

SAM Sustainability Leaders Australia Fund

**Fund Manager
And Responsible
Entity**

Vanguard Investments
Australia Ltd,
ABN 72 072 881 086

Investment approach
Seeks to capture the
performance of
Australia's Sustainability
Leaders.
SAM believes that, over
time, these companies
will outperform the
broader Australian equity
markets.

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Performance Attribution

This quarter the Fund underperformed the S&P/ASX 200 by 0.38%. Attribution analysis shows that this was due entirely to stock selection. Although the large underweight to CBA worked in the Fund's favour (+0.55%), this was undone by the holdings in NAB (-0.18%) and the lack of holdings in Woolworths (-0.29%), Bluescope Steel (-0.21%), CSL (-.15%) and Aristocrat Leisure (-0.14%).

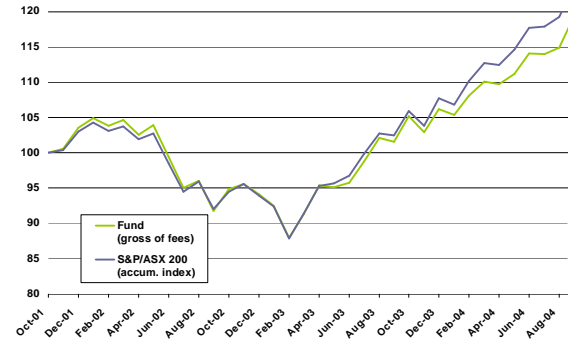
In July, SAM and Vanguard met to review the portfolio construction process for the Fund, incorporating the latest performance attribution. Vanguard proposed to investigate portfolio optimisation as a way to more efficiently reduce the major "unwanted risks" which historically have been a slight large cap bias and occasional industry risks (also generally small).

The new proposed process proved successful not only from the view point of risk management but also from a sustainability quality and research efficiency perspective. As a result the new process will be adopted when the Fund is changed to incorporate the 2004 assessments in late October.

Top Ten Holdings

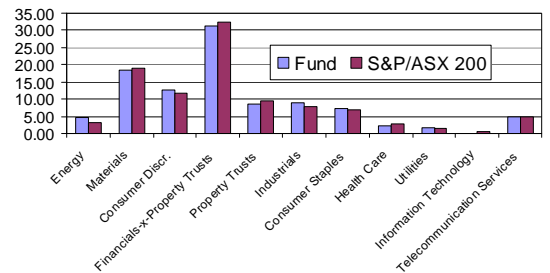
BHP Billiton	8.9%
NewsCorp (incl. Preference Shares)	7.3%
National Australia Bank	7.0%
ANZ Bank	6.3%
Westpac Bank	5.8%
Telstra Corporation	4.8%
St. George Bank	2.8%
Wesfarmers	2.4%
Rio Tinto	2.4%
Coles Myer	2.3%

Performance Chart since Inception as at 30 Sept 2004
Source: SAM



Net asset value:	\$1.0886
Purchase:	\$1.0908
Withdrawal:	\$1.0864
Buy/Sell Spread:	+/-0.20%
MER:	0.70% p.a.
Total Fund Size:	\$110.1 million

Breakdown by Sector



Key performance data as at 30 September 2004

	1 Mth	3 Mths	12 Mths	S. Incept.(pa) *
FUND Net Return	3.90%	4.60%	16.87%	5.66%
FUND Gross return	3.96%	4.78%	17.70%	6.40%
S&P / ASX 200 Accumulation Index	3.79%	5.16%	20.71%	7.68%

*Commencement 14 November 2001