

## Performance and Commentary – December 2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
Platypus after fees	-0.4	2.0	1.4	-0.8	-2.4	-2.0	-2.8	-1.4	-9.3	8.3	-3.6	-1.7	-13.1
S&P / ASX 300	0.1	2.3	0.7	-0.3	-2.0	-2.0	-3.8	-2.0	-6.3	7.2	-3.4	-1.4	-11.0
Difference	-0.5	-0.3	0.7	-0.5	-0.4	0	1.0	0.6	-3.0	1.1	-0.2	-0.3	-2.1

### Month in Review

The Platypus portfolio declined by 1.7% in December, trailing the benchmark S&P/ASX300 by 0.3%. The major contributors to the lack-lustre performance were consumer stocks. JB Hi Fi and Kathmandu both announced material revisions to their expectations for profits in the first half. As a result both stocks were beaten up, each falling by about 30% in the month. In addition a large number of consumer related stocks were deemed "guilty by association" and suffered large declines. Flight Centre was one of these and fell by about 15% in December. The best performing stocks in the portfolio were Campbell Brothers, Ramsay Healthcare and Sirtex Medical.

At the sector level Energy and Healthcare were the best performing groups in the portfolio. Despite the prospect for lower growth in 2012 the oil price has remained relatively firm, boosted by ongoing political turmoil in the Middle East and non-OECD demand. Consumer discretionary stocks detracted from performance due to the stocks mentioned above and Financials also detracted the portfolio return in December, the latter due to our underweight stance and a 10% decline in BT Investment Management's share price.

Turnover was relatively high during December as we unwound some of our investments in discretionary retailers, selling out of our positions in JB Hi-Fi and Kathmandu. A recovery in retail remains likely in our view as lower rates will eventually impact spending patterns; however picking the timing seems problematic. Other activity included reducing our weighting in Wesfarmers (due to the deteriorating retail environment) and selling the remaining part of our investments in Lend Lease and Newcrest. Newcrest has been a disappointing investment, failing to respond at all to the strength in the gold price, which was up by as much as 30% during the year. Gold ended the year with a 10% gain whereas Newcrest declined by more than 25%. The decision to sell Lend Lease was based on the lack of any announcement on anchor tenants for Barangaroo and likely deterioration in some of their offshore markets.

Activity on the buy side was much lighter. We participated in the Trade Me IPO and added to the investment on listing. Trade Me is part of the Fairfax group and is New Zealand's premier online portal. It was one of only a handful of IPO's that traded well in 2011. We also added to positions in NRW Holdings, Iluka Resources, Alacer Gold, Aurora Oil & Gas and QRX.

The cash weighting at the end of December was 6.7%.

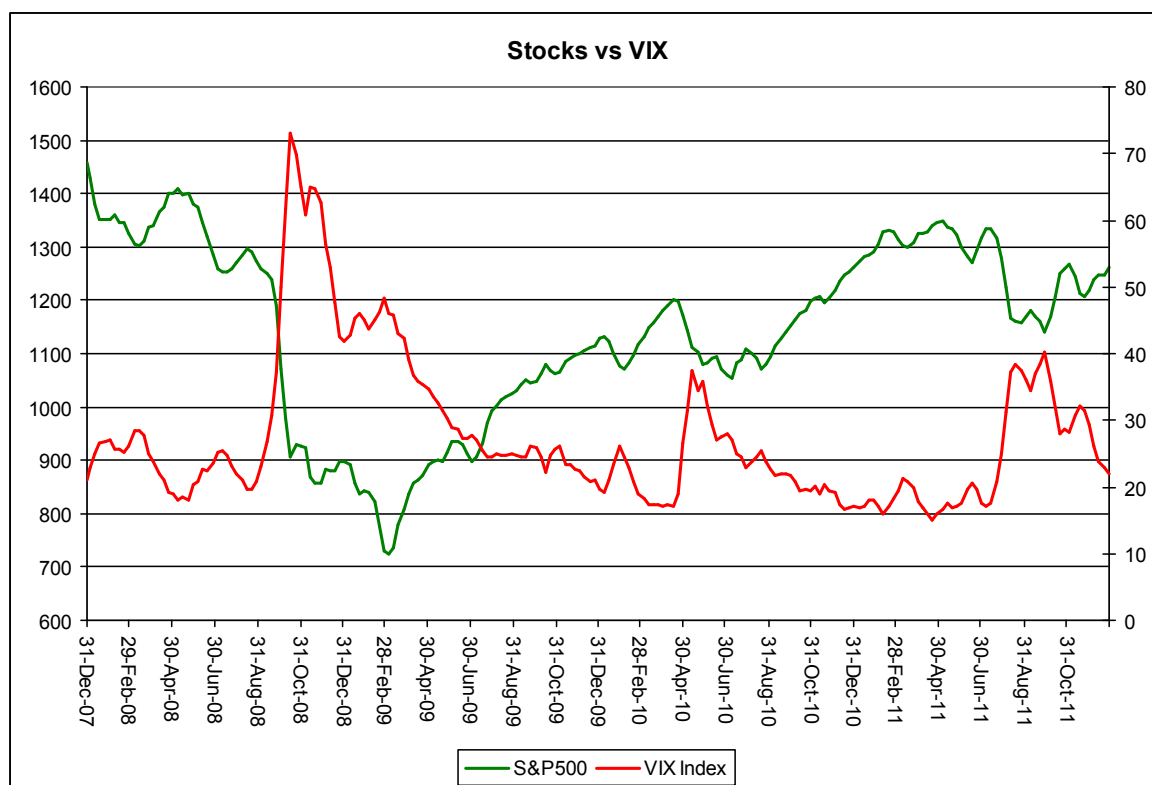
### Sector in Review

The Australian equity market declined once more in December, marking the eighth losing month of nine since March 2011. Performance was affected by a lack of interest at the end of a poor year for equities and a number of high profile profit warnings. For the calendar year the market declined by 9.7% including dividends, which compares unfavourably to the S&P500 (+2.1%) and the FTSE (-1.6%) in local currencies. In the month of December

Telecommunications (+5.07%) and Utilities (+3.77%) were the standout sectors as investors sought safety. Healthcare (+1.68%) and Financials (+0.03%) also managed to post gains. The cyclical sectors lagged, led by Energy (-5.11%), Materials (-4.13%) and Consumer Discretionary (-3.94%).

## Outlook

At face value the outlook has improved. European money markets have stabilised following the introduction of the ECB's own version of quantitative easing just before Christmas, and the US equity market has rallied as volatility has declined (see chart below). In addition, economic data in the US and much of Europe has been better than anticipated over the last month or so.



Unfortunately not many equity markets are performing as well as those in the United States. While the S&P500 is less than 10% below recent highs (and the Dow 4%) European and Asian equities are languishing, currently trading at 33% and 25% below their respective 2011 peaks. The local bourse is performing only slightly better, currently 17% below the 2011 high. In other words, outside the US, the world remains a risky place for equity investors.

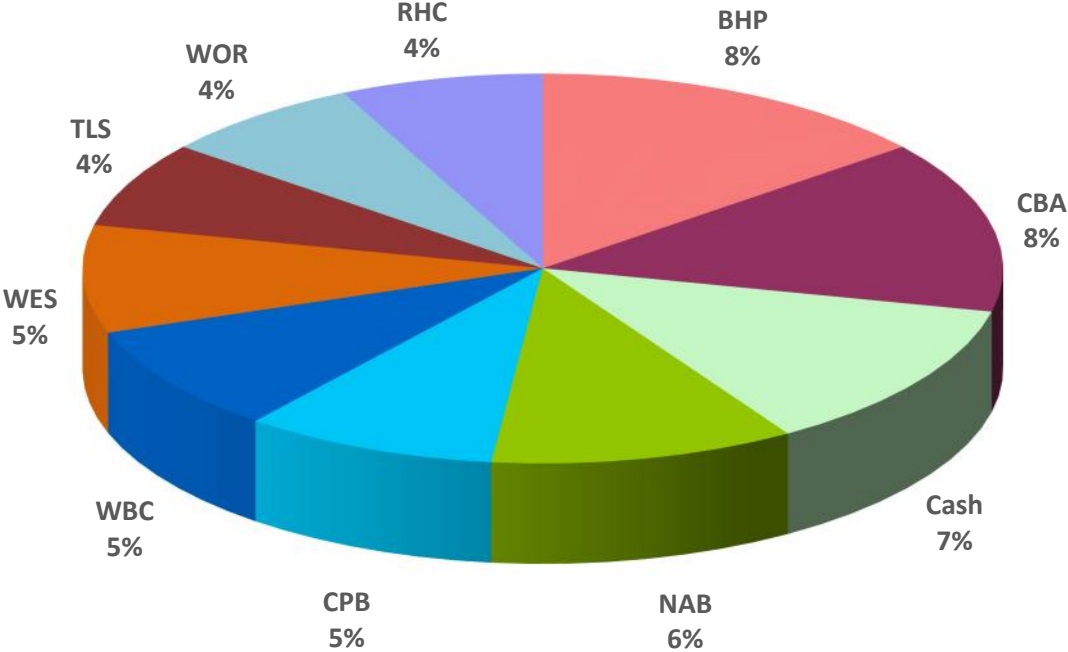
The local market seems to have established a new (lower) trading range with a floor around 3,800 and a ceiling at 4,400 on the S&P/ASX300. In the short term there is no catalyst for any improvement in the stock market; in fact some of the economic headwinds that had started to dissipate in the second half of 2011 (poor consumer confidence and retail sales, strong currency) have reasserted themselves over the last month or so. If this continues we are likely to see a series of rate cuts in the first half of 2012.

On a brighter note most commodity prices have held up well, trading at elevated levels despite the likelihood of a recession in Europe and a trend towards lower growth elsewhere. Demand for raw materials from emerging economies remains robust and supply side issues in a number of commodities have the capacity to overwhelm a weaker demand picture this

year. This bodes well for Australian natural resource stocks, where we expect to see an increase in corporate activity and better performance in 2012.

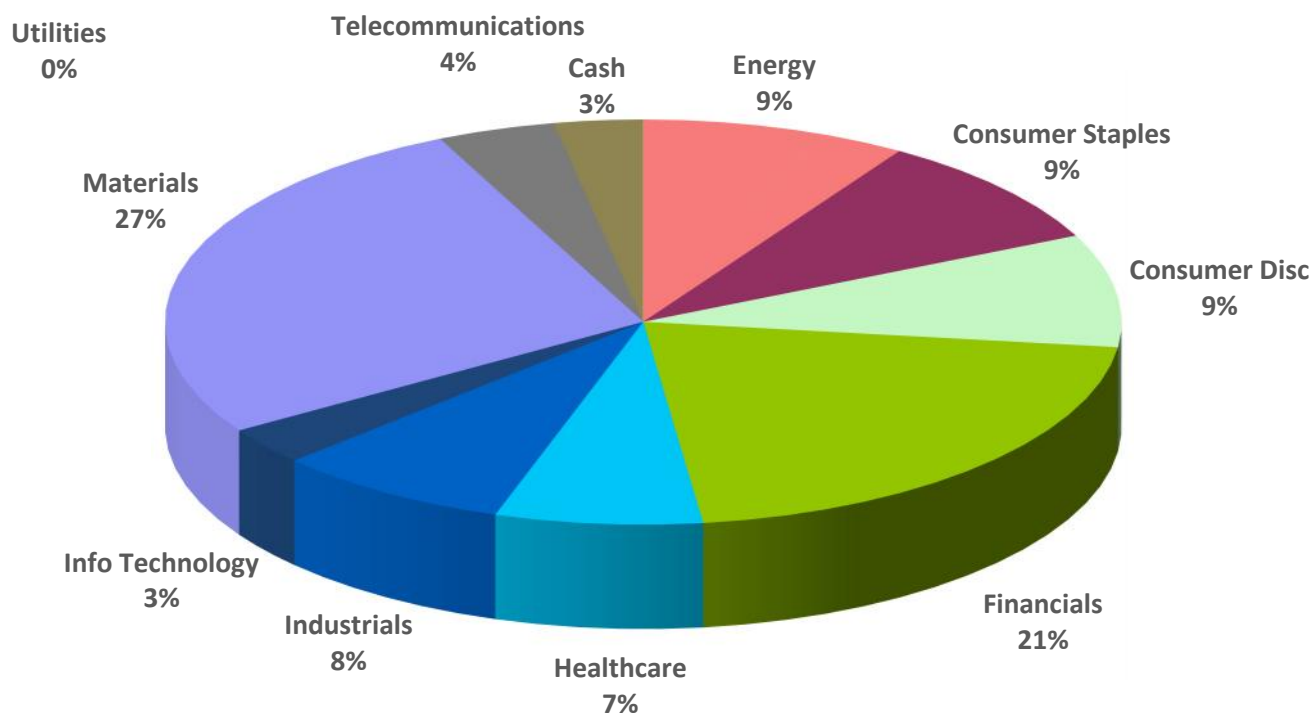
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### Top 10 Holdings



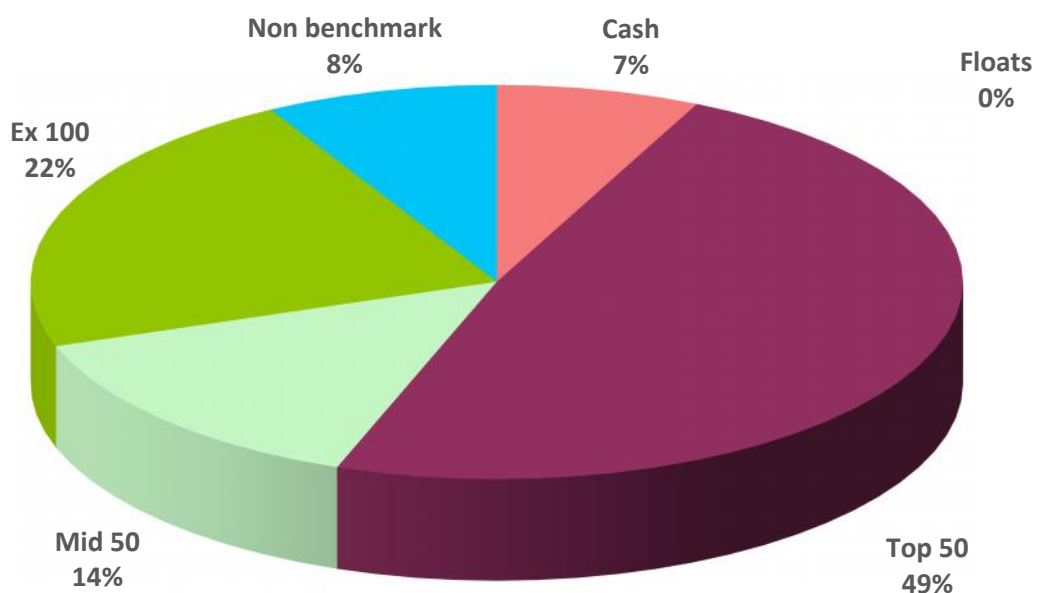
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## Sector Weightings – average portfolio weight

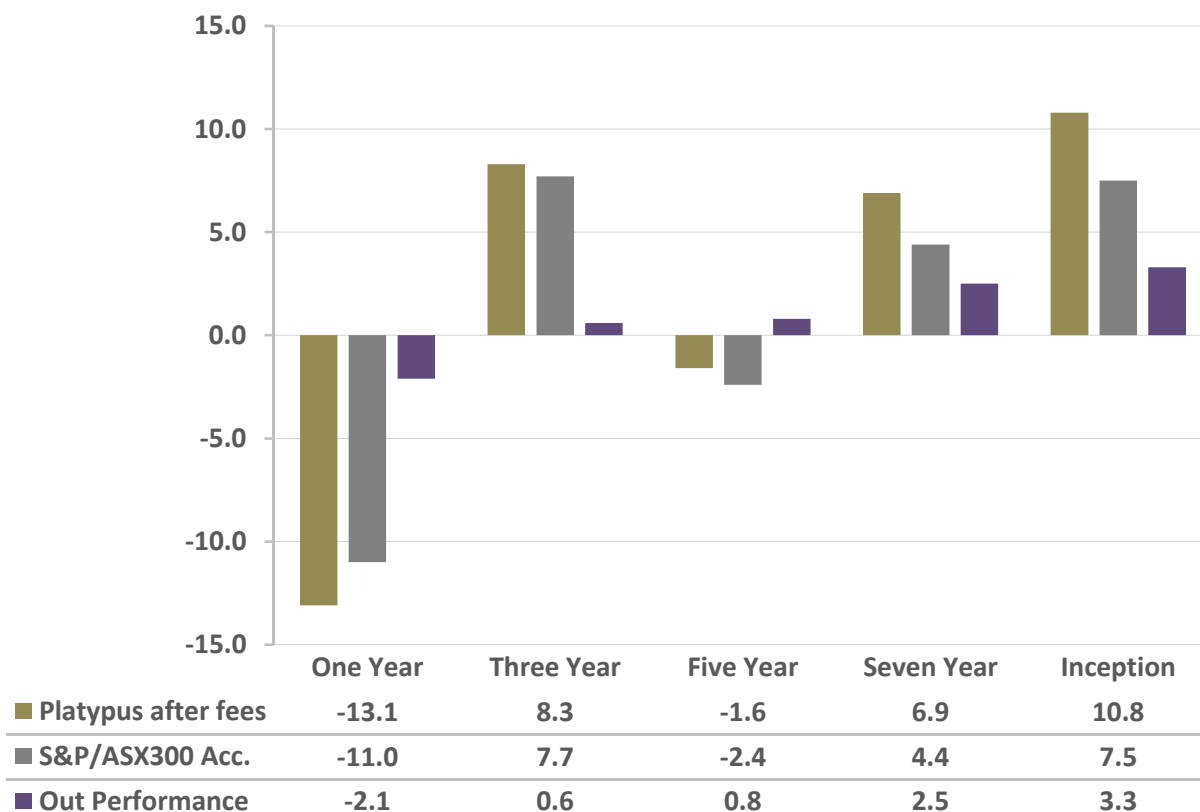


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## Index Weightings – end of month



## Performance (rolling periods)



## Characteristics

Number of stocks in portfolio	32	Franking level of portfolio	67.4%
Number of stocks in benchmark	292	Franking level of the benchmark	71.5%
Tracking Error (ex-ante)	6.5%	Fund Size	950M
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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