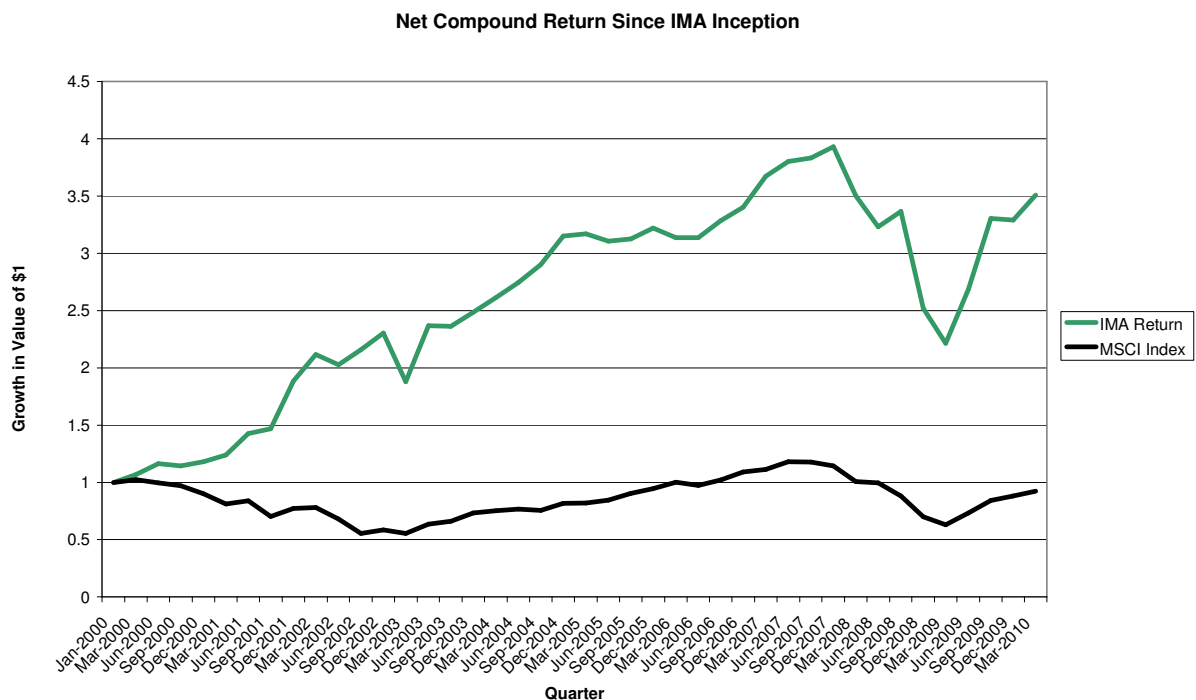


**March 31, 2010 Report**

The average net performance of our portfolios for the March quarter was 6.72% while the MSCI World Index returned 4.67%. Over the past 12 months, we are up 58.5% versus the MSCI's 46.3% rise. As usual, your individual portfolio return will 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 23%.

March 2010	gross return	net return	MSCI index	out performance
Rolling				
3 months	6.72%	6.72%	4.67%	2.05%
1 year	58.46%	58.46%	46.28%	12.18%
3 years	-0.97%	-1.51%	-6.13%	4.61%
5 years	3.3%	2.05%	2.38%	-0.33%
Since inception (January 2000)	16.72%	13.03%	-0.79%	13.82%



**PORTFOLIO AT A GLANCE**

Asta Funding	Johnson & Johnson
Berkshire Hathaway	Michael Hill International
Undisclosed Chinese Comp.	Mohawk Industries Inc.
Fairfax Financial	Prepaid Legal Services
Guinness Peat Group	USG Corporation
Iron Mountain	Wal-Mart Stores

**GENERAL COMMENTARY**

Once again, the broad indices performed very strongly with the MSCI appreciating another 4.6% over the quarter. The continued strong market performance is interesting due to both the breadth of gains as well as declining rates of day-to-day volatility. The following two-year graph of a popular measure of market volatility – the Chicago Board Options Exchange Volatility Index (“VIX”) – shows how volatility has trended back down to its pre-crisis range:



This dramatic decline in levels of volatility (or fear) and a broad market that is looking generally fully priced implies a return to normal economic conditions and discounts the potential for stormy waters ahead. While the broad market is still at a level that should generate decent long-term (10 year plus) returns relative to risk-free alternatives, it is increasingly exposed to the risk of significant and abrupt declines in the short-term if the economic backdrop disappoints.

The key to negotiating these unprecedented times, we believe, is to focus on owning high quality companies where share prices remain attractive. Our *strategic* investment approach is to own a diversified group of great businesses with excellent management and share prices that offer good value. Given the precarious nature of the economy and the full broad market valuations, we believe our *tactical* approach to managing the portfolio day-to-day is equally important. Within the context of owning a core group of quality companies for the long-term, we closely monitor holdings on a daily basis and ensure that portfolio weightings are appropriate and that share prices have not moved to levels that are no longer favourable. As prices change through time in relation to our appraisals of value (which also change in response to new information), we are either trimming or adding to holdings, or completely exiting positions that reach full value.

## PORTFOLIO COMMENTARY

In contrast to the previous quarter, the period under review was relatively benign in terms of developments with our companies. News flow was in-line with general expectations with no major surprises. However, we were able to take advantage of price movements of several of our holdings in order to lighten, trim or exit. All this activity has been the result of market price action as opposed to any fundamental change in our assessment of value. Re-weightings in the portfolio include:

- Berkshire Hathaway. A long-time core holding of ours was further reduced in the portfolio from around 13% to 10% in response to an approximate 20% increase in its stock price following the share split of its Class B shares and its inclusion in the S&P 500 index. The re-rating of the stock reduces its investment appeal, but we believe current prices are still attractive for this company that should deliver excellent results over the long term and is well-positioned to capitalise on any short term market aberrations.
- Iron Mountain. We took a round-trip on Iron Mountain during the quarter, initially capitalising on continued price weaknesses by adding to our holdings around \$22 per share then subsequently trimming the position back down above \$27 per share. The price movement in Iron Mountain over the quarter has been driven by the company's initiation of a quarterly dividend as well as a stock buy-back program. Iron Mountain has finally reached an inflection point where cash generation exceeds its requirements to fund its growth ambitions. Its balance sheet is strong, with significant debt capacity, and the company has a diverse, stable and growing stream of cash.
- Prepaid Legal Services. As with Iron Mountain, we took advantage of the decline in stock price of Prepaid Legal to top up our holdings. There have been no material developments with the company over the period, and the first quarter is a low free-cashflow period for the company due to the timing of its federal tax payments. Growth continues to be anaemic which is not ideal over time but does significantly reduce the company's internal cash requirements in the short term. Accordingly, with tax payments behind them, considerable internal free cashflow and a stock price reflecting a single digit multiple of earnings, we will be monitoring management's commentary and actions closely in the quarters ahead, particularly with regards to the stock buyback program.

Additionally within the portfolio, we have taken the decision to exit USG Corp entirely. USG has been a disappointing investment for us, falling 50-60% from our average purchase price. We were too optimistic about the long-term prospects for gypsum demand in the US and despite our long-held concerns about the broad economy did not anticipate the depths demand for gypsum wallboard could fall to. The combination of moderated expectations for long-term product demand, the significant dilution to USG shareholders of a convertible debt issue the company had to undertake in order to survive the downturn, the very strong share price performance of the company over recent months, as well as our consideration of risks and exposures inherent elsewhere in the portfolio drove our decision to exit this holding.

Finally, on a pleasing note, we have added a position in a Singapore-listed Chinese manufacturer and retailer. The company is relatively small and we are hoping to buy more, so we are choosing to not disclose its name for the time being. We can tell you, however, that this is a well-run business with a passionate founder who owns around half the company and is focused on generating shareholder wealth over time. The company is debt free, has significant cash on the balance sheet and despite having been through a challenging retail environment over the past year is solidly profitable. If the company can execute on its growth ambitions and experience just a partial recovery in margins following the difficult 2009 year, its shares – at our purchase price – would be trading for 3-4 times earnings and could increase very substantially.

## CONCLUSION

We remain concerned about how the economic environment will look in the years ahead. However, our focus is squarely on finding outstanding companies to own over the long-term while closely monitoring existing holdings and assessing the appropriateness of positions and weightings in the context of an ever-changing environment.

In holding fundamentally high quality companies, managing our exposures and risks very tightly, and ensuring we have plenty of cash on hand in order to take advantage of opportunities as they arise, we feel your portfolio is well positioned to handle the inevitable short-term gyrations of the market, pull through any so-called double-dip recession that may or may not eventuate, and generate strong gains over the long term.

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:

#### IMA Portfolio Returns

- 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).
- IMA inception date January 2000