

Macquarie High Conviction Fund
Monthly Report - April 2012

Investment objective

The Macquarie High Conviction Fund (Fund) seeks to provide investors with a return comprising both income and capital growth by investing a concentrated portfolio of equity securities. The Fund aims to outperform the S&P/ASX 200 Accumulation Index (Index) over the medium to long term.

Fund performance to 30 April 2012

	Gross Fund Returns	Net Fund Returns*	Benchmark Returns**	Net Excess Returns
1 month (%)	1.02	0.94	1.43	-0.49
3 months (%)	5.31	5.07	4.63	0.44
1 year (%)	-6.50	-7.36	-4.44	-2.92
2 years (% pa)	0.24	-0.84	-0.03	-0.81
3 years (% pa)	13.86	12.34	9.77	2.57
5 years (% pa)	1.67	0.24	-2.32	2.56
Since inception (% pa)	8.63	7.03	3.55	3.48

Past performance is no indication of future performance.

*Net returns are quoted after the deduction of all fees and expenses. Due to individual investor circumstances, your net returns may differ from the net returns quoted above.

**The benchmark is the S&P/ASX 200 Accumulation Index.

Fund highlights

The Fund returned 0.94% (after fees) for the month of April, underperforming the Index by -0.49%

The largest positive contributors to performance were overweights in Resmed, Oil Search, Goodman Group and an underweight in Newcrest Mining.

Resmed posted a 3Q12 NPAT of US\$64.6m (+21% yoy), on revenue of US\$349.1m, strongly beating consensus expectations. US sales showed strength across masks and flow generators.

Newcrest Mining's MarQ12 production was hit by adverse weather conditions at Cadia and Hidden Valley. Group production was down 6.6% q/q on a LFL basis. In addition, Newcrest lowered FY12 production guidance by 7-8% to 2.25-2.35moz from 2.43moz-2.55moz. NCM also gave capex guidance of \$1.8bn for FY13.

Oil Search conducted a field trip to Papua New Guinea. Significant progress has been made: Train 1 now stands at 30% complete and is on track for completion in early 2013 with Train 2 at 5% complete.

The largest negative contributors for the month were overweight positions in Transfield Services, Oz Minerals and an underweight in Telstra.

Transfield Services announced revised FY12 NPAT guidance of A\$105m, to account for A\$9m of extreme weather impact since last guidance and A\$16m of provisions for a legacy construction contract.

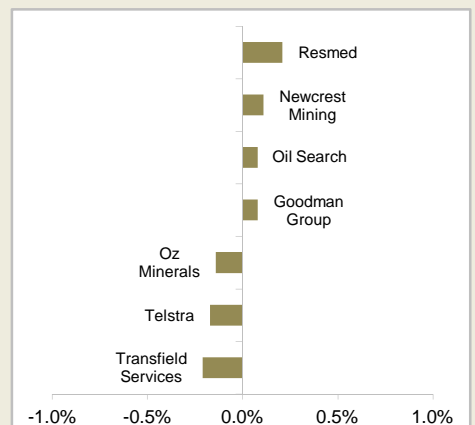
At 30 April, the largest active overweight stock positions were Rio Tinto, Boart Longyear, Santos and News Corporation; while the largest underweights to the Index were Wesfarmers, Telstra and Woolworths.

The Fund is overweight the Industrials, Energy and Materials sectors; while Consumer Staples and Financials are the largest underweight sectoral exposures in the portfolio.

Top 10 stocks	Portfolio (%)	Index (%)
BHP Billiton	13.04	10.88
Rio Tinto	6.87	2.76
Commonwealth Bank	6.03	7.84
National Aust. Bank	5.26	5.39
Santos	5.17	1.26
Westpac Bank	4.82	6.62
ANZ Bank	4.54	6.11
News Corporation	4.42	0.55
Origin Energy	4.27	1.37
Boart Longyear	4.11	0.18

Sector	Portfolio (%)	Index (%)
Energy	12.41	7.45
Materials	27.09	23.94
Industrials	18.78	7.20
Consumer Discretionary	4.52	3.39
Consumer Staples	0.23	7.84
Health Care	5.73	3.70
Financials ex LPTs	27.36	33.38
LPTs	2.38	6.53
Information Technology	0.02	0.63
Telecom Services	1.20	4.35
Utilities	0.05	1.60

Stock attribution





Market review

The S&P/ASX 200 Accumulation Index increased by 1.4% in April. Investors continued the new year rally with the Australian market posting its fourth successive monthly increase. In spite of this rally, defensive sectors were the best performing sectors through April with Telecoms, REITs, Health Care and Banking the main market drivers.

Eurozone debt concerns reignited during April. Standard & Poor's prompted the flare-up, downgrading Spain's long-term credit rating two notches from A to BBB+. With Spain's 1Q GDP print of -0.3% q/q confirming recession it appears a long road to recovery for Europe's 6th largest economy. More broadly for Europe, the euro-zone manufacturing index fell to 47.7 in March from 49.0 in February, the eighth straight month of sub-50 (i.e. contractionary) readings. Coupled with uncertainty around elections in France and recently in the Netherlands, it would seem that Europe's muted economic performance is set to continue for the time being.

As financial year-end draws closer, several companies came to the market with earnings updates. Electronic retailer JB Hi-Fi stated that a challenging retail environment had negatively impacted gross margins. Accordingly the company downgraded FY12 NPAT to \$100-105mn, ~14% below consensus forecasts. Building and construction materials supplier Boral announced a profit warning, outlining a \$22m adverse effect on NPAT due to wet weather. Supermarket operator Woolworths provided a quarterly update, with details indicating like-for-like sales for the core Australian Food & Liquor division were flat, -0.9% for Big W and +0.7% for hotels.

There was much activity on the corporate front through April. General insurer Insurance Australia Group's Malaysian joint venture has conditionally agreed to acquire Kurnia Insurans Berhad for A\$480m. The transaction will make the JV the largest general insurer in Malaysia. Mining equipment supplier Seven Group Holdings' WesTrac division will pay \$400m for networks owned by Caterpillar that sell Bucyrus products in WA, NSW and the ACT. Several mining companies released quarterly production numbers below consensus expectations, largely on account of weather, including BHP Billiton, Newcrest, Paladin and Rio Tinto.

Outlook

The Reserve Bank left the cash rate on hold at 4.25% for the third consecutive month at its April meeting. Local economic news was broadly soft. 1Q12 CPI inflation data was surprisingly low at +0.1%, strengthening the case for a rate cut in May. Unemployment was steady at 5.2% though 44k jobs were added through March. The latest readings of private sector and business credit both increased, while housing finance declined for the second month running.

Data released in April showed the domestic trade balance remained in deficit. While the deficit narrowed to \$480m, this remains well below the \$1-2b monthly surpluses experienced over 2H11. The downside to the export data was concentrated in Australia's two largest exports - iron ore and coal. Although export levels were held down by temporary supply disruptions, with iron ore and coal comprising ~40% of total exports this may cut up to 0.7% from 3Q12 GDP growth. This emphasises the degree to which the plight of the Australian economy is tied to mining production, for better or worse.

Macquarie Investment Management Limited ABN 66 002 867 003 AFS Licence 237492 (Macquarie) is the issuer of units in the Fund. Investors should consider the offer document relating to the Fund in deciding whether to acquire or continue to hold units in the Fund. The offer document is available by calling 1800 814 523. The above information is not personal advice and does not take into account the investment objectives, financial situation or needs of any person. Performance, based on NAV prices, is calculated by compounding daily time-weighted returns and assumes reinvestment of income. Past performance is not necessarily an indication of future performance. Future results are impossible to predict. This report includes opinions, estimates and other forward-looking statements which are, by their very nature, subject to various risks and uncertainties. Actual events or results may differ materially, positively or negatively, from those reflected or contemplated in such forward-looking statements. Forward-looking statements constitute our judgement as at the date of preparation of this report and are subject to change without notice.

Investments in the Fund are not deposits with or other liabilities of Macquarie Bank Limited or of any Macquarie Group entity and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither Macquarie Bank Limited nor any member of the Macquarie Group guarantee any particular rate of return or the performance of the Fund, nor do they guarantee the repayment of capital from the Fund.

Unit prices

Application price: \$1.1416

Redemption price: \$1.1360

NAV price: \$1.1388

Fund details

APIR code: MAQ0443AU

Inception date: 29 November 2005

Fund size: \$136m

Distribution frequency: Quarterly

Management fee: 0.923% pa

Buy/Sell spread estimate: +0.25%/-0.25%

Minimum investment (Direct): \$20,000

Available platforms include:

Asgard
BT
Macquarie
Navigator
Netwealth
Oasis

Rated by:

Lonsec
Morningstar
S&P
van Eyk
Zenith

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