

Realindex Wholesale Australian Share

 Investments
 Personal Super
 Pension

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	3 months (%)	1 year (%)	3 years (%) pa	5 years (%) pa	7 years (%) pa	10 years (%) pa	Inception (%) pa
Investments	1.80	-9.82	8.14	-	-	-	8.28
Distribution Return	1.45	7.05	5.89	-	-	-	5.68
Growth Return	0.35	-16.87	2.25	-	-	-	2.60
Personal Super	1.90	-9.16	6.71	-	-	-	6.30
Pension	2.02	-8.44	9.18	-	-	-	9.22
S&P / ASX 200 Accumulation Index	2.12	-10.54	7.58	-	-	-	

All returns are calculated on an annualised basis using exit price to exit price with distributions reinvested, net of management costs, transaction costs and for FirstChoice Wholesale Personal Super and FirstChoice Employer Super net of tax payable by the trustee. All return calculations exclude contribution surcharge, excess contribution tax or individual taxes payable by the investor and all other fees and rebates disclosed in the relevant product disclosure statements available on our website or by calling us. For FirstChoice Wholesale Investments, the 'distribution' component is the amount paid by the way of distribution, which may include net realised capital gains.

Investment objective

To provide capital and income growth over the longer term by investing in Australian shares and outperforming the S&P/ASX 200 Accumulation Index.

Investment strategy

The Realindex RAFI Wholesale Australian Share option applies the enhanced Research Affiliates Fundamental Index (RAFI) methodology to companies listed on the Australian Securities Exchange. The strategy selects and weights companies according to their economic footprint defined by fundamental measures of company size (sales, cash flow, book value and dividends). The portfolio is further enhanced by applying additional factors such as quality of earnings and debt coverage. Realindex RAFI portfolios provide the benefits associated with traditional index funds, including lower cost, lower turnover, diversification and liquidity. By selecting and weighting stocks based on fundamental accounting measures, the approach is designed to overcome the limitations of traditional market capitalisation weighted indices (which overweight overpriced stocks and underweight underpriced stocks), with the aim of generating higher returns.

Investment category

Australian Share

Minimum suggested time frame

7 years

Investment ranges	Range	Benchmark
Australian Shares	95% - 100%	100%
Cash	0% - 5%	0%

Top 10 holdings as at 30 November 2011	
BHP Billiton Limited	9.16%
Telstra Corporation Limited	6.84%
Commonwealth Bank of Australia	6.74%
National Australia Bank Limited	6.58%
Westpac Banking Corporation	5.94%
Australia and New Zealand Banking Group Limited	4.89%
Wesfarmers Limited	4.06%
Woolworths Limited	3.71%
Westfield Group Stapled Securities	2.22%
Rio Tinto Limited	2.10%

Income distributions	Cents per unit	Franking level	Realised capital gain
Total 10/11	9.76	36.84%	56.97%
Total 09/10	5.40	50.18%	45.73%

Key data	Size of option (\$m)	Management cost*	Date established
Investments	\$43.15m	0.66%	Nov 2008
Personal Super	\$105.49m	0.67%	Nov 2008
Pension	\$204.18m	0.66%	Dec 2008

* Management costs include management fees, estimated performance fees (if applicable), investment expenses and custody fees but do not include contribution fees, transaction costs or adviser or plan service fees which may also apply. Please refer to the PDS for full details of the applicable fees and costs.

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Please note this is the view of the fund manager who manages this option.

Market review

Despite the slight recovery the fiscal crisis in Europe saw the S&P/ASX 200 accumulation index end the year down -10.54% (Realindex -9.43%) whilst the price index (which does not include the reinvestment of dividends) was down -14.51% making it the first time the index has had two consecutive negative years since 1982.

Having remained on hold for 12 months, the RBA cut the official cash rate by 0.25% in both November and December, citing risks posed by the Eurozone crisis. Locally the cuts were not enough to encourage the cautious Australian consumer with the retail sector continuing to suffer; the worst hit were Billabong (-46.7%), JB HiFi (-25.72%), Kathmandu (-24.28%) and David Jones (-21.52%).

Fund performance and activity

Amongst the larger detractors from performance were the overweights to Bluescope Steel (-34.50%) which plunged after the company undertook a heavily discounted capital raising. The

negativity caused a contagion effect on fellow steelmaker OneSteel (-43.5%) which the fund is also overweight.

Performance was gained from overweights to Telstra (+7.42%, up 31.29% for the year, its first positive yearly return since 2007) and National Australia Bank (+8.17%). An underweight to Newcrest Mining (-12.66%) also added to performance after the company downgraded its 2012 production guidance.

The fund continues to offer a discount to the market-cap benchmark, as measured by price-to-book (2.2x vs. 2.4x) and price to sales (1.9x vs. 2.3x), and a yield higher than the benchmark (4.2% vs. 3.7%).

Outlook and strategy

The Realindex Australian Share fund selects and weights companies according to their economic footprint defined by fundamental measures of company size (sales, cash flow, book value and dividends). The portfolio is further enhanced by applying additional factors such as quality of earnings and debt coverage.