

## PMGF Update Report - March 2009

### PERFORMANCE

The average net performance of our portfolios for the March quarter was negative 10.65%, underperforming the MSCI World Index by 0.61% which declined by 10.04%. It was another disappointing quarter.

Our portfolio has changed a little in the quarter, having lightened our positions in American Express, Fairfax Financial, Iron Mountain and Johnson & Johnson and added to Asta Funding and Berkshire Hathaway. Cash finished slightly over 22%.

<b>Peters MacGregor Global Fund</b>			
<b>Mar 2009</b>	<b>returns</b>		
	<b>net</b>	<b>MSCI</b>	<b>Out performance</b>
Rolling			
3 months	-10.65%	-10.04%	-0.61%
1 year	-35.47%	-37.40%	1.93%
3 years	-9.99%	-14.32%	4.33%
5 years	na	na	na
Since inception (September 2004)	-5.04%	-3.86%	-1.18%

### PORTFOLIO CHANGES

<b>Portfolio at a glance</b>	
American Express	Johnson & Johnson
ASTA Funding	Michael Hill International
Berkshire Hathaway	Mohawk Industries Inc.
Fairfax Financial	USG Corporation
Harvey Norman	
Iron Mountain	

### COMMENTARY

Another testing quarter! Many pundits are debating the perils of deflation, caused by the massive world wide unwinding of too much debt on the one hand and future inflation on the other as governments proceed to re-inflate the economies with massive stimulus packages.

Deflation, which we have seen over the past few months as the cost of many products fall, is bad news generally as economic activity grinds down because people, knowing prices are falling, put off spending and investing. High inflation is also as contemptible, but for different reasons.

Governments believe that a low single digit inflation rate is close to the ideal economic world. At these levels the economy grows, creating jobs and through taxes levied on this economic activity, provide important social support systems like healthcare, education and welfare to the needy.

When will the world economies arrive back to this ideal position is of course, anybody's guess. In the mean time it is important to hold inflation protection via assets that have pricing power for when the inflation beast rises again. We believe the companies within our portfolio have such protection.

The falls in the world's share markets have been very dramatic and of course, market tops and bottoms can only be called in hindsight. The potential for further falls still remain more than insignificant, however, such near term drops notwithstanding, we believe that within 5 to 10 years, many prices being paid today for quality companies will appear ludicrously cheap. With this time frame in mind, it is therefore very clear to us that now is a time to be carefully buying these quality assets that are on sale and we are working diligently to add to the 10 companies currently owned.

Of course, the psychological pain after seeing market prices drop by the degree they have is proving very difficult for many investors and many of those have or are contemplating selling just to rid themselves of that pain. But as Bruce Berkowitz recently said: "I believe that they're going to have another kind of pain if they have sold quality companies at these levels. It's called "Sellers remorse" and when stocks start to move up, they're going to have unbelievable regret!"

So these are challenging times but with opportunities. We would suggest you contact us or your financial adviser should you wish to add to your current position.

If you have any questions please contact us on (02) 9332 2133 or via email at [invest@petersmacgregor.com](mailto:invest@petersmacgregor.com).

### **Important Information**

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The product disclosure statement (PDS) for the Peters MacGregor Global Fund is issued by Officium Capital. The PDS details the terms of the offer and if you wish to invest in the Fund, then you should consider the contents of the PDS, consider whether or not an investment in the Fund is appropriate for you and complete the application form accompanying the PDS. You should also consider the PDS in deciding whether to continue to hold an interest in the Fund.

Past performance should not be taken as an indication of future performance. This information does not take into account your investment objectives, financial situation or particular needs. Before making any investment decision, you should obtain and carefully consider the PDS, having regard to your investment objectives, financial situation and particular needs.

Notes:

#### **IMA Portfolio Returns**

- Intra year performance figures are unaudited
- Performance figures in excess of 12 months are audited. Performance figures in the table are historical and not necessarily an indication of future performance.
- The performance figures represent the average returns over all the individually managed accounts ("IMA") during the relevant periods. Each IMA will generate discrete returns depending on its portfolio structure from time to time.
- Gross returns include dividends and foreign exchange costs and are presented before taxes and fees.
- The net returns are net of management fees and before taxes.
- The MSCI figures are the MSCI World Total Return Index (net local).