

# Wholesale Australian Share - Core Fund

## Monthly update

January 2012

### Historical risk and return analysis (before fees and expenses)

As at 31 January 2012	1 mth	3mths	6 mths	1 yr	3 yrs pa	5 yrs pa	10 yrs pa
Wholesale Australian Share - Core Fund (%)	4.63	0.06	0.16	-3.79	11.85	1.68	9.08
S&P/ASX 200 Accumulation Index (%)	5.08	0.06	-1.20	-6.17	11.21	-1.70	6.55
Relative performance (%)	-0.45	0.00	1.36	2.38	0.64	3.37	2.54
Tracking error (%)	-	-	-	2.16	2.29	2.80	2.53
Information ratio	-	-	-	1.10	0.28	1.21	1.00

### Market insights

- The Australian share market enjoyed a strong start to the new year, with the S&P/ASX 200 Accumulation Index rising 5.1% in January. This was the strongest share market performance in January since 1994.
- Most of the issues which impacted the market during 2011 – including concerns about the global economic outlook, sovereign debt issues in Europe and subdued consumer confidence – remained in place, but the market was nevertheless able to post a solid gain.
- Stocks in cyclical areas of the market – such as Materials – tended to be among the best performers as investors increased their risk appetite. Commodity price movements were also supportive. A number of mining companies published quarterly production reports in January. Releases from the major diversified players, including BHP Billiton and Rio Tinto, showed continued strong iron ore production.
- There was a limited amount of commentary from companies in other areas of the market, as most were in ‘blackout’ ahead of earnings releases in February.

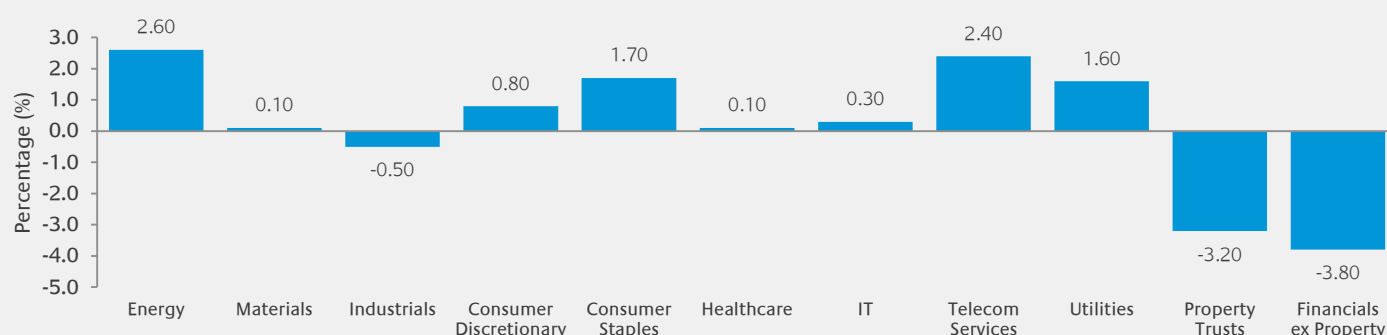
### Fund activity

- Investment in wine producer Treasury Wine Estates was reduced. The stock performed well for the Fund in the second half of 2011 and the valuation had become less appealing as a result of this outperformance. Australian dollar strength is a headwind for the company, as it derives a significant proportion of its earnings overseas.
- The position in Woolworths was also reduced. Sales growth in the supermarkets business continues to lag that at Wesfarmers-owned Coles.
- Underweight positioning in QBE Insurance Group was beneficial as the company issued an earnings downgrade and cut its full year dividend. The Fund’s small holding in the stock was sold following this development.

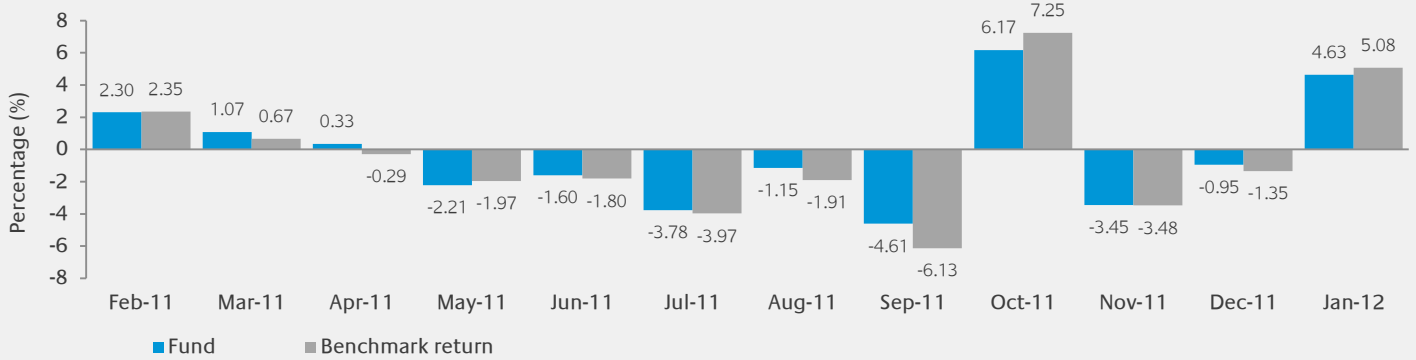
### Market outlook and Fund positioning

- The majority of Australian listed companies will update the market with their earnings for the period ending 31 December 2011 over the next few weeks. Accompanying outlook statements are expected to be fairly vague, reflecting the ongoing uncertainty in financial markets and subdued business confidence levels.
- The strength of the Australian dollar continues to affect companies which derive a proportion of their earnings offshore; the value of these earnings is reduced when they are repatriated into Australian dollars.
- Following a subdued inflation reading for the December quarter of 2011, it is possible that official interest rates will be lowered at the Reserve Bank of Australia’s policy meeting on 7 February 2012. We do not believe that major lenders – including the four major listed banking groups – will pass on the full benefit of an official interest rate cut to borrowers. The cost of funding has increased recently and banks’ margins would be supported if they lowered borrowing costs by less than any official reduction in interest rates.

### Fund active sector positions vs S&P/ASX 200 Accumulation Index



Performance summary

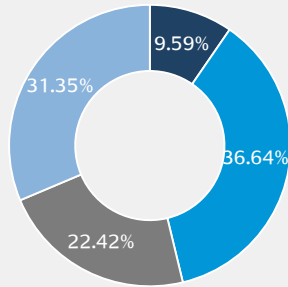


Forecast risk (tracking error) decomposition

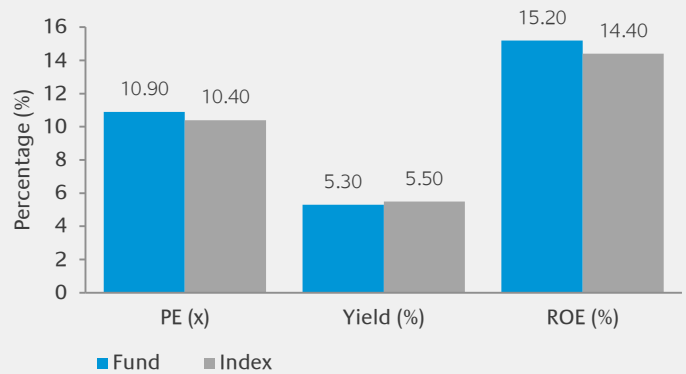
Forecast Tracking Error  
1.95% pa  
(Source: BARRA\*)

Decomposed into  
BARRA risk components

- Covariance (A&B)
- Stock Specific Risk
- Factor Risk (B)
- Sector Risk (A)



Fund characteristics vs S&P/ASX 200 Accumulation Index



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Investments in the Colonial First State Wholesale Australian Share Fund - Core Fund (the Fund) ARSN 091 478 956 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 31 January 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.

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