

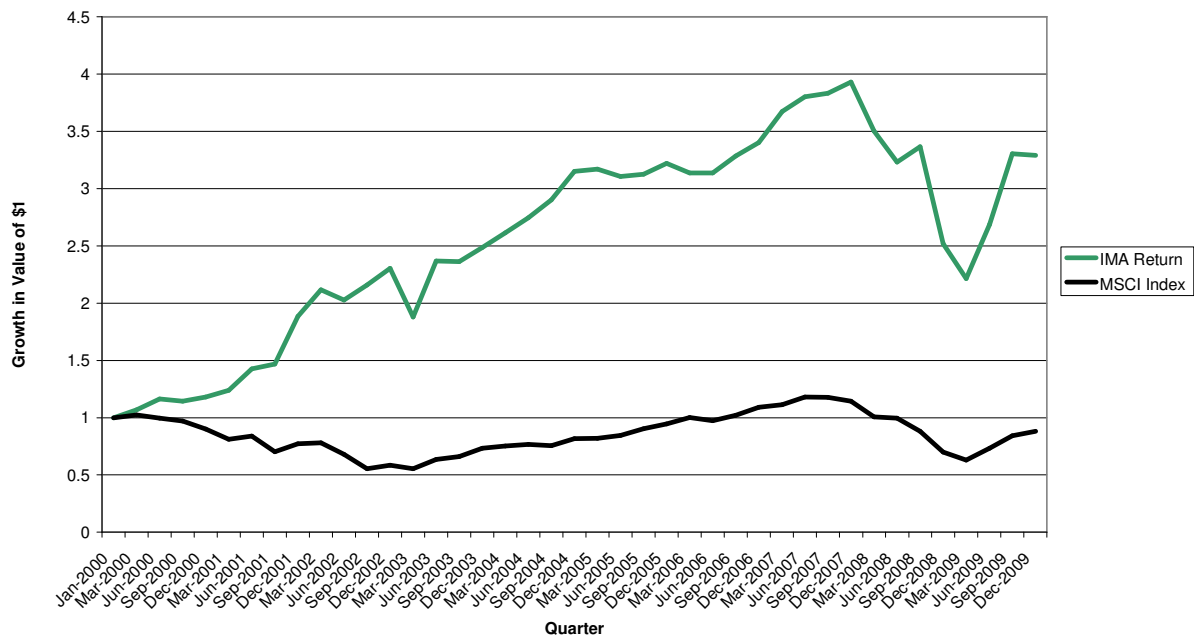
December 31, 2009 IMA Report

The average net performance of our portfolios for the December quarter was -0.45%, lagging the MSCI World Index return of 4.5% and surrendering some of the outperformance generated in the September quarter. Over the past 12 months, we are up 30.5% versus the MSCI's 25.7% 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 held eleven companies and cash finished at around 20%.

December 2009	gross return	net return	MSCI index	out performance
Rolling				
3 months	-0.45%	-0.45%	4.50%	-4.95%
1 year	30.52%	30.52%	25.73%	4.79%
3 years	0.02%	-1.13%	-6.90%	5.76%
5 years	2.15%	0.86%	1.54%	-0.68%
Since inception (January 2000)	16.41%	12.64%	-1.26%	13.90%

Net Compound Return Since IMA Inception



PORTFOLIO AT A GLANCE

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

GENERAL COMMENTARY

The world markets continued their strong recovery in the December quarter, driven by investor confidence in a sustainable economic recovery and perhaps the realisation that governments and central banks will continue to do what is necessary to prevent a more severe economic recession. The fiscal and monetary stimuli that have been and continue to be actioned materially increase the risk of substantially higher inflation down the road. Long term interest rates presently do not reflect that risk, and it is in that context that one should prefer to own real assets – shares, real estate, metals & commodities – than to hold cash or debt; a preference that we believe has been reflected in the strong recovery of stockmarkets through 2009.

We too have a strong preference for owning high quality real assets; shares in good businesses that have pricing power, can maintain their earnings power in real terms, are relatively strong in their respective industries and managed by intelligent people whom we like and trust. While the market recovery of 2009 has priced us out of many potential investments, we have found value in a few old favourite stocks and are pleased to hold a diversified group of quality companies that continue to represent good value.

PORTFOLIO COMMENTARY

The quarter under review was unusually eventful for us, with more-interesting-than-usual news flow from portfolio holdings, a number of additions to the portfolio and the exit of our investment in American Express.

On the news front, Berkshire Hathaway announced its agreement to purchase the 77% of US railroad company, Burlington Northern, which it didn't already own. The acquisition is significant in that it is very large (\$44b gross transaction value), the price being paid appears to reflect a very full valuation, it involves the issue of new Berkshire stock thus diluting our exposure to the rest of Berkshire's asset base, and it requires a level of debt funding that is unusual for Berkshire. While the price is a full one, it does give Berkshire the opportunity to put to work more than three years' free cashflow in one transaction. The acquisition doesn't materially change our valuation of Berkshire, but it does lower the risk profile of the company. The longer-term risk profile is reduced because the company becomes less sensitive to its insurance operations (which are inherently more levered), and the reinvestment risk profile (which is of particular concern for whoever succeeds Warren Buffett as CEO) will be somewhat lower.

Asta Funding delivered a mixed bag of news with its full year (to September) financial results. Disappointingly, the company has failed to obtain a sizeable credit line. It has also recorded very material impairments to its asset-base as it continues to suffer from the recession. However, on the positive side, due to recent stimulus-related temporary changes in the US tax laws, the company expects to be able to 'carryback' its current year losses. This would enable it to apply these losses against profits earned during the last five years and claim a tax refund. If the company is successful with this tax refund filing, they expect to receive over \$3 per share in cash from the IRS at some stage in 2010 (versus a \$7 current stock price). While the failure to secure a meaningful credit line is

disappointing, it is important to note that Asta has virtually extinguished its previous debt line from its operating cashflows and does not 'need' a large credit facility in order to operate its business. Asta is now able to reinvest 100% of the \$3-5m per month of free cashflow currently being generated into new paper. We view that organic cashflow together with any tax refund as being satisfactory for Asta to operate successfully.

During the quarter we took the decision to completely exit our holding in American Express (Amex). We had previously trimmed the position in response to the strong price recovery through the year, but with the stock around \$40 Amex was approaching our appraisal of full value so we decided to exit altogether. While we continue to believe that Amex is a very good business with good long-term prospects, we need to consider individual holdings in the context of the broader portfolio and the overall risk carried therein. We also need to consider our cash requirements for new investments, and with the addition of four other positions during the quarter the proceeds from the Amex sale were useful to us.

The four stocks added to the portfolio were Guinness Peat Group (GPG), Iron Mountain, Pre-Paid Legal Services and Wal-Mart. GPG is a UK-based investment company with a broad range of holdings in Australasia, Europe and a substantial investment in threadmaker, Coats, whose operations span the globe. GPG has a substantial net cash position, a strong track record of value-creation for shareholders and trades at a material discount to asset value. The other three additions are all previous holdings of ours. These are good businesses with strong, stable cashflow streams, shareholder-oriented management teams, share prices that have lagged the gains recorded by the broader market through 2009 and which, we believe, still offer good value. In each case, our appraisal of intrinsic value has increased materially since we last owned them, and the prices we have paid to re-invest on average are lower than what we previously sold for. Interestingly, with a business like Wal-Mart, we now have valuable data that supports the quality of that business franchise through such a substantial recession. We believe the cashflow stream of Wal-Mart is worth more today, knowing how resilient it is, than what we felt it was worth before the recession.

CONCLUSION

In the context of an economically unbalanced world we continue to exercise caution and carefully consider the risks being carried within the portfolio at all times. We believe these concerns should be reflected in prudent stock selection rather than in holding excessive cash. Stocks like Johnson & Johnson, Wal-Mart, Iron Mountain, Berkshire Hathaway and Fairfax Financial are all positioned well to maintain earnings power and grow shareholder wealth irrespective of the economic environment and long-term outcome for inflation.

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