest rates that are still low (although rising).

While we will not be surprised to see growth slowing in the world's developed economies we are expecting strong growth from Asia, particularly China. We expect China to significantly influence commodity markets for at least the next decade, similarly to the effect on markets of Japan in the 1960s and 1970s.

Meanwhile, in Australia, consensus growth expectations have been reduced to 2.6% for 2005 and 3.4% for 2006 (Macquarie Research Economics, 22 April 2005) as housing slows and higher petrol prices and interest rates affect people's disposable income. It is possible that economic growth could be higher than this if commodity prices remain at their current elevated levels (or even increase further). Prices and volumes of Australia's commodity exports will depend on the extent to which some of the capacity constraints in the materials sector are removed (for example, the short supply of mining equipment and the lack of capacity at coal loading terminals and on railway lines) and developments in relation to world and particularly Chinese economic growth given that China is close to, if not the largest, importer of many commodities.

On the downside, profit downgrades have been more prevalent of late, particularly among small capitalisation stocks, mainly due to the effect of higher input costs and slower demand (in some areas, although not all). Increase in input costs/inflation will affect some companies more than others. For example, banks should be less affected than manufacturing companies. When the increased number of potentially dangerous stocks is combined with the fact that the market is unlikely to continue the strong bull run that saw ten continuous positive return months (ending 28 February this year), the result is that the effect of stock picking (successful or unsuccessful) will be a larger component of overall returns this year.

On balance, we remain of the view that the fund will achieve positive returns over the next twelve months.

Fund Structure

As at the end of the quarter the Fund was invested as follows:

Classification	31.03.05 Weight (%)	31.12.04 Weight (%)
External Share Managers	60.7	61.5
MAP Direct Shares	37.9	37.1
MAP Direct Cash Holdings	1.4	1.4

Table 4: AEF Fund Structure

At 31 December 2004 total fund investments were spread across in excess of 100 stocks. Details of the top 10 holdings together with aggregate cash holdings, at the end of the quarter and comparative holdings at the end of the prior quarter are:

Stock	31 Dec 2004 Fund Weight (%)	30 Sep 2004 Fund Weight (%)
BHP	7.5	5.5
National Australia Bank	5.2	5.0
ANZ Bank	4.2	4.2
Commonwealth Bank	4.3	3.9
Westpac Bank	3.8	3.8
Rio Tinto	3.4	3.2
News Corporation	2.5	2.9
QBE	2.5	2.4
Telstra	2.1	2.2
WMC Resources		2.1
Rinker	1.6	1.9
Total - Top 10	37.1	35.2
Total Cash	2.6	3.1
TOTAL	39.7	38.3

Table 5: Top ten holdings

The major economic sectors in which your Fund is invested (by Index weight) under the Global Industry Classification Standard *GICS) classification at the end of the quarter are:

Economic Sector	Fund Weight (%)	Index Weight (%)	Variation to Index Weight (%)
Financials (ex Real Estate)	26.7	31.9	(5.2)
Materials	22.3	20.2	2.1
Real Estate	6.1	10.2	(4.1)
Industrials	11.1	8.8	2.3
Consumer Disc	9.8	8.3	1.5
Consumer Staples	5.3	7.1	(1.8)
Telecom Services	3.1	4.6	(1.5)
Energy	5.0	3.7	1.3
Healthcare	4.5	3.1	1.4
Utilities	0.9	1.5	(0.6)
Info Tech	1.4	0.7	0.7
Cash & Other	3.8	0	3.8
TOTAL	100.0	100.0	0.0

Table 6: Sector weightings as at 31 March 2005

In the last newsletter we discussed the tax effectiveness of our trading strategy for the direct shares managed by MAP. Basically we will usually consider the tax consequences of trading the shares in the portfolio. The recent BHP buyback was an example of this, as is the RIO Tinto buyback that is currently underway.

It should be noted that this strategy does not rule out an increase in the level of trading by the fund in flat markets. For example, the recent market volatility has thrown up some opportunities as panic selling pushes stocks below our assessment of their fair value. However, a rapid bounceback can then see the stocks trading at or above fair value in a short period of time. In this situation, the trading activities of the fund may increase. However it is always with the same end objective: to increase the wealth of our investors.

Glossary

To assist investors we progressively publish a glossary of investment terms used in the investment industry.

Small Capitalisation Stocks: generally accepted as being those outside the top 100 S&P/ASX Stocks. The Small Cap Index covers the stocks ranging from the 101st to the 300th in the S&P/ASX300 Index.

If you would like further information on the MAP Australian Equity Fund, your investments or your financial strategy, please contact one of MAP's Financial Consultants, Noelene Mouritz or Brendan Tanwan, on (07) 3838 1234 or 1800 640 055 (toll-free outside Brisbane).

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