

About this Review

Sector Reviewed	Diversified
Total Diversified Managers Reviewed	13

Date of this Sector Review	June 2009
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Funds Covered in this Review

Fund Name	Fund Type (Growth/Defensive)
Maple-Brown Abbott Diversified Investment Trust	70/30

Fund Objective	To outperform the average of similar balanced funds managed by other investment managers over rolling three year periods
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Commencement Date	31 May 1988
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Fund Size	\$443.4m
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Responsible Entity	Maple-Brown Abbott Limited
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Structure Availability	Wholesale, Platforms
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About the Fund Manager

Fund Manager	Maple-Brown Abbott (MBA)
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Ownership	100% owned by founders and staff
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Assets Managed in this Sector	\$1.2bn
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Years Managing Diversified Funds	21
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Investment Team

Key Personnel	John Kightley, Garth Rossler, Charles Dalziell
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Asset Allocation – Team Size	8
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Investment Process

Style Asset Allocation	Active
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Rating History

June 2009	Recommended
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Using this Fund

- This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page
- Diversified funds are well suited to investors who desire a portfolio that provides exposure to a range of asset classes, via a single investment option. Recommended investment time horizons for these funds will vary depending on the growth/defensive split, but typically range upward from 3+ years (for capital stable funds)

Changes Since Previous Lonsec Review

- Initial Review

What this Rating Means

- The 'Recommended' rating indicates that Lonsec has conviction that the fund or product can achieve its objectives and, if applicable, outperform peers over an appropriate investment timeframe. The manager or product has a number of competitive advantages in people, process and product design. The investment is a recommended entry point to access this asset class or strategy.

Lonsec Opinion of this Fund

Philosophy/Style

- MBA's investment philosophy is value orientated. Investments are only purchased and held as long as they represent good value. This value-orientated philosophy is applied both at the asset allocation level and at the stock selection level. MBA tends to be contrarian in its investing, buying assets when they are out of favour (price low to value) and selling assets when they are in favour (high price to value). MBA considers itself to be a conservative investor with a long term focus.
- Lonsec considers MBA's investment philosophy to be disciplined, consistent (being for the most part unchanged throughout the history of the firm) and proven (having been tested over a number of market cycles).

People & Resources

- The MBA investment team is well resourced although, unlike some of its peers, does not have resources dedicated solely to the management of the Diversified Investment Trust. That said, Lonsec considers the key individuals to be experienced and views favourable the level of team stability and the cohesive track record that has been developed over time.
- In a structure relatively unique to MBA, all team members (including the CEO) are analysts and accountable for their security selection. Lonsec considers the alignment of interests between MBA and investors to be high due partly to the ownership structure (MBA is wholly owned by its founders and staff) combined with a highly accountable variable remuneration structure for analysts and portfolio managers.

Portfolio Construction

- MBA constructs strategic asset allocations (SAA's) using a traditional mean-variance optimisation process. In line with MBA's long term approach, benchmark allocations are reviewed every four years with changes made very rarely. As a result of these formal reviews, there have been 2 changes made to allocations throughout the Fund's history (over 20 years). Lonsec notes that this is far more infrequent than many of MBA's peers, however MBA believes it is important not to change allocations to suit short term changes in the market.

➤ The Diversified Trust is skewed towards Australian equities where the additional benefit of franked dividends exists, as well as MBA's belief that there are greater alpha opportunities in this sector. Fixed income is 100% Australian and used as a truly defensive asset (not alpha generating). Global equity exposure is gained through the selection of external managers who are also mandated to invest in global property securities. While there is a strategic allocation to alternative assets, there is currently no exposure within the Trust. Lonsec views favourably the use of liquid and transparent alternative assets in diversified portfolios with the view that they can lead to more robust portfolios over a market cycle. The conservative nature of the manager means the Trust tends to hold higher cash levels than some of its peers.

➤ Similarly to the SAA approach, Tactical Asset Allocation (TAA) changes also occur relatively infrequently. MBA's value philosophy means MBA tends to be contrarian and often enters TAA positions (i.e. overweight Australian equities) early in the cycle which can cause some short term discomfort. It is therefore important to maintain a long term perspective.

➤ In Lonsec's view MBA operates a simple, no frills approach to portfolio construction. The process is extremely disciplined with the value philosophy adhered to at both the security and asset allocation levels.

Sector Management

➤ While Lonsec does not hold formal ratings on MBA's underlying sector capabilities, Lonsec has met with the relevant investment professionals and has formed a view for the purpose of rating the Diversified Investment Trust. Lonsec views MBA's Australian equities and Australian listed property (both of which follow the same disciplined process) capabilities to be strong. MBA's approach to fixed income is also considered solid in its simplicity and defensive nature. Lonsec holds less conviction in MBA's approach to international equities, considering the capability to be 'average' given the limited resources focused on the selection and monitoring of external managers.

➤ Lonsec's view is that while Australian equity and listed property security selection are core capabilities for MBA, international equities (with the exception of the internal Asia equity capability) and to a lesser extent domestic fixed income capabilities are more peripheral and not a major focus for the business. That said, both capabilities have contributed in a meaningful way to the returns of the Diversified Investment Trust. According to attribution supplied by the manager, the defensive nature of the fixed income exposures has resulted in positive outperformance of the benchmark over all time periods assessed. Over long time periods (5 years to March 2009), the international equities exposure has also outperformed its relevant benchmark, however has lagged more recently (over 1 and 3 years).

➤ In Lonsec's opinion, MBA could benefit from the additional support of an external asset consultant in the selection and monitoring of international equity managers, given MBA's relatively limited resources in this sector.

Performance

➤ The Trust's medium to long term performance has been strong, outperforming the benchmark index and the Lonsec Fund Sector Average over 3 and 5 years to April 2009. Importantly, this result has also been achieved at well below average levels of risk (as measured by standard deviation). The Trust's relative performance over the short term (one year to April 2009) has been excellent, outperforming the benchmark index and leading the Lonsec Fund Sector Average.

Overall

➤ Lonsec has assigned a 'Recommended' rating to the Maple-Brown Abbott Diversified Investment Trust at this the initial review. The rating reflects Lonsec's assessment that MBA delivers a solid product supported by a cohesive track record, a disciplined 'value' investment approach which is long term focused and largely unaltered over time. The rating is also supported by a solid Australian equities capability, strong performance and a high alignment of interests with investors. Minor reservations surrounding the managers' capacity to monitor external international equity managers and the relative attractiveness of other managers within the diversified sector are currently holding the Trust back from a higher rating.

People and Resources

Team Size and Experience

John Kightley has responsibility for the overall management and investment of the Diversified Fund. Kightley is Managing Director and CIO, and his responsibilities include equities analysis and portfolio management. Kightley has extensive investment experience joining MBA in 1994 having gained prior experience in managing fixed interest and equity portfolios. In April 2009, Kightley announced his retirement effective as at 30 June 2009. He intends to remain on the board as Non-Executive Director.

Garth Rossler (current Head of Equities) will assume CEO & CIO responsibilities from Kightley in July 2009. Rossler has 24 years investment experience, the last 11 of which have been with MBA. Dougal Maple-Brown will step up to the Head of Equities position. Maple-Brown joined MBA in 2001 and is currently a portfolio manager and equity analyst.

Charles Dalziell will take over responsibility for the day to day management of the Diversified Fund in July 2009. Dalziell began his career with MBA in 1993, before leaving in 2003 to take up a portfolio management role at MMC Asset Management. He rejoined MBA in 2008 as an equity analyst responsible for the property sector which will continue in this role in addition to his upcoming Diversified Fund responsibilities. Dalziell has 15 years investment experience (10 at MBA).

Overall there are 42 members of staff at MBA, 17 of which are investment professionals. The team has an average of 9 years investment experience and an average tenure at MBA of 7 years. The Australian research team has been relatively stable with no departures in the last 12 months (the exception being Kightley's impending retirement), with two additions Jovita Khilnani (ex DeAM) and Peter Reeve (an

internal move from the client services team). There has been some turnover with the Asian Equity research team however in Lonsec's view, this has limited impact on the management of the Diversified Trust.

Remuneration / Alignment of Interests

MBA is wholly owned by its founders and staff which supports a high alignment of interest. All employees receive bonuses which are based on corporate profitability and individual contribution. The investment team's variable remuneration is based as follows; portfolio manager bonuses are linked to the performance of the portfolios that they manage as well as their contribution to the Analyst Portfolio. Analyst bonuses are linked to their contribution to the Analysts Portfolio. There is a subjective component which is approximately 33%.

Dividends from shareholdings and bonuses currently represent a significant component of the pre-tax packages of all senior employees.

Asset Allocation

Strategic Asset Allocation (SAA)

MBA's Investment Committee is responsible for constructing the benchmark of the Fund. Asset allocation meetings are attended by the senior investment team members and are chaired by Robert Maple-Brown. At these meetings relevant macro-economic information is reviewed. Strategic Asset Allocation is constructed using a traditional mean-variance optimisation process, with historical and 'normalised' return, risk and correlations data input over different time periods. In-house models are used to generate return forecasts for asset classes.

When assessing the relative merits of the asset classes MBA takes a four year outlook. A comparison of peers is also undertaken during the portfolio construction stage.

MBA's strategic allocations are broadly structured along 'traditional' asset class lines although alternative assets can be added to the portfolio from time to time. The selection of these assets is subject to due diligence and approval at the asset allocation meetings. The Fund currently has a 0% allocation to alternatives although the neutral position is 5%. Where limited value can be found in traditional beta assets, the allocation to cash can be close to the maximum allowable range (25%).

Benchmark allocations are reviewed every 4 years, however given MBA's long term approach, changes will be made infrequently. MBA does not believe in changing their SAA allocations to suit the market.

Minimum and maximum ranges are set around the benchmark. MBA considers it important to adhere fairly closely to the model weightings determined at the asset allocation meetings, particularly in relation to equities, and deviations by more than 1% from the model will act as a buy and sell discipline.

Tactical Asset Allocation (TAA)

A bi-monthly asset allocation meeting is held to discuss and decide on TAA allocations. Interim meetings can be held if required. Meeting minutes are tabled with all TAA decisions requiring approval by the Investment Committee.

Economic and capital market forecasts and historical relative value relationships are considered when determining TAA. Decisions are based on bottom up valuations, four year expected rate of return, portfolio composition & covariance. Relative value dictates the size of the active bet and therefore changes in relative value will dictate the changes in asset weightings. Active positions are typically taken in small increments however large positions can be taken relative to the benchmark. Given MBA's long term focus, TAA targets are changed relatively infrequently. Asset allocation changes are usually implemented via the physical market, with derivatives seldom being used.

Product Details

The table below summarises the current strategic benchmark allocation for the MBA Diversified Investment Trust.

Benchmark Allocations (%) as at 31 March 2009	
Sector	Maple-Brown Abbott Diversified Investment Trust
Australian Equities	45%
Global Equities	15%
Australian Property	10%
Global Property	0%
Australian Fixed Interest	18%
Global Fixed Interest	0%
Cash	7%
Alternatives	5%
Total	100%
Growth	70%
Defensive	30%
Lonsec Sector	Growth

The Trust is skewed towards Australian growth assets so as to benefit from the franking credits of Australian Equities. In addition Maple-Brown Abbott feels that Australian Equities provide greater alpha opportunities than other asset classes.

Whilst the asset allocations are broadly standard, it is worthwhile noting that in contrast to a number of diversified funds reviewed, MBA does not make an allocation to global property or international fixed income. While there is no specific allocation to global property, each of the external international equity managers is mandated to invest in global property securities. MBA notes that global fixed income involves the management of currency risk/bets, subjecting the trust to greater credit risk and so to date has been avoided within the Diversified Investment Trust.

As previously noted, although there is an allocation to alternative assets, the current portfolio position is at 0%. MBA remains open to including new and alternative asset classes within the Diversified Trust, but those assets must be liquid.

Risk Management & Implementation

At the broad level, risk within the Trust is controlled through diversification across assets, countries and securities. Maple-Brown Abbott as manager of all classes except international equities, is able to manage the risks across the whole portfolio (for example, the holding of an equity position and corporate bond).

Rebalancing limits are set and adhered to. The portfolio is rebalanced when it approaches the TAA target allocation. Asset allocation to each sector (excluding cash) must be within the greater of 5% in relative terms and 1% in absolute terms of the portfolio's target allocation. Security positions are also limited.

Trade and positions are monitored on a daily basis under an automated compliance system. Compliance breaches are recorded in a register.

Sector Management

Lonsec has not formally rated MBA's underlying capabilities, but has met with each of the relevant sector teams and formed a qualitative view as set out in the table below. Please note the following table summarises Lonsec's opinion for the sectors within the Maple-Brown Abbott Diversified Investment Trust. These opinions are used in the qualitative assessment of MBAs diversified product and should not be seen as a 'blanket opinion' for all sector products offered by the manager in each asset class.

MBA Diversified Investment Trust		
Sector	Underlying Capability	Lonsec Opinion
Australian Equities	Australian Equity Trust	Strong
Global Equities	Multi-Manager	Average
Australian Property	Security Selection	Strong
Australian Fixed Interest	Security Selection	Average/Strong

**As at May 2009*

Below is a brief summary of the manager's underlying capabilities.

Australian Equities

Australian equity exposure is achieved by directly investing in Australian listed large capitalisation stocks, and an allocation to the MBA Small Companies Trust (up to approx 10%).

MBA has a value approach to investing, and as such, seeks to buy investments that offer relatively good long term value as measured by a number of traditional indicators (price/earnings, price/cash flow, price/net tangible assets and dividend yield). MBA divides the current price by their forecast of the next year's earnings, cash earnings etc, to come up with a portfolio that is likely to have a P/E ratio lower than the broader market.

MBA considers itself to be a 'contrarian' investor, in that it tends to buy stocks that have fallen out of favour in the market and as such, are often relatively cheap. Turnover of the portfolio is consistently under 25% p.a. with stocks generally held for more than 12 months (therefore most gains are discounted) helping to create a more tax efficient portfolio. In addition, stocks with franked dividends are favoured.

Fixed Interest

MBA does not have an Australian bond fund per se, rather for the Diversified Fund it invests directly in approximately 10-15 issues, predominately restricted to government bonds and semi-government paper with AA- or better rating. Credit risk is not material, although from time to time, high grade corporate paper (including listed floating rate notes and redeemable preference shares) may be purchased. Inflation linked bonds have also been recently added. Fixed income exposure is primarily used as a risk diversifier and is not intended to 'chase yield'.

Fundamental analysis is conducted on economic criteria including economic growth and inflation in order to estimate the fair value of short and long-term security yields. The Fixed Income objective is to outperform the UBS Australian Composite Bond Index over rolling 4 year periods.

Property

MBA applies the same philosophy and style in the property sector as they do in Australian equities, which is to seek value. Value criteria are used to quantitatively screen listed property trusts. Individual stocks are held rather than a diversified LPT trust. The Diversified Trust currently invests in 9 property trusts.

International Equities

International exposure is gained through the Maple-Brown Abbott International Equity Trust (IET), which in turn invests in external managers. Managers are generally selected with similar stock picking philosophy to MBA. Currently 5 managers are employed;

- Marathon (European Equities mandate)
- Bernstein (US Equities mandate)
- Morgan Stanley (Japan Equities mandate)
- MBA Asian Investment Trust (AIT)
- Templeton (Global Growth Fund & Global Trust Fund)

When determining the appropriate regional asset allocation, analysis is made both of the relative and absolute valuations of the major markets and regions on both a historic and prospective basis. In addition to quantitative analysis, qualitative and economic analysis is conducted to confirm weightings.

The overseas equity exposure is generally unhedged, however within IET and AIT, MBA may hedge against a rising AUD if there is a belief that it is significantly undervalued.

MBA monitors the performance of the international equities manager (both against benchmark and peers) and maintains a reserve bench of managers in each region. MBA receives monthly and quarterly reporting and undertakes at least annual monitoring visits.

Alternatives

The Diversified Investment Trust has previously gained exposure to alternative asset through its investment in the Maple-Brown Abbott Absolute Return Fund. The fund was a portable alpha strategy over 3 underlying MBA capabilities (Asia Pacific Trust (APT), Asian Investment Trust (AIT) and Australian Equity Trust (AET)), and in some cases direct shares. Beta exposures were hedged out through the use of derivatives. In order to maintain flexibility, the Fund had a maximum net equity exposure of 20%. Exposure to this product was exited in September 2008. The imposition of restrictions on short selling compromised the underlying funds ability to meet their objectives. There is currently no exposure to alternatives within the Diversified Investment Trust.

Funds Under Management

MBA's diversified products have seen net outflows over the past 12 months, consistent with the majority of the Lonsec assessed peer group. At the end of December 2008 the product range had approximately \$1.2bn in funds under management, down from \$1.7bn in 2007, including \$185m of outflows.

Wholesale MER Comparison

The table below compares the MER's of the Growth Funds (61% - 80% growth assets) across the Lonsec peer group. The MBA Diversified Investment Trust MER is 0.14% above the Lonsec Sector average MER.

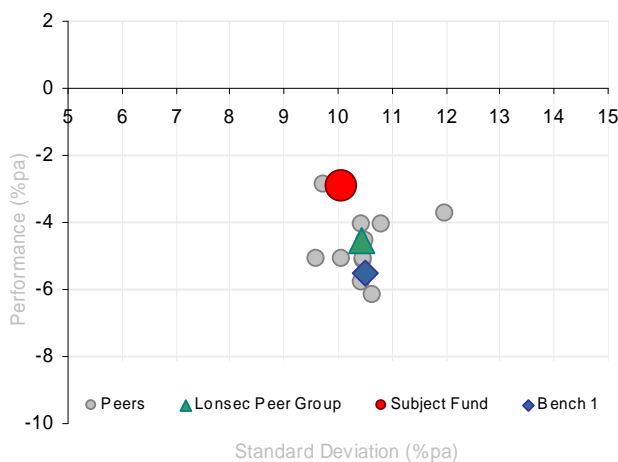
Wholesale Growth Fund	MER %
(61% -80% Growth Assets)	(latest stated)
Australian Unity Balanced Growth Portfolio	0.85%
BlackRock Wholesale Balanced Fund	0.95%
BT Wholesale Active Balanced Fund	0.98%
CFS Wholesale Diversified Fund	0.95%
Credit Suisse Capital Growth Fund	0.71%
Goldman Sachs JBWere Diversified Growth W/Sale	0.97%
ING Wholesale Managed Growth Trust	0.90%
Maple-Brown Abbott Diversified Investment Trust	1.00%
Perpetual Balanced Growth Fund	1.04%
UBS Balanced Investment Fund	0.70%
Vanguard Growth Index Fund	0.36%
Zurich Investments Managed Growth	0.87%
Lonsec Fund Sector Average	0.86%

This diversified sector review encompasses a number of diversified funds offered by the manager, however, for the purposes of performance and risk commentary the manager’s relevant fund in the ‘Growth’ sector has been selected as the representative fund. A tabular summary of return and risk outcomes of the other diversified funds covered in this review is shown below.

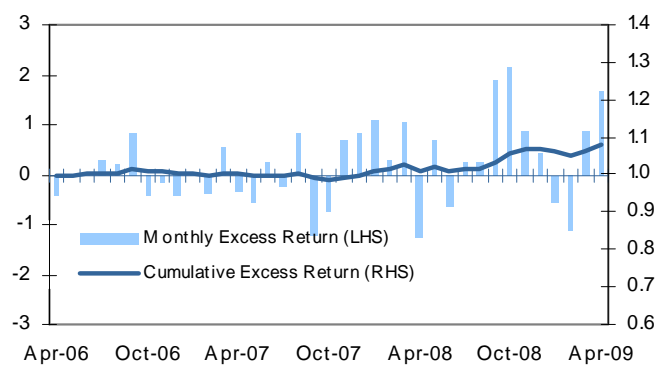
Quantitative Performance Analysis – Growth										
Annualised after-fee results as at 30 April 2009										
	Absolute Return (%)				Standard Deviation (%)				Sharpe Ratio	
	1 Yr	2 Yrs	3 Yrs	5 Yrs	3 Yrs		5 Yrs		3 Yrs	5 Yrs
Aberdeen Capital Growth Fund	-17.1	-11.3	-4.5	3.7	10.5	(9)	9.2	(6)	-1.1	-0.3
Aust Unity Balanced Growth Portfolio	-18.6	-12.7	-3.8	4.1	12.0	(12)	10.1	(12)	-0.9	-0.2
BlackRock WS Balanced Fund	-18.1	-9.5	-2.9	5.4	9.7	(2)	8.8	(3)	-1.0	-0.1
BT Wholesale - Active Balanced Fund	-19.2	-13.0	-5.1	4.1	10.5	(7)	9.3	(7)	-1.1	-0.2
CFS WS - CFS WS Diversified Fund	-18.5	-13.8	-5.8	2.8	10.4	(5)	9.2	(5)	-1.2	-0.4
Goldman Sachs JBWere Diversified Growth Wsale	-17.1	-12.1	-5.1	4.0	10.5	(8)	9.4	(10)	-1.1	-0.2
ING Wholesale - Managed Growth Trust	-21.6	-14.2	-6.1	3.4	10.6	(10)	9.6	(11)	-1.2	-0.3
Maple-Brown Abbott Diversified Investment	-15.3	-10.2	-2.9	4.3	10.1	(3)	8.6	(1)	-0.9	-0.2
Perpetual Wholesale Balanced Growth Fund	-16.7	-11.1	-5.1	4.2	9.6	(1)	8.8	(4)	-1.2	-0.2
UBS Balanced Investment Fund	-16.8	-12.0	-5.1	3.2	10.1	(4)	8.7	(2)	-1.2	-0.3
Vanguard Growth Index Fund	-18.6	-12.0	-4.0	4.4	10.8	(11)	9.3	(8)	-1.0	-0.2
Zurich Investments Managed Growth Fund	-18.0	-11.4	-4.1	4.7	10.4	(6)	9.3	(9)	-1.0	-0.2
Lonsec Fund Sector Average	-18.0	-11.9	-4.5	4.0	10.4		9.20		-1.07	-0.24
Benchmark	-20.8	-13.7	-5.5	3.3	10.5		9.22			

Benchmark: MStar Aust MSector Trust Growth Index, Peer Group (Average : among Lonsec Rated Diversified Growth Fund Universe) (...) denotes rank

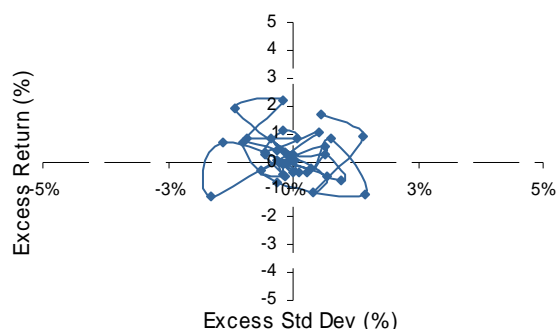
Risk-Return Chart over Three Years to Apr-09



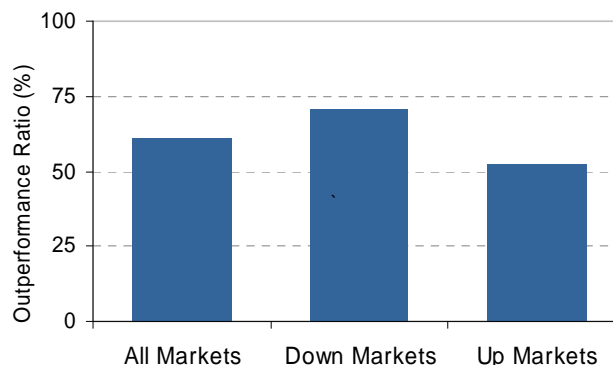
Cumulative Performance to Apr-09



3 Year Snail Trail to Apr-09



3 Year Outperformance Consistency to Apr-09



Glossary	
Absolute Return	'Top line' actual return, after fees
Excess Return	Return in excess of the benchmark return (alpha)
Standard Deviation	Volatility of monthly Absolute Returns
Tracking Error	Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)
Sharpe Ratio	Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)
Information Ratio	Relative reward for relative risk taken (Excess Returns / Tracking Error)
Worst Drawdown	The worst cumulative loss ('peak to trough') experienced over the period assessed
Time to Recovery	The number of months taken to recover the Worst Drawdown

Analyst Disclosure & Certification

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Date Prepared: June 2009

Analyst: Deanne Fuller

Release Authorised by: Michael Elsworth

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