

Investment Brief

JUNE QUARTER 2005



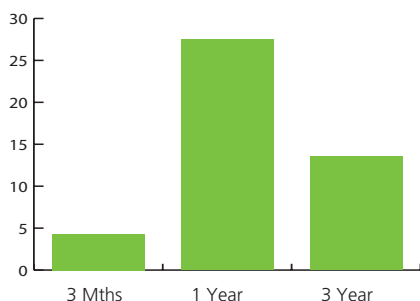
MAP Group Services:
 Superannuation
 Allocated Pension
 Investments for Self Managed Super Funds
 Australian Equity Fund
 Financial Planning

Fund Performance

The fund had an excellent financial year, returning 27.5% after all fees against the index return of 26.0%. Over the quarter to 30 June 2005 the fund returned 4.3% (index 4.7%). Relative Fund and Benchmark returns for the past quarter, 1 and 3 years are shown in the table below.

Period ending 30 June 2005			
	Qtr (%)	1 Yr (%)	3 Yrs (%)
Fund	4.3	27.5	13.5
Benchmark	4.7	26.0	14.7
Variance	(0.4)	1.5	(1.2)

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



Graph 1: MAP AEF performance to 30 June 2005

Market Review

Over the quarter the MSCI International Share Index returned 1.8% on an unhedged basis. This is similar to the return of 2.8% in local currency terms over the quarter. However, over the year currency movements caused a difference of about 10% with the unhedged return being around 0% and the local currency return around 10%. This was due to appreciation of the Australian dollar against the US dollar (5.6%), Sterling (11.2%), Yen (9.9%) and Euro (9.1%). On a Trade Weighted Index (TWI) basis the Australian dollar rose by 1.1% over the quarter and by 9.1% over the year.

Australian shares are still continuing to strongly outperform international shares (unhedged) over all time periods to 30 June 2005 as shown below.

	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Australian Shares	26.0	14.7	9.5	11.1	12.0
International Shares (Unhedged)	0.1	(0.9)	(6.9)	(0.9)	6.2
Variance	25.9	15.6	16.4	12.0	5.8

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

Turning to the Australian market in detail, 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 Tursts (-3%) were the worst. Energy was also the best performing sector over the year (67%) while the worst sector was consumer discretionary (4%), as it was for the quarter.

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

Positive	% Change	Negative	% Change
United Group	31	Village Life	(72)
Rinker Materials	30	Wattyl	(34)
Oilsearch	27	Paperlinx	(27)
James Hardie	27	Just Group	(25)
Macquarie Bank	24	SP Telemedia	(25)
Mayne Group	23	Colorado	(23)
Ramsay Healthcare	23	Millers Retail	(18)
Woodside Petroleum	20	Flight Centre	(12)
Bank of Queensland	17	Pacific Brands	(10)
Aristocrat Leisure	16	Coca Cola	(8)

Table 3: Selected share price movements for the quarter 1 April - 30 June 2005

The main drivers of returns over the June quarter were similar to that for March:

- ♦ the continuing strength of oil prices (which started and finished the quarter around US\$55, with a dip to US\$48 in-between);
- ♦ concern about the earnings of housing/consumer related stocks due to fears of a downturn in consumer spending;
- ♦ the continuation of profit warnings/downgrades, particularly from smaller capitalisation stocks early in the quarter; and
- ♦ negative and then positive views on world/Asian economic growth rates (and consequently commodity usage/prices).

Over the quarter the Reserve Bank of Australia left the official cash rate unchanged at 5.5% while the Federal Reserve (US Central Bank) increased their rates to 3.25%. Australian ten year bond yields fell to 5.1% after starting the quarter at 5.7% (from 5.3% at the start of the calendar year).

The other item of news affecting markets was the revaluation of the Chinese Yuan against the \$US and the move to targeting its value against a basket of currencies. While the initial revaluation was small (2.1%), the new structure allows for gradual moves in the value of the currency (subject to government intervention). Depending on the level of government intervention this should be a good move for markets in general (as it lowers the probability of protectionist anti-trade measures) and the Australian market in particular (as it makes commodities slightly cheaper for Chinese purchasers). However this move is generally regarded as a necessary first step with more required to be done to move to a fully floating currency.

Market Outlook

In the March quarter newsletter we wrote that we did not expect the correction then occurring to continue. This was indeed the case with the share market recovering 9.2% over the period from its early May lows to the end of the financial year. While most stocks recovered strongly, consumer discretionary stocks, especially the smaller ones, continued to underperform. Consumers seem to be more influenced

by the slowing in growth of the value of their homes than the increase in petrol prices (currently oil is US\$60 per barrel from US\$37 at the start of the 2004/05 financial year).

The market is now firmly focussed on the reporting season which is currently underway. The items of interest include profitability in the face of a consumer slowdown, the effect of higher input prices (raw materials, fuel etc) and companies' outlook statements for the new financial year. Most forecasts have Australia returning to reasonable economic growth levels for the latter part of this calendar year and for 2006 (around 3-4%). In addition, most commentators are forecasting global economic growth at around the 4% mark in 2006 (Goldman Sachs and JB Were 3.8 and 3.9% respectively - June 2005).

The US is generally expected to keep raising its interest rates to around 4% by the end of the year while our current expectation is that the Reserve Bank of Australia (RBA) will probably leave rates unchanged over the same period.

Fund Structure

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

Classification	30.06.05 Weight (%)	31.03.05 Weight (%)
External Share Managers	62.3	60.7
MAP Direct Shares	37.2	37.9
MAP Direct Cash Holdings	0.5	1.4

Table 4: AEF Fund Structure

Fund Manager Performance

The fund uses a diversified group of managers, both by style (value, growth or style neutral) and size (large cap or small cap). As a result in any one year some managers will outperform and some underperform, with the aim being to achieve consistent performance from year to year. Of the managers used by the fund, performance was approximately as follows for the 2004/05 financial year.

Fund Manager	Outcome
Ausbil, MAP Direct Shares	Excellent, about 6 - 7% above the market
UBS, Schroder, Credit Suisse, Dimensional	Average, within 1% of the market
Maple Brown Abbott	Under market about 3%

At 30 June 2005 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	30.06.05 Fund Weight (%)	31.03.05 Fund Weight (%)
BHP	7.6	7.5
National Australia Bank	6.0	5.2
Commonwealth Bank	5.0	4.3
ANZ Bank	4.6	4.2
Westpac Bank	4.0	3.8
Rio Tinto	3.0	3.4
QBE	2.8	2.5
Telstra	2.1	2.1
Woodside Petroleum	2.0	1.6
Santos	1.9	1.7
Total - Top 10	39.0	37.1
Total Cash	3.1	2.6
TOTAL	42.1	39.7

Table 5: Top ten holdings

Disclaimer: This document contains general advice and factual information and is believed to be reliable and accurate. The information in this document is not suitable to be acted upon as investment advice and you should not rely on this information for that purpose. Before making an investment decision we suggest you take into consideration whether the advice is appropriate to your particular needs, objectives and financial circumstances and strongly recommend you consult a financial adviser. No responsibility is accepted by MAP Funds Management Ltd, its subsidiaries or any employee or director for any action that may be taken on the basis of information provided in this document.

Past performance should not be relied on as an indication of future returns. The actual returns will be determined by the investment strategy adopted and prevailing market conditions. MAP Funds Management and MAP Financial Planning do not guarantee the repayment of capital or the investment performance of the MAP products.

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)	29.3	33.5	(4.2)
Materials	21.1	18.9	2.2
Real Estate	6.4	10.4	(4.0)
Industrials	10.4	9.0	1.4
Consumer Disc	7.7	6.9	0.8
Consumer Staples	5.0	6.7	(1.7)
Telecom Services	2.9	4.5	(1.6)
Energy	6.3	4.7	1.6
Healthcare	4.6	3.3	1.3
Utilities	0.7	1.5	(0.8)
Info Tech	1.2	0.6	0.6
Cash & Other	4.4	0.0	4.4
TOTAL	100.0	100.0	0.0

Table 6: Sector weightings as at 30 June 2005

Financial Year Performance

As noted above, the fund returned 27.5% after all fees (versus the index return of 26.0%) for the financial year but before taking account of tax. As we have mentioned in a previous newsletter we aim to maximise your after tax or "cash in pocket" return rather than the headline return of 27.5% mentioned above. As such we believe that the funds' effective after tax return will be significantly better than other funds who did not participate in any share buybacks (see glossary) as the after tax benefits of the buyback do not appear in our Fund's published return figures.

Our estimation is that the fund's published returns are lower by approximately 0.6% than if we had not participated in share buybacks. In addition because the MAP direct share portion of the fund did participate in the RIO/BHP buybacks, the fund's dividend yield and associated tax credits are significantly higher. For example, in the financial year just ended, the fund made a distribution of about \$5.4 million (including capital gains). Of this amount the MAP direct shares portion was responsible for dividends of about \$2.8 million, giving an approximate dividend yield of about 13% (against the market at around 4%). Most (75%) of the associated franking credits of about \$1.2 million were due to RIO/BHP buybacks. In conclusion, if you are comparing this fund to another fund which did not partake in share buybacks, do not forget to consider the after tax outcome.

Glossary

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

Share buybacks: buybacks generally involve companies repurchasing shares at prices significantly below market price in return for the receipt of a large dividend, with associated tax credits. For example, the RIO buyback was conducted at \$36.70 versus the then market price of around \$44. The sale was attractive because the price of \$36.70 (being a \$4 deemed share price plus a \$32.70 dividend) meant the fund was selling shares at \$4.00 thus generating tax losses to offset capital gains in other parts of the portfolio as well as realising significant tax credits associated with the dividend.

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, Sue Winsor or Brendan Tanwan, on (07) 3838 1234 or 1800 640 055 (toll-free outside Brisbane).