

Fund Positioning – 4^h September, 2012

Since our last update in April, the most meaningful change to the fund's invested position has been increasing the direct short positions to 14.4% of the fund's capital. The increase came through us adding four new (roughly 2% each) domestic short positions in the regulated utility / infrastructure space. We believe the economics of these businesses will deteriorate as lower regulated returns are awarded moving forward. We regard the draft determination released by the Australian Energy Market Commission on 23rd August as being confirmation of this view and expect the pressure to progressively build on these businesses as lower regulated returns are awarded. If our view proves correct, this decline in business value will be amplified by the underlying share prices due to the very significant debt levels these businesses carry.

The increase in the fund's short exposure has increased the gross invested position to 78.6% (64.2% long / 14.4% short).

Activity in the fund's long investments has been limited.

Following we have updated our usual charts and tables to provide more detail around the current invested position and recent changes.

The fund's performance can be downloaded via this [link](#).

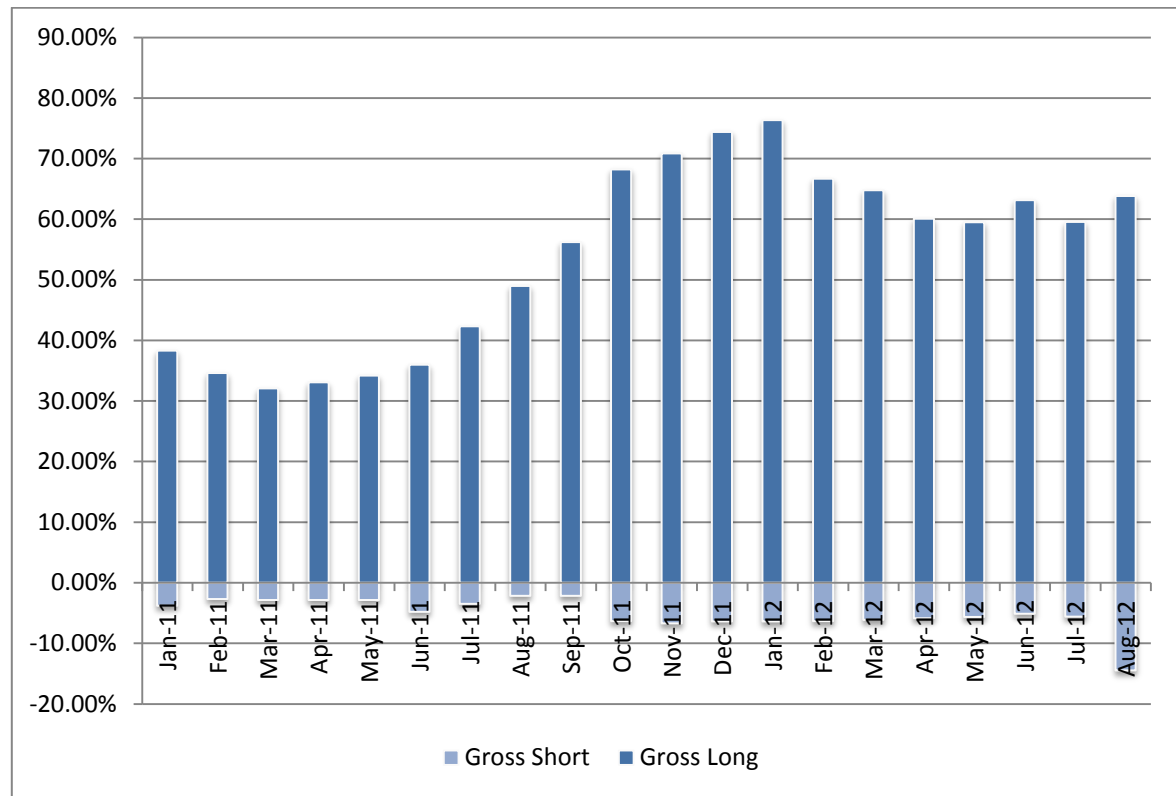
Please don't hesitate to contact us if you would like to discuss the fund in more detail.

Geographic Breakdown/ Currency Exposure (September 4th, 2012):

	Long (%)	Short (%)	Currency (%)
Australia	9%	14%	45%
United States	29%	0%	34%
UK / Europe*	26%	0%	21%
Total	64%	14%	100%
Derivatives (annual cost)	2.3%	0	na

Notes: Totals may not add due to rounding. * Euro currency ap 04-Sep-12

Physical Invested Position (Month End):



Tenet Breakdown (September 4th, 2012):

	Australia		United States		UK/Europe		Total	
	%	no/.	%	no/.	%	no/.	%	no/.
Tenet 1: US wagering			18	2			18	2
Tenet 2: Pax Leverage					18	3	18	3
Tenet 3: Newbanco	3	1			0	1	3	2
Tenet 4			4	1			4	1
Tenet 5	6	3					6	3
Tenet 6			4	1			4	1
Other long			3	1	8	2	11	3
Gross long	9	4	29	5	26	6	64	15
Gross short	14	6					14	6
Gross invested position	24	10	29	5	26	6	79	21
Derivatives (annual cost)							2	2

Notes: Totals may not add due to rounding: 04-Sep-12