As you are aware, the objective of the Williamson Wentworth Fund (the Fund) is to generate superior returns to our competitors over the long term by acquiring a select portfolio of value-driven investments. We aim to protect our client's principal while growing capital well above the prevailing cash rate over the medium to long term.

INVESTMENT APPROACH

The prices of shares tend to vary far more than the value of the underlying businesses. Some of the factors that contribute to this are:

- General market sentiment towards equity investments as a category
- Management changes
- Country-specific issues
- Market's view that the business model is broken (at least in the short term) or conversely over optimistic expectations and
- Lack of sell-side research due to size or free float in the shares of the company.

We aim to invest in companies that in our view fall below their underlying value (often for the reasons mentioned) and sell when the price rises above our assessment of fair value.

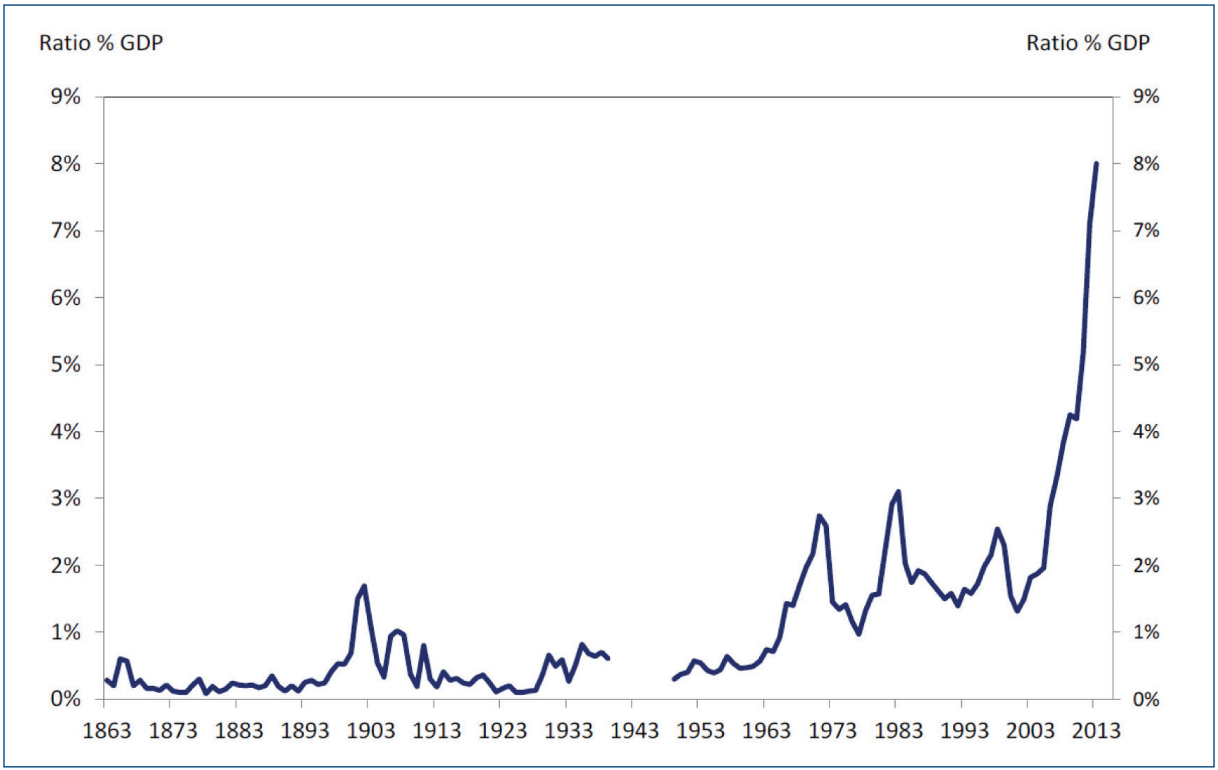
The key aspect of our investment process is determining the underlying or intrinsic value of the businesses. We therefore spend a great deal of time developing differentiated information that helps us determine the intrinsic value of a target company. This involves rigorous research and analysis of the industry and competitors, in order to construct a detailed picture of the dynamics of the market and investment being reviewed.

By not limiting ourselves to any market capitalisation size or sector and by allocating more time to research and investing (rather than trading), we believe this strategy gives us a structural competitive advantage to generate returns in excess of our benchmark.

The current composition of the portfolio is set out in the Appendix on page 5.

THE MORE THINGS CHANGE....

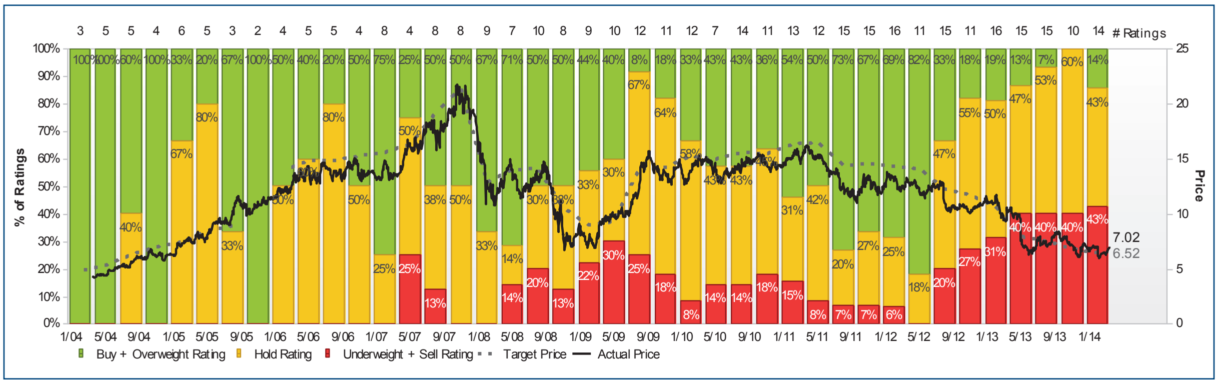
Mining investment as a share of GDP over time



Source: Reserve Bank of Australia

The chart above gives a good visual representation of the extra-ordinary mining investment bonanza that has benefitted Australia the past decade. Unfortunately, the peak of this expenditure is already behind us and the level of mining investment as a ratio of GDP is likely to gravitate down over a number of years. Following on from this structural change most mining services companies have already suffered numerous downgrades. The sector at large is now shunned (or in some cases actively shorted by hedge funds) and considered by many to be un-investible leading to significant share price declines. This extreme level of negativity or inability of most investors to absorb the emotional pain of possible further share price losses in the short term is exactly the reason why we decided to focus on the sector. To be more precise we were looking for companies that no longer have material exposure to mining investment lumpy contracts but are still tainted or categorised as mining EPC (engineering, procurement and construction) contractors by the investment community. So many times in the past we have found diamonds amongst the carnage simply because we have approached each business with an open mind focusing on individual company merits and facts. This approach unearthed two excellent investment opportunities for us recently, both companies will be beneficiaries of increasing investment in Australian infrastructure and maintenance services over the next few years as they have already diversified their dependence on the mining community. Furthermore, in the case of one of the companies, UGL Limited, global property services income currently dominates Group profitability and our valuation – quite clearly little to do with Australian mining investment expenditure.

FOCUS ON: UGL LIMITED (UGL)



Source: Factset

The chart above illustrates the UGL share price over time as a single dark line (price on the right axis), ratio of buy, hold and sells ratings (% of ratings left axis) and date on the horizontal axis. UGL was at one point the darling of the market and when the price peaked over $21 in 2007 not a single research analyst recommended selling or taking profits (according to Factset)[1]. History as the final arbiter, has determined that the share price of UGL in 2007 was probably overvalued by some margin, this despite the overwhelming positive sentiment towards the company. In 2007 UGL was trading on a PER multiple > 20x! Fast forward to 2014 with the UGL share price at $7 and a FY14 PER multiple <10x, there is now only a single research analyst with a buy recommendation and on the 25th of March 2014 over 12% of UGL stock was sold short[2]. The fact that market commentators are currently not promoting UGL stock and hedge funds are selling down the shares helps to explain the demand for UGL shares (or lack thereof) and is in many cases an early sign that a company could be on sale at a bargain price. Here are the fundamental reasons to be optimistic about UGL's property and engineering businesses:

DTZ – A Global Property Business

In FY14 the majority of UGL Group profits will be generated from their Global Property Services division DTZ, this compares to 2007 when property services only represented ~23% of Group EBIT. In other words, in recent years management have made the conscious decision to diversify the business further by deploying Group capital into expanding the property services division, this includes the transformational DTZ business acquisition in December 2011. Today DTZ (the whole property services division was recently rebranded DTZ) is one of only three companies (Jones Lang LaSalle and CBRE the other two) capable of offering global property services to multinationals with a strong presence in Asia, USA and Europe. The total global real estate services industry is still very fragmented with ~30% of the market outsourced and the top four players only commanding 22% market share of the outsourced component. DTZ looks to be in an ideal position to benefit from further industry consolidation; hence the rationale for a demerger and more recently the private equity interest in acquiring the division. We think the value of DTZ on its own can account for the entire UGL market capitalisation at current price levels plus a proportion of the Group's FY14F net debt.

1 Geoff and I sold UGL shares for Investec Bank Australia Limited at that time which we confess with hindsight, included a good dose of luck with our timing!

2 Hedge funds selling UGL shares they do not own, speculating that the share price will decline in the short term so that they can settle by buying the stock back cheaper at a later date. If hedge funds miscue the trade and the UGL share price increases they will be forced to buy back shares as quickly as possible to cover their bulging loss position, accentuating the share price recovery, referred to as a short squeeze.

Engineering

Over a decade ago UGL was a small engineering contractor in Western Australia. There is no doubt the company has been a major beneficiary of the mining investment boom with engineering EBIT expanding from $29m in 2002 and peaking at $212m in FY11. However, unlike many other engineering firms during the boom years, UGL made best efforts to diversify its engineering revenue streams away from its lumpy mining EPC heritage. Today most of the division's profits are generated by reliable annuity income streams with leading market share positions in key Australian infrastructure sectors including freight & passenger rail, power, water, defence and transport systems. Although mining investments contribution to Australia's economic growth is likely to subside over time, infrastructure investment in the country is ramping up and UGL is well positioned to benefit from this new wave of growth. Large infrastructure projects on the immediate horizon include the M1-M2 road project in NSW, the Dandenong Rail capacity upgrade in Victoria, the North West Rail Link in NSW and the East West Link in Victoria.

UGL has been one of the worst performers on the S&P / ASX 300 for the past three years. However, fundamentally UGL is a good business with excellent prospects for growth over the medium term. We anticipate considerable upside going forward and our Fund is well positioned to benefit with meaningful exposure to the company.

LOOKING FORWARD

Although we have seen some market volatility here and there since the Fund's inception it has not been enough for us to go aggressively bargain hunting, which would result in significantly lower cash levels in the Fund. We are well positioned to opportunistically take advantage of any volatility and stock mispricing going forward.

We are looking after our own money along with yours, our partners. We are patient and disciplined.

Yours faithfully,

James Williamson
Fund Manager

APPENDIX

The Fund's Portfolio (unaudited)

As at 31 March 2014

Company Name	% of Fund
Consumer Discretionary	8.0%
Industrial	7.9%
Real Estate Investments Trust	7.6%
Consumer Staples	7.6%
Industrial	7.4%
Consumer Discretionary	7.1%
Consumer Discretionary	6.6%
Real Estate Services	6.3%
Consumer Staples	6.1%
Commodity Chemicals	4.6%
Investment Management	1.8%
Total Equity Exposure	**70.9%**
Net Cash	29.1%
Total	**100**%

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