

Portfolio Review

The market was initially focused on the consequences of potential sovereign defaults risks in Greece and Europe, plus China's moves to moderate stimulus policies, before switching full attention to company results. Key domestic economic indicators remained positive during February with building approvals +58% off their trough, house prices rising +11.8% for the year and employment growth continuing to positively surprise the market with the unemployment rate now being down to 5.3%.

February was all about the reporting season. Positive surprises marginally outweighed negative ones roughly 2:1, but many companies still gave a subdued outlook or appeared to guide conservatively eg: Qantas, Computershare and Downer. Bank results and updates suggested that the loan loss cycle is improving more quickly than anticipated. The Banks (+3.5%) gained from positive earnings news led by Westpac and CBA, while the Resources index (+2.1%) made back some ground after its weak start to the year with BHP and Rio Tinto posting solid results that beat expectations. The Telcos sector (-10.2%) was the clear laggard as Telstra reported disappointing results.

Earnings positively surprised with our estimates showing aggregate industrials NPAT in the December half about 10% higher than expected, and NPAT for fiscal 2010 revised up by about 4-6%. The results also highlight the earnings lift that more cyclical stocks can see as the economic recovery unfolds, compared to those less affected by economic conditions. Some of the more disappointing results were among the defensive stocks, where important areas of their businesses have been under pressure – fixed line telephony for Telstra, pathology for Primary and beer for Fosters, and there has been less offsetting benefit from the improving economy.

The REIT sector results were broadly in line with Stockland and Mirvac being the best, while Westfield disappointed as well as lowering their forward distribution guidance.

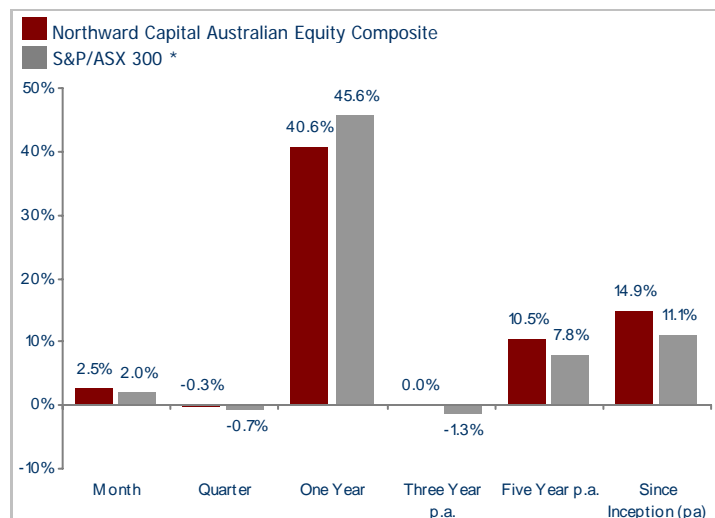
Turnover was higher than average in February as we made major moves out of CBA into NAB and Westpac. We also cut our weighting sharply in Telstra to Underweight and exited our holding in Lihir Gold. Other changes of note were to lift our positions in Woodside, Sims Group, Transurban and Computershare. Portfolio sales of note included Origin Energy (funded Woodside) and Metcash (funded Transurban).

Fund Results

Portfolio Results	Month
Northward Capital Australian Equity Composite	2.52%
S&P/ASX 300 *	2.05%
Value Added	0.47%

Stock Contributors	Overweight (+) Underweight (-)
QBE Ins Grp	Not held
Macquarie Group	Not held
Macquarie Airports	+
Toll Holdings	Not held
Westpac Bank	+

Stock Detractors	Overweight (+) Underweight (-)
Suncorp	+
Equinox	+
Sims Group Ltd	+
ANZ Banking	-
Wesfarmers	Not held



- (1) Market value of the investment as at month end was \$2,172.99 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 (9 accounts in current month)
- (6) Risk stats (where applicable) based on monthly returns over rolling 3 year periods

Fund Composition

Active Stock Positions

Underweights / Overweights versus benchmark

Stock	Weight	Monthly Stock Returns	Monthly Stock Returns
Asciano Group	3.3%	2.8%	5.3%
Rio Tinto	5.4%	2.6%	4.4%
Westpac Bank	9.4%	2.3%	9.5%
Crown Ltd	2.6%	2.2%	3.1%
Lend Lease	2.2%	1.8%	2.4%
QBE Ins Grp (not held)		-2.0%	-6.6%
Westfield Group (not held)		-2.3%	-1.2%
BHP Billiton	9.6%	-3.0%	4.3%
Wesfarmers (not held)		-3.3%	15.1%
ANZ Banking	1.6%	-3.8%	6.5%

Sector Diversification

Underweights / Overweights versus benchmark

Sector	Weight	Monthly Sector Returns	Monthly Sector Returns
Industrials	10.0%	3.3%	-0.2%
Energy	9.4%	2.4%	0.4%
Consumer Discr.	6.2%	2.3%	2.3%
Materials	25.7%	0.8%	2.3%
Utilities	2.1%	0.7%	2.9%
Info Tech	1.4%	0.6%	1.7%
Health Care	3.0%	-0.5%	3.9%
Consumer Staples	7.6%	-1.0%	7.3%
Financials	32.3%	-1.6%	2.2%
Telecomm Svc	1.8%	-1.7%	-6.3%
REITs	0.0%	-5.8%	1.4%

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