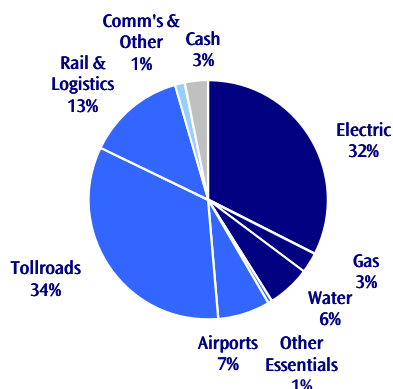
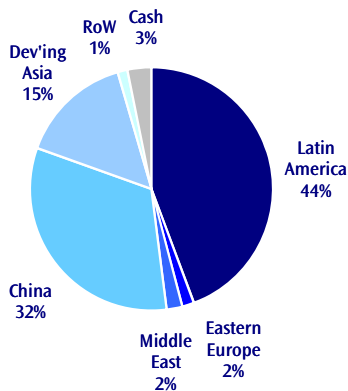
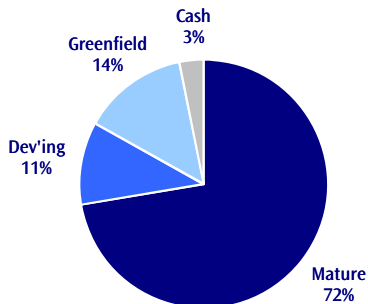


**Performance Summary (total returns in AUD after fees)**

	This Month	Three Months	Twelve Months	Inception <sup>1</sup>
RARE Series EM Fund	1.5%	5.6%	22.5%	33.6%
Benchmark <sup>2</sup>	0.8%	5.2%	23.5%	14.6%
MSCI EM World	0.2%	5.8%	16.1%	8.5%

**Overview of Fund Exposures and Portfolio Statistics**
**Sector Exposures<sup>3</sup>**

**Regional Exposures - by Listing**

**Maturity Exposures<sup>3</sup>**

**Portfolio Statistics**

Current statistics of the RARE Infrastructure Value Fund are as follows : <sup>4</sup>

Dividend Yield	4.0%
EV <sup>5</sup> / EBITDA <sup>6</sup>	7.2x
Interest Cover	5.7x
Gearing (Net Debt/ EV)	24.2%
Asset Beta	0.54

**Fund Details**

Fund Size	\$1.9m
Number of Holdings	34
Minimum Investment	\$20,000 <sup>7</sup>
Application Price	1.5465
Redemption Price	1.5357
Distribution Frequency	Semi-Annually
Distribution for Dec 09 (cpu net)	1.5000
APIR Code	TGP0015AU
Morningstar Ticker	tbc
Management Fee	1.333% per annum
Transaction Costs	0.35%
Performance Fee	10.25% of investment returns made in excess of the Benchmark

**Benchmark** An accumulation index comprised of the Citigroup Global Emerging Market Sovereign Investment Grade USD Index plus 5.0% per annum

<sup>1</sup> Fund inception date 9 July 2008; Performance inception date 30 September 2008

<sup>2</sup> Citigroup Global Emerging Markets Sovereign Investment Grade USD Index+ 5%

<sup>3</sup> Based on the exposures of the underlying assets of the stocks in the Fund, as assessed by RARE Infrastructure

<sup>4</sup> Based on weighted averages

<sup>5</sup> EV means Enterprise Value (market capitalisation + preferred equity, if any + net debt)

<sup>6</sup> EBITDA means earnings before interest, tax, depreciation & amortisation

<sup>7</sup> If you invest through an IDPS operator such as a Master Trust or Wrap Account platform, this minimum may not apply to you

## Market Commentary for the Month

The downward trend we saw towards the end of April continued throughout May with global markets having their worst month since the height of the 2008 crisis. Interestingly however, investors may have finally realised that the developed markets don't necessarily offer the less risky alternative, with the EMs outperforming their developed peers for the first month this year (MSCI World -7.2% and the MSCI EM -5.2% in local terms). In line with global trends, the EM markets RARE is exposed to were down with some of the larger markets leading the way (Shanghai -9.7%, Shenzhen -7.1%, Brazil -6.6%, Indonesia -5.9%, Malaysia -4.6%, India -3.7%, Mexico -2.0%). The one anomaly I think deserves its own comment is Thailand, which although down (-1.7%), was one of the best performing EM markets in May despite the deteriorating political framework illustrated by violent protests across May - maybe suggests that there is little foreign involvement in Thailand at this stage.

The global news flow in May was dominated by deteriorating fiscal positions across most of the EU as \* the PIGS continued to work to avoid default while reassuring the rest of the world that they can recover \* Germans raised doubts about their willingness to bail out their EU partners.

By contrast, despite the EM markets sharing the pain of their developed brethren's excesses, the news flow across the EMs in May actually supported our belief in the continued strength of the EM consumer, corporate and government

\* Brazilian Q1 GDP rose 9% - this was the highest pace in 14 years and beat expectations prompting revisions to FY forecasts (>7.5%) and increasing expectations of further rate hikes in the near term

\* India also reported very strong Q1 numbers at +8.6% suggesting that fiscal tightening may not be far way

\* China continues to face criticism over a property bubble. While we believe concerns on this point are over done (tier 1 city issue) we do expect continued government action to calm potential social unrest as the wealth equality gap widens

\* Within the infrastructure space we saw signs of EMs looking for growth in other EMs with the State Grid Corporation of China acquiring 7 Brazilian transmission assets - illustrates where the corporate balance sheet strength now lies and also the attractiveness of EM infrastructure assets (premium valuation paid).

We don't expect the European situation to resolve itself quickly and unfortunately we expect this means further market weakness. However, for equity investors with a medium term investment horizon we believe this weakness could offer significant opportunity to gain exposure to the attractive fundamentals of the EMs - strongly represented by the infrastructure plays.

### Important Information:

While the information contained in this report has been prepared with all reasonable care, RARE Infrastructure Limited ("RARE") accepts no responsibility or liability for any errors, omissions or misstatements however caused. This information is not personal advice. This advice has been prepared without taking account of your objectives, financial situation or needs.

Treasury Group Investment Services Limited ("TIS") is the responsible entity for the RARE Infrastructure Value Fund (the "Fund"). Applications can only be made on the form in the current product disclosure statement dated 17 January 2007 for this Fund. The product disclosure statement can be obtained by contacting the RARE Infrastructure investment team on (02) 9397 7300, by fax (02) 9397 7399, by emailing invest@RAREinfrastructure.com or at www.RAREinfrastructure.com. Potential investors should consider the product disclosure statement before deciding whether to invest, or continue to invest in the Fund. The fact that shares in a particular company may have been mentioned should not be interpreted as a recommendation to buy, sell or hold that stock.

Investors should be aware that past performance is not indicative of future performance. Returns can be volatile, reflecting rises and falls in the value of underlying investments. Potential investors should seek independent advice as to the suitability of the Fund to their investment needs.

TIS may be contacted by writing to Level 5, 50 Margaret Street, Sydney, NSW, 2000, by telephone (02) 8243 0400 or by fax (02) 8243 0410.

TIS receives an investment management fee of 1.333% per annum of the amount invested in the fund (including GST less the maximum applicable reduced input tax credits), which is the entire management fee, out of which responsible entity fees, investment management costs, ongoing administrative expenses and other fees will be paid.

## Portfolio Commentary

The RARE Series EM Fund was up 1.5% in May outperforming the benchmark return by 70bps (+0.8%) and the MSCI EM by 130bps (+0.2% in AUD terms).

In terms of portfolio performance, currency was the big winner for May, contributing 750bp to performance as the AUD depreciated across the month. This was after a good few months of currency pain as the AUD strengthened. Our continued view, and the basis for our unhedged product, is that while currency does cause volatility, over the longer term we do expect EM currencies to appreciate and add to overall performance.

From a stock specific perspective (in local currency terms) the portfolio performed as expected in volatile markets with the more defensive sectors (water -1.6%, electric -4.8%) outperforming those perceived to be more economically sensitive (toll roads -7.4%, rail -8.8% and ports -14.6%). The exception was airports which despite exposure to global GDP, was the 2nd best performing sector within our portfolio for the month (-4.2%) as a result of strong recovery from 2 of our Mexican names (GAP +4.9% and ASUR +4.8%). The other big stock specific winners were Gail +5.7% (Indian gas utility), AES Tiete +5.7% (Brazilian utility) and Sabesp +4.9% (Brazilian water). The biggest underperformer was DPW -15.3% (Port) but having reviewed our forecasts we used weakness as a buying opportunity.

Despite the market volatility we remain comfortable with the RARE portfolios allocation between defensive and growth plays and would use any on-going stock weakness to top up on fundamentally attractive stocks.

*Sarah Shaw, Richard Elmslie, Nick Langley  
(RARE EM Investment Committee)*

## Overview of Fund Holdings

Top 10 Holdings	Weighting
AES TIETE SA	5.1%
COMPANIA ENERGETICA DE MINAS GERAIS	5.0%
SICHUAN EXPRESSWAY CO LTD	4.9%
DP WORLD LIMITED	4.4%
ANHUI EXPRESSWAY CO LTD	4.1%
MPX MINERACAO E ENERGIA SA	4.1%
TRACTABEL ENERGIA SA COM NPV	4.1%
RELIANCE INFRASTRUCTURE LTD	4.0%
SHENZEN EXPRESSWAY CO LTD	3.9%
ELETROPAULO METROPOLITANA ELTRICID	3.8%