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Fund Update

January 2012

SIM World Fixed Interest Trust

Fund Objective

The objective of the Fund is to outperform the JP Morgan Global Government Bond Index (ex-Australia) in AUD (hedged) each year (before fees).

Fund Details - 31 January 2012

Responsible Entity	Tyndall Asset Management Limited
APIR Code	SUN0042AU
Fund Size	$8.55 million
Unit price	$0.9264
Minimum Initial Investment	$500,000
Inception Date	30 November 1995

The fund size represents the gross market value.
The unit price is ex price, ie month end soft close unit price, net of distribution. Entry and exit fees do not apply.

Performance to 31 January 2012

	Trust (%)	Index (%)	Excess Return (%)
1 month	0.59	0.93	-0.34
3 months	2.36	3.22	-0.86
6 months	5.56	7.09	-1.53
1 year	11.35	12.37	-1.02
3 years p.a.	9.21	8.70	0.51
5 years p.a.	9.30	9.05	0.25
10 years p.a.	8.49	8.17	0.32
Since inception p.a.	8.22	8.16	0.06

Trust and index returns are gross unit price returns and represent the total return.
Index = JP Morgan Global Government Bond Index (ex-Australia) in AUD (hedged)

Market Commentary

Data out of the US and China over the month generally surprised on the upside, adding momentum for an increase in positive sentiment. Global PMI (Purchasing Managers Index, which measures manufacturing activity) rose slightly in January, indicating that manufacturing is tentatively rising out of contraction and entering expansion again. The US manufacturing sector grew at its fastest rate since June and Chinese manufacturing PMI rose slightly, against market expectations for a decline. India enjoyed a record surge in factory output; Germany saw a rise and the UK unexpectedly recorded its highest level since May 2011.

However, January saw a continuation of problems for the Eurozone, with rating agency Standard & Poor's downgrading nine of the 17 members mid-month. France lost its coveted AAA rating, although Germany was affirmed at the top rating. Spain, Portugal and Italy were all downgraded by two rating levels, with Portugal now rated below investment-grade. This had a knock-on effect on its bond yields, making it increasingly expensive for Portugal to finance itself and increasing concern that if a Greek deal isn't reached, Portugal may be next in the firing line.

Although Europe is entering recession, it doesn't look to be more severe than has generally been anticipated. In addition, the December injection of €489 billion in three-year money seems to be having a more positive effect than the market was predicting. Data out of the US is broadly positive, with a recent drop in unemployment just one of the positives, and although China's economy is slowing it appears to be at a measured pace, in line with what policymakers there had intended. In addition, China's demand for commodities remains high with copper imports hitting record levels in December. This commodities demand is likely to continue in 2012 and should benefit our economy.

Fund Performance

The Trust underperformed by 0.33% in January providing a return of 0.59% for the month. Most of the Trust is invested in the Tyndall International Bond Fund (TIBF), with the remainder in cash. Large cash flows caused the differences in performance compared with the Tyndall International Bond Fund.

Outlook

Greece still looms large on the global landscape, with concern mounting over whether agreement will be reached over the framework for the latest round of Greek bailout. The Greek government appears to be having difficulties coming to an agreement with opposition parties on further austerity measures to satisfy the requirements for their next instalment of funds. This uncertainty will continue to cause market volatility until a formal accord is reached.

It seems likely that the Consumer Price Index (CPI) will continue decelerating as the European Central Bank (ECB) is expecting. The central bank will continue expanding its balance sheet with a three-year repo auction scheduled later in February. It's possible that the ECB may make further bond purchases for struggling Eurozone countries such as Portugal if it deems necessary, although it prefers to lend to banks who can then buy those securities.

US economic data has been largely positive lately. The recovery seems to be consolidating and unemployment is dropping. The Federal Reserve's commitment to keeping interest rates unchanged into 2014 may prove problematic if the economy starts picking up dramatically leading to rising inflation. China's CPI decelerated in December and is likely to continue declining moderately in the next few months, which may lead to easing of policy by China's central bank. However, its manufacturing sector is looking stronger and seems that China will avoid a hard landing even if growth continues its slowdown.

Country	Allocation %
Belgium	1.68
Canada	1.85
Denmark	0.57
France	6.11
Germany	6.00
Italy	5.65
Japan	32.71
Netherlands	1.62
Spain	2.77
Sweden	0.41
United Kingdom	6.84
United States	33.79
Total Allocation	**100.00**

The index is the JP Morgan Global Government Bond Index (ex-Australia) in AUD (hedged). The exposure of the index is indicated above. Please note that this does not include the use of derivatives.

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