

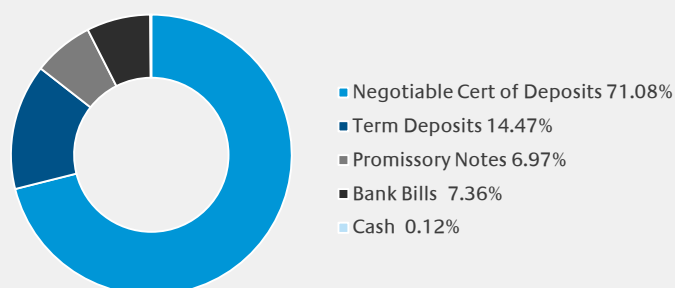
Wholesale Premium Cash Funds

Monthly update

July 2010

Wholesale Premium Cash Fund¹

Fund composition



Fund facts as at 31 July 2010

Fund size (A\$ million)	3,205.30
Term to maturity	58 days
Duration	0.16 year
Rating	AAAm (Standard & Poor's)

Performance	Fund	Benchmark*	Excess
1 mth	0.44%	0.37%	0.06%
3 mths	1.24%	1.11%	0.13%
6 mths	2.33%	2.08%	0.25%
1 yr	4.24%	3.80%	0.45%
2 yrs pa	4.80%	4.11%	0.70%
3 yrs pa	5.74%	5.04%	0.70%
5 yrs pa	5.91%	5.37%	0.54%

* The benchmark is the RBA cash rate. Performance is before fees and expenses.

Maturity profile

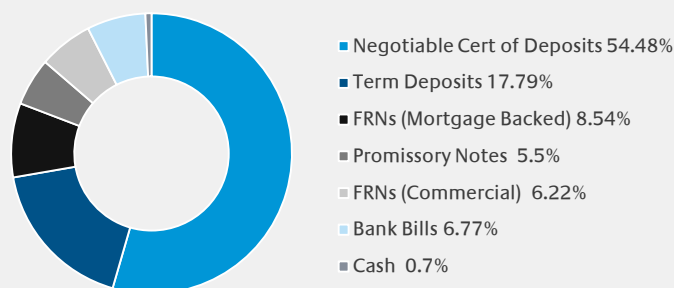
0 - 30 days	32.70%
31 - 90 days	47.70%
91 -180 days	19.60%

Bank bill yields fell across the curve in Australia during July, as the market was able to shrug off stronger economic data early in the month and focus on a benign CPI release at month's end. The yield on 1 month bank bills fell 7 basis points to finish at 4.68%, whilst 3 month bank bill yields fell a somewhat more aggressive 14 basis points to end the month at 4.78%. 6 month bank bills didn't rally quite as hard as the shorter bills, closing the month 6 basis points lower at 4.94%.

The Reserve Bank of Australia (RBA) left interest rates unchanged at 4.50% for the second month in a row. The decision to leave rates steady was widely expected by the markets and consistent with the RBA's stated view that interest rates are now back to 'average' levels. The statement accompanying the rate decision didn't provide a great deal of insight for market participants regarding the future direction of interest rates, the RBA summarising, "the current setting of monetary policy is resulting in interest rates to borrowers around their average levels of the past decade."

Wholesale Premium Cash Enhanced Fund²

Fund composition



Fund facts as at 31 July 2010

Fund size (A\$ million)	958.10
Term to maturity	60 days
Duration	0.17 year
Rating	AAf (Standard & Poor's)

Performance	Fund	Benchmark*	Excess
1 mth	0.47%	0.42%	0.05%
3 mths	1.35%	1.20%	0.16%
6 mths	2.62%	2.23%	0.39%
1 yr	4.82%	4.05%	0.77%
2 yrs pa	5.78%	4.55%	1.23%
3 yrs pa	6.36%	5.52%	0.84%
5 yrs pa	6.31%	5.76%	0.55%

* The benchmark is the UBS Australian Bank Bill Index. Performance is before fees and expenses.

Maturity profile

0 - 30 days	48.60%
31 - 90 days	25.60%
91 -180 days	25.70%

Pending further information about international and local conditions for demand and prices, the Board views this setting of monetary policy as appropriate."

Going forward, market pricing on the 3 month overnight index swap rate, which reflects domestic cash rate expectations, rose just 1 basis point to finish the month at 4.51%. This is an indication from the markets that they are expecting no moves in monetary policy from the RBA for the foreseeable future.

Despite steady cash rates, higher credit spreads were the main driver behind rising bank bill yields. The yield at which bank bill yields trade over the overnight index swap increased by 3 – 7 basis points across the curve. The pressure that was evident in preceding months to push this spread wider into month end, was less evident in June due to weaker end of financial year liquidity and the ongoing sovereign crisis in Europe.

European uncertainties has pushed LIBOR spreads wider, and there were some concerns into month end that the expiration of some European liquidity support measures would lead to funding difficulties.

Expectations of the future cash rate in Australia, as measured by the overnight index swap (OIS) rate, rose early in the month after data released showed a very strong gain in employment of 45,900 for June. This number consisted 27,500 part-time and 18,400 full-time workers. Markets initially priced in a greater chance of a near term rate rise following the numbers' release. The three month OIS peaked at 4.61% after the employment data, before rallying later in the month to 4.53% as evidence of slower global growth accumulated. By month's end, any further rate rises had been priced out after the release of 2nd quarter CPI data. The headline increase of 0.6% was substantially lower than the 1.0% number the market had been anticipating and consequently the market ended July pricing a generally flat outlook for cash for the remainder of the year.

With regards to longer term credit, globally spreads tightened substantially over the course of the month. After the weakening in credit spreads during previous months, market participants were attracted to the wider levels and invested accordingly. The rally was already well underway before the release of European bank stress tests late in the month. These were well received by the market and proved an additional positive for global credit. In the Australian credit market, highly rated credits (AA+) rallied 8 basis points and lower rated credits (BBB+) rallied 24 basis points on a spread to swap basis on the 5 year curve. Aussie iTraxx finished the month at 116 basis points, down 20 basis points for the month.

With regards to portfolio activity, we have continued to structure the portfolio to maintain our core holdings in assets which return us yields higher than equivalent maturing BBSW. In addition we continue to structure the portfolio to take advantage of short end yield curve anomalies. We focus our higher yielding investments (promissory notes and term deposits) at the front end of the yield curve and use the superior liquidity available in our other core security holdings (bank bill and NCD investments) to target whatever particular sector of the yield curve we believe best represents value. We will continue to closely monitor market developments, both domestically and overseas, and seek out opportunities in regards to both credit and duration when they appear, to maximise portfolio performance.

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1 Colonial First State Wholesale Premium Cash Fund (ARSN 089 468 360)

2 Colonial First State Wholesale Premium Cash Enhanced Fund (ARSN 095 107 618)

Investments in the Funds described in this document are offered by Colonial First State Investments Limited ABN 98 002 348 352, AFSL 232 468, a wholly-owned subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124.

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Colonial First State Investments Limited receives fees for the management of the Funds, which are explained in the Information Memorandum available by contacting the Institutional Business team on +61 2 9303 6116.

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