

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.

Changes to Portfolio Holdings

During this quarter the portfolio was updated to reflect the results of the 2002 Corporate Sustainability Assessment. Sixteen companies were added to the portfolio and seventeen were removed in the update, resulting in a turnover of 13%.

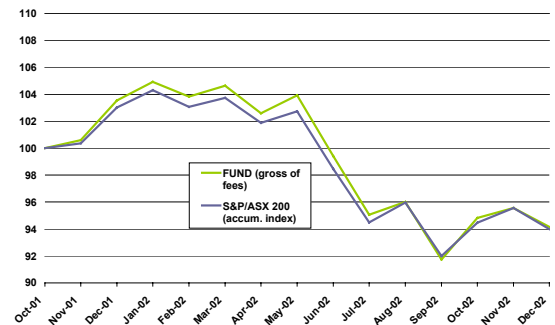
Since the portfolio update, it has been a busy period for corporate activity. AurionGold was acquired by Placer and the next ranked company, Lihir Gold, was brought in as its replacement in that sector. Our holding in Colonial First State Property has been replaced by an increased exposure to Commonwealth Property Trust (one of the acquirers) while the other acquirer, Gandel Retail Trust, was exchanged for our next ranked company in that sector which was Centro Property Group. Finally, the long awaited demerger of WMC resulted in the Fund maintaining its exposure to the two new entities, Alumina Ltd and WMC Resources Ltd, which inherit the previous high ranking of WMC until they are independently assessed in 2003.

Top Ten Holdings

National Australia Bank	8.9%
BHP-Billiton	7.2%
NewsCorp (including Preference Shares)	7.1%
Commonwealth Bank	6.4%
Telstra Corp	5.5%
ANZ Bank	5.1%
Westpac Bank	4.7%
AMP	2.8%
Rio-Tinto	2.5%
Wesfarmers	2.5%

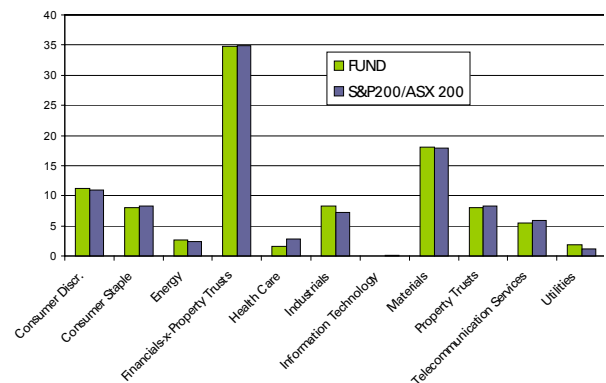
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Performance Chart since Inception as at 31 Dec 2002
Source: SAM



Net asset value: \$0.9211
Purchase: \$0.9230
Withdrawal: \$0.9192
Buy/Sell Spread: +/-0.20%
MER: 0.70% p.a.
Total Fund Size: \$40.4 million

Breakdown by Sector



Key performance data as at 31 December 2002

	1 Mth	3 Mths	12 Mths	S. Incept.*
FUND Net Return	-1.51%	+2.46%	-9.64%	-5.81%
FUND Gross return	-1.45%	+2.64%	-9.01%	-5.15%
S&P / ASX 200 Accumulation Index	-1.63%	+2.17%	-8.77%	-5.35%

*Commencement 14 November 2001

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This activity looks set to continue into the next quarter with three of our current holdings subject to possible acquisition or merger. These are BRL Hardy, Goldman Fielder and Jupiters.

Research update

Following the completion of the 2002 Corporate Sustainability Assessment in October, benchmark reports are prepared for all 54 participating organisations.

This year SAM has created additional benefit for companies to participate in the Corporate Sustainability Assessment by providing reports benchmarking companies to their Australian industry peers as well as their global industry peers.

Corporate benchmark reports for Australian companies which this year successfully qualified for the Dow Jones Sustainability Index will be posted on our website. Clients may access additional reports by contacting us directly.

Communications materials regarding the results of the 2002 Corporate Sustainability Assessment of the Top 200 Australian companies have been distributed to all our clients.

SAM

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