

MARKET REVIEW

The ASX200 Accumulation Index posted its sixth consecutive quarterly loss, falling 2.0% to 31 March 2009.

This was despite the market having a strong run in March, rising 8.1%, its largest monthly rise since December 1993. The rebound commenced after positive comments by Citigroup and JP Morgan and efforts by the US Federal Reserve to take toxic mortgage assets off bank balance sheets. Further optimism was fueled by the concerted stimulatory effort of the G20 and no doubt helped by the record low valuations on offer in the current market.

Domestically an absence of major negative stock specific news, combined with a reporting season that was better than investors' bearish expectations, helped the local market to significantly outperform overseas markets. During the quarter the Japanese Nikkei was down 8.5%, the US Dow Jones fell 13.3% and the UK FTSE lost 11.5%.

Oil rose strongly from its lows to end the quarter at around US\$50 bbl, the Australian dollar was flat at US69c (despite falling to US63c at one point), copper rose 38% and gold continued to track higher, up 4% to US\$918 as investors sought it as a hedge against future inflation.

Corporate activity drove the best performers. These included a Canadian pension fund making a cash bid for Macquarie Communications Group (+171%); the Chinese Government owned Chinalco looking to increase its stake in RIO (+49%); and Fortescue Metals (+32%) which informed the market that they had been approached by a number of parties 'to explore investment opportunities'.

The banking sector performed well with a number of the majors citing strong core operational performances. CBA in particular upgraded its guidance slightly, which saw the stock rise 20% in the quarter. This news, combined with an overall improvement in sentiment towards financial stocks, buoyed the other majors including Westpac (+12%) and ANZ (+3%).

Woolworths again demonstrated its very strong de-

fensive qualities by announcing first half sales numbers that were up 9% on the previous corresponding period. On the retail front, JB HiFi's shareprice rose 18% as its sales, margins and market position continued to strengthen against a very difficult consumer backdrop.

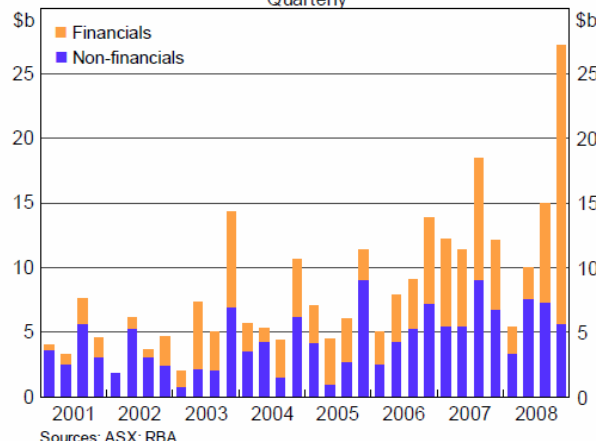
Smaller retailers continued to come under pressure with Rudd's stimulus package unable to offset the macro headwinds. David Jones and Noni B reduced their earnings guidance while Strathfield and Australian Discount Retail (Crazy Clark's and Go-Lo) went into receivership.

Cyclical stocks fell further out of favour in January and February with poor performances from the likes of Fairfax, Qantas, Brambles, Leightons and CSR which all tumbled by more than 30%. Some cyclical names staged a strong recovery in March as investors began to position themselves for an eventual economic recovery.

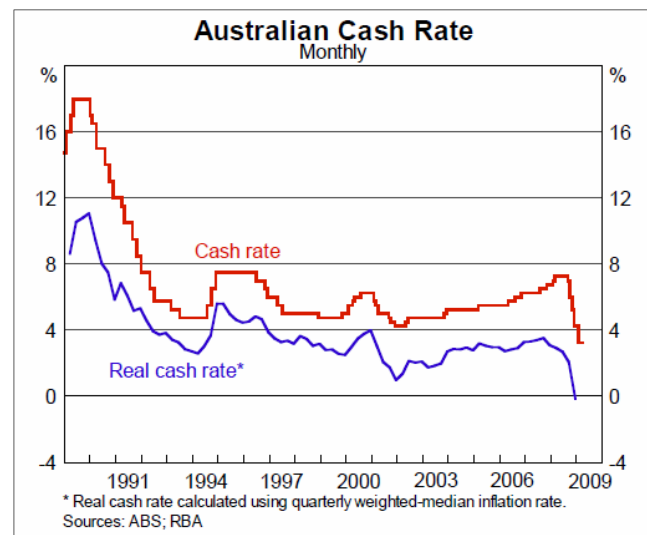
The property trust sector remained under substantial pressure with Goodman Group -56%, GPT -52%, and ING Office Fund -48%.

Capital raisings were an ongoing feature with over \$6bn raised in the quarter from companies such as Westfield (\$2.9b), Qantas (\$500m), Fairfax (\$438m) and Suncorp Metway (\$855m).

Australian Net Equity Raisings
Quarterly



In economic news, GDP contracted 0.1% in the December quarter, inflation fell to 3.7%, and unemployment edged up to 4.9%. In response to the weakening economic environment, the RBA cut official rates by a full percent to a record low of 3.25% on 4th February 2009.



FUND REVIEW

The OPIS200 Fund declined 2.4% in the March quarter, slightly more than the benchmark S&P/ASX 200 Accumulation Index. After falling in January and February, the S&P/ASX200 added 7.1% in the month of March. Of the 237 point increase in March, the majority of the increase (203 points) came from just 8 stocks - BHP, Westpac Banking Corporation, Commonwealth Bank, ANZ Bank, NAB, RIO Tinto, Macquarie Bank and Wesfarmers. With the exception of Macquarie Bank, the OPIS200 Fund owned positions in all of the abovementioned stocks - a significant driver of performance which saw the Fund rise 12% from its intra-quarter lows.

One of the better performing sectors in the March quarter was the Banking sector, which increased 15% in absolute terms. The best-performing stocks were Commonwealth Bank (+24.7%), Westpac Banking Corp (+12.8%) and ANZ Banking Group (+3.0%). The OPIS 200 fund currently has shareholdings in all four major Australian banks, although our overweight positions in Commonwealth Bank (CBA) and Westpac Banking Corporation (WBC) provided a boost to performance during the period.

In contrast to the experience in many countries, the Australian banking system has performed well in recent times. In the United States, United Kingdom and Europe, bank share price indices have declined by around 75% since the middle of 2007, while falls in some European countries have exceeded 90%.

The Australian banks continue to report robust profits, are well capitalised and the major banks all have high credit ratings. It is also clear the lending standards were not eased to the same extent has had

occurred in other countries. Furthermore, the considerable uncertainty in financial markets and risk associated with future returns has seen a flow of funds into bank deposits, from non-banking investments such as real estate and the stock market. This process of reinvestment is providing strong income growth for the four major banks.

Amongst the lower returning sectors were the Telecommunications sector and the Consumer Staples sector which declined by 14.6% and 1.5% respectively. Our overweight position in Telstra adversely impacted performance during the quarter with the stock declining 12.5% during the period. Considerable uncertainty surrounding Telstra's future following its exclusion from taking part in the potential building of the National Broadband Network (NBN) was the major contributing factor to the negative performance.

Other defensive stocks also languished during the quarter. The Consumer Staples sector (-1.5%) was led lower by companies such as Woolworths (WOW), Coca Cola Amatil (CCL) and Metcash (MTS) which all modestly underperformed the market. Despite the underperformance of the aforementioned companies, we retain our positions given their prospects for continued profit growth, strong management teams and high returns on invested capital.

Investor's increasing appetite for risk, which typically sees a rotation from defensive sectors to those more exposed to improving economic conditions, has been a developing theme throughout the quarter and in particular in March.

OUTLOOK

Until recently, fear and uncertainty have been the prevailing emotions gripping the market, resulting in major market swings and share price volatility. Little attention appears to have been focused on underlying fundamentals, with many businesses trading at significant discounts to their stated net tangible assets and, in some cases, at a discount to their cash backings. On the positive side, this environment has provided opportunities to pick up some high quality businesses at very attractive valuations.

However, in the past four weeks, market sentiment has experienced a significant reversal with investors almost falling over themselves to take on additional risk and pour money back into the marketplace. Interestingly, the rebound has not been led by the big blue-chip stocks, but by the smaller end of the market which had been significantly oversold in the bearish malaise.

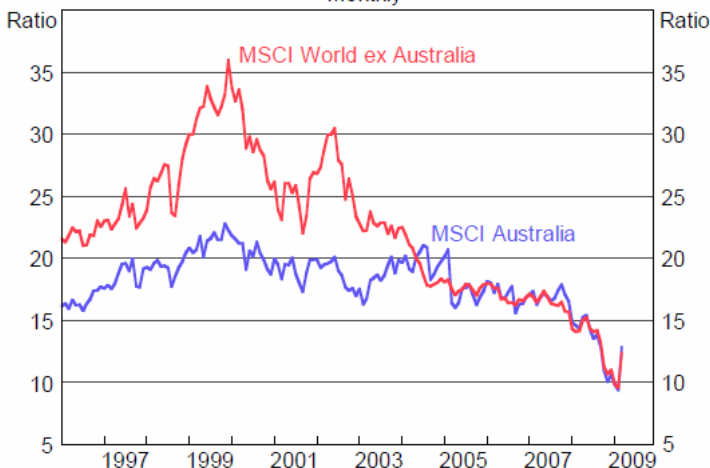
Some of this exuberance has stemmed from positive overseas developments including a return to profitability of the major US banks and tentative signs of recovery in China. Further comfort can be taken from the fact that domestic policy makers are showing a willingness to help kick-start the economy. The Reserve Bank of Australia just reduced the official cash rate a further 0.25% to 3.00%, the lowest level since the 1960's. Unlike most other western economies where cash rates are less than 1%, domestic policy makers still have monetary policy as a weapon to stimulate the economy and we expect further rate reductions in the coming six months.

The Federal Government has announced its second fiscal stimulus package entitled the "Nation Building and Jobs Plan" which delivers a further \$42b over 3.5 years, equating to about 3.5% of GDP in today's dollars. The money is broadly split between a further \$12.7b of cash handouts to low and middle income households and \$28.8b of infrastructure work. The National Broadband Network has also just been announced, a proposed \$40bn+ build that could also be expected to bolster the economy.

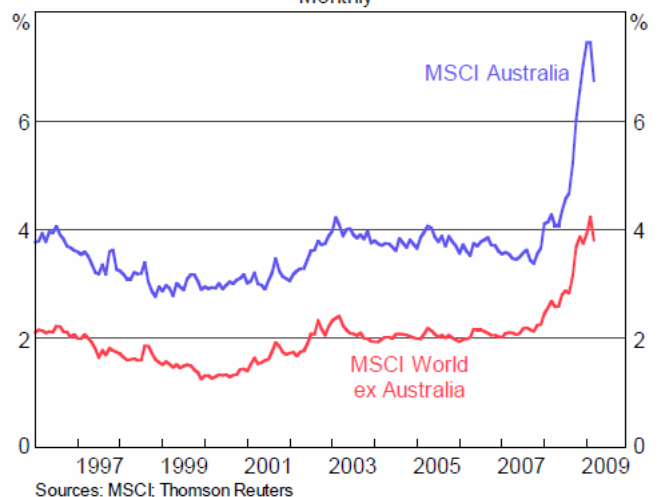
Although there will be a lag, today's monetary and fiscal relief can be expected to cushion the downturn for ordinary Australians and is a cause for cautious optimism. It is expected that further Reserve Bank and federal government relief will be required in coming months but eventually economic sentiment will turn from current low levels. If history is an accurate guide, the stock market can be expected to turn well before the broader economic indicators turn positive.

No doubt the poor domestic economic outlook will bring its share of challenges, but we firmly believe that the OPIS200 Fund along with much of the current stockmarket, is oversold and that patient long-term investors will be rewarded in the months and years to come.

P/E Ratios
Monthly



Dividend Yields
Monthly



**FUND
HOLDINGS**

STOCK	Price (\$)	OPIS200	S&P/ASX 200	Tilt	Mkt Cap (\$m)	PE09x	Div Yld 09
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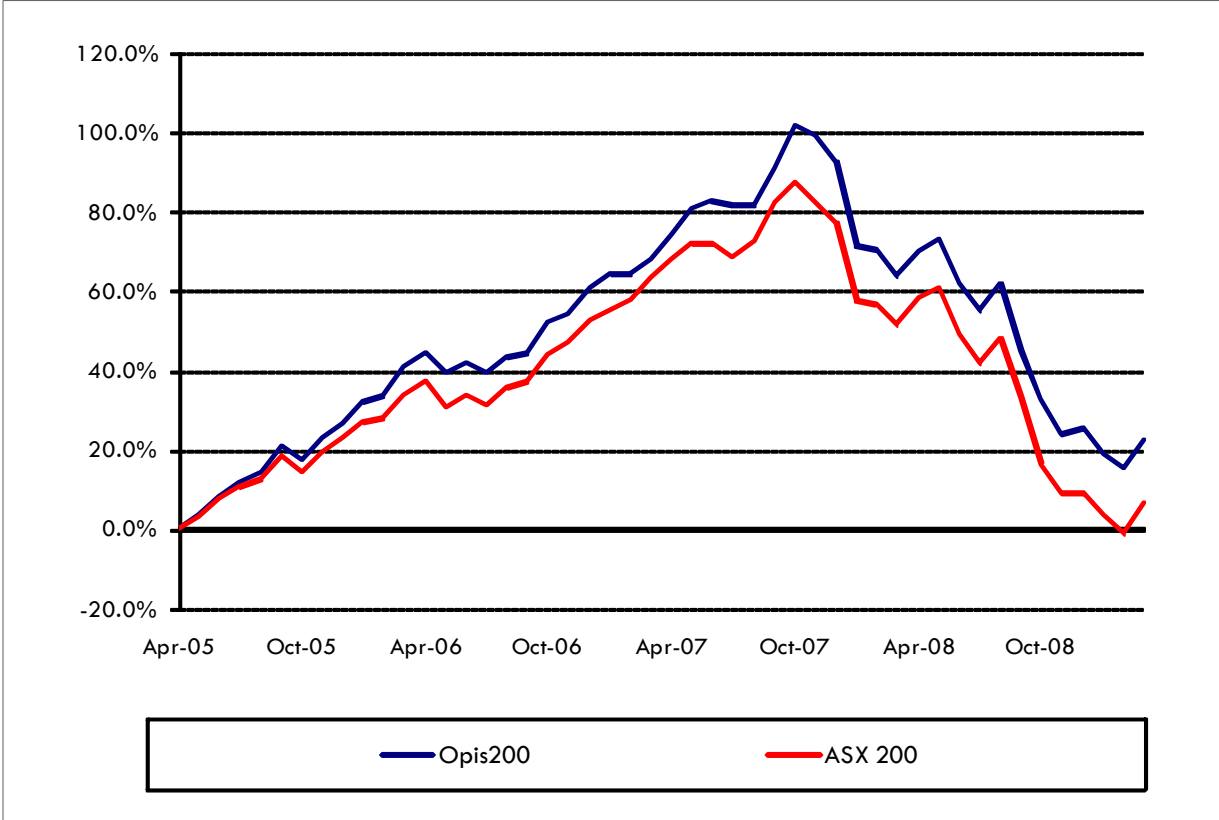
**Fund holdings only available
to OPIS unitholders**

FUND STATISTICS

Performance *	OPIS200 Fund	S&P/ASX 200
Unit Price at 31/03/09	0.8711	24310.0
3 Months	-2.4%	-2.0%
1 Year	-25.3%	-29.5%
3 Years (p.a.)	-4.6%	-7.2%
Annualised return since incep.	5.3%	1.7%

ADDED or INCREASED	REMOVED or DECREASED

Fund holdings only available to OPIS unitholders



* Past performance is not a reliable indicator of future performance. The Total Return of the OPIS200 Fund over specified periods are shown in the table. This table contains information regarding Total Returns to 31 March 2009. Total Returns are calculated after taking into account performance fees. Where OPIS Capital generates a return on the Opis200 Fund over and above the performance hurdle in a quarter, a performance fee of 10.25% of all profits above this level is charged to the Fund directly. The Total Return performance figures quoted are historical, calculated using end of month mid prices and do not allow the effects of income tax or inflation. Total Returns assume the reinvestment of all distributions. The performance is quoted net of all fees and expenses. The S&P/ASX200 Index does not incur these costs. This information is provided for general comparative purposes. Positive returns, which the Fund is designed to provide, are different regarding risk and investment profile to index returns.

COMPANY CONTACT

FLOATS / PLACEMENTS

Fairfax

Suncorp-Metway

Westfield

TRADING UPDATES

AJ Lucas

iiNet

realestate.com.au

Ansell

IMF (Australia) Ltd

Reckon

ASG

Intermoco

Redflex Holdings

Ausenco

IRESS Market Technology

Retail Food

Austbrokers Holdings

JB Hi-Fi

Runge

Australian Wealth Management

JB Hi-Fi

SAI Global

Bradken

Jetset Travelworld Ltd

Salmat

Breville

Lodestone Exploration

Sedgman

Carnarvon Petroleum

Macquarie Leisure Trust

Seek

CBA

McMillan Shakespeare

Service Stream

Coffey International

Melbourne IT

Slater & Gordon

Count Financial

Mermaid Marine Australia

SMS Management & Technology

Crane

Mesbon China Nylon

Snowball

CSG

Monadelphous

Southern Cross Electrical

Customers

National Australia Bank

Sp Ausnet

David Jones

Navitas

Suncorp-Metway

Domino's Pizza Enterprises

News Corporation

Sunland

Entertainment Media & Telecoms Corporation

NIB Health

Super Cheap Auto

Fairfax Media

Nick Harris PWK

Talent2 International

Fantastic Holdings

NRW Holdings

Tassal

G.U.D. Holdings

Oaks Hotels & Resorts

The Reject Shop

GPM

Oakton

Tox Free Solutions

Hastie

Peet

Tranzact Financial Services

Healthscope

Photon

United

HFA Holdings

PIPE Networks

UXC

Hills Industries

Platinum Asset Management

Walter Diversified Services

Hutchison Telecom

Programmed Maintenance Services

Warrnambool Cheese & Butter Factory Co.Hold.Ltd

SITE VISITS

Ausenco

Fairfax Media

PIPE Networks

Austbrokers Holdings

iiNet

Seek

Australian Wealth Management

IRESS Market Technology

Tassal Group

CSG

JB Hi-Fi

Service Stream

Fantastic Holdings

Oakton

Investment Team**Marketing &
Client Services****Contact us**

Dean Fergie
Sam Baillieu
Rob Frost
Rob Calnon
James Casey

Sam Cole
Sarah Madden

P: (03) 9602 3199
E: mail@OPIS.com.au
W: www.OPIS.com.au

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