



Fund Commentary

Period: 1st to 30th November 2003

The Australian Share Market

Mixed economic signals in the US took some shine off investor optimism during November. Negative signals such as the disappointing US jobless numbers, widening US trade deficit, and the weakening US dollar were in some way allayed by positive signals such as stronger productivity numbers. The stronger productivity numbers bodes well for corporate earnings, which will eventually flow on to higher share prices and jobs growth.

The Australian equity market, weighed down by muted investor confidence, took a breather from the last few months' growth. The ASX200 price index fell by 2.62% over the month. Australian mineral stocks were the worst hit and were affected by both declining mineral prices and falling US dollar. In addition to bank stocks, the rise in the official interest rate early in the month also took its toll on consumer stocks, infrastructure, utilities and property trusts. Retailers were also affected by concerns that the interest rate rise would reduce consumer spending.

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 be included in the current portfolio depending on a number of factors determined by the Investment Committee's weekly review.

Amtor Ltd	AMC	Paper & Packaging
Australian Gas Light	AGL	Infrastructure/Utilities
Australian Stock Exchange	ASX	Investment/Financial Services
BHP Billiton	BHP	Diversified Resources
Boral	BLD	Building Materials
Cochlear Ltd	COH	Health/Biotech
Coca Cola Amatil	CCL	Food & Household
Corporate Express Limited	CXP	Commercial Services and Suppliers
Futuris Corporation Limited	FCL	Diversified Industrials
Harvey Norman	HVN	Retail
James Hardie Industries	JHX	Building Materials
Leighton Holdings	LEI	Developers/Contractors
Lend Lease Corp Ltd	LLC	Developer/Contractors
Lion Nathan Ltd	LNN	Alcohol / Tobacco
Metcash	MTT	Retail
National Foods	NFD	Foods & Household
News Corp Ltd	NCP	Media
Orica	ORI	Chemicals
Origin Energy	ORG	Infrastructure/Utilities
Publishing & Broadcasting	PBL	Media
Paperlinx	PPX	Paper & Packaging
Qantas Airways Ltd	QAN	Transport
Rio Tinto Ltd	RIO	Diversified Resources
Seven Networks Ltd	SEV	Media
Toll Holdings	TOL	Transport
Wesfarmers	WES	Diversified Industrials
Westfield America trust	WFA	Property
Woolworths	WOW	Retail

Since inception the number of shares in the portfolio has increased from 20 to 27 shares in order to provide more diversification. Please [click here](#) to view the current portfolio.

Fund Performance

The fall in the Australian equity market presented us with great buying opportunities. Except for this month, 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 buys shares as share prices declines. Prior to this month, we have been unable to take our desired positions in stocks due to high share prices. We have exploited this month's share price weakness to purchase stocks at the lower prices and have reduced our cash level from about 30% to 7%.

Along with the market, the performance of both the Retail and the Wholesale Funds for the month declined by 3.3%.

The NavtraDE system takes advantage of irrational investor behaviour to buy quality companies as their share prices are falling and to sell them as they are rising. Consequently, the system can realise 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 realised.

The following shares have risen in price and also performed well for the Fund during the month due to their volatility: Coca Cola Amatil (CCL), Metcash (MTT), and Origin Energy (ORG). These shares generated realized capital gains through trading this month. The stock that performed well this month and generated both realized and unrealized capital gains through trading was James Hardie (JHX).

Shares that performed well by generating unrealized gains include Toll Holdings (TOL), and Woolworths (WOW).

During the month, shares that detracted from performance either due to low volatility or because they were displaying unrealized losses include Boral (BLD), Cochlear (COH), Corporate Express (CXP), Harvey Norman (HVN), NewsCorp (NCP), Paperlinx (PPX), and Seven Networks (SEV).

We increased the portfolio weightings to the Australian Stock Exchange (ASX), Corporate Express (CXP), Harvey Norman (HVN), Lend Lease (LLC), Orica (ORI), Publishing and Broadcasting Ltd (PBL), Qantas (QAN), Rio Tinto (RIO), Seven Networks (SEV), and Wesfarmers (WES) as we believe that their underlying financial robustness and quality of these companies remained sound and have been a good buying opportunity. We have also introduced a new share into the portfolio: Corporate Express (CXP).

Due to low volatility and negative views about possible adverse impact of interest rate rises on bank share prices, we have decreased our weightings to the James Hardie (JHX), Metcash (MTT), Origin Energy (ORG), and Westfield America Trust (WFA). We have also sold all holdings of National Australia Bank (NAB) and Commonwealth Bank (CBA).

Share Market Outlook

Our view on the outlook for the global economy and equity markets remains positive in the medium term. Most economic data in the US still point to strong economic recovery. The higher productivity numbers will eventually translate to jobs growth. This is because companies will need to put on more workers to ramp up production as productivity gains cannot be sustained indefinitely. Also, the initial impact of President Bush's \$US350 billion tax cut package, which reduces the tax withheld from workers' pay, appeared to be driving up sales. However, in the immediate term, sentiment is negative against the US economy mainly due to skepticism about the recent signs of recovery against a backdrop of continued occupation in Iraq and potential terrorist strikes around the world.

International conditions and export prospects remain good for Australian companies. Exports to Asia, especially to China, and the Mid-East, US and Europe, are expected to strong drivers of corporate earnings. The upbeat assessment of the Australian economy was a major factor that led the RBA to raise interest rates, along with concerns about an overheating property market and continuing strong household spending. Notwithstanding further interest rate rises in February, outlooks for the economy and share market remain good. Interest rate sensitive and consumer cyclical shares will likely to be subject to negative sentiment. Shares that can benefit from improved international economic conditions and can adapt to the strong Australian dollar will do well.