LIGHTHOUSE ADVISORS
Keeping Your Capital Safe

54A Amoy Street
Singapore 069880
Tel (65) 9040 9813
www.lighthouse-advisors.com

Client Newsletter for the period ended 30 June 2012

1. **Foreword**
2. **Market Commentary**
3. **Portfolio Review**
4. **Fake Profits**

1. Foreword

Fellow Investors,

Welcome to the Lighthouse Advisors newsletter for June 2012.

The fund setup is finally underway. Your manager is currently reviewing the private placement memorandum. The fund should be up by the time the next newsletter is ready.

This newsletter follows the same format as previous issues. The special topic for this issue is **Fake Profits**.

2. Market Commentary

The euphoria of the first quarter wore off in the second quarter. Many markets fell, offsetting some of their early gains for the year and reminding investors not to count their chickens before they hatch.

The US economy remains stuck in first gear. The media's attention is currently focused on the US presidential campaign. What little passes for economic news today continues to be bleak, with unemployment unchanged at 8.2% in June[1].

Sadly, despite all the political hand-wringing and mudslinging over the poor state of the economy, there is no appetite to reform arguably the biggest culprit of the economic malaise – the financial sector. In yet another indictment of the financial industry, it has come to light that the largest banks systematically defrauded the country's towns and cities for more than a decade, by colluding to underbid on interest rates on cash deposits[2].

The banks actively worked together so that their bids would all be close to – but still less than – the bid by the designated winner. Thus, each municipality was cheated out of fractions of a percentage point on their deposits. The bond market is estimated at US$3.7 trillion, so that adds up to a lot of money. It is analogous to how construction contracts are favourite targets for graft – stealing 10 cents per tonne of cement doesn't seem like much, but when a highway uses millions of tonnes of cement, it amounts to a whole lot of money.

Staying on the topic of banks, JPMorgan Chase reported a US$2b loss in trading losses in May, a black eye given CEO Jamie Dimon's reputation for running a tight ship. That loss has since swelled to US$5.8b and claimed (as it should) the jobs of those in charge at the "hedging" operation, namely a trader nicknamed "the Whale" for the size of his trades, and the ironically-named "Chief Investment Officer"[3]. Those who insist that "too big to fail means too big to exist" seem, increasingly, to be the ones with the right idea.

In other financial news, US stockbroking firm Knight Capital reported a US$440m loss from bugs in its software which caused it to make "numerous erroneous orders" in its market-making operations[4]. The losses were incurred over just 30 minutes. At least it is the hapless shareholders of Knight Capital, and not taxpayers, who are paying for the mistakes.

[1] *The Employment Situation – June 2012,* **Bureau of Labor Statistics**, 6 July 2012

[2] *The Scam Wall Street Learned from the Mafia,* **Rolling Stone**, 21 June 2012

[3] *JPMorgan Chase Says Trading Loss Grew to $5.8 Billion, Almost Triple Original Estimates*, **Huffington Post**, 13 July 2012

[4] *Knight Explores Options on $440m Trade-Error Loss,* **Bloomberg News**, 2 August 2012

In Europe, the financial sector is not innocent either, with Barclays recently agreeing to pay a £290m fine for its role in colluding with other banks to report false LIBOR rates[5]. The chairman and CEO have both resigned. The scandal is not over yet, as it has become apparent that lying on LIBOR was / is near-universal, with Citigroup, RBS, UBS, Credit Suisse, Lloyds and Deutsche Bank all disclosing that they are also under probe.

Spain's credit woes are ongoing. It has however taken some steps to improve investor confidence. Among them, it has stopped subsidies for new renewable energy projects. Of course, this also hurts wind and solar power companies which rely on the Spanish market[6]. But nothing is for free – not even the traditional afternoon *siesta* which has now become optional as retail opening hours have been liberalized[7]. Still, working harder might not be a bad idea. In the meantime, the Spanish government has also applied for €100b of aid to recapitalize its banks.

Japan's trade imbalance continues. Although June was its first trade surplus in 4 months, for the first 6 months of the year Japan remained in a net trade deficit position. With its high export dependency, and the poor economy in its key export markets, the outlook is not rosy.

In China, the government is rushing to clean up the Bo Xilai scandal ahead of the leadership handover. In keeping with Chinese "tradition" Bo's wife, Gu Kailai, is being blamed (for murder); a guilty verdict seems all but certain. The only question is whether she will be executed, or merely given a long prison sentence. This conclusion conveniently avoids having to investigate Bo Xilai himself, which could have led to a much larger mess if other senior party members were implicated.

Meanwhile, China's economic slowdown continues. The government has cut bank reserve ratio requirements and is restarting infrastructure projects that were previously delayed or cancelled. Still, there are only so many airports and high-speed train networks one can build. Only time will tell. On the domestic consumption front, the Chinese consumer is now enjoying a buyer's market. Discounting is rife[8], and on the Hong Kong Exchanges website, profit warnings by companies operating in China have become a daily feature.

In India, the recent 2-day blackout that left 600m people (10% of the world population) without power is symptomatic of its economy – things do work, but sometimes at great cost. Businesses survive by using backup power from diesel generators, but this can cost 10 times as much per watt. Manufacturers are limited to primitive equipment that can survive the uneven voltage from generators[9]. The gap between private enterprise and public infrastructure is more akin to a yawning chasm. Perhaps the Chinese government should invest in Indian infrastructure…

In Africa, the rebellion in Syria has taken on a renewed intensity. The fighting has spread to Aleppo, Syria's largest city and its commercial centre[10]. The Syrian government is now using aircraft to attack the rebels, while the rebels have apparently acquired some heavy weaponry, including tanks. Former UN Secretary General Kofi Annan has resigned as special envoy to Syria, blaming both the Syrian government for "intransigence" and the UN Security Council for "disunity". The 5 veto-wielding members are stalemated, with Russia and China facing off against the US, France and the UK, so there is basically

---

[5] *Barclays fined a record £290m*, **Financial Times**, 27 June 2012

[6] *Spain Ejects Clean-Power Industry with Europe Precedent: Energy,* **Bloomberg News**, 30 May 2012

[7] *Spain Scraps Siesta As Stores Remain Open to Spur Spending: Retail,* **Bloomberg News**, 22 Jul 2012

[8] *China slowdown forcing discounting at Gome to McDonald's,* **Bloomberg News**, 1 August 2012

[9] *Businesses work through Indian blackout with costly solutions that drag productivity, economy,* **The Associated Press**, 1 August 2012

[10] *Syrian Fighting Intensifies in Battle for Aleppo,* **New York Times**, 2 August 2012

nothing substantial that can be agreed on, or acted upon.

In conclusion, there is nothing new to report: the world is still a mess. Your manager remains optimistic about finding bargains, especially in Hong Kong's small- and mid-cap equities, which have been punished for China's "failure" to deliver outstanding economic growth, rather like how some Chinese athletes in the 2012 London Olympics have been denounced for "only" winning silver medals.

Your manager will write again when the report for the quarter ended 30 September 2012 is ready.

Benjamin Koh
Investment Manager
Lighthouse Advisors
6 August 2012

3. Portfolio Review

As at 30 June 2012, the Net Asset Value (NAV) of the Reference Account was $192.88 per unit, net of all fees. The highwater mark was $228.60. Against the end-2011 NAV of $186.42, the year-to-date return for 2012, net of all fees, was 3.5%.

17 securities made up 81.4% of the Reference Account, with the balance in cash. A pie chart is in Annex I, while NAV values are tabled in Annex II.

Your manager is aware that the Reference Account is lagging the various stock market indices. While it is not pleasant to be behind, it must be remembered that beating the market *over time* does not mean beating the market *all the time*.

Divestments

Yip's Chemical was divested as the business had undergone a fundamental deterioration. The acetate solvent market in China is in oversupply, with installed capacity about twice domestic demand. With no pricing power, producers like Yip's are going through a prolonged period of poor prices.

The logical reaction to such a situation is to exit the market, or to at least stop expanding and wait out the glut. However, Yip's is still expanding, in the belief that economies of scale and their direct sales model will give them the lowest cost and thus the best chance of success.

There are 2 impediments to this route. First, Yip's faces large, well-financed state-owned competitors in its new market, Eastern China. State-owned enterprises are not necessarily profit-oriented; they can choose to produce and sell cheaply even if they incur losses. Commercial operators like Yip's must follow suit on pricing, and suffer accordingly. Second, although Yip's has only 2 main solvent plants, it actually has 15 plants for solvents and coatings throughout Southern and Eastern China. Many of the small plants are underutilized and cannot benefit from vertical integration or savings on logistics. Thus, although Yip's is a significant player by total capacity, at the individual plant level, it is not always competitive.

Expanding during a period of low profitability has taken its toll on the balance sheet. Borrowings have increased significantly, and more debt is on the cards to finance expansion. The founding Yip family will take their 2011 final dividend in scrip. While this shows commitment to help the company save cash, it is also a clear statement that the company is running low on cash.

In local currency term, after including dividends received, there was a modest gain on divestment of just under 10%.

China Minzhong was divested after the latest review concluded that it was a mistake. Your manager broke 3 rules of thumb when investing into the company: it was a fresh IPO with a limited track record, the managers were not the largest shareholders, and the business model consumes cash instead of generating it.

The short track record meant that other companies in the same business had to be used as proxies to understand the economics of the business. The 2 most direct comparables are Chaoda Modern and China Green, both of which are listed in Hong Kong.

Unfortunately, an analysis published by Anonymous Analytics on 26 September 2011, titled *Chaoda Modern Agriculture: 11 Years of Deceit and Corporate Fraud*, shows that Chaoda Modern is almost certainly a fraud whose financial statements cannot be trusted.

China Green also has its share of governance issues. It acquired a modest amount of farmland in 2009, but at prices some 5 times higher than in the previous 3 years, even after adjusting for the longer tenure of the land. In 2010 more farmland was bought, but at close to the 2008 prices, which calls into question why the 2009 farmland was so special.

Minzhong's annual farmland rents per Chinese acre (*mu*) are about twice what China Green has been paying, which are in turn about two-and-a-half times what Chaoda supposedly pays. Yet all 3 have roughly the same level of revenues on a per *mu* basis. Without Chaoda, there are now only 2 data points, and it is unclear whether China Green is underpaying its rent, or if Minzhong is overpaying.

With limited management ownership, there is a temptation to make decisions that benefit management at the expense of shareholders, especially when the managers obtained their stock at a very low cost and thus have little to lose. Minzhong falls into this category; the IPO Prospectus indicates the managers paid essentially nothing for their shares.

Minzhong was originally a state-owned enterprise that was reorganized and expanded with the help of private equity investors, among them the Government of Singapore Investment Corporation (GIC). GIC is one of Singapore's 2 sovereign wealth funds, with ample resources to do due diligence. Your manager initially viewed GIC's early involvement as a mitigating factor offsetting the low level of management ownership.

However, Minzhong now cultivates 4 times as much land as it did in 2007. GIC invested in 2006, when Minzhong was even smaller. It is unlikely that GIC continued the same intensity of checks after investing, which means that the incremental expansion, which now accounts for the bulk of operations, has probably not undergone the same level of scrutiny. Therefore, the fact that Minzhong passed GIC's due diligence in 2006 is not meaningful when applied to Minzhong in 2012.

Finally, the business model is cash flow-negative. Efficiency improvements are limited by the characteristics of the land, beyond which the farming business must obtain additional land in order to grow.

In China, all land belongs to the state; farmers only have rights to work the land. Agricultural companies sub-lease land from the farmers. To control costs, the companies pay several years of rent in advance. As Chinese banks do not recognize advance rent payments as collateral, it is necessary to pay cash.

This means that a farming concern like Minzhong is always starved for cash. It cannot borrow to lease farmland, so acreage growth is limited by the rate at which it can generate cash from operations, or the rate at which it raises money in the capital markets. Share placements are far more likely than dividends.

Bluntly put, in tennis parlance this was an unforced error, in soccer terms an own goal. The loss on divestment was slightly over 50%. Hopefully, the pain will help prevent similar errors in future.

New Investments

Bonjour is a multi-label cosmetics retailer and distributor. It operates mainly in Hong Kong, where it competes with Sa Sa International.

Wilson Ip started Bonjour with a single store in Hong Kong in 1991. Today, there are 48 stores across Hong Kong, Macau and Guangzhou. In 2000, Bonjour entered the beauty services business, and it now has 15 salons and 5 auxiliary beauty centres.

Like Sa Sa, Bonjour's key *modus operandi* is to use low-priced parallel imports to draw customers in, and then persuade them to buy the Group's private-label products, which carry a much higher profit margin.

However, whereas Sa Sa targets the mid- to high-end consumer, Bonjour targets the mass market. As a result, the store layouts are quite different: Sa Sa stores are neatly laid out, with plenty of room for shoppers to browse, while Bonjour's stores are literally packed floor-to-ceiling with products.

Both strategies work: Sa Sa's higher price points give slightly better margins, but Bonjour's mass market focus facilitates rapid inventory turnover, with a cash conversion cycle of just 25 days.

Like Sa Sa, Bonjour pays generous dividends; the cumulative payout has approximated 100% of earnings since IPO in 2003. In this 8-year period, earnings per share *quintupled*. Despite paying large dividends, earnings per share grew at a compounded rate of 22% per year.

While some might argue that the Group could have grown even faster had it retained its earnings for expansion, the fact is that in retailing, capital is seldom the limiting factor – apart from the rental deposit and the initial fit-out costs, the primary investment is into inventory – which is financed by suppliers.

Usually, the limiting factor in retail is the availability of suitable *leases*. Overexpansion can lead to poor leases being signed, and in 2005 the Group learnt this the hard way when high rents drove it into a loss for the year. It took 3 years to recover from that batch of poor leases, and today the Group is much more focused on keeping rents under control.

The balance sheet is strong: debt is just 12% of equity, and cash on hand is over 8 times the outstanding debt. The stock was bought at about 14 times trailing earnings, at a dividend yield of 5.6%.

Straco owns and operates tourist attractions in China. Its key assets are the Shanghai Ocean Aquarium and Xiamen Underwater World. Minor assets include a cable car operation in Xian and a joint venture cabaret show.

Straco came about when the founder, Mr Wu Hsioh Kwang, convinced China's Poly Group and Singapore's Singapore Technologies Industrial Corporation to participate in an international tender to develop and operate an ocean aquarium next to the Oriental Pearl TV Tower in Shanghai. They were successful, and the mandate was awarded for a period of 40 years, commencing on 18 November 1997.

The Shanghai Ocean Aquarium opened to the public in 2002, and Straco went public on the SGX in 2004. Prior to IPO, STIC exited, leaving Poly Group as the sole strategic shareholder with a 22% stake.

At the end of 2004, the IPO year, the Group had $25m in debt and no cash apart from the IPO proceeds of $42m. By the end of 2008, the debt had been fully paid off, cash on hand was $34m and the Group had just bought Xiamen Underwater World the previous year for $12.3m.

Such prodigious cash generation is not unique to the Group's aquariums; your manager studied several other aquariums, zoos and theme parks around the world, and concluded that such "tourism infrastructure" assets have a remarkable ability to generate cash. Many such entities are *not* profitable, however, because they are structured as not-for-profit operations, and spend most of their revenues on educational programmes, which show up in the income statement as wage expenses. Commercial operators who raise the hurdle rate required for such cash outlays can capture a great deal of the monetary savings as profits.

Your manager is not alone in this finding: the Merlin Entertainments Group has been buying up tourism attractions around the world. Their latest acquisition is Living and Leisure Australia (LLA), whose Oceanis business is Asia's largest operator of aquariums. LLA owns aquariums in South Korea (Busan), Thailand (Bangkok), China (Shanghai), and Australia (Melbourne and Sunshine Coast).

LLA's Shanghai Chang Feng Ocean World is in the outskirts of Shanghai and is not near any subway stations or other tourist attractions. It is therefore not a strong competitor to the Shanghai Ocean Aquarium.

As Merlin is in acquisition mode, buying the Shanghai Ocean Aquarium, or even all of Straco, would make strategic sense. However, as Straco is not in any financial distress whatsoever, shareholders have the luxury of waiting for Merlin or some other buyer to pay up. In the meantime, the aquariums continue to bring in the crowds – and the cash.

Using private-equity metrics, Straco sells at 3.2x EV/EBITDA. This is very cheap, as it implies a buyer would get their money back in about 3 years. However, Mr Wu and his wife own 55% of the stock, so a hostile takeover is not possible. The company will be sold on their terms, or not at all.

Financially, the balance sheet is pristine: there is no debt, and cash on hand totals $82m, or about 75% of total shareholder equity. The stock was bought at about 13 times trailing earnings, at a dividend yield of about 4%.

Other Significant Events

Sincere Watch HK has received a general offer from Be Bright Limited, a company wholly-owned by Ms Pollyanna Chu Yuet Wah. In your manager's view, the offer undervalued the company and was therefore not accepted.

4. Fake Profits

Profits are what businesses are supposed to be about. Shareholders start, build and continue to own businesses, in order to make profits. But all companies are not equal.

Profit margins differ among industries and to a lesser extent among companies in the same industry. If margins are too low, the company is reliant on debt to expand. If margins are too high, it attracts competition.

Importantly, if the profits are real, the company can pay cash dividends.

While some shareholders may prefer that a company reinvest its earnings to create future wealth for shareholders, the sad reality, as noted by Benjamin Graham in *The Intelligent Investor*, is that few companies are able to reinvest such profits to earn the same rate of return as the existing business.

Besides assuring shareholders of a minimum return on their investment, a cash dividend also serves as useful, albeit partial, proof that the company's reported earnings are real.

If the profits are real, the margins will also be similar to that of competitors – after all, with the same capital inputs, the same workforce, the same customers, and the same selling price, the profits must also be the same. Few companies are so unique that they have no competitors and can set any price they wish.

So what happens if the profits are fake?

Generally, if the profits are fake, it is because the reported profit margin is too high. This can be detected in a peer comparison with the company's direct competitors, or similar businesses operating elsewhere in the world. Given today's globalized economy, very few companies will leave a region alone if it is seen that a peer is making good profits there. Thus, excess profits are unlikely to persist, and over time profit margins go back to normal i.e. there is reversion to the mean.

Because profits and losses from the income statement are reflected in the balance sheet, fake profits will also show up on the balance sheet, often in the form of imaginary cash balances.

The problem here is that cash is a transparent and easily auditable item, which makes it a prime focus of auditors. Blatant fraudsters may of course collude with bank officials to produce fake statements to fool the auditors.

However, even if the auditors are fooled, as cash apparently builds up on the balance sheet, it becomes increasingly more difficult to fend off minority shareholder demands for cash dividends, or at least a repayment of outstanding debt.

One way to avoid having to show the cash to the auditors is to not collect it in the first place. This then causes the **trade receivables** account to swell. Your manager wrote on this topic 3 years ago in the June 2009 newsletter, so it will not be discussed further here.

If one does pretend to collect the cash, then the logical progression is to use up the fake cash on items which are harder to evaluate than cash. Popular choices include inventory, machinery, supplier prepayments, intangible assets and even other companies.

Inventory, specifically finished goods, can be a useful place to dump fake earnings, as finished goods comprise a mix of different costs such as raw materials, capital and labour. This creates more work for auditors, who are not interested in dissecting the business to figure out the true cost of finished goods. In a retail business, the stock is also scattered across hundreds if not thousands of stores. So a retail company can dump fake earnings here and be fairly confident that the auditors are not going to do a thorough stock-take.

For example, **Ports Design**, a luxury apparel brand, has reported very high profit margins for the past 10 years. One would expect that Ports would then be sitting on a huge cash hoard. Instead, Ports has opted to plow much of its earnings back into inventory, to the extent that since the end of 2009, its inventory holdings have represented more than 18 months of sales.

But apparel, by its nature, goes in and out of fashion. Therefore, stock cannot normally be kept from season to season. It must be sold before the end of the season, lest it becomes unfashionable and hence un-saleable. Keeping stock beyond the season essentially means keeping it for one full year, until the next season. This is suicide in the fashion business, but Ports seems determined to commit it.

A comparison with luxury brand owners around the world, such as **Hugo Boss**, **Burberry**, **Hermes**, **LVMH**, and **Prada**, raised some red flags.

First, none of these brands, which are arguably far better known than Ports, have margins in common with Ports. Their gross margins in the last 3 years are similar to each other at about 60-70%, but materially lower than the 80% reported by Ports.

Second, none of these brands keep as much stock as Ports. The norm seems to be 5-8 months of sales, with the longest being LVMH at about 10 months. LVMH at least has the excuse of having a significant leather goods business, and bag fashion changes more slowly than apparel, so higher stock levels could be acceptable. Ports, however, has no leather goods division.

So while there is no “smoking gun” evidence that Ports is making up their profits, it seems highly likely that their inventory levels are overstated. Their inventory may well be overvalued, or some of it may simply be nonexistent. Either that, or their products are truly timeless classics which can be safely hoarded in stores and warehouses, and sold years later at <u>full price</u>. This seems unlikely.

Another dumping ground for fake earnings is **plant, property and equipment** (PPE). Auditors are seldom experts at valuing industrial equipment. As long as the cash payment matches the invoice, they may well accept the purchases at face value.

But companies may overpay for equipment in order to “use up” fake profits. A related party (whether disclosed or not) can act as a purchasing agent to buy equipment and mark it up for resale to the company. The equipment supplier gets their normal price, while the agent absorbs the difference i.e. the fake cash. Thus, the company is able to remove the fake cash from its accounts.

How would one detect such shenanigans? One way is to track the amount of PPE required to generate the reported sales.

Industrial operations tend to scale linearly. Short of a massive technological leap, to get 10 times the output you need 10 times the machinery. Thus, for an industrial company, the amount of PPE on the balance sheet should correlate very closely to the level of sales. If it does not, something odd may be going on.

For example, **China Essence** is a potato processor. It buys potatoes from farmers and turns them into potato starch and starch-based products such as noodles.

Potato starch is a commodity. Super-normal profits should quickly attract competition and drive down margins. But China Essence reported gross margins of 40-45% and net margins of 28-30% for 5 consecutive years during FY2003-FY2008. Even after the crisis, for FY2009-FY2011 it had gross margins of 35-40% and net margins of 16-20%. These are impressive numbers by any measure. But to sustain them in a commodity-type business over 9 years is truly incredible.

So is China Essence sitting on a pile of cash? No. All the profits – and more – were reinvested back into PPE. In the 9 years ending 31 March 2011, sales grew more than 10 times. But the book value of assets used in production (leasehold buildings and plant, plus machinery) grew 33 times. Counting only the post-IPO period i.e. FY2006 onwards, production assets grew 9 times, while sales grew 2.6 times.

The comparison becomes even more lopsided when one realizes that sales hovered around RMB 900m during FY2008-FY2011, but production assets grew from RMB 607m to RMB 1.1bn during the same period. Clearly the additional equipment was having no effect, which begs the question of why it was being bought – or if it even existed in the first place.

What about the year ending 31 March 2012? Anyone who waited to get the FY12 results would have been badly punished for taking a wait-and-see attitude: the company reported a heavy loss for FY12. Gross margin was *negative* 10% and net loss was RMB 279m. The real net loss was actually much worse, for the RMB 279m figure included a RMB 68m tax credit and a RMB 52m non-cash gain from restructuring its convertible bonds. It was a horrific turn of events, but entirely avoidable for anyone paying attention to the PPE numbers on the balance sheet.

The final example will cover the use of fake profits in **acquisitions**. For this we can (again) thank Anonymous Analytics for their exposé on **Huabao International**.

Huabao is a producer of fragrances. It claims to be the market leader in supplying to China’s tobacco industry. Its gross profit margins have been most impressive, averaging 70-80% in the past 5 years. These are materially higher than the international flavours giants **Symrise**, **Givaudan**, and **International Flavours and Fragrances**, who post 40-50% gross margins.

Anonymous’ report, titled *Smoke and Mirrors*, was published on 24 April 2012. The 44-page reports delves into the inner workings of Huabao and offers convincing evidence that in several of its acquisitions Huabao overpaid substantially.

A full discussion of Anonymous’ findings would be too involved; interested readers should refer directly to the report. However, the point (among others) that Anonymous makes is that in terms of price/earnings ratios, when Huabao bought businesses from its owner-chairwoman i.e. in related party transactions, it consistently paid much more than for acquisitions from third parties. This is similar to the case of overpaying for PPE in order to use up fake cash, except that entire companies are involved.

In summary, investors who study financial statements should check for internal consistency. Profits from the income statement will appear in the balance sheet – and if some items show unusual patterns it may be a warning that all is not well. Losses avoided by skipping companies with suspicious financial statements may well prove more important than the profits foregone by missing out on winners.

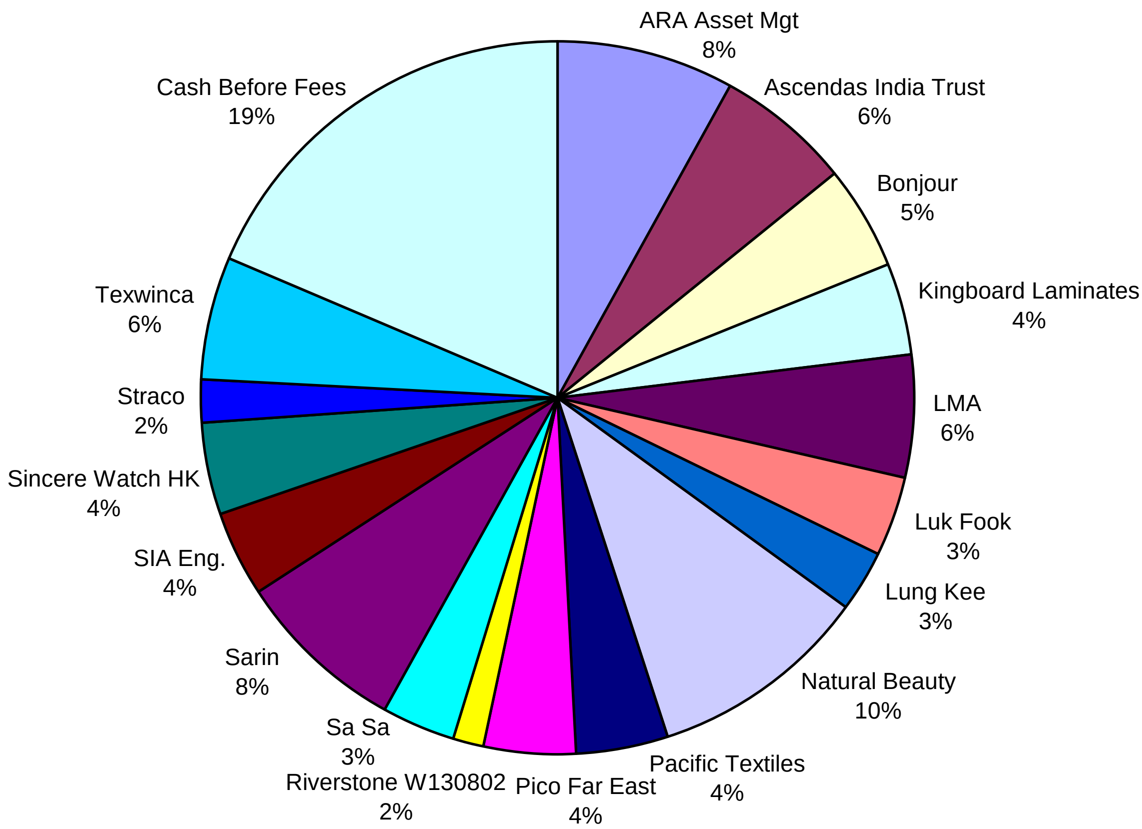
End

LIGHTHOUSE ADVISORS

Keeping Your Capital Safe

Annex I

Reference Account as of 30 June 2012



Annex II

Monthly Net Asset Values										
	2008		2009		2010		2011		2012	
Date	NAV ($)	Invested (Gross)	NAV ($)	Invested (Gross)	NAV ($)	Invested (Gross)	NAV ($)	Invested (Gross)	NAV ($)	Invested (Gross)
31 Jan			103.03	52.48%	163.97	83.91%	220.13	86.53%	192.15	73.35%
28 Feb			102.42	69.23%	169.35	93.00%	216.56	93.66%	204.12	79.44%
31 Mar			100.11	51.25%	179.88	93.26%	219.13	85.79%	204.78	79.53%
30 Apr			106.95	67.37%	184.58	90.31%	224.22	86.13%	203.33	84.41%
31 May			131.61	73.01%	177.16	80.77%	221.20	87.01%	194.22	82.27%
30 Jun			131.39	78.62%	180.97	84.17%	221.25	86.70%	192.88	81.41%
31 Jul			142.18	80.00%	189.62	86.50%	216.53	83.65%		
31 Aug			141.28	86.22%	193.05	92.43%	198.69	82.60%		
30 Sep			146.38	88.44%	210.53	99.04%	177.28	84.05%		
31 Oct			149.29	90.70%	213.32	95.13%	193.17	83.38%		
30 Nov	100.00	16.19%	154.88	87.41%	221.65	92.52%	184.76	83.96%		
31 Dec	101.02	52.56%	166.03	79.26%	228.60	85.71%	186.42	76.01%		
YTD	**+1.0%**		**+64.4%**		**+37.7%**		**-18.5%**		**+3.5%**	

Updated 6 August 2012