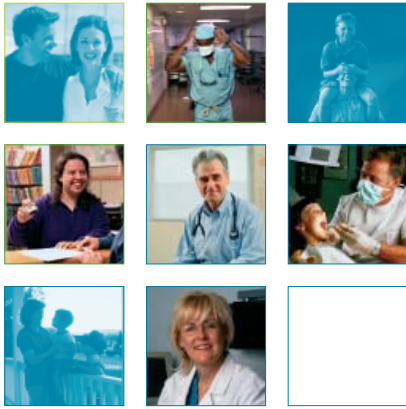


# Investment Brief

MARCH QUARTER 2006

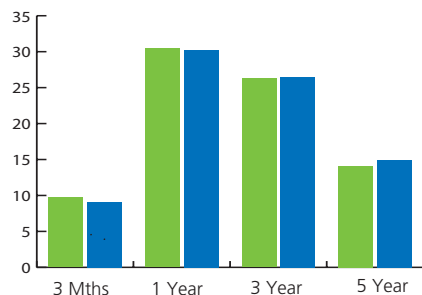


## Fund Performance

The fund continues to perform well with a return of 30.4% after all fees for the year to 31 March 2006 compared to the Benchmark return of 30.2%. Over the most recent quarter the fund returned 9.7% (Benchmark 9.1%). Relative Fund and Benchmark returns for the past quarter, 1, 3 & 5 years are shown in the table below.

Period ending 31 March 2006				
	Qtr (%)	1 Yr (%)	3 Yrs (%)	5 Years (%)
Fund	9.7	30.4	26.3	14.1
Benchmark	9.1	30.2	26.5	14.9
Variance	0.6	0.2	(0.2)	(0.8)

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



Graph 1: MAP AEF performance to 31 March 2006  
■ MAP Australian Equity Fund  
■ ASX 300

## Market Review

International share markets rose by 9.7% over the March quarter. This is made up of share price movements in the respective countries as well as movements in currencies between each country and Australia.

Against the major currencies the Australian dollar has moved as follows over the quarter: US dollar (-2.5%); Sterling (-3.3%); Yen (-2.4%); and the Euro (-4.6). On a Trade Weighted Index (TWI) basis the Australian dollar has fallen by 3.0% over the quarter and by 4.7% over the year. This is in contrast with the average over the past 3 years of an increase in the TWI of 3.5% p.a. however the Australian dollar has risen significantly in the subsequent period.

Over the past year currency movements have caused a difference in the Australian dollar return of about 6%, as shown by the difference between the unhedged (UH) MSCI World Index increase of 28.0% and the local currency (or hedged) return of 22.0%.

For the period to 31 March 2006 Australian shares continued to strongly outperform international shares (unhedged) over all time periods as shown below.

While a significant amount of this outperformance is due to currency movements (over periods of up to five years), the conclusion regarding outperformance by the Australian market is still valid.

	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Australian Shares	30.2	26.5	14.9	12.4	13.0
International Shares (Unhedged)	28.0	16.6	(1.6)	1.2	8.2
Variance	2.2	9.9	16.5	11.2	4.8

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

Turning to the Australian market, over the March quarter the main theme (again) was the strength of commodity markets. Oil was up 8% to US\$66, copper was up roughly 20%, silver 30% and gold 12% (New York markets).

At the sector level returns reflected this with Materials (+18%) and Energy (+13%) the best performing sectors. Telecommunications (-3%) and Property Trusts (2%) were the worst sectors. At the stock level BHP was up 23%, Lihir Gold 22%, Oxiana 54% and Zinifex 39%. As a result of the oil price rise Qantas was down 12% over the quarter while retailing stocks varied from -10% for Pacific Brands to 29% for Harvey Norman. The Australian Wheat Board was down 12% for the quarter and Telstra was down 5%. In the healthcare sector CSL was up 29%.

At a local level household incomes were up on the back of continuing strength in the employment markets. Housing loans and applications for housing loans were also up.



## Market Outlook

In making any investment decision, it is necessary to consider the broad investment context (basically, what are the alternatives to investing in the market you're considering, in this case the share market).

Investment context (31 March 2006)

US Bonds (10 year): 4.8% (from 4.4% three months prior)

Australian Bonds (10 year): 5.4% (from 5.2%)

Australian Cash: 5.5% (constant)

US Cash rates: 4.75% (from 4.25%)

As explained in our December quarter report, we have been expecting bond yields to rise for some time now. This is occurring gradually, with the US 10 year bond yield (at the time of writing) having further increased to 5.1% (May 2). The increase seems to be as much related to strong economic growth prospects in America, as inflation continues to remain low (although it seems that it must rise at some stage given the significant increases occurring in commodity prices). For share markets there is a point where the increasing yield on alternative investments (such as bonds) will require company earnings to increase to maintain the expected risk/return relationship between the two. Although this appears to be happening the increase in yields will provide a slight headwind to some sectors of the share market.

Sections of the Australian share market will also undoubtedly suffer from the slowdown in consumer spending arising from higher fuel prices. Repco has already announced a significant downturn in revenue as a result of consumers spending less. In the Australian market the potential inflationary effect of increased oil prices has given rise to expectations that the Reserve Bank will raise rates. In combination with fuel price rises this would further slow economic growth.

The other area of note is obviously in resources and energy. As in all markets, two factors need to be considered: fundamental value and market sentiment. While the long term fundamentals remain supportive, the critical issue is the rate of world economic growth (currently high), with particular emphasis on the rate of economic growth in China. China's growth rate should continue around the high single digits (8 - 9%) even given the recently announced increase to interest rates in that country. In relation to market sentiment the critical issue seems to be how much commodity prices have been driven by 'transient' buyers such as hedge funds who can quickly turn from buyers to sellers. Given that the market has moved a long way in a short time a short term correction would not be unexpected.

## Fund Structure

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

	31.12.05	31.12.05
Classification	Weight (%)	Weight (%)
External Share Managers		64.8
MAP Direct Shares		34.3
MAP Direct Cash Holdings		1.0

Table 3: AEF Fund Structure

## Style

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 we expect some managers will outperform and some under perform, with our objective being to achieve consistent out performance from year to year.

At 31 March 2006 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	31.03.06 Fund Weight (%)	31.12.05 Fund Weight (%)
BHP	10.8	8.4
National Australia Bank	6.7	6.0
Commonwealth Bank	5.2	5.2
Westpac Bank	4.2	4.3
ANZ Bank	3.9	3.8
Rio Tinto	3.8	4.2
QBE	2.8	2.7
Woodside Petroleum	2.7	2.5
Woolworths	2.3	2.3
Santos	1.9	1.8
<b>Total - Top 10</b>	<b>44.3</b>	<b>41.2</b>
Total Cash	1.0	2.9
<b>TOTAL</b>	<b>45.3</b>	<b>44.1</b>

Table 4: 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)	29.1	33.9	(4.8)
Materials	23.3	21.4	1.9
Real Estate	6.3	10.4	(4.1)
Industrials	10.8	8.7	2.1
Consumer Disc	6.3	5.2	1.1
Consumer Staples	5.3	6.4	(1.1)
Telecom Services	1.8	3.2	(1.4)
Energy	7.0	5.0	2.0
Healthcare	4.4	3.5	0.9
Utilities	0.7	1.5	(0.8)
Info Tech	0.8	0.8	0.0
Cash & Other	4.2	0.0	4.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

Table 5: Sector weightings as at 31 March 2005

Fund size as at 31 March 2006 was \$71.9m which includes \$61.6m invested on behalf of MAP's multi sector superannuation, PST, pension pools and the Australian Equity Pool.

*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.*

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