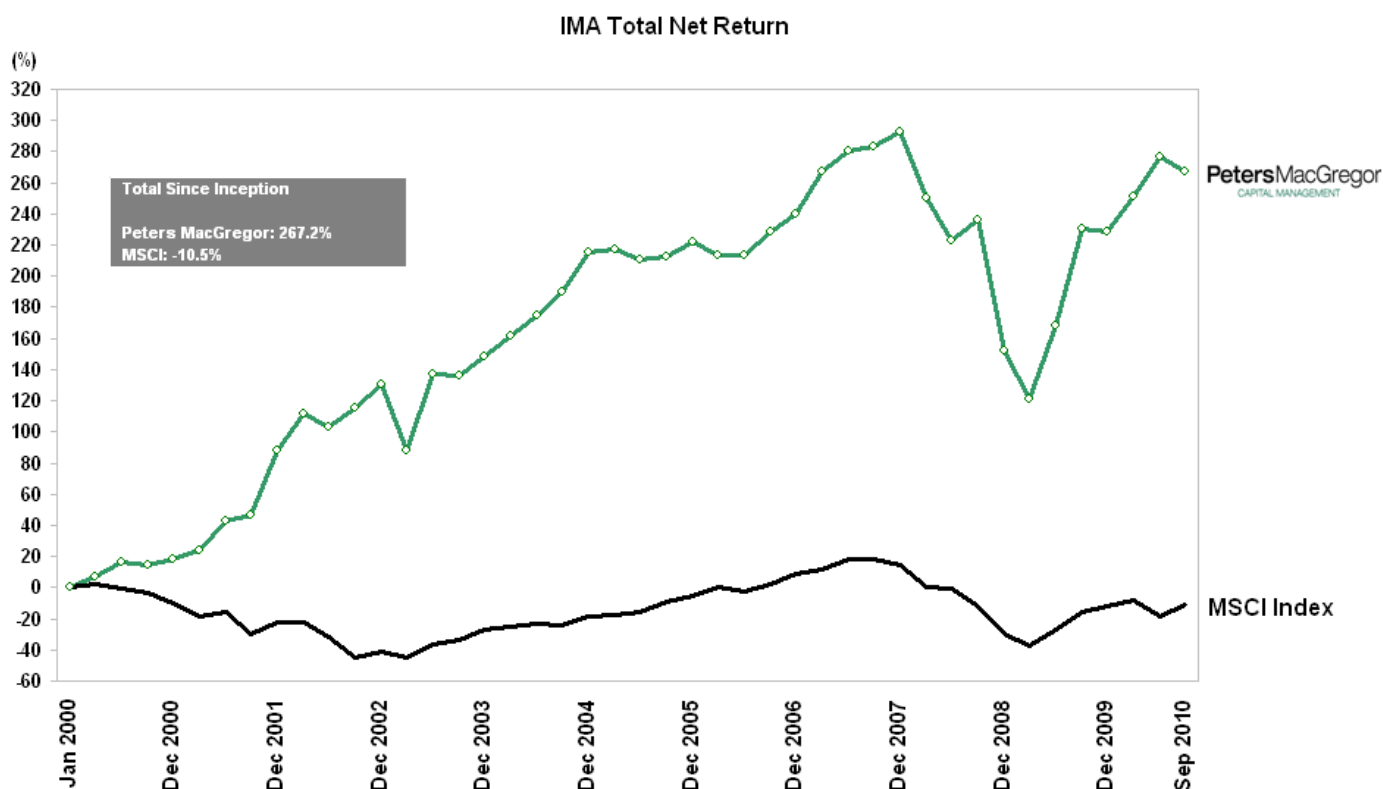


The average net performance of our portfolios for the September quarter was minus 2.49% while the MSCI World Index increased 9.28%. Over the past 12 months, we are up 11.16% versus the MSCI's 6.14% rise. As usual, your individual portfolio return will vary slightly from the average based on when your portfolio commenced, when other client portfolios commenced, and any net capital contributions.

The portfolio comprised eleven companies and cash finished at around 31%.

September 2010	gross return	net return before tax	MSCI index	out performance
Rolling				
3 months	-2.49%	-2.49%	9.28%	-11.78%
1 year	11.16%	11.16%	6.14%	5.02%
3 years	-1.22%	-1.42%	-8.77%	7.36%
5 years	4.57%	3.28%	-0.22%	3.50%
Since inception (January 2000)	16.37%	12.86%	-1.03%	13.89%



## Portfolio At A Glance

| Asta Funding | Berkshire Hathaway | BP | Dapai International | Fairfax Financial | Guinness Peat Group | Iron Mountain  
| Johnson & Johnson | Michael Hill International | Wal-Mart Stores | Wells Fargo

## General Commentary

Global markets have begun the Australian financial year on a positive note, with the MSCI World Index advancing over 9% as economic news flow was relatively benign and corporate earnings on the whole satisfied market participants.

Disappointingly, while some of our portfolio holdings performed in-line with or even substantially better than the broad market, these gains were overwhelmed by unrealised losses on other holdings resulting in a small decline in the value of your portfolio over the quarter.

Significant positive contributors over the quarter were BP, Fairfax Financial and Pre Paid Legal Services, with each appreciating 42%, 10% and 32% respectively. The main laggard was one of our larger holdings Asta Funding. Its shares fell 22% over the quarter, giving up most of the previous quarter's gains and marking the stock back down to levels that we feel offer unusually attractive upside potential with limited downside risk.

## Portfolio Commentary

Activity was driven by both repositioning of a number of our holdings as well as the elimination of Pre Paid Legal Services from the portfolio and the introduction of Wells Fargo.

On the rebalancing front, we took advantage of price strength in both **BP** and **Berkshire Hathaway** to reduce our weightings in these positions. At their higher prices we aren't as enthused as we had previously been, but we believe these stocks continue to offer value and thus have retained more modest positions. Having gained 20% the previous quarter, **Pre Paid Legal** continued its rally, rising a further 32% from the

beginning of the quarter to where we ultimately exited this stock as our appraisal of full value was reached. We're very happy with how Pre Paid Legal has played out in the portfolio over the past year or so and while we believe the company will probably do quite well over time, its stock has been marked to a level that no longer interests us from an investment perspective.

On the other side of the ledger, we took advantage of price weakness in each of **Iron Mountain** and **Johnson & Johnson** to increase our exposures to these high quality names. Each of these companies has suffered from what we believe has been an overreaction to modestly negative news (Johnson & Johnson, for example, having its image tainted by a spate of product recalls) but the degree to which these justified concerns have been discounted into their respective stock prices we feel makes them particularly attractive.

Additionally, having followed the company for quite some time through the global financial crisis and subsequent recovery/stabilisation, we have initiated a small position in a leading US bank, **Wells Fargo**, which is priced attractively relative to what we believe is its long-term normalised earnings profile. It acquired Wachovia Bank in late 2008 and that integration continues. The requisite synergies that are springing from that acquisition coupled with their competitive advantage of having the lowest cost of deposits among its major competitors, Wells Fargo appears well positioned as the economic environment improves.

In considering the potential to add any new company to the portfolio we assess not only the risk/return profile of the individual name but also how that company will affect the

risk/return profile of the overall portfolio. We are very pleased with changes made over this quarter which we feel enhance the quality mix of the portfolio overall while maintaining strong cash balances in order to manage risk and be in a position where we can move swiftly on new opportunities. Reducing exposure to stocks that approach full valuation and adding to those whose value proposition have increased both lowers the inherent portfolio risk and improve the return profile.

portfolio from a risk management perspective. 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.

### Conclusion

While we are disappointed with our portfolio performance over the quarter, both in an absolute and relative sense, we believe that the combination of prices falling, in some cases to levels that are highly prospective, together with the portfolio adjustments we have made has increased the attractiveness of the portfolio as a whole. Modest increases in our cash holdings as a result of a sell/reduce bias over the quarter are welcome in an environment in which we continue to be cautious, though we do look forward to putting capital to work in ideas that make sense on a case by case basis after considering how any new holding will fit within the existing

### 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

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