

**Fund Results**

## Performance in AUD

	Quarter
NCP-Capital International Emerging Markets Equity Trust	0.00%
MSCI Emerging Markets Index with net dividends reinvested	0.34%
<b>Value Added</b>	<b>-0.34%</b>

**Contributors**

- Stock selection in Consumer Staples
- Stock selection in Information Technology
- Stock selection in Telecommunication Services

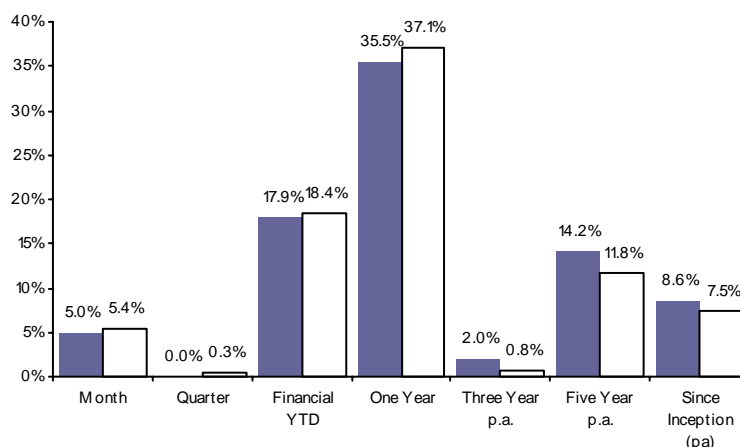
**Detractors**

- Stock selection in Utilities
- Underweight exposure to Health Care
- Stock selection in Energy

**Risk Information (4)**

Standard Deviation (%)	17.82
Tracking Error (%)	4.34
Information Ratio	0.29

■ NCP-Capital International Emerging Markets Equity Trust  
 □ MSCI Emerging Markets Index with net dividends reinvested



(1) Market value of the investment as at month end was \$407.19 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%

**Performance Review**
**Summary**

Emerging Markets equities finished the March quarter flat in absolute terms and slightly lower than the MSCI EM Index. Continuing themes seen during the December quarter, Asia continues to lead the global recovery with the help this quarter of Latin America. After a significant pullback in performance in January as a result of Chinese measures to tighten monetary policy, February posted fairly muted returns. March again saw markets return to growth, up 5.4%, more than offsetting early-quarter falls. Although a volatile period, the NCP-Capital International Emerging Markets Equity Trust ended the quarter flat. Outperformed by the benchmark by 34 basis points. The return of positive market sentiment continued to drive returns. The main positive drivers of portfolio performance for the quarter were stock selection in Consumer Staples, Information Technology and Telecommunication Services. The main detractors from performance for the same period were stock selection in Utilities and Energy whilst underweight exposure to Health Care also hampered relative performance.

**Utilities**

The portfolio's overall exposure to the utility sector was a detractor to investment results during the quarter. In Santiago, Chilean stocks were down about 1% (in US dollar terms) as shares of electricity providers slid following a large power failure in March that left most of the country without power. Chilean President Sebastian Pinera reportedly said that the country's power grid is likely to be unstable for some time after three large aftershocks hit Chile on March 11. Electric utilities was the industry group proving the greatest drag on sector performance. Enersis (Chile) was down over 14% for the quarter, after rising 32 percent in the prior quarter.

**Energy**

The Energy sector delivered lacklustre performance during the March quarter, returning -2.7%, the worst performing sector for the quarter and well below the Index. Stock selection was negative for the quarter with China Shenhua Energy (China) down 14% amid concerns about more moderate growth in the near term. Gazprom (Russia) was down 10% after an announcement that a Gazprom led consortium has decided to delay the start-up of a huge Arctic gas condensate development Shtokman until 2016 amid uncertainty about global demand for gas.

**Consumer Staples**

Positive stock selection in the household and personal products industry was the driver behind the strength in this sector. Kimberly-Clark de Mexico (Mexico) was up 24% for the quarter after announcing that fourth quarter 2009 net profit nearly doubled to US\$98.5m thanks to cost reduction efforts and a favourable exchange rate. Improvements were also seen in sales, cash flow and operating profits. Russian food and staples retailing company Magnit also performed well over the quarter, closing 15% higher.

**Information Technology**

Information Technology was a solid performing sector for the portfolio during the quarter. Although the portfolio was overweight the sector, it was in fact stock selection which really drove the contribution to portfolio returns in this area. Chinese rechargeable battery manufacturer BYD delivered solid returns, up 11% for the quarter. A string of positive news was released about the company during the quarter. These included an agreement between Daimler and BYD to develop a new brand of electric cars, an intention to start selling cars into Europe next year whilst eyeing the US market, and finally, lifts in the company's 2010 capex spend as a result of an expansionary push. The portfolio held a 1.2% exposure to this stock.

**Telecommunication Services**

Mergers and acquisitions activity picked up in the Telecommunication Services Sector. Indian wireless firm Bharti Airtel announced its intention to purchase US\$10.7 billion of Kuwaiti provider Zain's African assets after last year's highly anticipated deal with South Africa's MTN fell through. Latin America's largest wireless company America Movil also announced a surprise move to acquire fixed-line provider Telmex Internacional.

✓ What Helped	✗ What Hurt
Evraz	China Shenhua Energy
Petrobras	Teva Pharmaceutical
POSCO	Gazprom
CIMB Group	Vale
ICICI Bank	Enersis
Impulsora del Des.	China Shanshui Cement
BYD	Ind. & Com. Bank of China
Astra	Comp. Siderurgica Nac.

Note: all stock and index returns are quoted in AU\$

## Market Review

- Emerging markets equity gains were muted in the wake of last year's strong rally.
- Economies in Asia and Latin America expanded overall and exports continued to climb. Inflation lurked in the backdrop as February consumer prices rose in several countries. China and India tightened monetary policy, with both central banks raising bank reserve requirements over the quarter. India also lifted its key interest rate, along with Malaysia, while Taiwan and Brazil introduced other measures to rein in liquidity. Markets wobbled at the beginning of the year but regained momentum in late February.
- Indian stocks were up as enthusiasm surrounding the Government's fiscal budget offset concerns about the central bank's earlier-than-expected rate increase. The budget aimed to increase infrastructure spending while drastically cutting the country's deficit.
- Malaysia and Indonesia registered strong returns. South Korean stocks edged higher, supported by Samsung Electronics, whose fourth-quarter profits swung from a loss a year earlier amid a recovery in chip demand.
- Shares of China's Energy and Materials producers also fell amid concerns about more moderate economic growth in the near term.
- Taiwanese stocks slid; the Technology sector declined following its sharp run-up in 2009, while banks slipped.
- Brazilian stocks also ended in the red, with oil producer Petrobras mired in a much-debated proposal to grant the Government greater control of the company in exchange for oil field rights. In contrast, shares of Vale climbed as iron ore prices shot up.
- Mexican stocks jumped 6% as the economy continued to emerge from last year's slump.
- Russia and South Africa bucked the broader trend toward tighter credit by lowering interest rates in March to help boost economic recovery. Russian stocks gained 5%, bolstered by metals producers, particularly Mechel and Norilsk Nickel. South African stocks ended the quarter up 3%, supported by banks, though shares of gold producers slid, hampered by production issues.
- Turkish equities gained 2%. Turkish banks rose sharply, reporting higher profits as they continued to benefit from a low interest rate environment.

## Outlook and Strategy

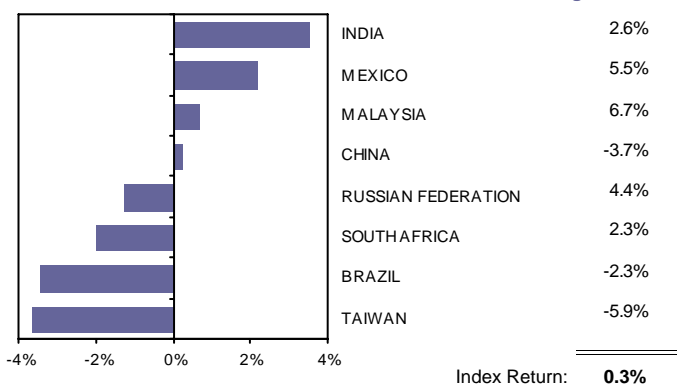
Emerging markets economies are likely to prove robust on the whole, although Capital expect to see some divergences as authorities unwind monetary stimulus. Capital's analysts and portfolio managers returned from recent research trips with fresh perspectives on several markets, including China and India. Capital's view of India has become more positive as the country appears poised to benefit from a relatively stable ruling party in power and the early stages of a new infrastructure expenditure cycle. China remains the fund's largest investment by country at approximately 17% of assets. Nevertheless, Capital have become slightly more cautious about some Chinese stocks in the near term, with parts of the economy likely to undergo periods of adjustment as authorities restrict credit availability.

Overall, Capital continue to favour Consumer companies in markets such as China, India and Brazil, as well as infrastructure-related stocks. A number of the portfolio's large holdings are in the Energy and Materials sectors, and they are adding to investments in companies that offer unique access to natural resources and whose valuations remain attractive. Portfolio managers are also focusing on a select group of well-run Asian technology companies that have demonstrated an understanding of the global marketplace and are at the cutting edge of new technologies, such as battery production for hybrid cars. Capital also like Telecommunications providers that still have significant opportunities to expand within their local markets.

## Fund Composition

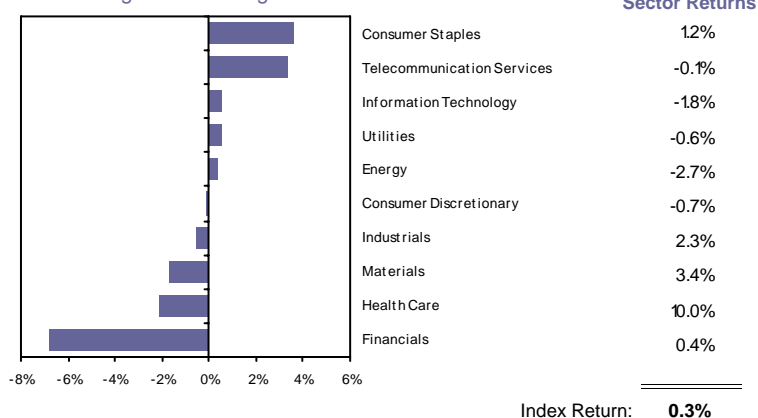
### Country Diversification

- Underweights / Overweights versus MSCI World



### Sector Diversification

- Underweights / Overweights versus MSCI World



## Top 10 Holdings

Reliance Industries	Sector	Country	%	Description
Reliance Industries	Energy	India	4.5	Manufactures a wide range of synthetic textiles, petrochemicals and plastics. Also involved in oil exploration and production, and electricity generation and distribution.
Samsung Electronics	Information Technology	South Korea	3.5	South Korea's top electronics manufacturer and a global leader in semiconductor production.
America Movil	Telecommunication Services	Mexico	3.0	Latin America's largest cellular communications provider.
HDFC Bank	Financials	India	2.5	Provides financial services and a wide array of commercial, transactional and electronic banking products.
Gazprom	Energy	Russia	2.5	The largest gas producer and transporter in the Russian Federation.
China Shenhua Energy	Energy	China	2.2	Coal-based energy and power distribution company in China.
ICICI Bank	Financials	India	2.0	One of India's fastest growing private banks, offering banking services through traditional and electronic channels.
LG Chem	Materials	South Korea	2.0	Major chemical company serving a variety of industries throughout the world.
Sasol	Energy	South Africa	1.7	Produces synthetic fuel, gasoline and chemical products. Also venturing into natural gas exploration.
Vale SA	Materials	Brazil	1.6	The world's largest exporter of iron ore. Also provides logistics services via an extensive rail network in Brazil.

## In Focus - Evolving Markets

Recent research trips by Capital's managers and analysts have revealed additional insights into some of the smaller countries in the emerging markets universe. While they may not have the size or status of the BRICs, these markets offer interesting growth potential and development opportunities.

As stock markets in the developing world progress, the investable universe continues to expand. The boundaries between developed and emerging markets, and indeed between emerging and so-called 'frontier' markets, are fluid, and represent a continually evolving opportunity set.

Active investors can position their portfolios to take advantage of this evolving landscape. Capital International's extensive research capability allows us to identify compelling investment opportunities across the broadest universe of emerging markets, and often leads them to invest in companies which can be overlooked.

Egypt has shown tremendous resilience throughout the global recession. The Government has demonstrated its commitment to grow the economy and they have the benefits of favorable demographics, a diverse economy that draws on heavy construction, tourism and manufacturing trade, and energy self-sufficiency.

Orascom Construction is the leading construction contractor in the Middle East and Northern Africa, with a growing nitrogen fertiliser business that will be a global leader when their new plant comes on line in Algeria.

Commercial International Bank (SAE) is the leading private-sector lender in Egypt with a healthy loan book and strong liquidity that should allow it to take advantage of the current market environment.

Indonesia has emerged from the global financial crisis with their inflation, interest rates and fiscal position all in check. Close economic links to both India and China provide the country with export markets that have allowed economic growth to recover quicker than in other developing nations.

Astra International is a leading and broadly diversified conglomerate with key business lines across the automotive, heavy equipment, agribusiness, and consumer finance industries. The company has benefited from strong export growth and a low interest rate environment.

Semen Gresik is a leading cement manufacturer that has benefited from strong demand from both India and Chinese markets. The company is investing in new capacity, which we expect to come online in 2012.

Chile was devastated by a powerful offshore earthquake at the end of February, but we feel their strong fiscal position, low interest rates, and declining population, should allow reconstruction to take place in short order and for economic growth to recover.

SACI Falabella is the largest discount retailer in Chile, with operations in Peru, Argentina, and Colombia as well. They benefit from a dominant position in Chile through their ownership of the largest department store chain (40% market share), and a leading position in home improvement (26% market share). They own 31% of the shopping mall space and have a \$33 market share of the active credit cards in the country.

Enersis is a major supplier of electricity to Chile with operations in Columbia, Brazil and Peru as well. Changes to the regulatory framework surrounding power generators were expected in the first quarter which were expected to remove limits on reference points for long-term contracts. The company had a record year in profits in 2009 and established a healthy dividend policy that will return an approximate yield of 5% to shareholders.

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