



AEF Investment Brief

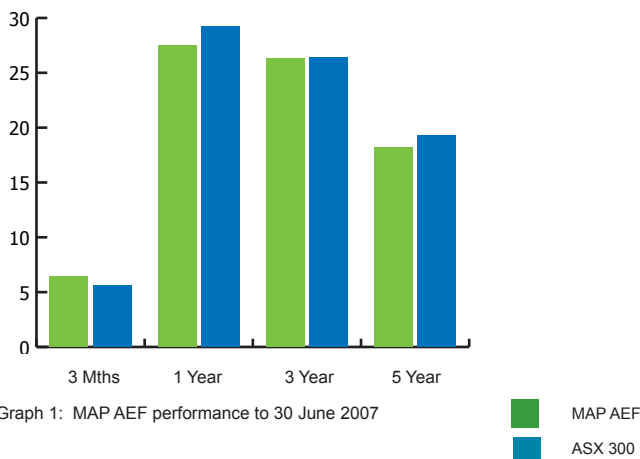
JUNE QUARTER 2007

AUSTRALIAN EQUITY FUND PERFORMANCE

The fund's rolling twelve month return to 30 June 2007 was 27.5% compared to the Benchmark return of 29.2%. In the most recent quarter the fund returned 6.4% while the Benchmark return was 5.6%. Relative Fund and Benchmark returns for the past quarter, 1, 3 & 5 years are shown in the table below.

Period ending 30 June 2007				
	Qtr (%)	1 Yr (%)	3 Yrs (%)	5 Years (%)
Fund	6.4	27.5	26.3	18.2
Benchmark	5.6	29.2	26.4	19.3
Variance	0.8	(1.7)	(0.1)	(1.1)

Table 1: Fund performance (unaudited, after fees) vs S&P/ASX 300 Accumulation Index



Graph 1: MAP AEF performance to 30 June 2007

MARKET REVIEW

Another strong quarter (and year). Towards the end of the quarter, strength in commodity markets provided impetus for the prices of resource and energy stocks. Strikes, delays in construction of new projects and continued growth in the Chinese economy particularly have driven these price increases. Over the quarter the oil price was up 7% to US\$70, while copper rose by 10% (New York prices). Nickel finally fell (down 21% over the quarter) but is still up by an average of 38% p.a. for the last five years (source: London Metal Exchange). For the precious metals, silver was down 8% and gold 2% (New York prices).

As a result, at the sector level Energy (+14%) and Materials (+15%) were the best performing sectors. Telecoms (-2%) and Healthcare (-1%) were the worst sectors. Returns at the stock level varied from Aristocrat (-11%) and Brambles (-12%), with both being impacted by the strengthening AUD, to Santos (+37%) and Incitec Pivot (+61%, following on from +40% in the March quarter).

The strength of the Australian Dollar, particularly versus the US dollar is a concern for those companies who are either (unhedged) exporters or who derive (unhedged) earnings in \$US but a bonus for

importers. A further benefit of the rise in the \$A is to restrain some of the fuel price increases resulting from the increase in the price of oil.

Over the quarter the AUD rose by 5% against the USD and by 15% over the year with some commentators talking of achieving parity with the USD in the near future. However the move in the Australian dollar is also about USD weakness (due to budget and current account deficits) and the 15% rise against the USD for the year compares to a rise of 8% against the Euro and 5% against the British Pound. The 23% rise against the Yen is principally due to Japan's low interest rate policy. Against the Trade Weighted Index the dollar increased over the financial year by 11%.

For the period to 30 June 2007 Australian shares continued to strongly outperform international shares (unhedged) over all time periods as shown below. Note that currency movements will also have an effect on these relative returns.

	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	7 Yrs (%)	10 Yrs (%)
Australian Shares	29.2	26.4	19.3	14.1	13.0
International Shares (Unhedged)	7.8	8.9	4.7	(1.4)	5.6
Variance	21.4	17.5	14.6	15.5	7.4

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

MARKET OUTLOOK

In making any investment decision, it is necessary to consider the broad investment context to derive a view on relative valuation of one investment versus another. As at 30 June 2007, the cash & fixed interest alternatives were as follows. US rates are also shown due to their influence over Australian rates.

	30 June 2007	3 Months ago	1 Year ago
US Bonds (10 year)	5.0%	4.6%	5.1%
Australian Bonds (10 year)	6.25%	5.9%	5.8%
Australian Cash	6.25%	6.25%	5.75%
US Cash rates	5.25%	5.25%	5.0%

Table 3: Review of market conditions Source: IRESS, RBA, US Federal Reserve

Bond yields increased over the quarter in both Australia and the US while cash rates were unchanged. While this, to some extent, decreases the relative attractiveness of shares versus bonds, it is only a marginal effect.

Given the strong run up in share prices, valuations in some sectors of the market are getting stretched. The Price-Earnings ratio for industrial shares is approaching historical highs of around 17.6 times FY2008 what is asterisk for? earnings (source: Macquarie). However the expected earnings growth outlook for the current reporting season is still looking



positive with the 2008 financial year expected to show earnings per share growth of around 11% (over the 2007 FY) – down from 16% for FY2007 over FY2006.

While it is difficult to foresee a catalyst that will cause a market downturn perhaps an anticipated rate rise (in August) due to concerns about the rate of inflation, concerns in relation to sub-prime lending in the US, combined with falling retail sales may give the market cause for a breather. On the positive side, strength in the employment market continues with the unemployment rate continuing to make lows not seen for many years. While the drought persists in some areas, the signs are generally positive. The continued resources boom is also supportive of the Australian economy and will hopefully produce further gains as infrastructure constraints ease and production increases flow through to the volume of material exported.

For the consumers, (who represents the largest part of the economy) the increased currency has mitigated oil price increases, as explained above, and will also lower the cost of imported goods. Low levels of unemployment and the recent tax cuts are also positive and in an election year more financial stimulus can't be ruled out. However on the housing front, the rental market continues to be very tight with low vacancies driving rental increases. At some stage this will flow through to strength in housing construction but it does not appear to be happening yet. And the potential for more rate rises does not bode well for the housing market.

FUNDSTRUCTURE

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

Classification	30.06.07	31.13.07
	Weight (%)	Weight (%)
External Share Managers	68.6	68.0
MAP Direct Shares	29.1	29.8
MAP Direct Cash Holdings	2.3	2.2

Table 3: AEF Fund Structure

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. For the financial year performance was mixed, with several managers outperforming and several underperforming.

The review of the Fund's external managers is now substantially complete and will see further enhancement to the fund to improve returns and lower risk. We expect to appoint new managers over the month of August and will report on the new structure in the next newsletter.

Disclaimer: This document contains only factual information and general advice and is believed to be reliable and accurate. It may be advisable to obtain investment advice and Product Disclosure Statement before making any investment decisions relying on the information provided. The information in this document is not suitable to be acted upon as investment advice. No responsibility is accepted by the MAP Group 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 upon as an indication of future returns. The actual returns will be determined by the investment strategy adopted and prevailing market conditions. The MAP Group does not guarantee the repayment of capital or the investment performance of MAP products.

At 31 May 2007 total fund investments were spread across in excess of 200 stocks. Details of the top 10 holdings together with aggregate cash holdings are shown below:

Stock	31.05.07 Fund Weight (%)	31.03.07 Fund Weight (%)
BHP	8.4	7.6
National Australia Bank	6.2	6.1
Commonwealth Bank	5.4	5.1
Westpac Bank	3.9	4.2
ANZ Bank	3.7	4.4
Rio Tinto	3.1	2.9
Suncorp	2.5	1.8
QBE	1.9	2.0
Woolworths	1.8	1.4
Santos	1.7	1.2
Total - Top 10	38.6	36.7
Total Cash	1.8	3.3
TOTAL	40.4	40.0

Table 4: Top ten holdings & Cash

The economic sectors in which your Fund is invested (by Fund weight) under the Global Industry Classification Standard (GICS) classification at 31 May 2007 are:

Economic Sector	Fund Weight (%)	Index Weight (%)	Variation to Index Weight (%)
Financials (ex Real Estate)	29.4	33.2	(3.8)
Materials	22.4	21.1	1.3
Industrials	10.9	9.5	1.4
Consumer Disc	6.9	5.4	1.5
Real Estate	7.6	9.8	(2.2)
Consumer Staples	4.9	6.6	(1.7)
Energy	6.7	4.8	1.9
Healthcare	3.4	3.0	0.4
Telecom Services	2.7	3.8	(1.1)
Info Tech	1.1	0.6	0.5
Utilities	0.5	2.2	(1.7)
Cash & Other	3.5	0.0	.05
TOTAL	100.0	100.0	0.0

Table 5: Sector weightings as at 31 May 2007

Fund size as at 30 June 2007 was \$88.1m which includes \$75.3m invested on behalf of MAP's multi sector superannuation, PST and pension pools and the Australian Equity Pool.

How to contact MAP

MAP Funds Management Ltd

HEAD OFFICE

Level 9,
87 Wickham Terrace
BRISBANE QLD 4000

GPO Box 1130
BRISBANE QLD 4001

Tel 07 3838 1234
Toll free 1800 640 055
(outside Brisbane)
Fax 07 3838 1235

SYDNEY OFFICE

Level 17, 201 Miller St
North Sydney NSW 2060

Tel 02 9959 2320
Toll free 1800 640 055
(outside Brisbane)
Fax 02 8923 2525

www.mapfunds.com.au
enquiries@mapfunds.com.au

DIRECTORY

Trustee

MAP Funds Management Ltd
ABN 85 011 061 831

Managing Director

Mrs Wendy Tancred,
BCom, CPA, Dip FP, CSM, Grad
Cert Mgmt, SA Fin, FASFA,
CFP®

Chief Financial Officer

Mr Greg Hoyes,
CA, BCom

General Manager, Investments

Mr Clive Briggs,
BCom, MBA, CPA

Auditors

KPMG
345 Queen Street
BRISBANE QLD 4000

Custodian

ANZ Banking Group
388 Collins Street
MELBOURNE VIC 3000

Directors

Dr WJH Glasson
Mrs W Tancred
Mr P Heffernan
Dr RA Hodge
Mr BG Holzberger
Ms EM Jameson
Dr RJ Olive
Dr PB Boys (Chairman)
Dr P Kent