

Performance and commentary

May 2010

Performance

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
Platypus after fees	-7.1	2.9	6.3	-2.8	-7.9								-9.1
S&P / ASX 300	-6.2	2.0	5.7	-1.4	-7.5								-7.6
Difference	-0.9	0.9	0.6	-1.4	-0.4								-1.5

Month in Review

The Platypus portfolio declined by 7.93% in May, underperforming the benchmark ASX/S&P300 accumulation index by 0.39%. Industrials and Financials were the worst performing sectors in the portfolio in May, both detracting 0.18% from performance. Positive contributions were made by Cash (+0.32%) and Healthcare (+0.03%).

At the stock level Virgin Blue and Sonic Healthcare had the largest impact on performance and both stocks were sold following their profit warnings. CBA and Westpac also detracted from performance in May. All the banks were hit hard in May as investors began to refocus on the cost and availability of wholesale funding. Positive contributions were made by Cash, Resmed and via a nil weighting in NAB.

Turnover in May was similar to April's levels at around 6% of the portfolio. Apart from Sonic and Virgin we deleted Fantastic Furniture and Flinders Mines from the portfolio. On the buy side we added to a number of small cap names as the market declined including Super Cheap Auto, Wotif.com and Whitehaven coal. Elsewhere we continued to switch Woolworths into Wesfarmers and some ANZ into Westpac cum dividend. We also added to Woodside, JB HiFi and Oz Minerals during the month.

The cash weighting ended the month at about 1.5%.

Sector in Review

The market was under pressure from the first day of the month as investors started to question the ability (and commitment) of the EU to stabilise a number of their member states' credit markets. By the middle of the month this had escalated into fears over the longevity of the Euro itself and markets were in free fall. The local equity market declined by more than 13% before paring its' loses, ending the month about 8% lower before dividends.

Industrials was the worst performing sector, declining 11.39% during the month as investors started to price in a lower growth outlook. Not surprisingly Financials (-9.64%) were also hit hard and five others sectors (IT, Utilities, Telecommunications, Consumer Discretionary and Energy) fell by 7% or more. Consumer Staples (-1.15%) was the only sector to provide any shelter from the storm.

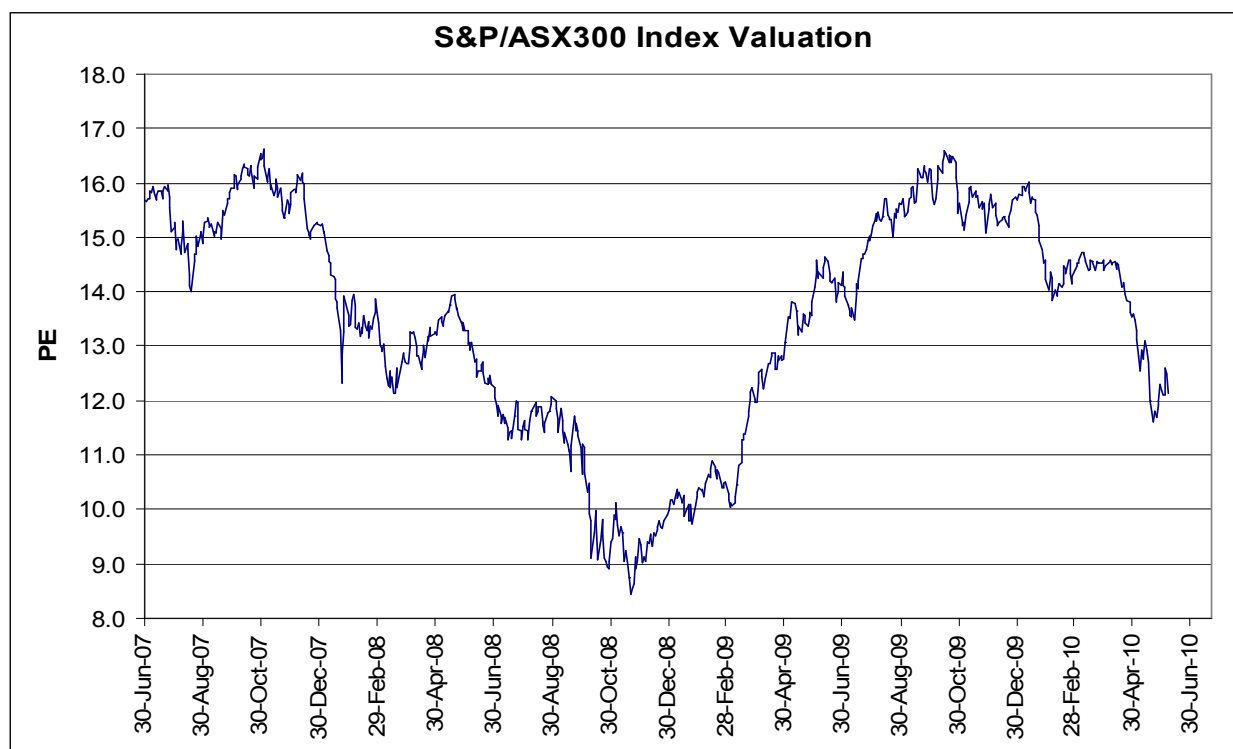
Outlook

It seems markets will remain under pressure and volatile for some time. The support equity markets were starting to get from consistently good US economic data was blown away by the US employment report for May which was disappointing both in quantity and quality (95% of the new job additions were temporary census workers).

Investors remain sceptical of the European bailout plan. As with the US TARP program before it, it will take time for people to be convinced that the immediate problem has been fixed. From the announcement of the US TARP program it took almost six months for equity markets to stabilise, so it is probably unrealistic to expect markets to be anything but volatile in the short term.

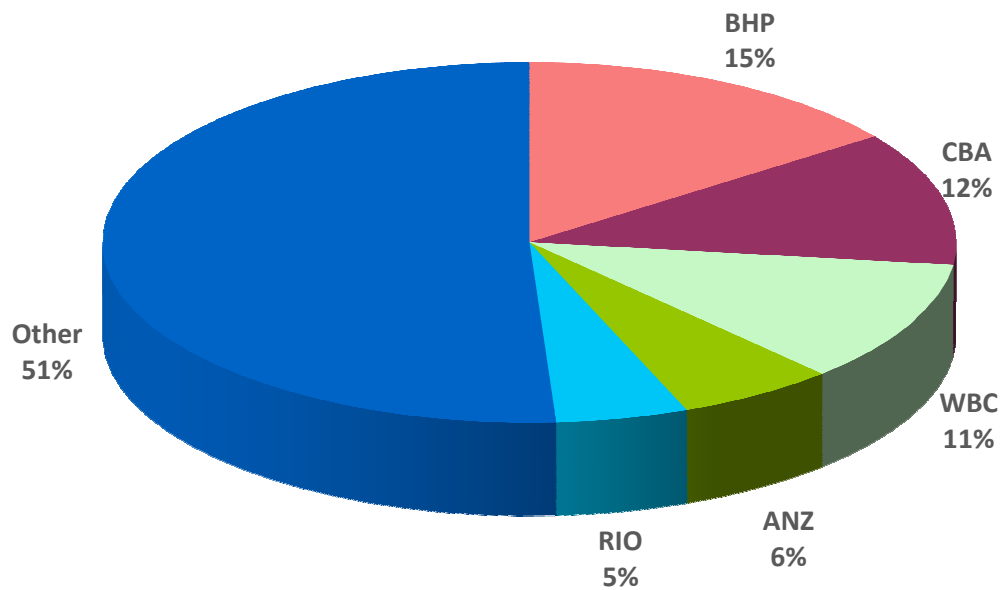
The local equity market managed a 300 point (7%) rally from the 21 May low before the US employment report, and looked as though it would recapture the range it had been trading in. As discussed in previous reports there is a long list of things working against the local market in the short term, and it is likely that trading will be subdued at least until the Federal election is out of the way. On a more positive note a lot of bad news is already priced in and the market is becoming genuinely cheap again (see below). Additionally it looks as though the RBA is on hold, possibly for an extended period.

Valuation Compression

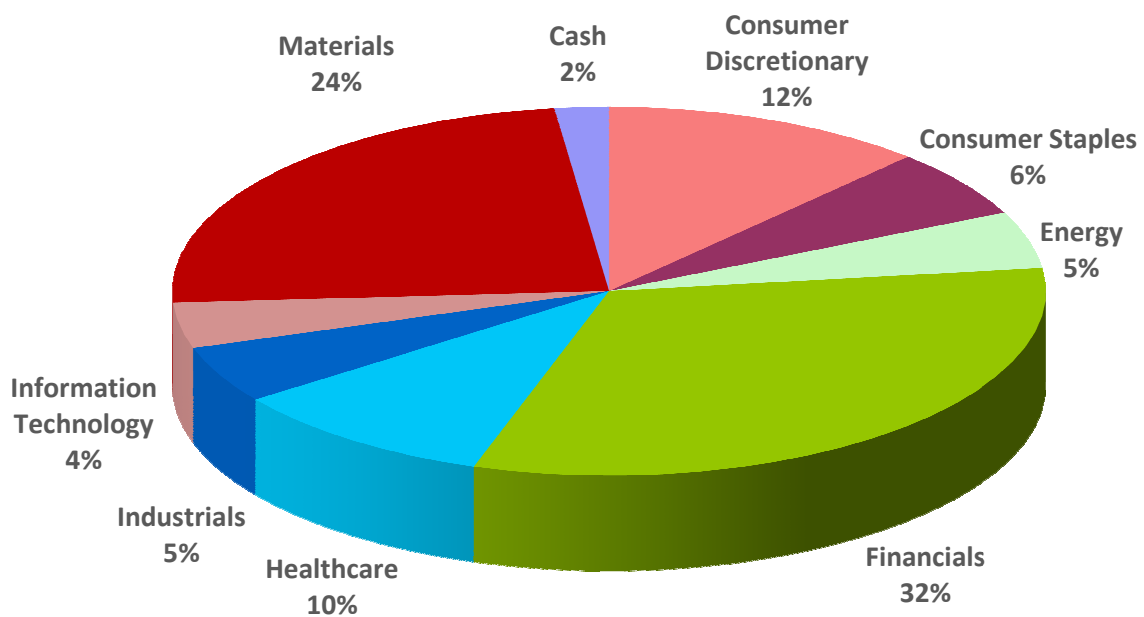


Source; Factset, IRESS

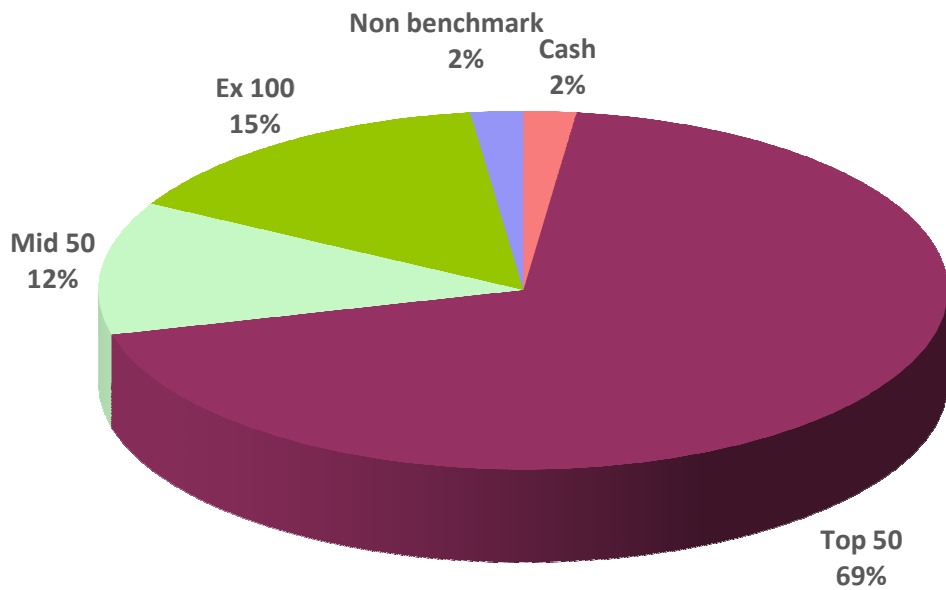
Top 5 Holdings



Sector Weightings – average portfolio weight



Index Weightings – end of month



Performance (rolling periods)



	One Year	Three Year	Five Year	Seven year	Inception
■ Platypus	21.74	-6.81	10.25	15.19	12.85
■ ASX300	20.72	-7.26	6.04	10.31	8.71
■ Out Performance	1.02	0.45	4.21	4.88	4.14

Characteristics

Number of stocks in portfolio	33	Franking level of portfolio	83.8%
Number of stocks in benchmark	300	Franking level of the benchmark	71.7%
Tracking Error (ex-ante)	4.4%	Fund Size	1,745m
Inception date	January 1999		

Disclaimer

Performance

These figures represent past performance only. Past performance is no indication of future performance. Neither Platypus Asset Management Pty Limited, nor any of its representatives makes any representation as to the future performance or success of the fund.

General

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