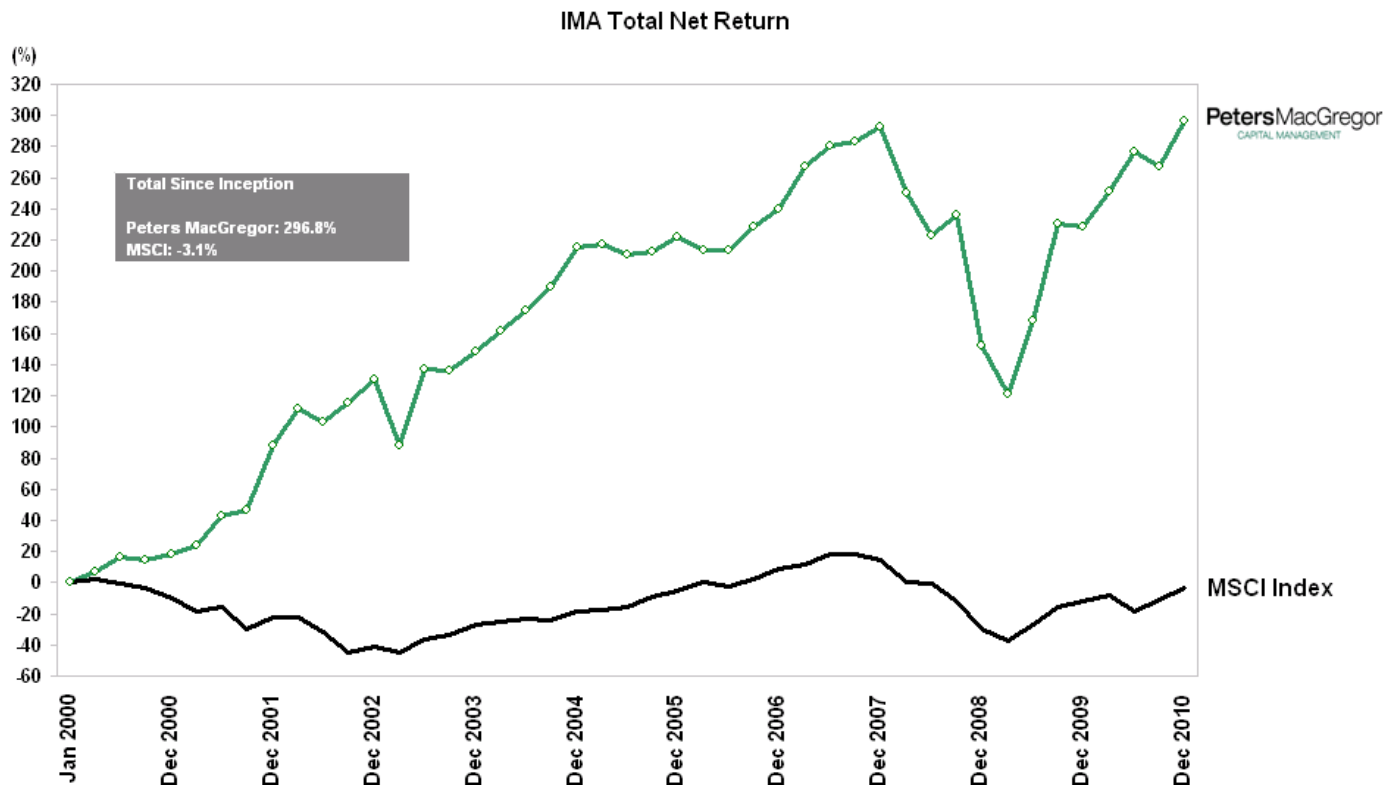


The average net performance of our portfolios for the December quarter was 8.1% while the MSCI World Index increased 8.3%. Over the past 12 months, we are up 20.7% versus the MSCI's 10.0% rise. As usual, your individual portfolio return may vary slightly from the average based on when your portfolio commenced, when other client portfolios commenced, and any net capital contributions.

The portfolio comprised twelve companies and cash finished at around 30%.

December 2010	gross return	net return before tax	MSCI index	out performance
Rolling				
3 months	8.31%	8.08%	8.31%	-0.23%
1 year	20.95%	20.68%	10.01%	10.67%
3 years	0.40%	0.33%	-5.35%	5.67%
5 years	5.52%	4.26%	0.51%	3.75%
10 years	15.69%	12.35%	-0.80%	13.15%
Since inception p.a.(January 2000)	16.82%	13.35%	-0.28%	13.63%
Total return since inception	452.82%	296.83%	-3.08%	299.91%



Top 5 Portfolio Holdings (alphabetically)

| Asta Funding | Berkshire Hathaway | Fairfax Financial | Johnson & Johnson | Michael Hill International |

General Commentary

Markets have continued their strong run with the MSCI World Index adding over 8% during the quarter on top of its 9% performance during the previous sequential quarter. The continued strong broad market, a further decline in volatility measures (almost to pre-GFC levels) and the prominence of lower-quality, less resilient names in this booming market reflect, we believe, a significant shift in risk appetites and probably a widespread lack of appreciation of the difficulties the world economy continues to face.

Considering the nature of this strong market (lesser names leading the way) and our generally defensive portfolio positioning (with an emphasis on higher quality companies and high cash levels) we expect to struggle to keep pace but are managing your money with 'downside protection in the event of a dramatic reversal' front of mind. Despite our defensive posture, we are pleased with our performance this quarter but acknowledge that performance was driven more by an outlier contributor (Michael Hill) than by everything else combined.

Portfolio Commentary

Michael Hill rose 31% during the quarter on the back of a high profile marketing campaign which employed the services of US celebrity Kim Kardashian, quite satisfactory store sales performance across the group as well as a bid by the Hill family to increase their holding in the company from 47% to 50.1% - a move which reflects the founding family's confidence in the company's prospects and if successful will provide flexibility for them to further increase their holding over time if they so choose (under New Zealand's Takeover Code, once a shareholder owns greater than 50% of a company they can 'creep' their shareholding up through on-market purchases at a rate of up to 5% p.a. of the shares owned by them.... between

20% and 50% ownership, no shares can be acquired without making a formal offer to all shareholders).

Being our largest holding, Michael Hill's performance contributed around 5.2% of the 8.1% of positive performance we accrued this quarter.

During the quarter, we visited with management of another large holding, Asta Funding, at their New Jersey offices. Having been through a very testing period over the past 2-3 years, this company is now financially very well placed to capitalize on opportunities their experienced executives are able to identify in the distressed credit space. One of our larger concerns with this business through 2010 has been that despite having some capacity to buy fresh bad debts, they have failed to buy quantity. However, buying activity over the past six months has been promising, if not quite at a level required to operate sustainably, and is certainly trending in the right direction. We expect that with significant cash resources at hand, management will be less shy with their buying behavior in 2011 and beyond. Despite what we consider generally good news flow from the company, the stock remains around the \$8 level (moving up from \$7.63 to \$8.10 over the quarter) with around \$5.50 of this in cash at hand and material value in its book of bad debts which continue to throw off significant free cash. Unless major mistakes are made with the reinvestment of its cash, we continue to view this investment as having low downside risk over time and considerable upside potential if they can successfully rebuild their operation.

Aside from Michael Hill and Asta Funding (which contributed a little less than 1% to performance), the portfolio benefited from strong performance in Iron Mountain and Wells Fargo (which rose 12% and 23% respectively) while everything else in the portfolio treaded water with individual names either rising or

falling by single digit percentages.

During the quarter we further reduced our BP position as its stock continued its post-oil-spill recovery. Subsequent to the quarter-end we have entirely eliminated this position. The 50% spread over our entry point at the height of the oil spill crisis fully captures our perceived discount to valuation and at \$46+ per share we feel ambivalent about the stock's prospects.

Similarly, we reduced our Iron Mountain position by around a third in the \$25 range. This stock has bounced some 20% from its lows where we had added to our position as recently as the previous quarter. While 20% is not an eye-popping movement, it is big enough to materially change the attractiveness of a security when it occurs in a hurry and in the absence of any positive news.

Our Fairfax Financial position was added to during the quarter as this company continued to deliver solid operating performance and enjoyed further improvements to its balance sheet position. We are particularly attracted to Fairfax for its investment team and the creativity they have brought to bear in the risk management process. We believe Fairfax is well positioned to prosper within its significant investment portfolios irrespective of the economic or market environment in the

years ahead.

Finally, we have added a small position in an Australian company that manufactures and distributes consumables, is priced attractively and is pursuing a growth strategy. Due to liquidity concerns we're choosing to not discuss this stock for now but look forward to doing so at a future date.

Conclusion

We are pleased with the portfolio's performance over the quarter with returns broadly matching a very strong market. Our emphasis on quality and significant cash balances should position us well to capitalize on opportunities that may be presented should the market turn south, while also allowing us the expectation of respectable returns in the event of a continued bullish market environment. We continue to monitor our holdings and hunt out new opportunities for the portfolio with a dual emphasis on protecting the downside and building value over time. Thank you for your continued trust and support. As always, do feel welcome to contact us on (02) 9332 2133 or via email at "contact us" on our website with any feedback, queries or concerns.

Important Information

This report is provided for the information of clients and is not intended to provide advice. Whilst all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), no person including Peters MacGregor Capital Management Pty Ltd, Peters MacGregor Investments Limited and Officium Capital Limited or any other affiliated company accepts responsibility for any loss suffered by any person arising in reliance on this information other than under law which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment.

The product disclosure statement (PDS) for the Peters MacGregor Global Fund is issued by Officium Capital. The PDS details the terms of the offer and if you wish to invest in the Fund, then you should consider the contents of the PDS, consider whether or not an investment in the Fund is appropriate for you and complete the application form accompanying the PDS.

You should also consider the PDS in deciding whether to continue to hold an interest in the Fund.

Past performance should not be taken as an indication of future performance. This information does not take into account your investment objectives, financial situation or particular needs. Before making any investment decision, you should obtain and carefully consider the PDS, having regard to your investment objectives, financial situation and particular needs.

Notes:

- Intra year performance figures are unaudited
- Performance figures in the table are historical and not necessarily an indication of future performance.
- The performance figures represent the average returns over all the individually managed accounts ("IMA") during the relevant periods. Each IMA will generate discrete returns depending on its portfolio structure from time to time.
- Gross returns include dividends and foreign exchange costs and are presented before taxes and fees.
- The net returns are net of management fees and before taxes.
- The MSCI figures are the MSCI World Total Return Index (net local).

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