

Portfolio Review

During July the market more than claimed back June's losses as some of the concerns that impacted both May and June abated. This sentiment was reflected globally with most major stock indices outperforming Australia's. One of the potential stumbling blocks, the stress test conducted by European bank regulators, passed without significant issue. While some criticism was levied in regards to how strenuous the tests were, only 7 out of 91 banks examined were shown to need additional capital. The improved credit markets eased funding pressures for our major banks, helping the sector outperform the market.

The AUD rallied strongly (+7.5%) against the US dollar through the month, although this was mainly on the back of USD weakness with the AUD seeing little change against the Euro (+0.8%). The RBA kept rates on hold at 4.5% for the second month in a row. Mixed offshore economic data combined with slower than anticipated June credit growth, steady unemployment data, plus lower than expected headline and core inflation all helped the argument for a continued pause.

Commodity prices were mixed but mostly positive on the back of returning risk appetite observed in financial markets, despite soft US economic data and China's slowing GDP growth rate. Gold (-5.9%) saw its largest fall since October 2008 and Iron Ore rallied late in the month to limit losses for the month, while base metals Copper (+12.2%), Aluminium (+10.5%), Nickel (+7.4%) and Zinc (+13.6%) saw strong gains. Resource companies benefited from these higher prices as well as the government jettisoning the RSPT for the more favourable MRRT.

As the market starts to focus on the coming reporting season, July saw some updated earnings guidance with, for example, IAG and QBE delivering notable downgrades. To date the overall US reporting season has been strong, with earnings results coming through +8.1% ahead of pre-reporting season expectations, albeit predominantly due to cost cutting rather than top line growth.

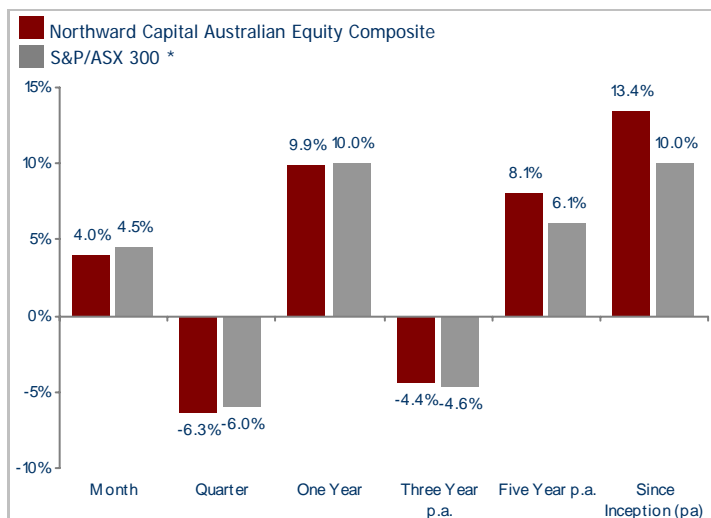
Portfolio turnover was low during the month and saw the introduction of Macarthur Coal and reintroduction of Energy Resources Australia into the portfolio. We increased weights in Fosters Group, Amcor, CSL and Origin Energy. These purchases were funded from cash and notable sales in James Hardie and Centennial Coal (following the takeover bid).

Fund Results

Portfolio Results	Month
Northward Capital Australian Equity Composite	4.02%
S&P/ASX 300 *	4.48%
Value Added	-0.46%

Stock Contributors	Overweight (+) Underweight (-)
Western Areas	+
QBE Ins Grp	Not held
Centennial Coal Co	+
Equinox	+
Westfield Group	Not held

Stock Detractors	Overweight (+) Underweight (-)
Newcrest Mining	+
Nufarm	+
Woolworths	+
Wesfarmers	Not held
Lend Lease	+



- (1) Market value of the investment as at month end was \$2,596.28 Million
- (2) Inception return is calculated from 1 June 2004
- (3) Returns are calculated gross - before taxes, before fees
- (4) * Benchmark was S&P/ASX 300 ex LPTs prior to 1 May 2009
- (5) Composite of accounts with similar benchmark (12 accounts in current month)
- (6) Risk stats (where applic) based on mthly returns over rolling 3 year periods

Fund Composition

Active Stock Positions

Underweights / Overweights versus benchmark

Stock	Weight	Monthly Stock Returns
Asciano Group	(2.7%)	2.3%
Lend Lease	(2.5%)	2.2%
Newcrest Mining	(3.6%)	2.2%
Crown Ltd	(2.4%)	2.0%
Transurban Group	(2.5%)	1.9%
QBE Ins Grp (not held)		-1.6%
Westfield Group (not held)		-2.4%
Wesfarmers (not held)		-3.3%
ANZ Banking	(1.6%)	-3.9%
BHP Billiton	(8.2%)	-4.3%
		4.3%
		-0.5%
		-6.8%
		2.4%
		5.7%
		-8.2%
		0.2%
		8.5%
		6.7%
		6.6%

Sector Diversification

Underweights / Overweights versus benchmark

Sector	Weight	Monthly Sector Returns
Industrials	(10.9%)	4.5%
Consumer Discr.	(5.8%)	1.7%
Energy	(8.8%)	1.5%
Info Tech	(1.4%)	0.6%
Utilities	(1.5%)	0.2%
Consumer Staples	(8.8%)	0.2%
Materials	(25.1%)	-0.5%
Telecomm Svc	(3.2%)	-0.6%
Health Care	(2.4%)	-1.1%
Financials	(31.4%)	-1.4%
REITs	(0.0%)	-5.9%
		7.2%
		3.9%
		4.0%
		-2.8%
		3.1%
		1.8%
		4.9%
		-0.6%
		1.0%
		6.5%
		1.1%

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