

# SAM Sustainability Leaders International Fund

**Fund Manager  
And Responsible**

**Entity**

Vanguard Investments  
Australia Ltd,  
ABN 72 072 881 086

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.

**Market comment**

The war against Iraq commenced in March, after having been declared by the U.S., Britain, Australia and Spain a just and appropriate means to oust the existing Iraqi regime and to remove an accused threat to the world. Nevertheless, the end of all diplomacy efforts and the exertion of military force have been received worldwide with mixed feelings. Some subscribe to the argument that military action was necessary and justified, while others insist that diplomatic means have not been fully exploited. Disagreement prevails on international law issues and humanitarian aspects.

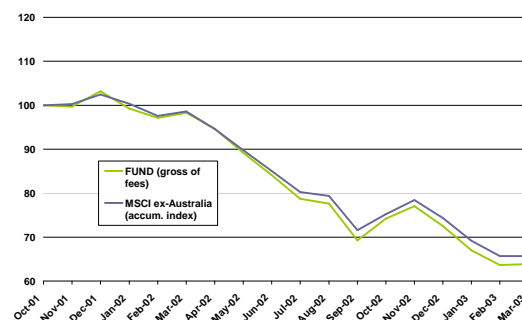
Not surprisingly, both oil and gold prices fell sharply after the first days of successes by the U.S.-led coalition. Perhaps also not surprisingly, world capital markets hailed the beginning of military action. Equity prices soared by 7% in the first days of the war while bond prices fell by almost 3%. The common rationale is that any reduction of uncertainty reduces the risk premium demanded from risky assets, even of uncertainty regarding ifs and buts of armed conflict. The direct consequence of this rationale is that prices of risky assets, like equities, will move in close lockstep with any developments in the battlefield. If prospects of a quick and easy success increase, equity prices increase. If prospects of a quick and easy success decrease, equity prices decrease.

**Top Ten Holdings**

Pfizer	4.5%
Citigroup	4.0%
Johnson & Johnson	4.0%
BP	3.3%
Vodafone	2.8%
Procter & Gamble	2.7%
Intel Corp	2.5%
GlaxoSmithKline	2.5%
Bank of America	2.3%
Novartis	2.3%

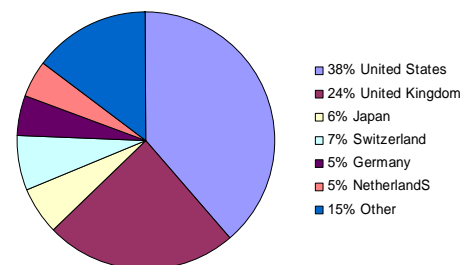
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Performance Chart since Inception as at 31 Mar 2003  
Source: SAM

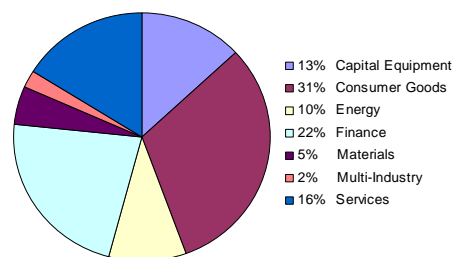


Net asset value: \$0.6284  
Purchase: \$0.6304  
Withdrawal: \$0.6265  
Buy/Sell Spread: +/-0.30%  
MER: 0.72% p.a.

**Breakdown by Country**



**Breakdown by Theme**



**Key performance data as at 31 March 2003**

	1 Mth	3 Mths	12 Mths	S. Incept.*
FUND Net Return	0.24%	-12.11%	-35.46%	-28.32%
FUND Gross return	0.30%	-11.95%	-34.99%	-27.80%
MSCI ex Australia Total return	0.01%	-11.70%	-33.51%	-26.34%

\*Commencement 14 November 2001

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Precisely this pattern of ups and downs could be observed over the past weeks. Capital markets once again follow the beat of the marching drum. By the end of the month, concerns that the war would take longer and be more costly than anticipated prevailed. Equity markets ended the month down 0.33%, measured by the MSCI World Index in USD terms. Bond markets ended recovered their early losses, ending the month up 0.25%.

Reducing the problems in the Middle East to the outcome of the armed conflict is short-sighted, of course. The problems of increased anti-western sentiment in the Islamic world and the question of what political system to help implement in Iraq after the war have hardly been discussed, let alone solved. The threat of political and societal instability of the Middle East and of a “balkanization” of the liberated region has been addressed too late. No steps have been undertaken to prevent instability and prolonged conflict among the different people of the region. The long-term issues regarding the entire region are the real drivers of mid to long-term economic prosperity around the world. Unfortunately, consideration of long-term implications is once again out of fashion.