

24<sup>th</sup> January, 2011

## Half Year to 31 December 2010

The first half of this financial year has seen a continuation of the challenging conditions that we saw prevailing at the end of the 2010 financial year. These periods were characterised by a great deal of indecision from the financial markets, which brought with it a high degree of volatility. This uncertain economic environment is producing some areas of the economy operating at capacity, while others are experiencing very 'patchy' trading conditions. Over the short term, this is resulting in a fickle climate to invest in.

The performance of the Trust over this half year has been satisfactory. For the half year, the Trust has returned 8.83% **after** allowing for the performance fee and 12.61% **before** the performance fee is provisioned for. The unit price as at 31 December 2010 is \$1.1495 after allowing for the performance fee and \$1.1895 before the performance fee.

Please note, the performance fee indicated above has not been paid but rather, only provisioned for. The performance fee is only paid annually, following the end of the full year.

These results are summarised in the table below, together with a comparison to:

- All Ordinaries Index (this index is a proxy for the performance of the 500 largest companies on the Australian share market);
- All Ordinaries Accumulation Index (this represents the same companies in the All Ordinaries Index, however it includes their dividends paid when calculating the index's return) and;
- S&P ASX 200 Accumulation Index (the performance of the largest 200 companies on the Australian share market, including dividends).

The reason accumulation indices are used for comparison is because they more closely represent the procedure followed by the Trust (of retaining and reinvesting dividends) than the indices that only measure movements in price (such as the All Ordinaries Index).

	<b>Trust (after performance fee)</b>	<b>All Ordinaries Index</b>	<b>All Ordinaries Accum. Index</b>	<b>S&amp;P ASX 200 Accum. Index</b>
<b>1 July 2010</b>	\$1.0563	4,324.8	30,415.2	30,610.0
<b>31 December 2010</b>	\$1.1495	4,846.9	34,812.8	34,518.5
<b>Return</b>	8.83%	12.07%	14.46%	12.77%

The performance of the Trust has been driven in equal share by our short term arbitrage operations and that of our long term investing. From our short term holdings, notable performances during the half year included the finalisation of takeovers in Mosaic Oil and itX Group, both of which we participated in. Some of the companies in which we have long term positions have experienced light and inconsistent trading conditions over the half year, however we also received solid dividends from these holdings. In summary, this leads me to a cautious outlook with regards to the full year performance, as the clarity of future trading conditions and subsequently earnings is low.

Further, during the half year a significant amount of new funds were invested into the Trust. This now swollen size of the Trust has acted to slow the performance in the short term, however over a longer period this increased size will allow us a greater degree of flexibility and access to opportunities which might have otherwise been unavailable.

Luke Trickett  
Blue Stamp Company Pty Ltd

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