

Portfolio Review

The market pulled back sharply in May as risk aversion returned to the fore globally. Renewed concerns about sovereign debt risks in Europe coupled with moderating Chinese growth expectations contributed. In Australia investors had to deal with the Government's shock Resource Super Profits Tax (RSPT) announcement. If implemented as currently mooted, the RSPT results in significant value destruction for many mining companies. The RSPT, particularly the retrospective aspect, has significantly dented Australia's international reputation for low sovereign risk and hence we have seen the AUD heavily sold off versus other currencies. We ultimately believe the RSPT will be implemented, but anticipate some compromise from the current structure.

Earnings reports from the Banking sector (-12.2%) were largely consistent with expectations, but the market is increasingly becoming concerned about the wholesale funding requirements for the Australian banking sector. Assuming 8% loan growth and 6% deposit growth, we estimate the sector will require \$160bn of wholesale funding in FY2011. European events also weighed on the banks by threatening to make debt-raising conditions more difficult.

Early in June the RBA confirmed no rate rise as expected. We are seeing a number of company updates, which are showing the Australian consumer has become more cautious and that the economic recovery is patchy.

It is clear that discretionary spending in retail, pay TV, leisure air travel and the housing market slowed markedly during May. We put this down to the six consecutive interest rate rises, huge volatility in the AUD due to problems in Europe and the very public brawl between the Federal Govt and the mining sector, which is being waged daily in the media. Interestingly Rio Tinto released figures confirming the total level of direct taxes and royalties paid in Australia amounted to an effective tax rate of more than 35% for the past 10 years. This seems at odds with the Government's claim that the mining sector as a whole has only paid 17%.

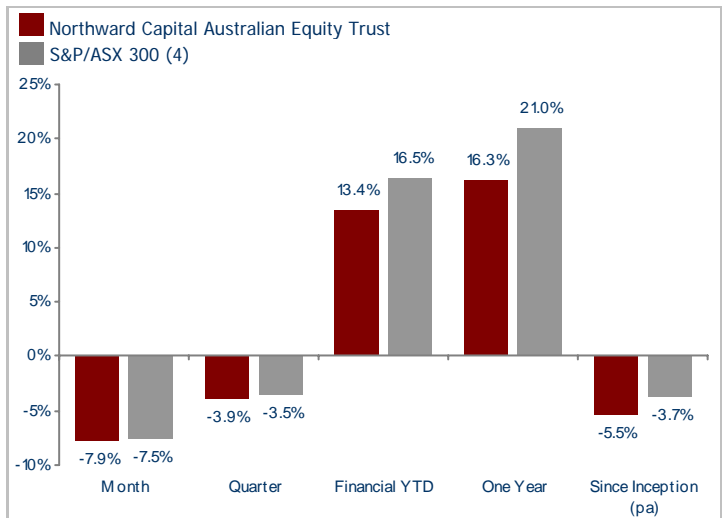
Turnover was higher than average in May. We increased our weightings in Nufarm, Newcrest Mining and Transurban, whilst initiating new holdings in Fosters Group, Lihir Gold and Amcor. Portfolio sales of note included WorleyParsons, BHP, OneSteel, Rio Tinto, Coca Cola Amatil, and Westpac. We exited our position in Sonic Healthcare to fund Fosters.

Fund Results

Portfolio Results	Month
Northward Capital Australian Equity Trust	-7.89%
S&P/ASX 300 (4)	-7.54%
Value Added	-0.35%

Stock Contributors	Overweight (+) Underweight (-)
Resmed	+
Newcrest Mining	+
Cash	+
Oil Search	+
Woolworths	+

Stock Detractors	Overweight (+) Underweight (-)
Fosters Group	-
Westpac Bank	+
Westfield Group	Not held
Transurban Group	+
Wesfarmers	Not held

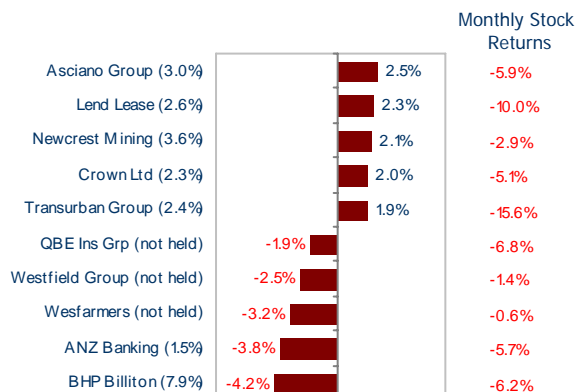


- (1) Market value of the investment as at month end was \$45.00 Million
- (2) Inception date is 11 April 2008
- (3) Returns for the trust are calculated from net unit prices (incl distributions) after fees but before taxes
- (4) Index was ex LPTs prior to 1 August 2009
- (5) Qtrly risk information not provided until rolling 3 year data available

Fund Composition

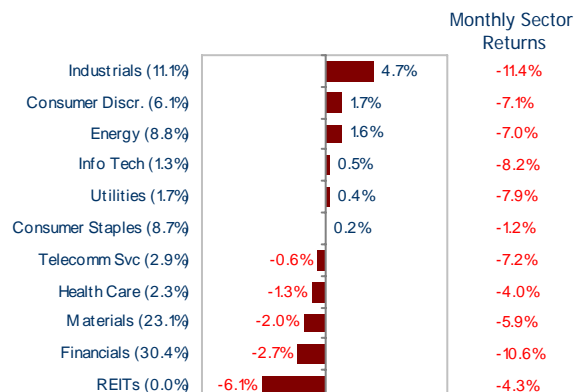
Active Stock Positions

Underweights / Overweights versus benchmark



Sector Diversification

Underweights / Overweights versus benchmark



Disclaimer:

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