

Wholesale Equity Income Fund

Monthly update

April 2012

Historical risk and return analysis (before fees and expenses)

As at 30 April 2012	1 mth	3 mths	6 mths	1 yr	2 yrs pa	3 yrs pa	Inception pa
Total Fund return (excluding franking)	1.72%	3.84%	5.39%	0.06%	3.49%	10.30%	5.79%
Total Fund return (including franking)	1.92%	4.31%	6.17%	1.55%	5.66%	12.27%	7.52%
Reference index (Note 1)	1.53%	4.52%	4.66%	-4.50%	-0.17%	9.56%	1.21%
Excess return (excluding franking)	0.19%	-0.67%	0.74%	4.56%	3.66%	0.74%	4.58%
Distribution returns							
(excluding franking, net of fees)	0.00%	2.96%	5.91%	12.71%	11.57%	11.83%	11.71%
Franking credit returns	0.20%	0.47%	0.77%	1.49%	2.17%	1.97%	1.73%
Reference index dividend yield average	-	-	-	5.44%	5.16%	5.00%	5.12%
Fund volatility (excluding franking)	-	-	-	8.88%	8.91%	9.60%	10.61%
Reference index volatility	-	-	-	12.52%	11.90%	13.03%	16.00%

Note 1. The S&P / ASX 100 Accumulation Index is used as a reference index as the basis for determining the income and volatility objectives of the fund. While the fund is predominantly invested in equities, this reference index is not expected to closely reflect the return profile of the fund due to the use of equity derivative strategies.

Market insights

- The Australian share market recorded a fourth consecutive month of gains in April, with the S&P/ASX 100 Accumulation Index adding 1.5%. Investors tended to favour stocks with a high yield, supporting demand for Telecoms and Healthcare stocks as well as A-REITs.
- Most major companies in the Energy and Materials sectors issued quarterly production reports to the market. As anticipated, adverse weather conditions affected production volumes, both in Western Australia (oil, gas and iron ore) and on the Eastern seaboard (coal).
- Downgrades to earnings expectations from retailer JB Hi-Fi and media conglomerate Seven West Media highlighted that operating conditions remain challenging for some Australian companies and again highlighted the 'two-speed' nature of the economy.

Fund activity

- There was limited activity in the portfolio in April, with most of the Fund's favoured positions unchanged. Stock selection added value to the portfolio in April, enabling the Fund to outperform the rising market.
- We continued to reduce the Fund's exposure to Newcrest Mining; underweight positioning has assisted performance recently as the stock has underperformed the broader market. The Fund's holdings in Newcrest were fully covered by written call options; performance was further boosted by the premium income received on these options, which expired deep out of the money. The valuation of the stock appears more reasonable following this period of underperformance and we will consider closing the underweight position when we believe production has troughed and the downgraded production outlook is fully reflected in the valuation.
- We sold the Fund's holding in Whitehaven Coal during the month. This followed the completion of the merger between Whitehaven Coal and Aston Resources.

Market outlook and Fund positioning

- Within the Financials sector the Fund continues to favour ANZ Banking Group, whose Asian expansion strategy is expected to support long-term earnings improvements. In spite of recent outperformance the stock is still priced at a discount to peers and the Fund maintains an overweight holding in the stock.
- Recent comments from the very large miners (specifically BHP Billiton and Rio Tinto) suggest that they might be reconsidering certain projects. Fluctuating commodity prices and construction costs can affect the viability of projects; new developments and expansions will not proceed if they are deemed not to be in the best long-term interests of shareholders. This could have an adverse influence on a range of mining services companies and is something we are mindful of when investing in this area of the market.
- The Fund continues to apply a range of option strategies – predominantly buy writes – on top of its underlying portfolio of Australian shares. These positions generate income for the portfolio through the receipt of option premiums, which can provide a meaningful cushioning of losses during adverse market conditions. The trade-off is that the options are expected to cap some of the potential upside during strongly rising markets.

The Colonial First State Wholesale Equity Income Fund aims to generate income of 2.5% per annum above the dividend yield on the S&P/ASX 100 Accumulation index over three years while also offering modest capital growth over the long term. It aims to achieve this return with lower volatility than the S&P/ASX 100 Accumulation index.

The Fund targets this return by investing in Australian equity strategies using the proven process of the Colonial First State Global Asset Management Australian Equities, Core team.

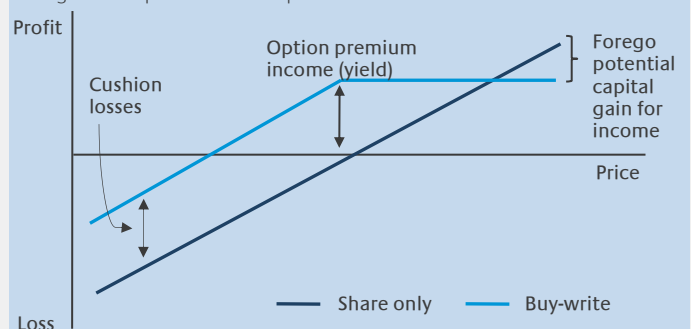
Key features as at 30 April 2012

Fund size (A\$ million)	\$136.9
Reference index	S&P/ASX 100 Accumulation Index
Inception date	March 2008
Distribution frequency	Quarterly
Buy/sell spread	0.25%
Currency exposure	100% AUD

A primer on the buy-write strategy

The buy-write strategy is the most commonly used strategy in this Fund.

A buy-write strategy is where an investor sells a call option and simultaneously buys an equivalent number of securities. By selling a call option, the investor receives an income premium upfront. The strategy does not eliminate equity market risk. However, the income received can provide some downside cushioning over a fall in the stock price. As you can see from the diagram below, selling the call option also limits upside returns.



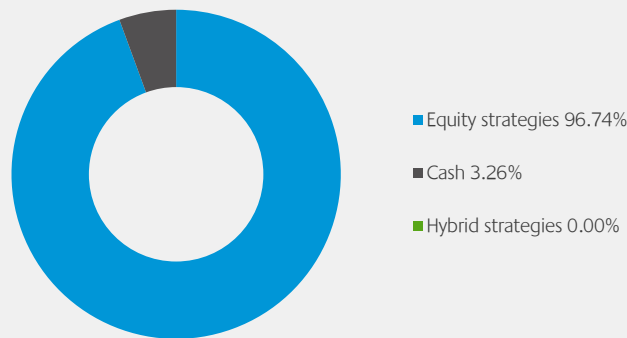
The Equity Income Fund uses options for two primary purposes:

- 1 To enhance the yield of the fund
- 2 To capture dividends and associated franking credits

Investment holdings by type as at 30 April 2012

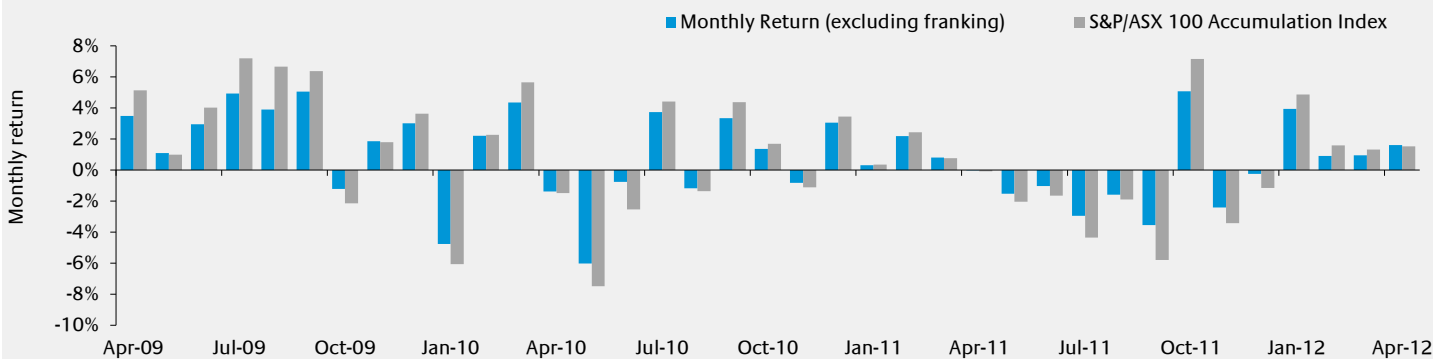
Buy-write strategy	30
Collar strategy	0
Sell-write strategy	0
Share only strategies	15
Hybrid securities	0

Invested exposure* as at 30 April 2012

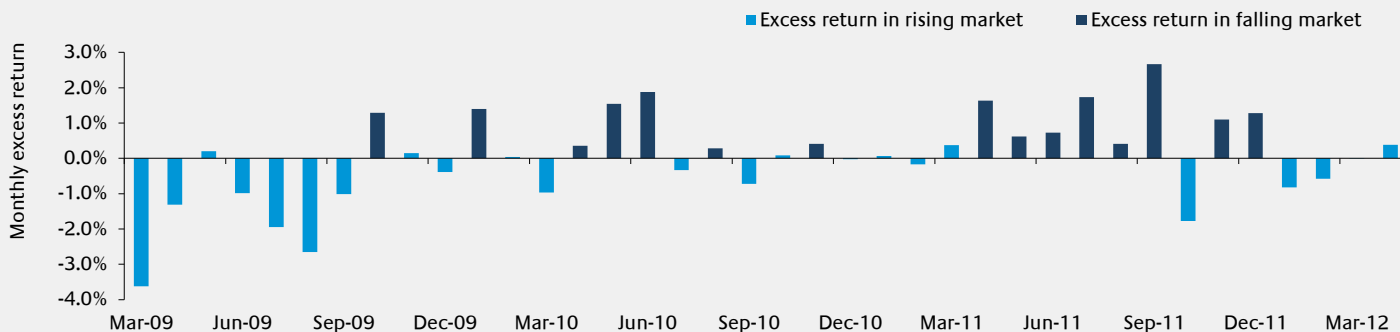


*Ignoring options

Monthly returns vs S&P/ASX 100 Accumulation Index (including franking)



Excess returns vs S&P/ASX 100 Accumulation Index (gross returns in AS)



For further information

Regional Managing Director, Australia and New Zealand

Joanna Davison +61 2 9303 7007

Business Development

Harry Moore +61 3 8618 5532

Ali Karmali +61 2 9303 6070

Institutional Relationship Management

Peter Weldon +61 2 9303 6860

Dan Bristow +61 2 9303 6311

Hugh O'Neill +61 2 9303 6116

Rose Lor-Kershaw +61 2 9303 2863

Mark Rose +61 2 9303 7431

Simon Good +61 3 8628 5681

Nadene Moore +61 3 8628 5615

Investments in the Colonial First State Wholesale Equity Income Fund (Fund) ARSN 129 259 552 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. This document is intended to provide general information only. You should assess whether the information is appropriate to you before making an investment decision. The performance figures used in this document are sourced from the Fund's relevant benchmark index and from actual performance figures achieved by the Fund before fees and expenses. Past Performance is no indication of likely future performance.

There are fees and costs payable for managing investments in the Fund that are deducted from the Fund as a whole. The fees payable by investors in the Fund may be negotiated and can differ between investors. For this reason the performance figures used in this document are shown before fees and costs as at 30 April 2012. Investors should have regard to the Information Memorandum or their negotiated fee agreement for further information on the fees and costs applicable to their investment in the Fund.

Neither Commonwealth Bank of Australia nor any of its subsidiaries guarantees or stands behind the performance of the Fund or the repayment of capital by the Fund. Investments in the Fund are not deposits or other liabilities of the Commonwealth Bank of Australia or its subsidiaries; and investment type products are subject to investment risk including loss of income and capital invested.

Colonial First State Investments Limited receives fees for the management of the fund which are explained in the Information Memorandum available by contacting the Institutional Business team on +61 2 9303 6116. Colonial First State Global Asset Management is a registered business name of Colonial First State Asset Management (Australia) Limited ABN 89 114 194 311; further information is available on cmsgam.com.au.

Copyright © Colonial First State Group Limited 2012. All rights reserved.