

SAM Sustainability Leaders Australia Fund

**Fund Manager
And Responsible**

Entity
Vanguard Investments
Australia Ltd,
ABN 72 072 881 086

The 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.

SAM
Sustainable Asset Management

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Corporate Monitoring

All companies in the SAM Sustainability Leaders Funds are constantly monitored by SAM analysts. The Dow Jones Interactive media system plays an important role in alerting our analysts to corporate behaviour that may be inconsistent with that expected of a sustainability leading company. Two of the more important cases that SAM analysts have discussed with management of our investee companies included Caltex's oil sourcing arrangements and AMP's holding of permits to clear native vegetation in one of its largest rural properties Stanbroke Pastoral Holdings. At this stage we have been satisfied with the respective management responses and have maintained our holdings, though these issues will remain under watch.

Changes to Portfolio Holdings

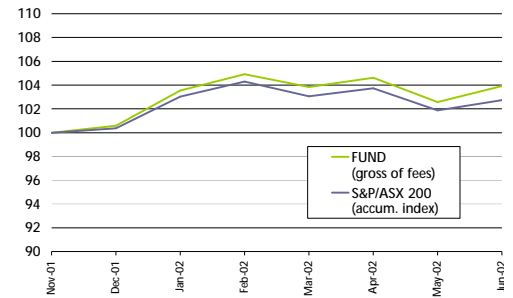
Unless we remove a company from our portfolio as a result of our corporate monitoring process we usually do not actively alter the Leaders Funds until September when all corporate sustainability assessments will be completed. However we have also made changes due to corporate actions.

Top Ten Holdings

National Australia Bank	9.11%
NewsCorp (including Preference Shares)	7.35%
Commonwealth Bank	7.04%
BHP Billiton	6.62%
ANZ Bank	5.35%
Westpac	5.30%
Telstra Corp	5.24%
Rio Tinto	3.37%
AMP	3.29%
Qantas	2.47%

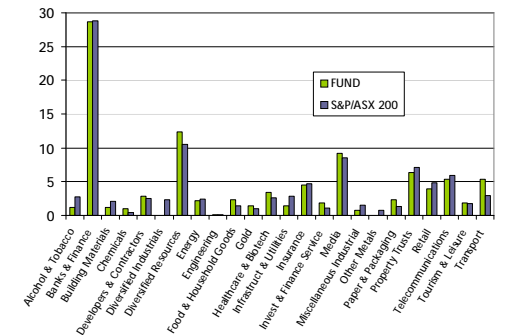
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Performance Chart since Inception as at 28 June 2002
Source: SAM



Net asset value: \$0.9897
Purchase: \$0.9917
Withdrawal: \$0.9877
Buy/Sell Spread: +/-0.20%
MER: 0.70% p.a.
Total Fund Size: \$39.1 million
Distribution: 1.4371 cents per unit

Breakdown by Sector



Key performance data as at 28 June 2002

	1 Mth	3 Mths	6 Mths	S. Incept.*
FUND Net Return	-4.40%	-5.16%	-4.32%	-1.03%
FUND Gross return	-4.35%	-5.00%	-3.99%	-0.60%
S&P / ASX 200 Accumulation Index	-4.18%	-5.10%	-4.44%	-1.55%

*Commencement 14 November 2001

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These have included the Normandy takeover which saw us exit from the stock and replace it with our next most highly rated gold company which was AurionGold.

We also exited from our holding in Orogen Minerals when it merged with Oil Search. We did not seek a replacement stock since we were still close enough to our target market capitalisation in the sector through our other holdings in Woodside and Caltex Australia.

Research update

Invitations to the Top 200 Australian companies, were sent out in April to seek participation in our annual corporate sustainability assessment. So far we have been delighted with the huge increase in promised participation. We believe that this reflects increasing recognition of the SAM Corporate Sustainability Assessment as a global standard. We have also been pleased with the response that we have received to our investment in our online web based data collection system, which this year we extended to all 200 Australian companies.

Tracking Error

Although the Leaders Funds are not managed to an explicit tracking error to a broader market benchmark the portfolio construction process was designed so that low tracking errors to the broader market indices would be the norm. The tracking error of the Australia Fund to the S&P/ASX 200 as at end of June was 1.48%. Ex-poste tracking errors will be published once sufficient performance history is available.