

Portfolio Review

Following large global equity market declines in September (MSCI World -8.8%, ASX300 -6.3%), equity markets rebounded sharply in October (MSCI World +10.3%, ASX300 +7.2%). The Resources (+9.1%) and Banks (+10.7%) sectors drove the rally, but most major GICS sectors gained in October. Commodity and oil prices also recovered during the month (CRB Index +7.3%, RBA Commodity price index -4.3% in USD terms, WTI Spot +17.8%).

Investor focus during October clearly remained centred on Europe, with Greece being the centrepiece. Commodity prices were particularly volatile while the macro data from the US generally surprised the market on the upside.

Investors looked to add risk to portfolios with the Energy, Banks and Resource sectors outperforming while the more defensive Telecom, Staples, Healthcare and Utility sectors all lagged.

We have boosted positions in more economically sensitive stocks and cut our cash holdings in recent times. We have also reduced our holdings in the Consumer Staples and Gold sectors, as well as gaining some exposure to a recovery in the domestic economy via Seven West Media and CSR and indirect exposure to the WA mining boom via the addition of Mineral Resources. We know there is widespread negativity towards equities as an asset class and that cash holdings amongst investors remain high. This is to be expected after such a protracted period of volatile trading sessions in off shore markets all year due to the lack of political leadership in Europe.

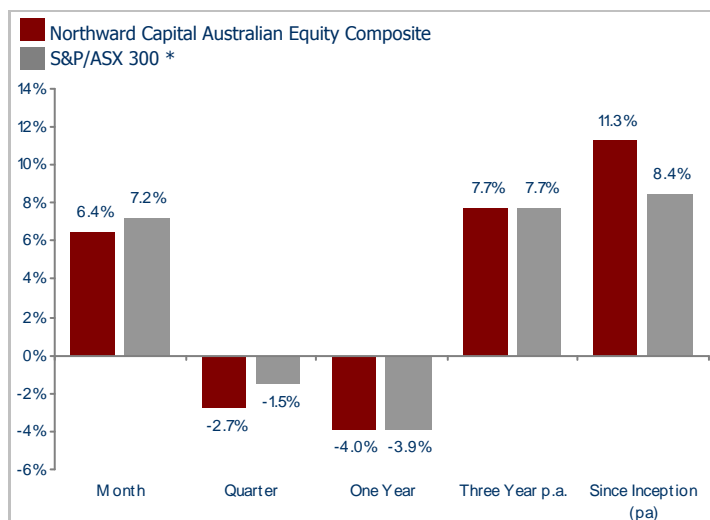
We have increased the cyclical bias in our model portfolio during October reflecting both attractive valuations and the potential for further improvement in macro sentiment pending some tangible resolution of the European sovereign debt crisis. Other portfolio changes of note include the addition of Fortescue Mining to the portfolio and increasing our holding in Whitehaven Coal. Holdings in Fosters Group, Map Airports, Woolworths and Newcrest were used to fund these up weights.

Fund Results

Portfolio Results	Month
Northward Capital Australian Equity Composite	6.45%
S&P/ASX 300 *	7.23%
Value Added	-0.78%

Stock Contributors	Overweight (+) Underweight (-)
Western Areas	+
Iluka Resources	+
Telstra	Not held
Westfield Group	Not held
Wesfarmers	-

Stock Detractors	Overweight (+) Underweight (-)
Transurban Group	+
Woolworths	+
Resmed	+
Newcrest Mining	+
Crown Ltd	+



- (1) Market value of the investment as at month end was \$2,435.14 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 (6 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	Underweight / Overweight
Transurban Group	3.5%	2.8%	-3.5%
QR National Ltd	3.1%	2.6%	4.7%
News Corp CDI	3.3%	2.5%	4.1%
Challenger Fin Ser	2.5%	2.3%	7.5%
Brambles	2.9%	1.9%	2.3%
Westfield Group (not held)	-	-1.5%	-0.6%
Comm Bank	5.4%	-2.0%	8.2%
ANZ Banking	3.2%	-2.2%	11.1%
Wesfarmers	1.1%	-2.5%	2.8%
Telstra (not held)	-	-3.6%	0.0%

Sector Diversification

Underweights / Overweights versus benchmark

Sector	Weight	Monthly Sector Returns	Underweight / Overweight
Industrials	11.7%	4.8%	7.0%
Materials	30.9%	4.7%	7.9%
Consumer Discr.	5.6%	1.7%	7.3%
Energy	8.4%	0.9%	12.2%
Consumer Staples	9.5%	0.8%	0.3%
Info Tech	0.0%	-0.6%	2.0%
Health Care	2.6%	-0.6%	1.5%
Utilities	0.5%	-0.9%	3.0%
Financials	30.4%	-1.3%	10.3%
Telecomm Svc	0.0%	-3.9%	-0.1%
REITs	0.0%	-5.9%	3.8%

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