

CHAIRMAN'S REPORT
BOARD OF THE AUSTRALIAN OLYMPIC FOUNDATION
FRIDAY, 14 MAY 2010

At 31 December 2009 the Foundation's net assets totalled \$115.8 million compared to \$111.7 million at end 2008.

The AOF has made an interim distribution of \$1.57 million to the AOC for the March Quarter 2010, bringing to \$63 million, total cash contributions to the AOC since 1 January 2001.

The March Quarter saw equity markets in Australia lose ground initially but finish strongly, posting a reasonable gain over the Quarter. The global share market also recovered early losses and benefitted from a steady rally in the second half of the Quarter. The gains continued the turnaround in equity markets that began in 2009.

There are also continuing positive signs in the retail sector of the Australian property market and generally, with valuations in the better wholesale funds (REITS) appearing to have bottomed following the credit difficulties occasioned by the Global Financial Crisis. The AOF is an investor in the Retail, Commercial and Industrial Funds of APPF (Lend Lease) and the Goodman Australia Industrial Fund (Goodman).

During the March Quarter the AOF redeemed its investment in the GMO Long Short Fund and invested the proceeds in the Schroder Australian Equity Fund and the Maple-Brown Abbot Australia Plus Asia Fund in which the AOF was already an Investor.

Further entitlements have also been taken up in the APPF Retail Fund and Goodman.

At end April 2010 the AOC's net assets totalled approximately \$116.4 million, comprising managed funds valued at \$112.9 million and cash and short term deposits of \$3.5 million.

The Investment Advisory Committee met in February and on 20 April and at the April meeting received presentations from our consultant Mercer Investment Consulting (Mercers) and Goodman as well as considering their and other fund managers monthly reports and reviews.

However, the events of last week destabilised equity markets in the US, Europe and Asia with knock on effects in Australia. The drawn out negotiations on financial support for Greece and possibly other European countries and the likelihood of a hung Parliament in the UK all had an impact exacerbated by the huge and apparently unintended mark down of indexes on the New York Stock Exchange.

At the beginning of this week agreement by the European Union and the International Monetary Fund on major financial support for Greece and other troubled Eurozone countries if needed, allayed market fears and saw a huge rally in equity markets in Europe. Support is also to be available by the European Central Bank. This good news also contributed to a partial recovery in equity markets in the US, Asia and Australia.

However, at this time the market has not really settled with concerns still on the ultimate effectiveness of the measures taken in Europe.

In this economic climate, it is important to remember that the Foundation is a long term investor and its investment strategy is closely monitored and reviewed by Mercers and our Investment Advisory Committee.

JOHN COATES AC
Chairman