

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.

Changes to Portfolio Holdings

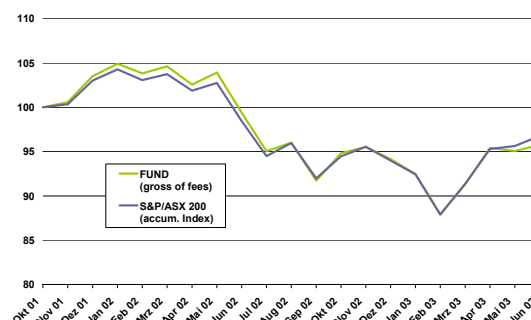
The AMP Shopping Centre Trust was sold from the Fund due to the compulsory acquisition by Westfield.

Performance Analysis

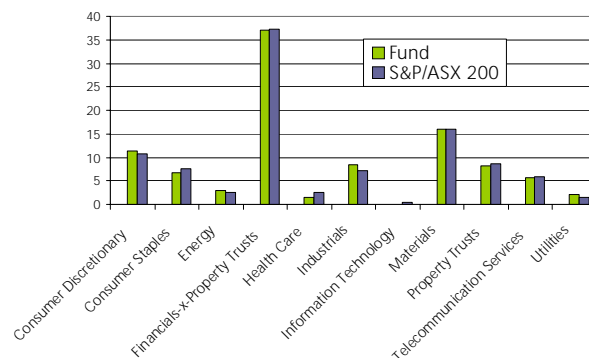
In this quarter the major positive contributors to the Fund performance came from our holdings in Macquarie Bank (+21%), James Hardie (+19.3%), and Orica (+21.2%) and the fact that we do not have holdings in CSL (-23.5%) or Woolworths (+2.4%).

On the other hand major negative contributions came from our lack of holding in St. George Bank (+14.8%), Macquarie Infrastructure Group (+15.5%) and Insurance Australia Group (+17.2%) and from our investments in AMP (-29.2%) and Lend Lease (-10.2%).

*Performance Chart since Inception as at 30 June 2003
Source: SAM*



Net asset value: \$0.9147
Purchase: \$0.9166
Withdrawal: \$0.9128
Buy/Sell Spread: +/-0.20%
MER: 0.70% p.a.
Total Fund Size: \$45.0 million



Top Ten Holdings

National Australia Bank	9.4%
Commonwealth Bank	7.1%
NewsCorp (incl. Preference Shares)	7.0%
BHP Billiton	6.4%
Westpac Bank	5.7%
Telstra Corporation	5.7%
ANZ Bank	5.6%
Wesfarmers	2.4%
Rio Tinto	2.3%
QBE Insurance	2.2%

Key performance data as at 30 June 2003

	1 Mth	3 Mths	12 Mths	S. Incept.(pa)*
FUND Net Return	0.64%	4.64%	-4.31%	-3.29%
FUND Gross return	0.70%	4.83%	-3.63%	-2.61%
S&P / ASX 200 Accumulation Index	1.19%	5.91%	-1.71%	-2.00%

* Commencement 14 November 2001

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SAM Sustainability Leaders Australia Fund

In this quarter the Australia dollar continued its bull run, increasing by 11% against the \$US, and we are exploring the connection between the currency movement and the performance of the Australian sustainability leaders. Sustainability is a global issue and one which companies with a global focus need to address in order to protect their license to operate around the world. Therefore it is not surprising that the Fund contains a large number of such companies.

To try and better understand the linkage between companies which derive a significant portion of their revenue from offshore and changes in the \$A exchange rate, Commsec have developed their own Global Aussies Index. This index consists of 10 companies, which include AMP, BHP Billiton, Brambles, CSR, James Hardie, Lend Lease, NAB, NewsCorp, Rio Tinto and Westfield. In the 6 months to end of June the Global Aussies Index returned -5.7% compared to the S&P/ASX 200 return of 0.9% (In the last quarter it returned 1.7% versus the S&P/ASX 200 return of 5.4%). Even after allowing for AMP the size of the underperformance is significant.

The Fund holds 8 of the companies in the Commsec Global Aussies Index and these constitute 30% by weight as at end of June.

In the last 12 months the \$A has risen an extraordinary 18% while the Fund underperformed the S&P/ASX 200 by 1.9%. In contrast, from Fund inception to end of June 2002 the \$A rose less than half of this amount and the Fund outperformed the S&P/ASX 200 by 0.95%. The correlation between the value of the \$A and the performance of the Fund is emerging as an important factor which we will continue to monitor.

Corporate Monitoring Update

Wesfarmers remains publicly committed to a full remediation of pollution to groundwater and to water table from one of its past operations in Western Australia. The company has said that arresting and ensuring no further seepage occurs is a complicated task, and cannot be completed in a short term period. The company spokesman has been at pains to point out that Wesfarmers wish to ensure that they employ the correct technology and process so that the legacy does not continue to plague the company. We watch developments with interest.

SAM

Sustainable Asset
Management

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