

Wholesale Australian Share Long Short - Core Fund

Quarterly update

December 2011

Historical risk and return analysis (before fees and expenses)

As at 31 December 2011	1 mth	3 mths	6 mths	1 yr pa	3 yrs pa	Inception pa (Nov 2007)
Wholesale Australian Share Long Short - Core Fund (%)	-0.31	1.46	-8.32	-5.97	9.33	-3.41
S&P/ASX 100 Accumulation Index (%)	-1.15	2.32	-9.57	-9.82	7.39	-7.34
Relative performance (%)	0.85	-0.85	1.25	3.86	1.95	3.94
Tracking error (%)	-	-	-	3.30	4.14	5.62
Information ratio	-	-	-	1.17	0.47	0.70

Market insights

- The sovereign debt crisis in Europe – and associated concerns about a slowdown in the pace of global economic activity – dominated investor sentiment throughout the December quarter.
- There was a significant focus on the monetary policy of the Reserve Bank of Australia. Borrowing costs were unchanged for the first 10 months of 2011, but interest rates were lowered by 0.5% in the final quarter of the year. This was in response to a subdued level of discretionary consumer expenditure and followed a lower-than-expected inflation reading for the September quarter.
- A wide range of listed Australian companies hosted Annual General Meetings during November, with some providing comments regarding current trading conditions. Most confirmed that the operating environment remains challenging.
- Towards the end of the year, a number of companies in the Consumer Discretionary sector downgraded earnings guidance due to disappointing sales in the crucial pre-Christmas trading period. In contrast, those companies exposed to rising capital expenditure in the mining and energy sectors continued to perform relatively well.

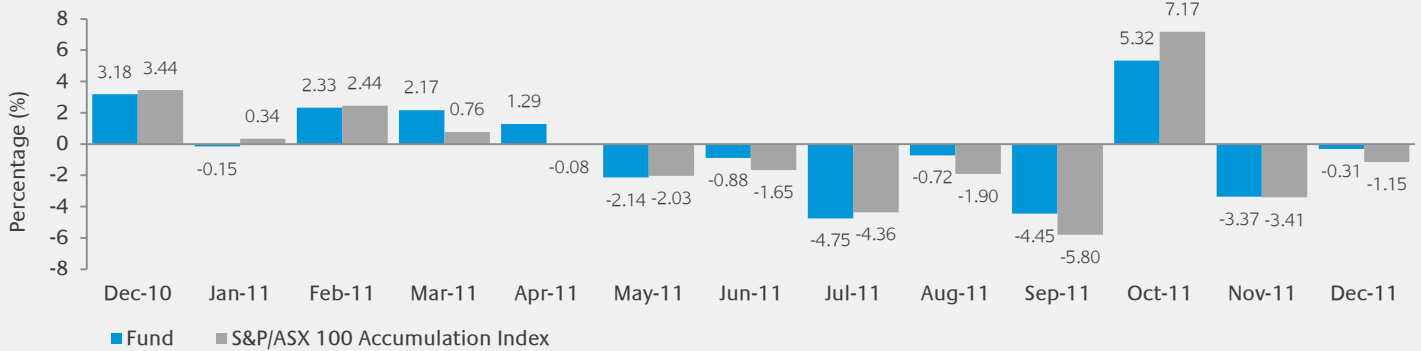
Fund activity

- The previous short position in Boral was closed. This followed a long period of underperformance which had added value to the portfolio.
- The short position in Myer Holdings was also closed following weak share price performance. We believed that the reduced share price adequately reflected downgraded earnings expectations.
- Short positions in Alumina, Amcor, Bendigo and Adelaide Bank, Billabong and Lynas Corporation were also closed.
- A new position was established in Monadelphous Group, which provides engineering and construction services to mining and energy companies. We believe that the company has a good chance of exceeding market forecasts over the next two to three years.
- An investment was also established in Whitehaven Coal, a coal miner which later announced that it has agreed to merge with Aston Resources to form Australia's largest independent coal company.
- The Fund increased investment in diversified mining group Rio Tinto. By quarter-end, this stock was the largest active position in the Materials sector. We believe the disposal of lower returning assets will enable Rio Tinto to achieve its 40% EBITDA margin target by 2014.

Market outlook and Fund positioning

- Most of the issues which affected equity markets in the second half of 2011 remain unresolved and are likely to continue to dominate investor sentiment in early 2012.
- Financial markets – including equities, bonds and commodities – continue to be driven by the latest headlines regarding the European sovereign debt crisis and proposed solutions to it.
- The Financials sector as a whole is attractively valued and is currently trading at a ~20% discount to the Industrials sector. The banks appear to have greater earnings certainty than many industrials stocks as we approach February's reporting season. Collectively the major banks are expected to grow their earnings by between 6% and 7% per year over the next two years, while there appears to be a greater risk of earnings downgrades among industrials.
- Some of the large-scale projects that are underway or planned in the mining and energy sectors will underpin growth in these areas of the market over the long term. In the short term, however, share prices of resources companies are likely to be affected by the anticipated growth profile of emerging markets – particularly China – and fluctuations in commodity prices.
- Ongoing volatility in the market should present the Fund with opportunities to add value from both long and short positions.

Performance summary

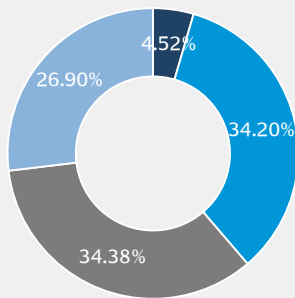


Forecast risk (tracking error) decomposition

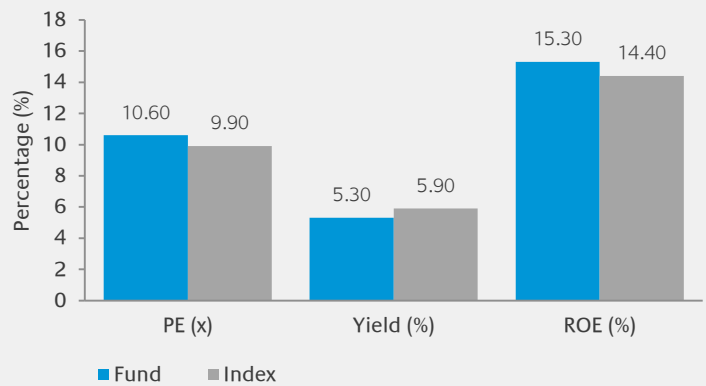
Forecast Tracking Error
3.45% pa
(Source: BARRA*)

Decomposed into
BARRA risk components

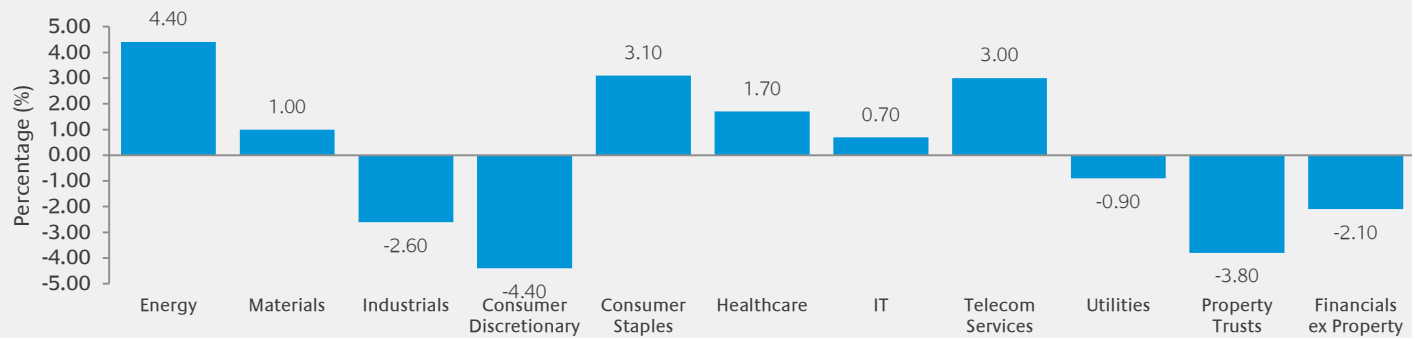
- Covariance (A&B)
- Stock Specific Risk
- Factor Risk (B)
- Sector Risk (A)



Fund characteristics vs S&P/ASX 100 Accumulation Index



Fund active sector positions vs S&P/ASX 100 Accumulation Index



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Investments in the Colonial First State Wholesale Australian Share Long Short - Core Fund (the Fund) ARSN 127 702 130 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 December 2011. 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.

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