FINANCIAL SERVICES FOR THE HEALTH PROFESSIONAL

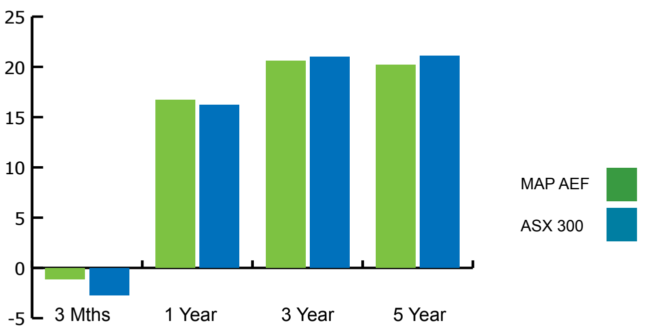
AEF Investment Brief **March Quarter 2008**

Fund Performance

The fund's rolling twelve month return to 31 March 2008 was (–7.5%) compared to the Benchmark return of (–7.2%). In the most recent quarter the fund returned (–15.8%) while the Benchmark return was (–14.6%). Relative Fund and Benchmark returns for the past quarter, 1, 3 & 5 years are shown in the table below.

	Quarter (%)	1 Year (%)	3 Years (%)	5 Years (%)	7 Years (%)
Fund	(-15.8%)	(-7.5%)	12.7%	17.2%	11.3%
ASX300	(-14.6%)	(-7.2%)	13.8%	18.0%	12.4%

Period ending 31 March 2008
Source: IRESS, RBA, US Federal Reserve



Graph 1: MAP AEF performance to 31 March 2008

Market Review

At the sector level Energy (-3%) and Telecoms (-6%) were the best over the quarter. Financials (-22%) and Consumer Discretionary (-21%) were the worst sectors. Returns at the stock level (ignoring dividends) varied from Commonwealth Bank (-29%) and Cochlear (-27%), to Incitec Pivot (+21%) and Macarthur Coal (+33%). More spectacular quarterly declines were achieved by ABC Learning (-73%) and Centro Properties (-70%), amongst others, as a consequence of excessive debt holdings by the company or its directors.

Commodity price performance was generally positive, as shown below. In the soft commodities, wheat was up by over 100% for the year, although it has dropped back since the end of the quarter.

	Quarter	Year	Source
Oil	6%	54%	New York
Copper	26%	22%	New York
Nickel	21%	(-32%)	LME*
Silver	16%	29%	New York
Gold	9%	38%	New York

* London Metals Exchange

The AUD strengthened by 4% against the USD over the quarter and has now risen by 13% over the year. Against the Trade Weighted Index the Australian dollar has increased over the past year by 5%.

Market Outlook

In making any investment decision, it is necessary to consider the broader investment context to derive a view on relative valuation of one investment versus another. As at 31 March 2008, the cash & fixed interest alternatives facing an investor were as follows. US rates are also shown due to their influence over Australian rates.

	31 Mar 2008	3 Months ago	1 Year ago
US Bonds (10 year)	3.4%	4.0%	4.6%
Australian Bonds (10 year)	6.1%	6.3%	5.9%
Australian Cash	7.25%	6.75%	6.25%
US Cash rates	2.25%	4.25%	5.25%

Bond yields decreased over the quarter in both the US and Australia reflecting expectations of slowing economic growth. Cash rates continued to move in different directions in both countries. Cash rates were lifted by a further 0.5% in Australia and reduced by a substantial 2.0% in the US. In this case Australia's better economic growth (past and expected) allows it to take a stronger stance against inflation than the US can.

The aggressive drops in the cash rate by the US Federal Reserve have created a positively sloped yield curve (ie longer term rates are greater than shorter term rates). In Australia, the yield curve continues to be inverse (longer term rates are less than short term rates), reflecting expectations of slower future inflation/economic growth rates.

While the market still faces many challenges, it is possible that some stability is returning. In particular, credit markets appear to be stabilising, although they are by no means back to normal, with central banks still providing liquidity to the financial markets on a global basis.

At first glace market valuations look attractive. However most of this is driven by resource stock valuations that are benefitting from the strong increase in commodity prices, particularly for coal and iron ore. In addition there is some concern about the accuracy of forecast company earnings, with high input costs possibly leading to further earnings downgrades, thus making the market more expensive than it apparently appears. As a result, the market is somewhere between 'cheap' and 'fair value' depending on how these variables play out. However there is enough confidence in the market for the continuation of mergers and acquisitions, as shown by proposals by QBE for IAG and Westpac for St George. The BHP bid for RIO is still unresolved. The Westpac bid has sparked potential for further bids in the banking sector, and even for a challenge to the 'four pillars' policy.

Meanwhile, Australia is set to continue reaping the benefits of the resources boom for some time yet although there will be blips along the way – witness the current high level of inflation (particularly food) in China and what this might mean for Chinese/world economic growth. The Chinese authorities face a difficult task of implementing further tightening without slowing vitally needed economic growth too much.

While inflation is higher than it should be in Australia, wages growth still remains very controlled. Slowing consumer activity due to fuel/food price increases, recent rate rises and a slowdown in the housing market (noting that the NSW market has still not recovered) mean that the RBA can afford to remain on hold for a while. Indeed, it is possible that we have seen the top of the interest rate cycle, but only time will tell. Given this slowdown in activity, the continued strength of the employment market remains slightly puzzling although obviously the resource and infrastructure sectors are areas of strength.

The recent federal budget will have minimal impact on the economy, although it will maintain demand for infrastructure construction and will increase the amount of funds to be invested in the market (from early 2009). At the consumer level, tax cuts will be mostly, if not completely, absorbed by rising costs, particularly food and fuel. Treasury forecasts for economic growth and inflation were 2.75% and 3.25% respectively for the 2008/09 year, while unemployment is expected to increase slightly to 4.5% by 30 June 2009.

Fund Structure

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

Classification	31 March 08 Weight (%)	31 Dec 07 Weight (%)
External Share Managers	75.8	72.9
MAP Direct Shares	22.8	21.2
MAP Direct Cash Holdings	1.4	5.9

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. Over the current financial year to date, Dimensional and BT Microcaps have underperformed, with most other managers performing at or above the level of the market.

At 31 March 2008 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 March 08 Fund Weight (%)	31 Nov 07 Fund Weight (%)
BHP	10.9	11.3
National Australia Bank	5.3	4.3
Commonwealth Bank	4.8	5.9
Westpac Bank	4.6	2.3
Rio Tinto	4.4	5.8
ANZ Bank	4.1	4.0
QBE	2.6	3.0
Telstra	2.5	1.7
Woodside	2.4	1.8
Macquarie Bank	2.2	1.5
Total - Top 10		**42.0**
Total Cash	3.7	7.5
TOTAL		**49.5**

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 March 2008 are:

Economic Sector	Fund Weight (%)	Index Weight (%)	Variation to Index Weight (%)
Financials (ex Real Estate)	28.3	27.8	0.5
Materials	25.9	26.6	(0.7)
Industrials	7.7	7.7	0.0
Energy	8.5	6.5	2.0
Real Estate	5.4	8.5	(3.1)
Consumer Disc	4.1	5.0	(0.9)
Consumer Staples	5.4	8.3	(2.9)
Healthcare	1.9	3.2	(1.3)
Telecom Services	2.8	4.3	(1.5)
Info Tech	0.7	0.6	0.1
Utilities	0.4	1.5	(1.1)
Cash & Other	8.9	0.0	8.9
TOTAL	**100.0**	**100.0**	**0.0**

Table 5: Sector weightings as at 31 March 2008

Fund size as at 31 March 2008 was $70.7m which includes $59.5m invested on behalf of MAP's Domestic Equities, Capital Stable, Balanced and Growth pools in the form of superannuation, PST or Allocated pension pools.

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