

Dalton Nicol Reid M_AX Australian Listed Property Trust High Conviction Portfolio

1. Portfolio Overview

The aim of the Dalton Nicol Reid M_AX Australian Listed Property Trust (LPT) High Conviction Portfolio is to provide investors with exposure to the property sector through a conservative, yet actively managed, LPT portfolio.

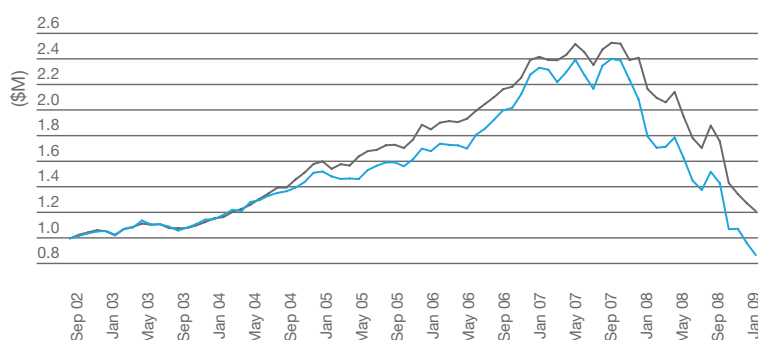
Dalton Nicol Reid believes that patient capital will prosper – quality LPTs will exhibit dividend and capital growth and thus outperform their peers as the market ascribes them a premium.

Who does M_AX Australian Listed Property Trust High Conviction Portfolio suit?

The M_AX Australian Listed Property Trust High Conviction Portfolio is suited to investors who seek exposure to Australian LPTs by focusing on the medium-to-long term and adopting an active but disciplined approach to buying quality assets.

Portfolio profile	Medium to long-term capital growth through active management
Investment objective	To outperform the S&P/ASX 200 Property Trust Accumulation Index over a rolling 3 year period
Authorised investments	Cash; ASX listed securities, with a focus on S&P/ASX 200 Property Trusts
Number of investments	4 to 8
Asset allocation	Australian equities 80% to 98%; Cash 2% to 20%
Maximum exposure to any single investment	55%
Stock turnover per annum	Generally 20%

Value of \$1M invested in LPT High Conviction Portfolio since September 2002 inception



Active Return as at January 2009

	6 mths	1yr	3yrs	5yrs
— LPT High Conviction Portfolio*	-29.0%	-44.1%	-13.2%	0.9%
— ASX 200 Accumulation Index	-37.0%	-51.7%	-19.8%	-5.5%
Active Return*	8.0%	7.7%	6.6%	6.4%

* net of Dalton Nicol Reid fees

2. Portfolio Update—January 2009

AUSTRALIAN LISTED PROPERTY MARKET OVERVIEW

The Property Index continued its decline, falling -9.7% in January, as trusts repaired balance sheets through dilutive equity raisings, asset sales and distribution cuts.

The major news for the month was the announcement by Westfield Group of a \$2.9bn capital raising. The release to the market also contained several negative comments about the outlook for 2009, including:

1. CY09 operational earnings are expected to be flat to -3% at 97-100cpc;
2. income hedging available for distribution is expected to be negligible in 2009, hence distribution will be ~97-100cps;
3. the leverage ratio is currently estimated to be 40% with \$5.5bn of available liquidity; and
4. an expected \$3bn of asset write-downs will be reflected in the 2008 full year results due to rising cap rates, however the stronger US\$ will mean that, even post this, net asset values will rise at Dec 08 vs. Jun 08.

Investment Focus and Market Themes: Balance Sheet Strength, equity raisings, asset sales and distribution cuts

Portfolio Performance:

The holding of Macquarie Communications Infrastructure Group was the stand-out performer with the Macquarie Office Trust dragging the portfolio back. Overall, the portfolio continued to benefit from its conservative positioning and generated significant relative outperformance during the month of 4.82%.

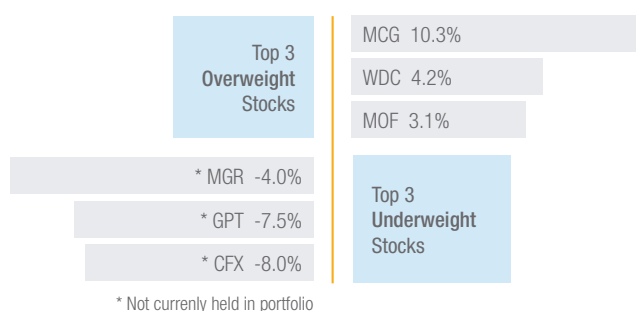
Portfolio Changes

There were no changes to the LPT portfolio in the month of January.

Top and Bottom Performers for the month

TOP 3	Macquarie Communications Infrastructure Group	11.2%
	Goodman Group	-3.4%
	Westfield Group	-7.0%
BOTTOM 3	Dexus Property Group	-7.3%
	Stockland	-9.9%
	Macquarie Office Trust	-20.8%

Active Weightings



3. Investment Process—LPTs

Dalton Nicol Reid aims to create wealth over the medium-to-long term by adopting an active but disciplined approach to buying quality assets.

The investment process uses a combination of 'bottom up' stock selection with a 'top down' overlay influencing construction.

Bottom up: In carrying out LPT specific research there are some key criteria that are sought.

Dalton Nicol Reid has a strong preference for high quality LPTs and look for the following:

- Low to medium debt levels. While Dalton Nicol Reid prefers a well managed balance sheet, we seek to avoid LPTs that need to keep raising equity due to their over-stretched debt position.
- High quality management with strong track records of delivering asset and share price performance.
- A stable portfolio investment strategy. A changing asset mix can be a signal of problems or poor management.
- High yield is obviously attractive but the portfolio manager also looks for LPTs that have a history of distribution growth.

Top down: The portfolio manager follows a range of economic indicators that are reviewed regularly, and uses these measures to formulate an economic overview which provides a backdrop to investment decision making and influences portfolio construction.

About the Investment Manager

Dalton Nicol Reid was established in 2001, creating an independent, boutique service offering personal investment portfolios to sophisticated investors.

By providing institutional and individual clients with superior performance* and service, Dalton Nicol Reid has firmly established itself in the Funds Management and Managed Accounts markets.

Independence remains at the cornerstone of the firm's philosophy.

* As at the date of publication, Dalton Nicol Reid has outperformed the relative indices since inception for all of the Dalton Nicol Reid Mx (Managed Account Xertus) portfolios

Dalton Nicol Reid Mx—Choice of investments

Dalton Nicol Reid Mx – Managed Accounts *Xertus* (meaning *tested, tried, approved, experienced*) portfolios provide the broader investment community the opportunity to access Dalton Nicol Reid's expertise in Managed Accounts and direct equity portfolio management. Dalton Nicol Reid Mx offers investors a menu of Managed Account portfolios that provide the flexibility to choose a portfolio most suited to their needs. This benefits investors as they move between different life stages, which may require a change in investment strategy to achieve a change in performance objectives and risk profile.

Mx Incrementus - Australian Equities High Conviction Growth Portfolio (long-term capital growth)

Mx Virtus - Australian Equities High Conviction Ethical Growth Portfolio (long-term capital growth through responsible investment)

Mx ProVentus - Australian Equities High Conviction Income Portfolio (high-yield, long-term capital growth)

Mx Australian Listed Property Trust High Conviction Portfolio

Mx International Equities Global Managers Portfolio



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