Peters MacGregor Global Fund

ARSN 110 619 559

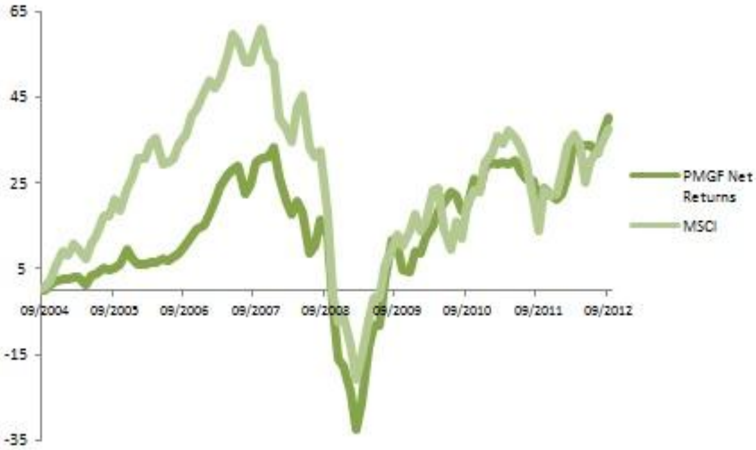
PetersMacGregor CAPITAL MANAGEMENT

30 September 2012

Key Facts

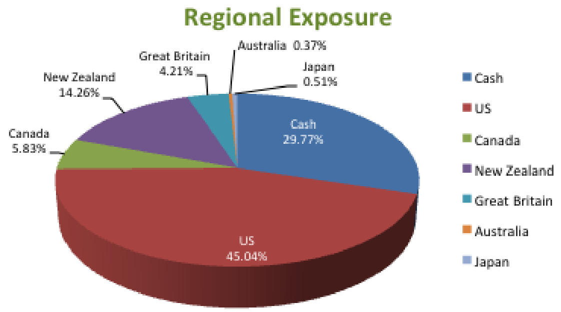
Portfolio Manager:	L Wayne Peters
Management Expense Ratio:	1.57%*
Structure:	Global Equity Fund, $A generally hedged
Buy/Sell Spread:	0.20%/0.20%
Inception Date:	6 September 2004
Fund Size:	$A 71.55 million

*All fees are inclusive of net effect of GST.



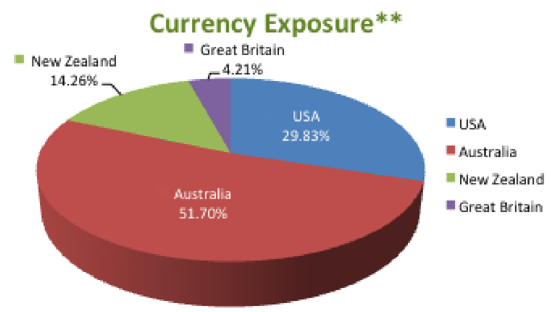
Performance*

	Fund	MSCI	Excess Return
1 month	2.53%	2.15%	0.38%
3 months	4.65%	5.60%	-0.95%
1 year	15.91%	21.16%	-5.25%
3 years p.a.	8.30%	6.90%	1.40%
5 years p.a.	1.30%	-2.67%	3.97%
Since inception p.a.	4.31%	3.93%	0.38%
Total return since inception	40.54%	36.42%	4.13%



Top 10 Holdings

in Alphabetical Order	
Asta Funding Inc	Industrials
Bank Of America Corp	Financials
Berkshire Hathaway B	Financials
Fairfax Financial Holdings	P & C Insurance
JCPenney Company Inc	Consumer Discretionary
Johnson & Johnson	Healthcare
Michael Hill International	Consumer Discretionary
Tesco Plc	Consumer Staples
The Howard Hughes Corp	Diversified Real Estate
Wells Fargo & Company	Financials



*Intra year performance figures are unaudited; the returns are net of management fees and before taxes; the MSCI figures are the MSCI World Total Return Index (net local).

**Peters MacGregor generally hedges foreign currency exposure when it invests in international securities. As part of this policy it considers the intrinsic currency exposures of investee companies. The graph summarises the principal net currency exposures based on generally accepted accounting standards. GAAP measures currency exposure based on the country of stock exchange listing in which the investee company security is held, which is not necessarily reflective of the intrinsic currency exposures of the investee companies.

Important Information

This report is provided for investors in the Fund (ARSN 110 619 559) and IMA clients and is not intended to provide advice. While all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), Peters MacGregor Capital Management Limited (ABN 077 087 181 600, AFSL 225984), its officers, employees, agents and associated entities accept no responsibility for and will not be liable in respect of any loss or damage suffered by any person in connection with this, other than under law, which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment. This report has been prepared without taking into account your investment objectives, financial situation or particular needs. Before investing, or retaining an investment, in the Fund you should read the PDS dated 30 August 2012 and consider whether the Fund is appropriate having regard to those matters. A copy of the PDS is available at www.petersmacgregor.com. Remember, past performance should not be taken as an indication of future performance.

Performance Summary

The net performance of the Peters MacGregor Global Fund increased 4.65% over the quarter, broadly keeping pace with a strong MSCI World Index which rose 5.60%. Cash finished at around 30%

General Commentary

Markets remained buoyant this quarter with the MSCI World Index rising 5.60% and the S&P 500 reaching levels not seen since 2007. Volatility – another measure of investor optimism (or complacency?) – fell to its lowest levels since before the global financial crisis. Starved of interest income, cash has continued to find its way into fixed income securities and equities, leading to further contraction of 'expected' future returns from these asset classes.

We find it increasingly difficult to reconcile the market's enthusiasm with the reality of:

1. continued European debt crisis instability;
2. a slowing Chinese economy and the real potential for a hard landing in that important economy;
3. a Japanese economy which has reached an inflection point in its funding requirements (and now requiring net external funding);
4. declining commodity prices – particularly of Australia's principal exports; and
5. a looming US debt ceiling negotiation in an apparently dysfunctional political environment.

Nevertheless, there remain interesting opportunities from our perspective as a bottom-up stock-picker. Being cognisant of the many known risks, as well as the potential for presently unknown risks to complicate any individual investment thesis, remains a principal concern in the stock selection and portfolio construction process. We continue to analyse existing holdings as well as prospective names and are ever-mindful of how their inclusion in the portfolio will affect the overall risk / return profile.

Portfolio Commentary

Considering the large cash position at present in the portfolio, we are pleased to have broadly kept pace with a strong market this quarter. Principal drivers of performance for the quarter included 6-8% increases in Bank of America and Berkshire Hathaway (each contributing around 0.50% to performance) and a 16% return from Howard Hughes Corporation (contributing almost 1%). Once again, our largest holding – Michael Hill International – performed strongly, returning 25% in Australian dollar terms and contributing around 3% to performance.

JCPENNEY

JCPenney's share price was volatile, falling over 15% early in the quarter before rising 50% from that low and then falling back around 17% to end the quarter just a few percent off where it started! In response to our continued and intensified research of the company – including meetings with management in Texas in August – we took the decision later in the quarter to increase our position to a fuller 7% portfolio weighting.

Until customers adapt to the new everyday low price pricing structure and the company proves out its store-within-a-store model we expect continued strong volatility in both short-term operating results and stock price movements. Neither of these perturbs us and we remain focused on the long-term potential and our expectations for current management to execute on its business-reengineering plan. Of course, this must be balanced in the context of the broader competitive landscape (others' reactions may complicate JCP's efforts) and its own balance sheet. The company owns valuable underlying real estate but has short to medium-term cash funding requirements. The story remains fluid and we continue to monitor progress closely and will adjust our position accordingly.

WALMART

Elsewhere, we took the decision to exit Walmart as that stock approached our assessment of full value. Our views on the quality of and prospects for that business have not changed but the price move from the $50 range to around $70 reduced its appeal from an investment perspective. While we expect the stock will continue to perform satisfactorily over the long-run, the price move reduced our expected returns and increased its investment risk profile. We continue to monitor the company and would be glad to own Walmart in the future if the opportunity presents itself.

MICHAEL HILL

Michael Hill continues to perform exceptionally well in an otherwise difficult Australasian discretionary retail environment.

The recognition of revenue from its relatively new Professional Care Plan offer continues to underwrite strong year over year sales comparisons, but even excluding this unique dynamic the group is performing well across all divisions. Its core Australian and New Zealand businesses are performing commendably while its Canadian operation records very strong results and its fledging US business continues to move in the right direction. Despite the strong share price performance in recent times which serves to reduce the appeal of the company from an 'investment' perspective, we continue to believe the prospects for this business are very strong in the years ahead and that its shares do not adequately discount these very favourable prospects.

While the recent achievement of recouping its 2008/2009 quotational losses certainly gives cause for pause, it is important to consider that in the nearly five years since the 2008 price slide and against a challenging economic backdrop and increasingly competitive retail landscape, the company has grown its total sales by more than 40%. Further, it has developed a valuable add-on service plan offer which adds considerably to the company's discounted cashflow valuation. Cash receipts from this service plan have served to almost fully extinguish the company's bank debt facility resulting in an even more robust balance sheet. Finally, it has taken important steps toward executing on its long-range global growth aspirations through establishing a foothold in the important US market. All considered, we continue to believe Michael Hill's stock offers excellent value for long-term investors and retain a large core position in the portfolio.

Conclusion

Performance was in-line with a strong market despite carrying strong cash balances through this quarter. The portfolio continually evolves with subtle changes made in response to price movements and changes to our appraisals. A profitable investment in Walmart was brought to fruition this quarter as we exited that holding while we continued to build a meaningful stake in JCPenney. We continue to monitor existing holdings closely while simultaneously searching for new names to add to the portfolio. While we have no aversion to holding large levels of cash in the portfolio – currently 30% – we would be very pleased to put some of that to work in interesting opportunities.

Once again, thank you for your continued trust and support.

Suite 507
19A Boundary Street
Rushcutters Bay
Sydney NSW 2011 Australia
Tel: +61 (0)2 9332 2133