

SAM Sustainability Leaders International Fund

**Fund Manager
And Responsible
Entity**
Vanguard Investments
Australia Ltd,
ABN 72 072 881 086

Performance Attribution
As the performance history of the Funds lengthens the results obtainable from performance attribution analysis become more meaningful. As a result we dedicate this quarterly commentary to reviewing some performance attribution data that has been made available to us through the efforts of our implementation partner - Vanguard Investments Australia.

Investment approach
Seeks to capture the performance of international Sustainability Leaders as measured by the Dow Jones Sustainability World Index ex-Australia. SAM believes that, over time, these companies will outperform the broader international equities markets.

The last two years have been characterised by sharply falling markets (2002), sharply rising markets (2003), a constantly increasing SA and a strengthening Euro. The International Fund has maintained an ex-ante tracking error in the order of 3.8% to the MSCI ex-Aust Index and a significant underweight to the US market in the order of 20%. Not surprisingly we could expect considerable volatility against the MSCI ex-Australia in a period such as this, but interestingly the performance attribution analysis reveals that some of our major risk factors have cancelled each other out over time. Specifically the country and currency risks vis a vis the MSCI ex-Aust Index.

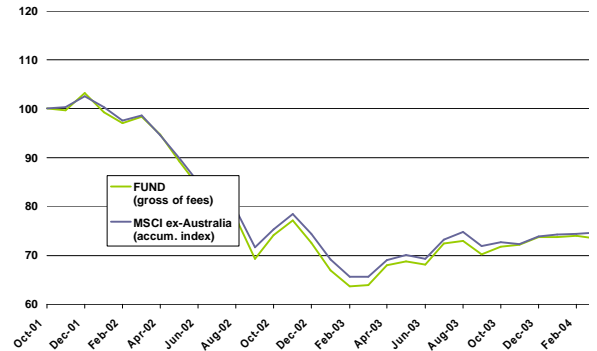
Since the International Fund aims to track the DJSI ex-Aust Index we analysed the performance of the

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Top Ten Holdings

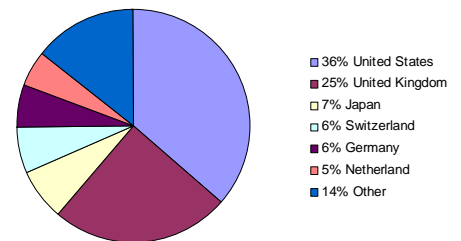
Citigroup	4.2%
Pfizer	4.1%
BP	2.8%
Intel Corp	2.7%
HSBC	2.6%
Vodafone	2.5%
Johnson & Johnson	2.3%
Procter and Gamble	2.1%
GlaxoSmithKline	1.8%
Toyota	1.7%

Performance Chart since Inception as at 31 March 2004
Source: SAM

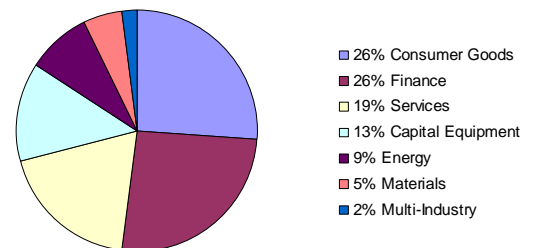


Net asset value: \$0.7111
Purchase: \$0.7133
Withdrawal: \$0.7089
Buy/Sell Spread: +/-0.30%
MER: 0.72% p.a.
Total Fund Size: \$99.6 million

Breakdown by Country



Breakdown by Theme



Key performance data as at 31 March 2004

	1 Mth	3 Mths	12 Mths S. Incept.(pa)*	
FUND Net Return	-0.75%	-0.56%	14.27%	-12.75%
FUND Gross return	-0.69%	-0.38%	15.10%	-12.12%
MSCI ex Australia Total return	0.34%	1.20%	13.74%	-11.54%

*Commencement 14 November 2001

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DJSI ex-Aust Index against the MSCI ex-Aust Index over a 28 month period from December 2001 (the first full month after Fund launch) until the end of March 2004.

Over this period the DJSI ex-Aust has returned -12.09% per annum while the MSCI ex-Aust has returned -11.44% (Australian dollar returns). This means that the DJSI ex-Aust has underperformed by 0.65% per annum.

The attribution analysis allows us to break this underperformance down into two major parts as shown in the following table.

Asset Allocation	-0.05%
Within Market	-0.60%

In turn we can break down the asset allocation into the two components of country selection and currency selection, which are as follows:

Country Selection	-2.35%
Currency Selection	+2.30%

This shows us that our large underweight position to the United States cost us 2.35% per annum because the US stock markets did very well compared to the European markets. On the other hand the \$A rose very strongly against the \$US and less so against the Euro which provided us with 2.30% per annum of excess return. The net result is that the underweight position to the US has not been a major factor affecting the performance of the International Fund, when viewed over this entire period.

The main factors affecting performance then have come from “Within Market” which can be broken down into the following three components:

Industries	-0.08%
Risk Indices	-1.29%
Stock selection	0.77%

Since the construction of the Dow Jones Sustainability Index is a best of sector approach and the percent weightings to each industry are reasonably close to those in the MSCI we would not expect to see too much contribution from “Industries”. The attribution figure of -0.08% confirms this.

The main negative contribution comes from “Risk Indices” which accounts for Value, Growth and Market Cap size bias that the DJSI has compared to the MSCI. The -1.29% largely arises because the DJSI has a “Big Cap” bias and large cap stocks have not done as well as “Small Cap” stocks over the period being analysed.

Finally there is a good positive contribution from “Stock selection”, which is the most important figure we look for when trying to determine whether sustainability leading companies perform better than average. The positive figure of 0.77% tells us that they have done so during this period and that if all the other “risk factors” could have been removed from the Fund, then it would have produced a performance of 0.77% per annum better than the MSCI.

Perhaps this is small comfort for investors who just invested for this 28 month period, but for investors who are looking to invest in sustainability leading companies for many more years to come it provides an encouraging outlook.

This Report has been prepared by Vanguard Investments Australia Ltd (Vanguard) and SAM Sustainable Asset Management (SAM). Vanguard and SAM are responsible for its contents. None of the Vanguard Group (including Vanguard Investments Australia Ltd), SAM Sustainable Asset Management or their related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in the SAM Funds. The SAM Funds are available only to investors with over \$1,000,000 to invest or certain other excluded persons. Applications for investment in the SAM Funds may only be made on the application form attached to the current SAM Funds Prospectus available from Vanguard or SAM.