

**Market Review**

- Emerging markets equities were flat in May as festering debt problems in European developed markets cast doubt on the sustainability of global economic growth.
- Concerns about contagion from Europe's sovereign debt crisis weighed on Central and Eastern European markets. Shares in Hungary, the first country to receive an international bailout during the credit crisis, lost 14% as the newly elected government warned the International Monetary Fund's fiscal deficit targets were unsustainable. Russian stocks fell 2% as commodities slid.
- China's domestic A-share index was steady after the government extended recent measures to rein in economic growth, raising bank reserve requirements for the third time this year. Early signs emerged that government initiatives had begun to take effect, with a measure of Chinese manufacturing showing a slowdown in April and a government agency reporting a fall in real estate activity in some cities.
- India's economy grew in the first quarter, fuelling concerns about inflation and further monetary tightening. The prospect of additional interest rate increases overshadowed signs of ongoing recovery in the property market, hurting shares of real estate developers.
- Telecommunication services firms competed in a government auction for licenses to provide third-generation mobile phone services across the country. Intense competition drove license prices higher causing phone companies' shares to slide, but helping the Indian Government raise almost US\$15 billion to reduce its deficit.

- Asian markets were also hurt by heightened political tensions after an international panel found North Korea responsible for the March sinking of a South Korean warship. South Korean stocks fell 4%, the most in the region, as markets assessed the prospect of a military confrontation.
- Shares in Samsung Electronics slid 6%; the company announced it would more than triple capital expenditure from last year to US\$16 billion in a bid to maintain its dominant position in the computer chip and LCD display industries.
- Shares in Taiwan were held back by technology hardware and equipment companies.
- In Thailand, the violent riots of the past two months subsided after opposition leaders surrendered, calling for an end to anti-government protests. Thai stocks ended 8% higher.
- Stocks in Brazil fell partly on concerns the country's economy was overheating. March industrial output rose from the same period last year. Capacity utilisation, unemployment and retail sales also improved. Consumer prices rose for the sixth consecutive month in April, sparking expectations Brazil's central bank would continue to raise interest rates.

**Fund Results**

Performance in AUD

	Month
NCP-Capital International Emerging Markets Equity Trust	1.89%
MSCI Emerging Markets Index with net dividends reinvested	1.22%
<b>Value Added</b>	<b>0.67%</b>

**Contributors**

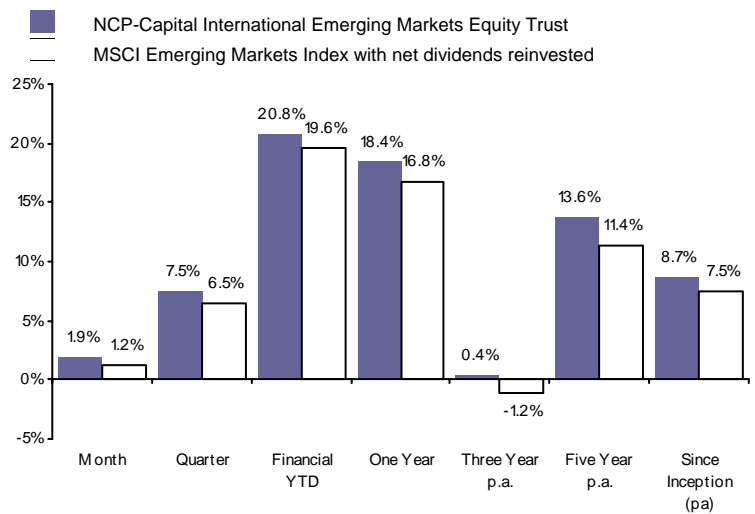
- Stock selection in Information Technology (Genpack)
- Underweight exposure to Consumer Staples

**Detractors**

- Stock selection in Telecommunication Services (China Mobile)
- Underweight exposure to Health Care
- Stock selection in Utilities (Cia Energ. de Sao Paulo)

**Risk Information (4)**

Standard Deviation (%)	17.51
Tracking Error (%)	4.35
Information Ratio	0.38



(1) Market value of the investment as at month end was \$409.41 Million

(2) Inception date is 31 October 1997. All returns are Gross.

(3) Benchmark = MSCI Emerging Markets Index with net dividends reinvested.

(4) Calculations based on monthly calculations over rolling 3 year periods

(5) This portfolio does not allow hedging and has a maximum cash weighting of 5%

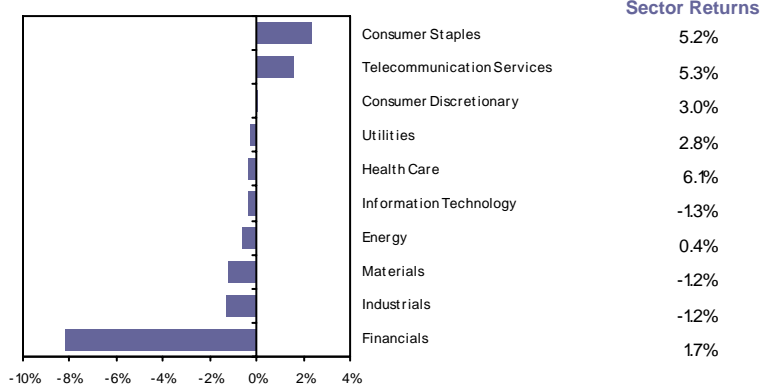
**Fund Composition**

**Top 10 Holdings**

	Sector	Country	%
Reliance Industries	Energy	India	4.5
Samsung Electronics	Information Technology	South Korea	2.9
HDFC Bank	Financials	India	2.7
America Movil	Telecommunication Services	Mexico	2.7
Gazprom	Energy	Russia	2.5
LG Chem	Materials	South Korea	2.1
China Shenhua Energy	Energy	China	1.9
ICICI Bank	Financials	India	1.8
Petrobras	Energy	Brazil	1.5
Taiwan Semiconductor	Information Technology	Taiwan	1.5

**Sector Diversification**

- Underweights / Overweights versus MSCI World



Index Return: **1.2%**

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