

June 30, 2009 Annual Report

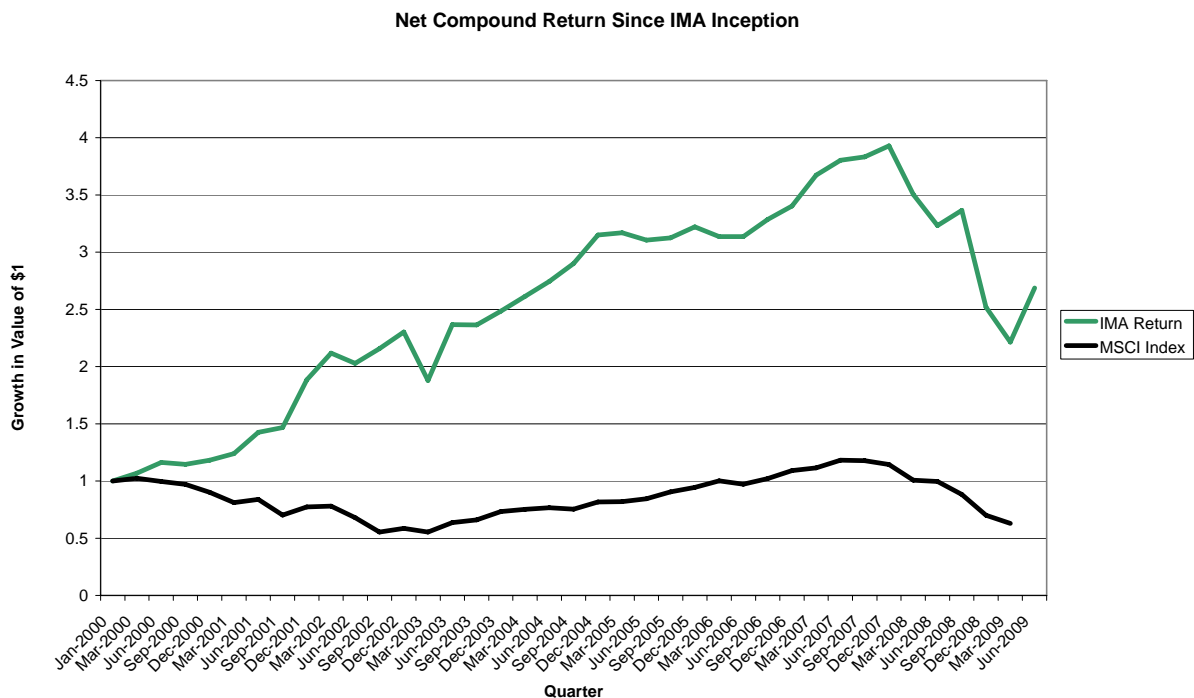
Dear Investor,

The average net performance of our portfolios for the year ending June 30th was -16.87% compared to the MSCI World Index at -26.33%. 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.

During the year we sold out of Harvey Norman, Iron Mountain, Moody's Corporation, Northbridge (after a takeover bid came from Fairfax Financial) and Western Union. We repurchased Fairfax Financial (FFH), the Canadian property and casualty insurer and added to Asta Funding and Berkshire Hathaway.

The portfolio held eight companies and cash finished at around 28%.

June 2009	gross return	net return	MSCI index	out performance
Rolling				
3 months	21.30%	21.30%	16.46%	4.85%
1 year	-16.87%	-16.87%	-26.33%	9.46%
3 years	-3.18%	-5.03%	-8.92%	3.89%
5 years	1.51%	-0.43%	-0.85%	0.42%
Since inception (January 2000)	14.88%	10.96%	-3.20%	14.16%



PORTFOLIO AT A GLANCE

American Express	Johnson & Johnson
Asta Funding	Michael Hill International
Berkshire Hathaway	Mohawk Industries Inc.
Fairfax Financial	USG Corporation

PORTFOLIO CHANGES

Fairfax Financial

We have owned Fairfax previously and with the share price falling significantly during the year to about 80% of book value, we once again took the opportunity to buy it. The Chairman and Chief Executive, Prem Watsa and his team believe the current economic downturn will be long and painful and have structured their insurance businesses and their investment portfolio to profit from it with a very strong focus on protecting their capital base. We couldn't be happier to have such first rate management at one of our holdings and they typify the caliber of management we have at our other holdings.

COMMENTARY

This past year has seen the world economy contract at a rate not seen since the 1930s Great Depression. Our performance for the year was poor at -16.87% even though the world share markets were significantly worse at -26.33%.

Investment confidence turned on a dime in September and the world's credit markets froze, causing the biggest price dislocation in most asset markets any of us have seen. We witnessed the near collapse of the world financial system with some of the largest companies failing and wiping out most of their shareholders equity. Other than cash, gold and US Treasury bonds, I cannot think of one asset class that isn't priced significantly lower today than at the beginning of the financial year.

To highlight the volatility, the MSCI World Index fell from a peak of 2,738 in October 2007 to 1,238 in March 2009 finishing at 1,660 on June 30th, a fall from the peak of 40%. The low in March had not been seen since 1997.

An example of this angst that permeated the market place was presented at this year's Berkshire Hathaway meeting in Omaha where Warren Buffett showed a copy of a US Treasury Bond yielding a negative quarter of one percent. Think about that for a second, people were prepared to pay Uncle Sam to take their money at that point. They would have obtained a higher return by placing the money under their mattress. Astonishing! This points to an area which is potentially one of the largest current bubbles, US Treasury bonds.

The US housing bubble seems to be the main culprit for this downturn. Created by excessively low interest rates over an extended period (put in place earlier in the decade by the US Federal Reserve to ease the pain from the tech bubble), false assumptions about future housing prices, relaxed, then dubious, then fraudulent lending practices, excessive securitization of these mortgages (some 70% of all US mortgages were dealt with in this fashion) driven by perverse incentives in this process and a

government regulatory environment that not only allowed such excess, but sponsored it. This in turn supported bubbles in many other assets and areas worldwide such as commercial property, commodities and consumer spending.

Having just spent five weeks in Canada and the US and reviewed the real estate mortgage numbers, our assessment is that it will probably take many years to work through the current excesses with broad ramifications for consumption and general economic activity.

Jamie Dimon, CEO and Chairman of JP Morgan Chase, wrote what I thought was one of the year's best annual letters outlining his take of what transpired during this financial meltdown, government's responses and the way forward. I have attached a copy and highly recommend it to you. [Click here.](#)

These times are very uncertain and the world economy has many moving parts but governments are responding strongly and although we are extremely cautious, we have a high conviction that the economies will recover and once again start to grow. As always, we have no idea what the world share markets are likely to do in the short term, irrespective of how much economic data we review and so our investment strategy remains unchanged. Seek out companies that are strongly financed, with significant market positions, run by able and shareholder focused management which can be purchased at fair prices. This strategy, now more than ever, is likely to produce superior returns over the coming decade to cash and various fixed income instruments.

On our portfolio front, a less well understood dynamic which we're observing is how many strong businesses, our portfolio companies included, are actually growing their market share and potentially business value through these difficult times. What's happening is, as many weaker businesses fail, industry capacity is reducing and in some cases significantly so. Of course this is during a period where demand is reducing as well and the competitive landscape is much tougher as the excess inventory is heavily discounted to clear. So these business gains are not yet being reflected in their profit numbers, but this should follow in due course as the dust settles.

An interesting example is Berkshire Hathaway, one of our major holdings. Berkshire is a diversified holding company with significant interests in insurance, utility and industrial companies. Many of its cash flow streams are very defensive, such as its utility businesses and the underwriting income within its insurance operations. What really excites us in this environment, however, relates to those of Berkshire's operating units which are economically sensitive and are suffering through this difficult economic environment. With the backing of Berkshire's exceptional financial strength and its unusual will to invest to build shareholder value over the long term (even at the expense of short term profitability), these businesses are able to not only weather the storm but actively invest for growth and take market share from weaker competitors who are forced to shrink or exit. Indeed, at the annual meeting this year, Charlie Munger was visibly excited by the progress Berkshire's Israeli-based subsidiary, Iscar, was making with its international expansion. Specifically, he highlighted how Iscar have been able to set up operations in Japan – a country they have only been able to enter due to the current economic environment.

Renowned US investor, Shelby Davis once said you make all your money during bear markets, you just don't realise it at the time. At an individual operating company level, we expect this to ring true for Berkshire and many of our other holdings. Looking back in ten years time we fully expect a significant portion of the future values of our portfolio holdings will be attributable to their ability and will to execute through this precarious economic environment.

CONCLUSION

It was an extremely volatile year in global share markets, resulting in negative returns across the major indices. With the MSCI World Index falling -26.33%, we fared comparatively well but slipped by -16.87% in absolute terms.

Our performance has been poor in terms of the share price movement of our portfolio companies and we obtain no solace from the fact that the major indices were down significantly more. Although we are disappointed with our performance during the year, the companies in which we are invested have strong attributes and we fully expect to profit as these businesses come through the worst economic contraction since the Great Depression in the 1930s.

Thank you for your continued trust and support. If you have any questions please contact us on (02) 9332 2133 or via email at invest@petersmacgregor.com.

Yours faithfully,



L.Wayne Peters
Chairman & Chief Investment Officer

Important Information

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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 excess of 12 months are audited. 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