

### Portfolio Review

Equity markets began 2011 positively as investors assessed prospects for the February reporting season. However, concerns around unrest in the Middle East saw risk aversion rise and the market give these gains back late in the month. Domestic news flow was dominated by the Queensland floods as investors contrasted the short-term (negative) implications for the economy with the long-term (positive) implications of the rebuild. Sentiment towards the US continued to improve, while China's inflation risks and growth expectations continued to weigh on investors' minds.

Domestic economic data was mixed - consumer sentiment fell, while employment data continued to strengthen. The Queensland floods saw the market downgrade FY11 GDP forecasts and push out RBA rate rise expectations.

The Federal Open Market Committee maintained its stance of buying US Treasury bonds and kept its funds target range at 0.00-0.25%. In its December minutes, the Committee stated that the US economy was not improving fast enough to alter its economic stimulus policy. The US reporting season has begun strongly (57% complete by market cap), with aggregate profit (+2.7%) and aggregate

revenue (+1.8%) above pre-reporting season analyst forecasts. 4Q10 revenue growth (QoQ) is currently standing at +6.6% highlighting the improving outlook for the broader US economy. Globally about two-thirds of MSCI World Index companies that reported quarterly earnings have topped estimates to date. This is resulting in increasing investor and corporate confidence that the economic recovery is sustainable and underscores our expectation of increasing M&A deals. Earnings have been improving strongly and Australian and international companies have more cash to fund deals.

The upcoming reporting season will see investors keenly focused on evidence of fixed cost leverage for a number of companies, plus dividends, capital management and currency impacts from a high \$A.

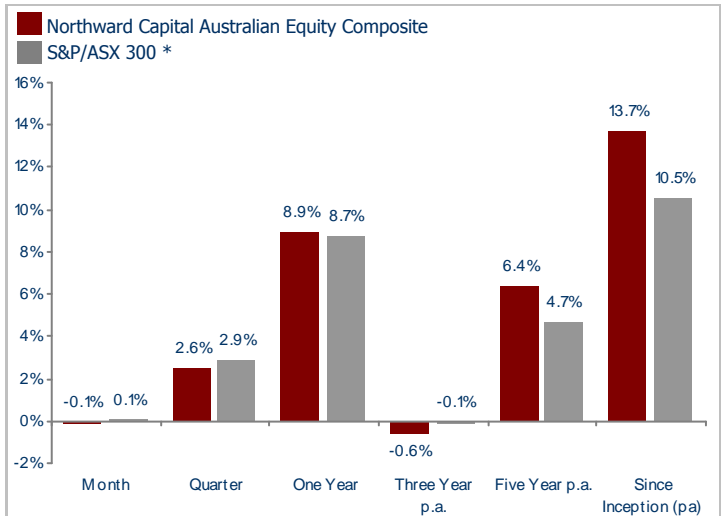
Portfolio turnover involved lifting our positions in BHP, Henderson, and Woodside Petroleum. New stocks added to the portfolio were Incitec Pivot and Wesfarmers. Positions in Woolworths, Westfield and Metcash were reduced, while we exited our holdings in Qantas and Leighton Holdings.

### Fund Results

Portfolio Results	Month
Northward Capital Australian Equity Composite	-0.14%
S&P/ASX 300 *	0.11%
<b>Value Added</b>	<b>-0.25%</b>

Stock Contributors	Overweight (+) Underweight (-)
Henderson Group	+
Western Areas	+
News Corp	+
Gloucester Coal Ltd	+
Crown Ltd	+

Stock Detractors	Overweight (+) Underweight (-)
Sims Group Ltd	+
Wesfarmers	-
Macquarie Group	Not held
Oil Search	+
Resmed	+

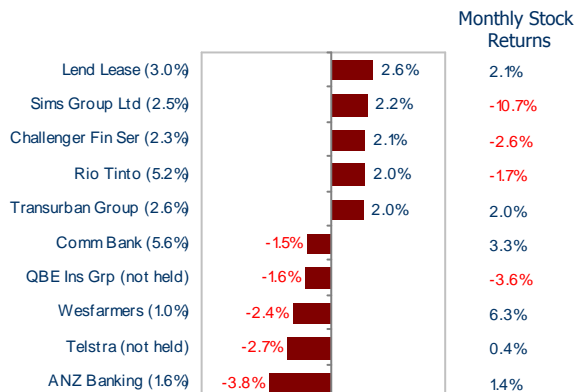


- (1) Market value of the investment as at month end was \$1,303.54 Million
- (2) Inception return is calculated from 1 June 2004
- (3) Returns are calculated gross - before taxes, before fees
- (4) \* Benchmark was S&P/ASX 300 ex LPTs prior to 1 May 2009
- (5) Composite of accounts with similar benchmark (10 accounts in current month)
- (6) Risk stats (where applic) based on mthly returns over rolling 3 year periods

### Fund Composition

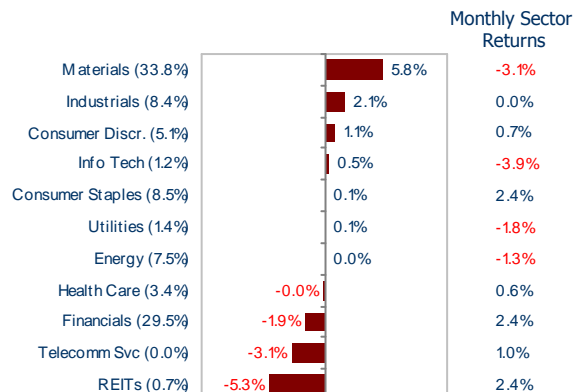
#### Active Stock Positions

Underweights / Overweights versus benchmark



#### Sector Diversification

Underweights / Overweights versus benchmark



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