

Tuesday, 8 March 2006

MARKET ANNOUNCEMENT

Investment Manager's Report for 31 December 2005

Attached is a 31 December 2005 report from FSP Equities Management Limited on the performance of its FSP Equities Leaders' Fund (FSP Fund).

As of 31 December 2005, the Company has a total of \$16.05 million (94% of the Company's net assets) invested in the FSP Fund under the management of FSP Equities Management Limited.

The 12 month performance of the FSP Fund to 31 December 2005 has been 15.07% (net). The benchmark performance (S&P/ASX 200 Accumulation Index) in the same period has been 22.83%.

About the FSP Fund

The FSP Fund is a wholesale fund not open to retail investors. The investment management team is led by Mr Ronni Chalmers. The objective of the fund is to outperform the S&P/ASX 200 Accumulation Index over the medium term. There is no minimum equity weighting with the equity weighting as at 31 December 2005 being 94% with the balance in cash and listed fixed interest securities. 75% of the equity portfolio is targeted to companies contained within the S&P/ASX 200 index. The remaining 25% of the portfolio is invested in companies outside of the S&P/ASX 200 index. The equity portfolio contains approximately 100 holdings. The cash component of the portfolio will contain other listed fixed interest holdings that include preference shares, convertible notes or hybrid securities. FSP is style neutral and invests in growth stocks, value stocks, stocks with maintainable dividend yields and special situations.

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Australian Market

The Australian equity market has continued to generate robust returns for the year ending 31 December 2005 of 22.8% as measured by S&P/ASX 200 Accumulation Index.

This compares favourably with a 16.7% return in the UK as measured by the FTSE 100, a 10% return from the New Zealand equity market and a 0.6% decline in the Dow Jones.

Certain Asian equity markets produced stellar returns for example the Korean market returned 53.9%, the Indian market 42.3% while the Japanese market returned 40.2% in 2005. One should recognise that Asian and other developing equity markets can be inherently very volatile (both rising and falling).

The Australian equity market has now produced 12 consecutive positive quarterly returns. Data for the local market is not accurate and reliable before 1960 but this phenomenon has certainly not occurred since 1960.

Notwithstanding this impressive string of consecutive positive quarterly returns the Australian equity market does not appear to be trading at an inflated or large premium to its fair value. Currently it is trading on approximately 15 times current year earnings supported by an average yield of 3.75% to 4%.

Fund review

Despite the strong returns of 2005 our fund did experience three months with negative returns – March, April and October.

Despite underperforming the benchmark we are satisfied with the fund's net return (after fees) of 15.1%.

The underperformance in 2005 was mainly due from not being fully invested throughout the year, being underweight resource stocks and with hindsight being overweight Telstra.

Nevertheless you should be satisfied with this return, which comfortably exceeded both the CPI and the risk free rate (use the cash management rate as a proxy).



It is also worthwhile noting that 2005 represents the third consecutive year that our Fund has returned double digit returns.

Several stocks in our portfolio experienced robust returns throughout 2005 for example Cochlear +81%, Babcock & Brown +57%, APN Property +100% and Brambles +45%. In addition the float of Transpacific Industries (TPI) produced a return of 135% by year end. You may not have heard about TPI but today it is capitalised in excess of \$1.0 billion and is a component of the stock included in S&P/ASX 200 index. Company provides integrated liquid and hazardous waste management and industrial solutions. It also has a complementary commercial vehicle importing and distribution business.

We remain comfortable with the long term outlook for the Australian Equity market.

Consistent long term performance

We continue to emphasise the merits of focusing on long term results. Our net results are:

1 year	15.1%*
2 years	22.8%pa*
3 years	27.8%pa*

These returns are before tax, after all fees and assuming the reinvestment of distributions.

Since inception (April 2002) the total return assuming re-investment of distributions is 95.1%* (i.e. a \$100,000 investment would now be worth \$195,100).

As a comparison, since inception the benchmark S&P/ASX Accumulation index has returned 65.6%.

Largest holdings as at 31 December 2005

Stock	% Of fund	%S&P/ASX 200 weighting
National Australia Bank	7.8	6.4
Cash/Hybrids	5.5	-
Telstra	5.3	2.5
Babcock & Brown	4.3	0.2
Westfield	4.1	3.0
Cochlear	3.0	0.3
IAG	2.9	0.9
New Corp/Non Voting	2.7	-
Brambles	2.4	1.1
Qantas	2.3	0.9
Ten Network Holdings	2.3	0.1
Coles Myer	2.0	1.2
Bank of Queensland	1.7	0.2
Investa Property Group	1.7	0.3
Suncorp-Metway	1.6	1.2
Total	49.6	



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As can be seen from the above table we do not aim to replicate the index weighting (index hugging). The Fund is currently holding approximately 100 stocks which provides substantial diversification.

The 2006 year has started on a positive note but we cannot guarantee this trend will continue throughout the year. Obviously after 3 consecutive solid annual results one should be a little cautious, especially in the short term. Once again we should recognise equity markets can be quite volatile.

Thank you for your ongoing support.

Yours sincerely



Ronni Chalmers
Investment Director

Please note that this fund is a wholesale fund and is not open to retail investors.

Important information and disclaimer:

Performance is influenced by market volatility over time. Past performance is not necessarily indicative of future performance. Neither FSP Equities Management Pty Limited nor any related corporation guarantees the repayment of capital or the performance of the FSP Equities Leaders Fund. The contents of this report have been prepared without taking into account your individual objectives, financial situation or needs. Because of that, before acting you should consider the appropriateness of what is included here, having regard to your own objectives, financial situation and needs.

This report may include statements (including opinions) about particular financial products or classes of financial products in which the FSP Equities Leaders Fund is or has invested – these statements are not intended to influence any person in making a decision in relation to these financial products or classes of financial products and hence do not constitute financial product advice.

*Performance calculations provided by White Outsourcing, a subsidiary of Moore Stephens Sydney, which is a member firm of Moore Stephens International Limited.



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