

### Portfolio Review

The political impasse in America over lifting the nation's debt limit and the subsequent cut to the U.S. credit rating by S&P, roiled equity markets in the US and globally. By month end the US and Australian markets were the best performed globally being down only 4.4% compared to markets such as Germany down 19%, Korea down 13% and France down 13%. US consumer sentiment declined to the second-lowest level in two years, posing a threat to the household spending that accounts for 70 percent of the US economy. Naturally enough the volatility pervading the financial markets is unsettling to corporates and consumers alike, and we remain cautious given the macroeconomic environment and prolonged US household deleveraging process.

The US Fed Chairman Ben S. Bernanke said in an Aug. 26 speech that the central bank is disappointed with the slow growth recovery, but still has tools to boost growth and that the economy will probably improve in the second half of 2011. US markets now are factoring in a large probability for more asset repurchases by the Fed, so that weak US data perversely could be viewed positively by the US stock market.

Given interest rates are already low, it is not certain how much this might help the economy, though proponents of more action by the Fed argue that this would be better than not trying. The Fed is running low on ammunition, though, and given political attacks on its accommodative measures thus far, its options are especially constrained.

The Australian earnings season dominated corporate news flow in August. Companies gave mixed views on the outlook and stressed the high degree of uncertainty, but overall we were pleasantly surprised by a number of good results. Key themes to emerge from reporting season were lack of company guidance, restructuring (with associated job losses), increasing emerging market exposure, capital management initiatives and M&A activity.

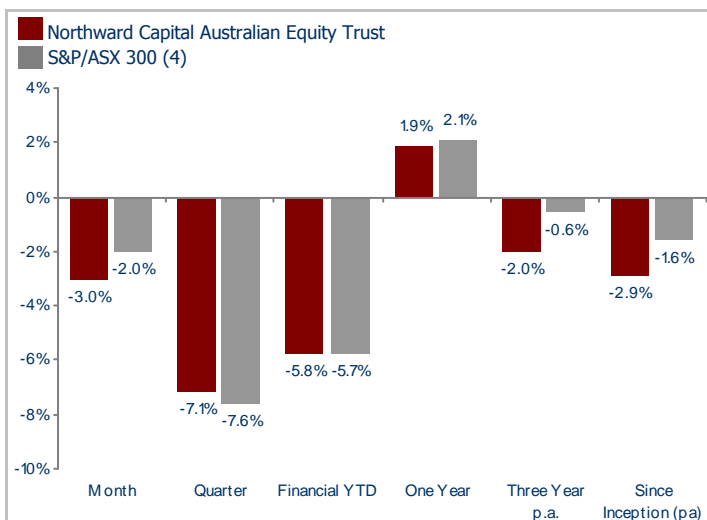
During August we lifted positions in Newcrest Mining, News Corporation, NAB, ANZ and Westpac and downweighted positions in Amcor, Computershare, Sims Group and CSL. We also initiated new positions in Iluka Resources and Whitehaven Coal, and exited positions in takeover targets ESG and Macarthur Coal.

### Fund Results

Portfolio Results	Month
Northward Capital Australian Equity Trust	-3.04%
S&P/ASX 300 (4)	-1.98%
<b>Value Added</b>	<b>-1.06%</b>

Stock Contributors	Overweight (+) Underweight (-)
News Corp CDI	+
Suncorp Group	+
QBE Ins Grp	Not held
Coal & Allied Industries Ltd	+
Iluka Resources	+

Stock Detractors	Overweight (+) Underweight (-)
Telstra	Not held
Henderson Group	+
Ivanhoe Australia Ltd	+
Wesfarmers	-
Sims Group Ltd	+



- (1) Market value of the investment as at month end was \$109.72 Million
- (2) Inception date is 11 April 2008
- (3) Returns for the trust are calculated from net unit prices (incl distributions) after fees but before taxes
- (4) Index was ex LPTs prior to 1 August 2009
- (5) Risk information calculated from monthly returns over rolling three year periods

### Fund Composition

#### Active Stock Positions

Underweights / Overweights versus benchmark

Stock	Weight	Monthly Stock Returns
Transurban Group	3.5%	2.8%
QR National Ltd	3.1%	2.5%
Challenger Fin Ser	2.6%	2.4%
News Corp CDI	3.1%	2.4%
Lend Lease	2.4%	2.0%
Westfield Group (not held)		-1.6%
Comm Bank	5.2%	-2.0%
ANZ Banking	2.9%	-2.1%
Wesfarmers	1.0%	-2.4%
Telstra (not held)		-3.6%
		1.2%
		-2.1%
		0.2%
		7.1%
		-5.2%
		5.5%
		1.8%
		-2.6%
		7.9%
		6.1%

#### Sector Diversification

Underweights / Overweights versus benchmark

Sector	Weight	Monthly Sector Returns
Materials	32.0%	4.2%
Industrials	10.9%	3.9%
Consumer Discr.	6.2%	2.4%
Consumer Staples	10.3%	1.7%
Info Tech	0.8%	0.1%
Energy	6.9%	-0.4%
Health Care	2.6%	-0.7%
Utilities	0.7%	-0.7%
Financials	28.8%	-1.6%
Telecomm Svc	0.0%	-3.8%
REITs	0.0%	-6.1%
		-4.7%
		-3.8%
		-2.9%
		0.5%
		-1.8%
		-5.7%
		-3.6%
		4.6%
		-0.7%
		5.8%
		2.9%

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