

May has been an ugly month for sharemarket investors around the world with steep falls in major international markets, broadly matched by a 6.7% plunge in the S&P/ASX 300 Accumulation Index. The rout appears mainly due to re-emerging concerns of sovereign debt crises in several European countries. The Fund has fared much better with a more modest 2.4% fall in the unit price over the month. The strong relative outperformance is due to the high cash weighting in the Fund, along with good exposure to a number of defensive stocks including Woolworths, Coca Cola Amatil and Spark Infrastructure.

- Companies directly exposed to discretionary consumer spending were badly hit during May, with two of the Fund's larger holdings (ARB and Flight Centre) seeing significant share price falls. ARB also provided a third quarter update to the market. While sales were up only 3.5% over the prior corresponding nine month period, the prior period was an exceptionally strong one. Management expect net profit for the full year to be in line with the 2011 financial year. The company continues to benefit from strong mining sector demand and an ongoing trend where four wheel drive vehicles are growing as a percentage (now 30%) of national total vehicle sales. Two new stores have been added in the last year and a further two are expected to be opened in the near future. Importantly, ARB continues to devote significant resources to new product development, providing the scope to drive demand for its product into the future.
- Spark Infrastructure went against the trend in May with a positive share price move, benefiting from investor appetite for defensive stocks. Austbrokers also managed a positive return for May, although there was no news driving this.
- In other company news, at its Annual General Meeting, Coca Cola Amatil forecast 4-5% net profit growth for the first half, which has been welcomed by the market given the difficult environment for consumer discretionary businesses. Dulux reported first half results which were up slightly on a like for like basis after excluding one offs such as insurance income associated with the Rocklea flood. The company expects underlying profit for the full year to be ahead of that for the 2011 financial year. Thorn Group delivered strong revenue and profit growth for the full year when it reported to the market during the month, but cautioned of more difficult times ahead. Finally, Orica reported a 12% increase in sales revenue for the first half driven by strong demand from their global mining business, but profit fell 4% driven largely by the unscheduled shutdown of the Kooragang Island plants.
- Portfolio activity during the month included small top-up purchases of Reece Australia and Skilled Group, and partial sales of Hunter Hall, Platinum Asset Management and Spark Infrastructure.

Performance Data as at	31/05/2012
1 month	-2.40%
3 months	1.02%
6 months	6.64%
1 year	3.18%
2 years (p.a.)	10.50%
3 years (p.a.)	15.07%
5 years (p.a.)	-0.04%
Since Inception (p.a.)*	5.45%
Net Asset Value (\$)	1.1636
Fund Size (\$ million)	46.67

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	32.26%
ARB Corporation Ltd	7.47%
Austbrokers Holdings Limited	4.16%
Woolworths Limited	4.05%
Coca-Cola Amatil Limited	4.02%
Spark Infrastructure Group	3.61%
Flight Centre Limited	3.51%
McMillan Shakespeare Limited	3.34%
Cochlear Limited	3.22%
Cabcharge Australia Limited	3.03%
Other holdings	31.34%
TOTAL	100.00%

Important Information: This report is provided for investors in the Funds. While all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), Mosaic Portfolio Advisers Limited, its officers, employees, agents and associated entities accept no responsibility for and will not be liable in respect of any loss or damage suffered by any person in connection with this other than under law which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment. This report has been prepared without taking into account your investment objectives, financial situation or particular needs. Before investing, or retaining an investment, in any of the Funds you should read the relevant PDS and consider whether the Fund is appropriate having regard to those matters. A copy of the PDS is available at www.mosaicpa.com.au. Remember, past performance should not be taken as an indication of future performance.