vanEyk Three Pillars

TO: COMPANY ANNOUNCEMENTS OFFICE

COMPANY: AUSTRALIAN SECURITIES EXCHANGE LIMITED

FROM: VAN EYK THREE PILLARS LIMITED

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van Eyk Three Pillars Monthly Comment – January 2008

Market / Portfolio

The ASX 300 Accumulation Index closed 11% down in January, after being down a massive 18% at one stage as investors and traders became increasingly panicked over a litany of concerns as US recession indicators picked up speed, world credit markets showed signs of worsening and inflation concerns intensified. Some steep valuations in some areas of the Australian market and high sensitivity to world growth helped to magnify the falls compared to other markets, however the rapid decline has brought Australian equities in aggregate back to reasonable value, barring a worse than expected earnings season over the next month.

The VTP portfolio performed roughly in line for the month. The underweight to banks, financials, consumer and property sectors, which all lagged the market significantly, paid dividends, but the vicious sell off in most small caps detracted despite considerable value emerging in areas as some high quality names were sold off in an indiscriminate fashion.

Relative contributors to the portfolio for February:

- Ramsay Healthcare +0.03%
- Kingsgate -0.01%
- Downer EDI -0.01%
- Origin Energy -0.04%

Worst contributors:

- Commonwealth Bank -0.85%
- BHP Billiton -0.82%
- Worley Parsons -0.62%
- QBE Insurance -0.55%

The overall portfolio strategy remains largely unchanged. The sector exposures maintain an overweight to healthcare, energy, diversified miners, and selected quality industrials, with underweight exposure to banks, financials, property, utilities and consumer. Indeed, we have used the volatility to top up selected stocks at very reasonable prices, however in the short term the jury is out on the small and mid cap miners with high sensitivity to one or two commodities.

At month end the portfolio held 7.8% cash, and also continues to hold some exposure to gold stocks as a hedge against the current monetary largesse being exhibited.

Market / Portfolio (continued)

	1 Month	12 Month	Inception *
VTP	-11.3%	5.1%	18.3%
ASX 300	-11.0%	1.5%	19.0%

*Annualised from inception Jan 28 2004.

Outlook

We continue to expect more subdued returns looking forward, and in the short term, extreme volatility. While in a broad sense world economic conditions are quite reasonable, there is clear skew towards the BRIC and energy rich countries. The outlook for not only the USA, but also Europe, Japan and the UK, is worsening. In the US, many indicators such as consumer confidence, business confidence, business capex, inventory build and employment, are all pointing to recession. The sheer scale of the credit and housing bubbles mean that there will no short term resolution of the situation, and in view of the massive importance of US consumer spend to the economy and the fact that many homebuyers of the last two years are now facing negative equity.

The continued adverse developments in world credit markets will continue to be met by infusions of liquidity from world Central Bankers. While this may prove a quick fix and provide a shot in the arm confidence wise, we contend it will take some time for the situation to be resolved. The gold market continues to surge reflecting not only the poor fundamentals for the US dollar, but investors hedging against a decline in the real value of paper assets as double digit growth in broad money supply in many countries will only exacerbate latent inflation pressures.

In Australia, the earnings outlook is moderating and in aggregate, consensus earning forecasts are softening from a high level. Costs in the form of materials, energy and especially labour, continue to show upside risk and will pressure company profit margins moving further into 2008. Despite expected strong top line growth as the domestic economy hums along, the ongoing earnings season will reveal the extent of softening margins. At the time of writing we have already seen a few profit results, with companies not delivering to high expectations treated very harshly by the market.

Top Ten Holdings

Company	Weight
BHP Billiton	11.2
Commonwealth Bank	5.2
Rio Tinto	5.1
National Australia Bank	4.7
Westpac	3.6
ANZ Bank	3.6
QBE Insurance	3.2
Toll Holdings	2.7
Origin Energy	2.5
Woolworths	2.5
Total	**44.3**