

Fund Results

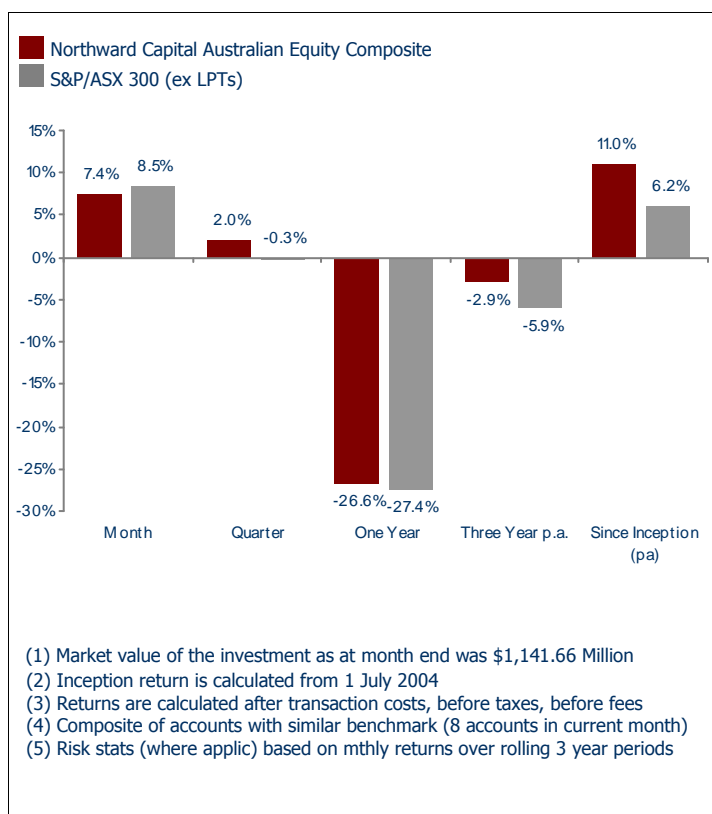
Portfolio Results	Quarter
Northward Capital Australian Equity Composite	2.04%
S&P/ASX 300 (ex LPTs)	-0.34%

Value Added **2.37%**

Stock Contributors	Overweight (+) Underweight (-)
Rio Tinto	+
Comm Bank	+
B&B Capital	+
Equinox	+
Pan Aust Resources	+

Stock Detractors	Overweight (+) Underweight (-)
Suncorp	+
Wesfarmers	-
Brambles	+
Challenger Infrastructure	+
BHP Billiton	-

Risk Information	
Standard Deviation	17.1%
Tracking Error	4.1%
Information Ratio	0.7



Performance Review

• Over the March quarter the S&P/ASX 300 (ex LPTs) fell 0.34%. Against this benchmark the Northward Capital Australian Equity Trust returned 2.05% resulting in an outperformance of 239 basis points.

• Significant positive contributors to fund performance over the quarter were:

Rio Tinto – rallied strongly from an arguably oversold position as base metals rebounded (CRB Metals Index +16%, after being down 40% in Dec 08) and the threat of a deeply discounted rights issue receded with the Chinalco proposal.

B&B Capital – outperformed after capital return of 60c per share and closing of discount to cash backing. Further, while yet to be approved by shareholders, the cost of management internalisation agreement was revised with a significant reduction in cost.

Commonwealth Bank – our major bank overweight benefitted from positive rerating of major banks as flight to quality helped banks gain from an improvement to both margins and market share, outweighing bad debt concerns.

Equinox – leveraged to improving copper prices, which finished the quarter up 33% at \$1.92lb. Equinox have also maintained their production guidance and have negotiated to reschedule some of their debt repayments.

• Significant detractors over the quarter were:

Brambles – poor interim result combined with the market concern over emergence of plastic pallet competitor with the resultant loss of a small contract.

BHP – benefitted from base metals (+16.4% qtr)/oil price (+26.5% qtr) recovery.

Challenger Infrastructure Fund – market appears concerned about underlying asset values and debt levels.

Wesfarmers – improving coal price and sentiment regarding Coles turnaround.

• Earnings reports for the December 2008 half year evidenced tough operating conditions. Although company profits met downgraded expectations on average, there was considerable evidence of a deteriorating outlook and balance sheet strain.

• Capital strength has been an ongoing theme with further equity issuance from corporates who are finding banks looking to restrict their single name exposures and with foreign banks in particular pulling back capacity. As highlighted in the February investment report, with debt funding either unavailable or prohibitively priced, there have been widespread cuts to dividends to preserve capital as well as ongoing issuance of new equity.

• As already noted, a recovery in commodity prices helped resources outperform (+6%), while the re-intermediation of the banking sector, i.e. major banks winning considerable market share from perceived lower quality competitors, helped banks outperform (+7.7%). The banks also benefited at the same time from stronger margins.

• Performance in the rest of the market was skewed towards defensive sectors, although more “risky” stocks leveraged to areas such as housing, discretionary spending, and media rallied strongly in March. The portfolio’s positive weighting to defensive sectors such as health care and consumer staples contributed to outperformance over the quarter.

Market Review

- The March quarter started off reasonably well as investors tried to put 2008 behind them and were hopeful of the Obama administration's efforts in bringing stability to the financial system. However, from there the Dow and S&P200 retreated 27% and 18% respectively to their lows on 10th March before staging strong bear market rallies. Most of the quarter was about investors' changing opinions about efforts in Washington to do something about the financial crisis.

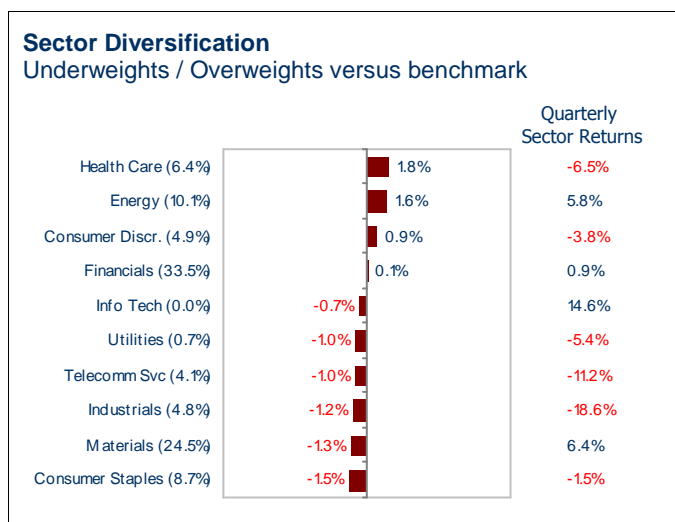
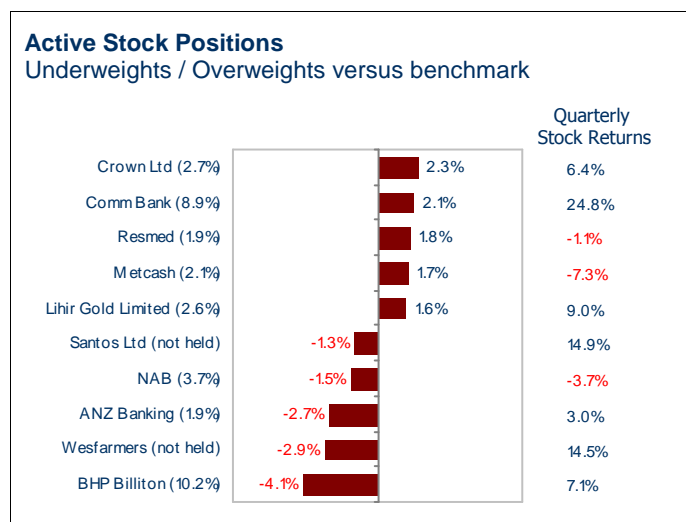
- The tide effectively turned on the 10th March as unexpected good news came from Citigroup, JP Morgan and BOA about profitable trading conditions in January and February. Not far behind was news from the Fed that it was expanding its efforts to pump money into the economy and a report showing an unexpected bounce in US home sales.

- From that point it became a case of taking on more portfolio risk for investors given the widespread deeply discounted value in Australian stocks.

- The key issue facing investors has shifted quickly from risk aversion to how sustainable the recent rally is. While there is little debate that the macro news flow will remain poor in the near term, investors are now weighing the relative merits of defensive stock positions versus widespread deep value in cyclicals, particularly should the negative macro news flow begin to moderate.

- The best performing sectors over the quarter were IT, Materials and Energy and Industrials, while REITs, Industrials and Telcos underperformed.

Fund Composition



Portfolio Strategy

- Our portfolio strategy for some time has been to be positioned for a significant slowdown in economic growth and with some doubt about recovery until well into 2010. We have been focussed on companies with high quality balance sheets, robust cash flows, quality management and strong industry positions.

- We have been very stringent in assessing small cap opportunities as often these companies franchises are placed under significant pressure in economic downturns. Not surprisingly, an important aspect has been monitoring companies capital positions and their potential funding and refinancing requirements.

- However, while recognising that the economic outlook for the remainder of 2009 remains tough we have looked to gain some exposure to what we believe to be some oversold cyclicals and to reduce exposure to some stocks where the "defensive" premium had been bid up by the market.

- During the quarter we added AMP to the portfolio after it had been sold down to attractive valuations and reinvested in News Corp after it had been heavily sold down post its first half earnings result. We added to our overweight position in Woodside due to supportive valuations and a view that the oil price had stabilised, and in Lihir Gold based on its cheap valuation and as a hedge against potential weakness in \$US.

- We have taken our bank weighting to our lowest underweight in nearly 5 years reflecting a view that near term earnings certainty would be a greater driver than potential bad debt concerns into FY 2010. This has included the initiation of a holding in ANZ for the first time within the fund.

- We reduced positions in Woolworths, Coca Cola Amatil and CSL in order to fund exposure into some of the more heavily sold off cyclicals such as News Corp, AMP and Worley Parsons. The defensive nature of both Woolworths and Coca Cola resulted in their being among the best contributors to returns over the last year, but also leads them to be logical sources of funding.

- Incitec Pivot was exited during the period due to near term concerns over DAP spot prices around US\$350/t compared to Incitec Pivot's guidance assumption of US\$410/t plus a very large inventory build on the East Coast. Nufarm remains our favoured exposure to the soft commodities sector.

- As always, we are looking to hold undervalued companies across the market. We retain a skew towards companies with less economic sensitivity reflecting our view that further adverse economic news will eventuate and the current rally in "risk" stocks has somewhat played out in the short term.

Portfolio Activity

Position Change	Holding	Start %	End %	Activity
Increased	Woodside Petroleum	2.5%	3.7%	WPL's operational performance has improved over recent periods leading to an increase in confidence in the production targets. Additionally, WPL has managed to allay fears in the market regarding an equity issue by raising significant bank and bond debt due to the long life stable cash flow nature of its core LNG business. The debt, along with operating cash flows and DRP underwriting, is being used to fund the "Pluto" LNG project, one of the most advanced LNG projects in the world.
Increased	AMP	0.0%	1.0%	We invested in AMP for the first time over the qtr due to our view that AMP has a quality wealth management franchise with leading advice based distribution. Trading at only 10x FY10 earnings, we think AMP has solid potential for a re-rating with stabilising market conditions.
Increased	Lihir Gold Limited	1.4%	2.6%	We continue to view the gold sector as attractive as we believe the gold price will remain strong given its safe haven appeal and as an alternative investment to the US dollar. LGL raised capital at \$3.00 during the quarter to strengthen its already solid balance sheet, and now should be able to fully fund the expansion of Lihir Island operations without having to access their lines of debt. LGL has also shown improvement in its operations over more recent periods.
Decreased	Brambles	3.0%	1.3%	We cut our BXB holding to make way for higher weightings in NWS and WOR. BXB's Chop volumes have been impacted more than expected due to heavy destocking in Europe and USA plus the loss of a large customer, while management continue to struggle in enunciating Chop's ongoing strategy.
Decreased	Incitec Pivot	1.5%	0.0%	We exited IPL over the quarter due to increasing risks over an abnormally large inventory build up for IPL and a blow out in working capital. As such, we expect the upcoming interim result to be very poor. We have concentrated our exposure to rising soft commodity demand via NUF.
Decreased	Woolworths	6.3%	4.6%	Our WOW position has been substantially reduced due to the relative out-performance leaving the stock trading at a 40% premium to the Industrials ex Financials PE multiple. WOW remains a quality company which is expected to grow earnings at a rate greater than the market over the next 12 to 24mths.

Stock in Focus

Stock in Focus NUF \$11.85 XJO 3,622

- Nufarm (NUF) is a global manufacturer, marketer and supplier of crop protection products and seed products with manufacturing and marketing operations in Australia, NZ, Asia, North America, South America and Europe.

- NUF's recent interim result saw profits well above market expectations (\$65m vs \$28m consensus), with Europe and USA reporting a substantial increase in sales (+39% and +88% resp.) and EBIT driven by higher gross margin fungicide and insecticide product sales. Strong market penetration was also achieved due to improved distribution access in both markets. NUF's Etigra (US) and AH Marks (UK) acquisitions contributed strongly in 1H, and are reported to be on track to achieve a \$24m NPAT contribution in FY09.

- Australian sales were down -17% on prior corresponding period (pcp) with lower than expected glyphosate sales volumes due to a relatively full distribution channel. Strong sales of higher margin phenoxy herbicides, fungicides and horticulture products improved underlying EBIT margins to 16% vs pcp lifting EBIT +65%. Brazil disappointed NUF's budget expectations, recording operational EBIT of \$25m (excluding FX losses) vs pcp of \$47m. The well-flagged credit issues in Brazil saw product redirected to other regional markets as NUF took a very cautious approach to the season.

- NUF has conservatively reconfirmed FY09 NPAT will be approximately \$220m, broadly in line with the previous \$220-230m range, despite a better-than-expected 1H profit contribution. A larger proportion of NUF's glyphosate products will be sold in the 2H due to the deferral of sales, which should result in a contraction of 2H margins (herbicides are lower margin vs insecticides and fungicides).

- Although logistics challenges are expected in Australia and USA with compressed selling seasons, NUF believes it is well placed to meet these challenges. As always we need to see a strong autumn/winter rainfall break in the next month to kick start the season in Australia.

- NUF noted that several new product launches and a successful entry into the pasture segment helped compensate for lower glyphosate sales. Looking forward, NUF expects to see strong demand for products as Australian, North American and European farmers approach key planting periods in those regions. With many farm input costs below last year and commodity prices still well above their five-year averages, growers have a strong incentive to utilise crop protection products to maximize yields. South-east Australia will need additional rain to support planting; however WA, Qld and northern NSW are well placed in terms of soil moisture profiles.

- We view NUF's management as having a long history of managing for good results and ROE. The company has made quite a number of acquisitions over the years which have added to NUF's geographical footprint globally and they have been accretive to ROE. Senior management at Nufarm have all been at NUF since the early 1990s while Doug Rathbone has worked at Nufarm for over 30 years. MD Doug Rathbone owns ~8% of NUF and other senior executives are long term shareholders.

- We value NUF on a 12mth forward basis at \$14.80. This results in a Total Expected 12mth Return of 35% including the FY10 dividend of 55c.

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