

Portfolio Review

The Australian market continued its gains throughout February, with the S&P ASX 200 Index finishing up +1.6%, to close at 4831.7. Ongoing tensions in the Middle East and a mixed reporting season were not enough to break investors' spirits, with the continued global economic recovery bringing a 3rd consecutive month of gains in the Australian market. Top performing sectors were Materials (+3.4%), Energy (+3%) and Financials (+1.6%) while IT (-3.8%) and Healthcare (-3.3%) lagged.

The Dow (+2.8%) continued its upward trend throughout February, rallying on the back of robust corporate earnings and stronger economic data, despite rising oil prices as a result of escalating tensions in the Middle East. While US house prices continue to fall, all other factors point to a recovery with ISM indices comfortably in expansion territory at 60, the Philly Fed Index at a 7-year high and leading indicators all pointing up. China's moves to curb inflation saw the PBOC raise the RRR by another 50bps and 1-year lending rates by 25bps. However, China's market remains robust, with unwavering demand for commodities leading to all-time high prices and the Shanghai Composite up +4.10% for the month.

Corporate reporting season dominated the headlines this month, with resources and banks reporting better than expected results, whilst industrials and consumer-related sectors were soft. The huge flooding in Queensland and continuing high AUD impacted many companies' results. We think some companies share price reactions would suggest that investors thought some results were better than the "worst" that they had feared.

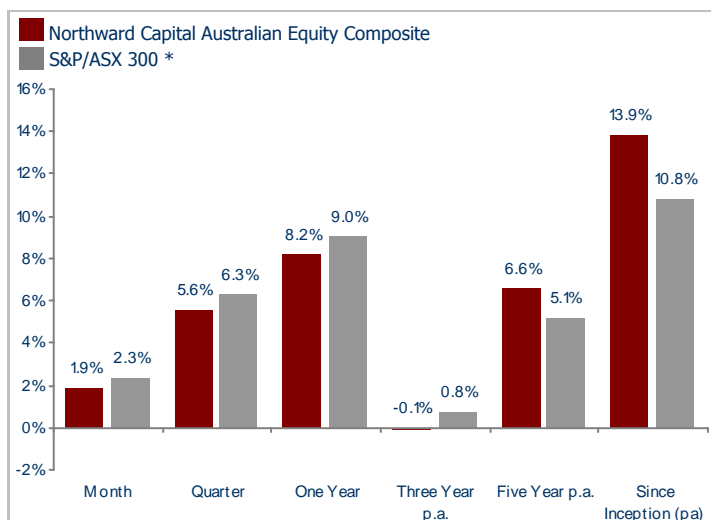
In a highly mixed reporting season, the Australian market overall EPSg forecast slipped only marginally, but Industrials FY11 EPSg now only stands at just +3.6% with their recovery now pushed out to FY12 where EPSg forecasts now stand at +16.9%. Banks FY11 EPSg forecasts have been upgraded by 2.2ppts over the reporting season, increasing from +9.8% to +12.0%. Banks have been the primary positive driver of FY11 EPSg forecasts (June pro-rated), contributing +0.7ppts to the all companies FY11 EPSg surprise across reporting season. Portfolio turnover involved lifting our positions in ANZ Bank and Incitec Pivot. Positions in NAB and Asciano were reduced, while we exited our holding in Ten Network two weeks prior to their profit downgrade.

Fund Results

Portfolio Results	Month
Northward Capital Australian Equity Composite	1.85%
S&P/ASX 300 *	2.33%
Value Added	-0.48%

Stock Contributors	Overweight (+) Underweight (-)
Challenger Fin Ser	+
News Corp	+
Macquarie Group	Not held
Asciano Group	+
Wesfarmers	-

Stock Detractors	Overweight (+) Underweight (-)
Gloucester Coal Ltd	+
IAG	+
NAB	-
Sims Group Ltd	+
Crown Ltd	+



- (1) Market value of the investment as at month end was \$2,905.90 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 (11 accounts in current month)
- (6) Risk stats (where applic) based on mthly returns over rolling 3 year periods

Fund Composition

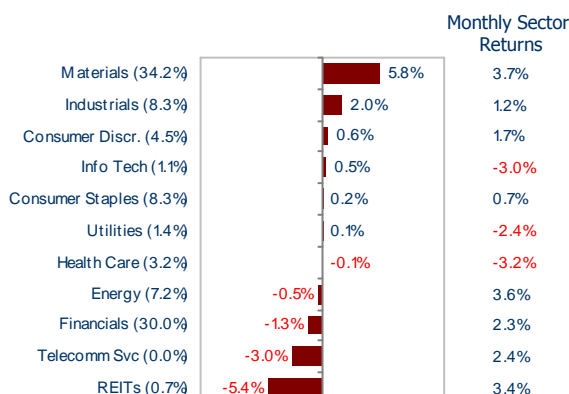
Active Stock Positions

Underweights / Overweights versus benchmark



Sector Diversification

Underweights / Overweights versus benchmark



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