



## Fund Commentary

Period: inception to 23 September 2003

### ***The Australian Share Market***

Since the inception of the Fund at the beginning of May, the Australian share market has performed strongly due to several factors. These include: the Reserve Bank of Australia keeping our already historically low interest rates on hold; increased evidence from economic data that the US and global economic growth is accelerating, and the increasing confidence shown by global Financial Markets that the world does not face a period of deflation as was feared earlier in the year. This outlook for increased global growth and that the worst of the drought is over is positive news for the Australian economy and, consequently, the Australian share market.

### ***Approved Shares for the Navra Funds***

The table below presents the list of approved shares that have passed our rigorous share selection process for inclusion in the Navra Funds. They may not currently be included in the portfolio depending on a number of factors determined by the Investment Committee's weekly review.

<b>Amcor Ltd</b>	<b>AMC</b>	<b>Paper &amp; Packaging</b>
<b>Australia &amp; NZ Banking Group</b>	<b>ANZ</b>	<b>Banks</b>
<b>Australian Stock Exchange</b>	<b>ASX</b>	<b>Investment / Financial Services</b>
<b>BHP Biliton</b>	<b>BHP</b>	<b>Diversified Resources</b>
<b>Commonwealth Bank</b>	<b>CBA</b>	<b>Banks</b>
<b>Cochlear Ltd</b>	<b>COH</b>	<b>Health / Biotech</b>
<b>Coca Cola Amatil</b>	<b>CCL</b>	<b>Food &amp; Household</b>
<b>Fosters Group Limited</b>	<b>FGL</b>	<b>Alcohol / Tobacco</b>
<b>Futuris Corporation Limited</b>	<b>FCL</b>	<b>Diversified Industrials</b>
<b>Harvey Norman</b>	<b>HVN</b>	<b>Retail</b>
<b>James Hardie Industries</b>	<b>JHX</b>	<b>Building Materials</b>
<b>Leighton Holdings</b>	<b>LEI</b>	<b>Developers / Contractors</b>
<b>Lend Lease Corp Ltd</b>	<b>LLC</b>	<b>Developer / Contractors</b>
<b>Macquarie Bank Limited</b>	<b>MBL</b>	<b>Banks</b>
<b>Metcash</b>	<b>MTT</b>	<b>Retail</b>
<b>National Australia Bank</b>	<b>NAB</b>	<b>Banks</b>
<b>News Corp Ltd</b>	<b>NCP</b>	<b>Media</b>
<b>Origin Energy</b>	<b>ORG</b>	<b>Infrastructure / Utilities</b>
<b>Publishing &amp; Broadcasting</b>	<b>PBL</b>	<b>Media</b>
<b>Paperlinx</b>	<b>PPX</b>	<b>Paper &amp; Packaging</b>
<b>Qantas Airways Ltd</b>	<b>QAN</b>	<b>Transport</b>
<b>Rio Tinto Ltd</b>	<b>RIO</b>	<b>Diversified Resources</b>
<b>Toll Holdings</b>	<b>TOL</b>	<b>Transport</b>
<b>Westpac</b>	<b>WBC</b>	<b>Banks</b>
<b>Wesfarmers</b>	<b>WES</b>	<b>Diversified Industrials</b>
<b>Westfield America trust</b>	<b>WFA</b>	<b>Property</b>
<b>Woolworths</b>	<b>WOW</b>	<b>Retail</b>

Since inception the number of shares in the portfolio has increased from 20 to 25 shares in order to provide more diversification. Please refer to our website [www.navrainvest.com.au](http://www.navrainvest.com.au) to see the current shares in the portfolio.

## **Fund Performance**

We are pleased to report an excellent start to the performance of both the Retail and the Wholesale Funds since inception with returns of 5.02% (Retail) and 4.99% (Wholesale).

Since the beginning of the financial year, the S&P/ASX 200 Price Index has increased steadily and consistently without any significant dips. The NavTraDE system sells shares as share prices rise. In a rising market this results in a higher proportion of cash in the portfolio and therefore the Fund tends to lag the Index, especially during this early establishment phase for the Fund. At the date of this report cash holdings are approximately 25% of the Fund.

The NavtraDE system takes advantage of irrational investor behavior to buy quality companies as their share prices are falling and to sell them as they are rising. Consequently, the system can realize capital gains from dealing in shares with volatile price movements, irrespective of the net price movement from the beginning to the end of the period. It takes time for shares to move through price cycles and therefore for the potential of the NavTraDE system to be fully realized.

The following six shares have risen in price and also performed well for the Fund since inception due to their volatility: Harvey Norman (HVN), Leighton (LEI), Lend Lease (LLC), Publishing & Broadcasting (PBL), Paperlinx (PPX) and Toll Holdings (TOL). For these shares trading has generated large realized gains. These shares are also positioned with unrealized gains. The Australian Stock Exchange (ASX) has also made an excellent contribution mainly with unrealized gains.

Shares that have also generated solid realized capital gains include: James Hardie (JHX), NewsCorp (NCP), Rio Tinto (RIO), QANTAS (QAN) and Wesfarmers (WES). These shares currently also have unrealized losses which in time will dissipate when the share prices recover.

Of particular interest are QANTAS (QAN) and Metcash (MTT) because their share prices are the same at the date of this report as they were at inception, and both have generated realized and unrealized gains for the Fund. They are both examples of the NavTraDE system being able to generate positive returns from shares with a static price over a period of time.

The Fund performance has been affected by shares that have yet to perform and have either made no contribution due to low volatility or because they are currently displaying unrealized losses: National Bank (NAB), Origin Energy (ORG), Westfield America (WFA) and Woolworths (WOW).

We increased the portfolio weightings to ANZ, NAB, WBC, CBA and WOW as their share prices fell – the underlying financial robustness and quality of these companies remains unchanged, their share prices being impacted by negative sentiment. In the case of the banks, takeover speculation has dampened share prices. These shares have not yet contributed to the Fund performance but have been a good buying opportunity.

## **Share Market Outlook**

As economic growth in the US continues to accelerate, the outlook for the global economy and share markets remains positive. In Australia, an early end to the drought and its concurrent impact on the economy would also be an additional benefit to the Australian Share market. The only possible cloud on the horizon is a larger than market expected increase in interest rates by the Reserve Bank of Australia in response to a continuing property bubble, particularly in apartments.