

About this Fund

Sector	Australian Equities (Resources)
Fund reviewed	Emerging Resources Company Share Fund
Fund Size (\$M)	\$27 (June 09)
Responsible Entity	Officium Capital Ltd
Fund Commenced	April 2006
Fee -Wholesale or Retail (pa, exc GST)	2.0% on investment in the fund

About the Fund Manager

Fund Manager	E.I.M. Capital Managers Pty Ltd
Ownership	Majority owned by Tony Wiggins
Assets managed in this sector (\$M)	\$27 (June 09)
Years managing this asset class	3
Investment Team	
Team size dedicated to this Fund	2
Located	Melbourne
Key Portfolio Manager(s)	Tony Wiggins
Departure/Team Size Ratio (past 2 yrs)	0%

Investment Process

Style	Bottom Up, Style Neutral
Targeted Return (pa)	Greater than 10%
Typical Tracking Error (pa)	Not targeted
Typical Stock Numbers	19
Typical Turnover	Expected to be low
Stock bet limits	Typically 3 – 5% at purchase (soft)
Sector/Industry bet limits	Minimum of 2 stocks in each of 5 resources sub sectors

Fund Rating History

August 2009	Upgraded to Highly Recommended
June 2008	Recommended
July 2007	Recommended
June 2006	Recommended

What this Rating means

➤ The Highly Recommended rating indicates that Lonsec has high conviction that the fund or product can achieve its objectives and, if applicable, outperform peers over an appropriate investment timeframe. The manager or product has strong competitive advantages in people, process and product design and has no areas of material weakness. The investment is a preferred entry point to access this asset class or strategy

Changes since previous Lonsec review

➤ E.I.M. has modified the fee structure payable by investors in the Fund. Investors now pay a flat fixed fee of 2.0% pa on funds invested. This differs from the original structure which has a 0.26% variable base fee plus an 18% performance fee.

Using this Fund

➤ This is General Advice only and should be read in conjunction with the Disclaimer, Disclosure and Warning on the final page

➤ The Fund is a 'long' only equity fund and as such will generally sit within the growth component of a balanced portfolio. It is suitable for high risk profile investors with a 5+ year investment time horizon. Although E.I.M. will not invest in inherently high-risk exploration companies (i.e. companies that are yet to define a Joint Ore Reserve Committee compliant resource), investors must acknowledge that Emerging Resources Company Share Funds universe carries a higher level of risk when compared other sectors and, as result, Lonsec believes that this fund is best utilised as a 'satellite' offering, complementing one or more 'traditional' Australian equity funds

Lonsec Opinion of this Fund

➤ E.I.M. Capital Managers (E.I.M.) is a boutique investment management company based in Melbourne, with a specific focus on the Australian resources sector. E.I.M. is the manager of the Emerging Resources Company Share Fund (ERCSF), which was launched under a PDS issued by Officium Capital Ltd. E.I.M. invests in a portfolio of 'emerging producer' natural resources companies with organic growth potential

➤ Lonsec considers E.I.M.'s Founder and Chief Investment Officer, Tony Wiggins, to be a quality investment professional with experience in investment management, and relevant direct experience from previous commercial roles in the resources sector. In Lonsec's view, Wiggins is a well qualified and motivated investment manager which, paired with the appropriately tailored investment vehicle, provides opportunity of capturing performance for investors

➤ It must be noted that this product invests in a high risk sub-sector and, over the shorter term the ERCSF's performance and volatility highlights this inherent risk (standard deviation of returns was 53.9% pa, over the 12 months to August 2009). As a result, investors must consider the risk inherent in the ERCSF and their overall risk tolerance. Given that the Fund is expected to exhibit a high degree of short term volatility, investors must adopt a long-term approach (5+ years) when considering these types of offerings

➤ Although the size of the Fund remains relatively small, Lonsec believes this allows the manager to take active positions in smaller, less liquid stocks which would otherwise be inaccessible to larger fund managers

➤ Lonsec considers the change in fee structure positive (from 0.26 + 18.0% pa performance fee to a 2.0% pa flat fee), as this will help reduce business risk to investors, with more reliable cash flows for the fund manager

- Lonsec has met with the advisor committee members and is impressed by their breath of resource experience and ongoing positive contributions to the Fund. In addition, Lonsec is pleased that the advisory committee has remained unchanged (no change in members) over the last 12 months, retaining a strong and diverse base of resources and financed based experience
- Lonsec believes E.I.M.'s investment process is relatively unique in terms of structure, and continues to be differentiated in the market place. E.I.M.'s investment management structure, with the incorporation of an Investment Advisory Committee, provides extensive industry and academic experience with strong in-house stock modelling abilities, Lonsec considers this to be a key competitive advantage. The Committee brings together significant industry experience and knowledge which is highly valuable given the complexities of investment in the resources sector
- The internal research and modelling process adopted by E.I.M. is considered logical and well structured. E.I.M.'s investment process includes a high degree of research intensity and a robust peer review process. Lonsec believes E.I.M.'s data input process for valuing stocks is labour intensive. Whilst pleased that the investment team remains stable, Lonsec continues to believe the manager would benefit from an additional resource to assist in this aspect of the investment process. Nevertheless, Lonsec recognises that the firm remains in a development phase and increased resourcing may be addressed as the business develops increased momentum
- The boutique structure and equity ownership of E.I.M. means that there is very high commitment from the key portfolio manager to the future success of the business. Importantly, Lonsec believes this structure serves to closely align the interests of the manager with that of the investor
- Whilst the ERCSF aims to hold a minimum of two stocks in five key commodity groups to achieve diversification, it does not operate with hard limits in relation to stock positions. Therefore, the ERCSF does have scope to deviate from other investment managers and index benchmarks to achieve its returns with well above broad market levels of volatility. Lonsec believes that these characteristics are consistent with the E.I.M.'s investment approach. However given this philosophy, potential investors in the ERCSF should give consideration to whether the absence of hard limits sits comfortably within their risk profile
- The performance of the Fund to June 2009 provides confidence in E.I.M.'s ability to capture excess performance within the emerging resource sector. Despite experiencing a significant fall, when the broader market contracted in mid-to-late 2008, the ERCSF produced an excess return of 6.7% pa over the last 3 years, with an out-performance ratio of 61.1% for the same period
- Similar to the companies it targets, E.I.M. remains in the emerging stages of its business development. One potential issue, as a result of the market downturn, is a reduced flow of funds. However, the Fund maintained a net inflow over the 12 months to June 2009 and Lonsec is pleased that E.I.M. has placed a priority on expanding its distribution capacity to improve fund inflows and achieve a level of FUM that will

assist the Fund and the E.I.M. business to become more sustainable

- Lonsec considers it positive that E.I.M.'s investment team maintains strong communication with resource companies participating in more than 65 one-on-one meetings with resource companies over the past 12 months. This direct contact is considered to be a key advantage when investing in the resources sector.
- Overall, Lonsec believes ERCSF is a specialised resources sector investment, which may provide an opportunity to add value to an investor's portfolio over the long-term. Based on the positive track recording of the Fund and strong conviction in the manager, Lonsec has upgraded the Emerging Resources Share Fund to Highly Recommended. This Fund may appeal to those seeking exposure to the Australian small cap resources sector with a higher risk tolerance

People & Resources

Manager Overview

E.I.M. was established in 2004 and is majority owned by members of the firm's investment committee, including E.I.M. founder, Tony Wiggins. The balance of the firm is owned by a number of high net worth individuals and other non-institutional investors. Wiggins established E.I.M. after several years at Portfolio Partners and JB Were Asset Management. The other members of the manager's investment committee have investment market backgrounds with Colonial Mutual, McIntosh and Company/Merrill Lynch Australia and Citigroup.

The Responsible Entity for the Fund is Officium Capital Ltd which has overall responsibility for its operation.

Size and Experience

The E.I.M. investment team consists of three key members, Tony Wiggins, Douglas Goodall and John Robertson. All have extensive direct stock analysis experience. Wiggins has over 17 years of experience in investment management and resources companies. Prior to establishing E.I.M., Wiggins worked as a portfolio manager at Portfolio Partners, JB Were Asset Management and the Ethical Investment Company of Australia managing resources portfolios and other sector funds. Before entering the investment industry, Wiggins spent seven years in the resources industry with RGC Limited and North Broken Hill in operational as well as commercial roles.

Goodall has over 20 years of experience with mining and exploration companies and 18 years in investment management and resources broking roles. Goodall worked with mining companies including Barrier Exploration and Getty Oil Development Company before entering the investment management industry as Manager of Australian Resources Equities for Colonial Mutual for four years. He then moved into stockbroking for 12 years with McIntosh & Co, County Natwest Securities and Tolhurst Noall Limited. At County Natwest Securities he worked as a specialist resources adviser and gold mining analyst. Goodall is

focused on specific commodity sectors including gold as well as providing input at Investment Committee level.

Robertson has over 26 years experience in corporate strategy development, business analysis and company valuation. Robertson's involvement in the mining industry stems from roles in commercial analysis, raw materials and commodity trading, management of derivatives portfolios and business structuring. While at McIntosh & Co, Robertson initially worked as a mining analyst and resources sector investment strategist. Subsequently, he became a director and Chief Economist at McIntosh & Co. The investment team is supported by an Investment Advisory Committee consisting of four members. On average, each member of the Investment Advisory Committee has approximately 30 years of working and academic experience in the resource sector in areas including exploration, mine development, mineral processing, corporate strategy, project financing and sales. Lonsec believes that the assembled investment team provides a high quality blend of experience from within the resources industry and investment markets.

Professor Donald Barnett (Chairman of Advisory Committee) has over 30 years experience in the field of mineral and energy economics. Professor Barnett was Associate Professor of Mineral and Energy Economics at Macquarie University for 15 years followed by a six year position at the Western Australian School of Mines as visiting professor of Mineral Economics. Professor Barnett is also active as a consultant in the areas of coal supply and demand economics, providing services to numerous public companies and government bodies.

Professor Philip Seccombe (Advisory Committee Member) has over 38 years experience as an exploration geologist, mine geologist, researcher and educator. At the University of Newcastle, Seccombe conducted research on ore deposits throughout Australia, Canada, Europe, Fiji and Indonesia. With positions such as Chair of the Specialist Group in Economic Geology, Seccombe has published four books and over 120 journal articles on a variety of ore deposit types.

Colin Jackson (Advisory Committee Member) is a director of E.I.M.. He has over 30 years experience in stockbroking and corporate roles. Jackson graduated as a metallurgist-mineral process design engineer from Birmingham University and the Royal School of Mines, Imperial College London, before spending 10 years in operational roles with Selection Trust Group and RGC Limited. Jackson then moved to McIntosh Securities where he became a Director of Research and a senior corporate advisory executive, followed by seven years with Normandy Mining as Group Executive, Corporate. He is currently the Chairman of an ASX-listed resources company and non-executive Director of another.

Nick Moony (Advisory Committee Member) has over 40 years experience in the areas of metallurgical consulting, process design and project development. Moony has particular expertise in the areas of zinc and tin recovery and has worked both domestically and internationally within a range of resources operations, and manages his own international metallurgical consulting business. He has been involved in many resource developments across a range of commodities both internationally and within Australia.

Corporate Resources

E.I.M. Capital has completed the Lonsec corporate questionnaire. In this review, E.I.M. reports that it has not achieved a profitable level of operation. It had originally expected 3 to 5 years of losses from the time it launched its first investment fund and during the first phase of business' development (3 years have now elapsed). For this three to five year period, E.I.M. identified that its key objective was to establish a position in the market, and Lonsec believes that once the firm achieves a critical level of market penetration, the profitability of the firm is likely to improve progressively, subject to investment performance.

Lonsec also believes that the fund's new fixed fee structure will assist E.I.M. fund business development, and help it achieve a critical level of FUM. This new fee structure will provide E.I.M. with more stable cash flows, which will also help reduce corporate risk and provide the company with greater flexibility when developing the business. To this end, Lonsec is aware that E.I.M. has recently entered into an agreement with a third party financial products distribution firm, which it intends to utilise to help achieve greater reach for the fund.

The fact that the fund now has a 3 year track record may also assist in generating increased fund inflows that will further enhance the viability of E.I.M. and the ERCSF.

Team Structure

The E.I.M. investment team has a relatively unique structure consisting of a key portfolio manager (Tony Wiggins), an Investment Committee and an Investment Advisory Committee.

The Investment Committee consisting of Wiggins, Goodall and Robertson, is responsible for investment decision making. The Investment Committee meets both weekly and monthly, and during these meetings a review and discussion of company valuations is carried out in the context of broader value trends and industry activity. In addition, decisions to change portfolio holdings are determined during these meetings.

The Advisory Committee members, Barnett, Seccombe, Moony and Jackson assist the investment decision-making process in the following ways:

- Serve as a point of reference for commentary on technical, historical and personnel matters;
- Assist in the detailed analysis of a company with insights on the operating history of a particular asset; capital

markets, and the interpretation and evaluation of company technical information;

- Assist in the development of appropriate long-term commodity and economic assumptions for use in financial models, as well as assess the broader political environment and associated risks;
- Prepare detailed in-depth reports on topics commissioned by the Investment Manager.

With the original service contracts ending in July 2009, all members of the E.I.M. Advisory Committee have recontracted for a further 3 year tenure, commencing July 2009. E.I.M. has advised Lonsec that all committee members are highly motivated to continue their roles within the team. All the advisory committee members are also shareholders in E.I.M. itself.

Lonsec believes that the depth and breadth of industry experience and business acumen that the committee members possess is very broad, encompassing all aspects of the resources industry. Accordingly, Lonsec views the Investment Advisory Committee involvement as critical for the effective “independent analysis” and due diligence of potential and existing investments.

Turnover

The E.I.M. team and advisory committee has not experienced any turnover since the formation of the team.

Key Person Risk

Lonsec considers the level of key person risk to be high. Whilst E.I.M.’s Investment Committee plays an important role in the investment process, Wiggins has significant input at all stages of the investment process including the structure of the process, the identification of potential investments, and the final investment decision regarding individual securities and portfolio construction. Accordingly, the investment process is heavily reliant upon the input of one individual. Given that Wiggins is the majority owner of E.I.M., Lonsec considers his departure in the short term to be unlikely.

Remuneration/Alignment of Interest

The boutique structure and equity ownership of E.I.M. means that there is very high commitment from the key portfolio manager to the future success of the business. Importantly, Lonsec believes this structure serves to highly align the interests of the manager with that of the end investor.

Investment Style

Investment Objective

The ERCSF aims to achieve an absolute return in excess of 10% pa through investing in a diversified natural resources portfolio across five commodity groups: gold, non-ferrous metals, steel making minerals & coal, oil & gas and industrial minerals. E.I.M. is benchmark unaware. Despite this, the Fund will hold a minimum of two stocks from each of the above commodity groups in order to maintain a reasonable level of commodity diversification.

Style

The ERCSF’s focus is on absolute returns, aiming to invest in the most attractive undervalued stocks rather than being constrained by a particular benchmark. Accordingly, E.I.M.’s approach to investing is value-based, aiming to identify undervalued ‘emerging producer’ resource companies with attractive growth characteristics.

E.I.M. places a heavy emphasis on feasibility studies and uses long-term commodity and exchange rate forecasts in the financial modelling and valuation of companies. The objective is to avoid short-term market sentiment factors that have minimal impact on the valuation of a company. In valuing a company, E.I.M.’s feasibility assessment estimates the operating and capital cost parameters to allow an assessment using traditional cash flow techniques.

The long-term focus of the financial models also incorporates the capital raising and debt requirements in order to determine the dilution impact of additional equity or the value impact of debt. The manager deems this long-term perspective to be beneficial in highlighting stocks likely to be in need of capital in advance of the broader market. E.I.M. aims to buy shares in those ‘emerging producer’ companies with a share price that has not factored in the growth which E.I.M. expects to occur over a two to three year time frame.

E.I.M. aims to manage portfolio risk by diversifying across five key commodity groups, including:

- gold
- non-ferrous metals
- steel making minerals & coal
- oil & gas
- industrial minerals

E.I.M. holds a relatively concentrated portfolio of 20 stocks with a minimum of two stocks from each commodity group (with an initial investment of 5% of the portfolio’s net asset value).

Lonsec notes that E.I.M. does not operate with hard stock positions *per se* and does have scope to deviate from its initial investment of 5% (of the portfolio’s net asset value) to allow for weightings to reflect relative stock price performance and valuation changes. At 31 May 2009, the highest and lowest weightings were 7.3% and 1.2%, respectively, with the Investment Committee waiting for market conditions to improve and allow an adjustment in

these holdings. However it is noted only three investments were outside its 3% to 7% targeted operating range.

Given E.I.M.'s focus on the resources sector, and concentrated portfolio size, the Fund is expected to display well above broad market levels of volatility. Over the 3 year period to June 2009, the fund showed greater volatility than the benchmark (S&P 300 Resources Acc. Index) with a tracking error of 23.6% pa.

Investment Philosophy and Beliefs

As mentioned previously, E.I.M.'s underlying philosophy revolves around the 'emerging producer' concept. Essentially, E.I.M. has identified three distinct stages of incremental value creation within the life cycle of natural resources companies:

- exploration success,
- emerging production, and
- continuing operations.

Whilst the exploration phase exhibits significantly higher risk, the emerging production phase is considered by E.I.M. to be the stage best able to deliver consistent investment returns for a resources sector investor. The manager is of the belief that considerable stock discovery opportunities exist amongst 'emerging producers', allowing for valuable investments to be identified and exploited in advance of other investors by a manager with the requisite in-house research capability.

The manager believes that around 20% of all listed resources companies have organic growth profiles from existing and identifiable company assets that qualify them as 'emerging producers'. In the view of the manager, although these companies face implementation risks as they bring their business plans to fruition, these companies are considerably less risky than companies relying on exploration success or more mature companies with a limited growth outlook and which are subject to less well defined sentiment factors and occasional fluctuations in commodity prices for their share price momentum.

Emerging production can take a number of forms, including the planning and development of a greenfield site, substantial extensions of existing operations, or redevelopment of a previously mothballed or abandoned operation.

Lonsec notes that there has been no change to the Fund's investment style or philosophy since Lonsec's last review.

Investment Process

Overview

E.I.M.'s investment process is designed to identify those companies that have strong organic growth profiles and are trading at a considerable discount to their intrinsic value. It seeks to avoid those companies reliant on high risk exploration activity or those depending solely on favourable movements in commodity prices for their investment returns.

The manager carries out a comprehensive research process which encompasses the following seven key steps:

1. Identifying emerging natural resources companies
2. Evaluating emerging natural resources companies
3. Selection of focus list
4. Value ranking
5. Portfolio construction
6. Portfolio management
7. Selling

In order to build an investment case, the manager gathers information from a number of sources including financial statements, company released documentation and consultation with industry participants. Throughout each step of the process, a high level of importance is placed on direct company contact and understanding the company's strategic position.

Identify 'Emerging Producers'

The investment process begins with the identification of 'emerging producer' companies from an investment universe of over 800 natural resource companies listed on the Australian Stock Exchange. From this universe, E.I.M. has identified approximately 170 stocks it believes have sufficiently strong organic growth profiles (i.e. a feasible business model from which to drive internal growth) to qualify as 'emerging'. Lonsec notes that the resources sector, as a whole, generally displays a high level of volatility and does carry a higher level of risk when compared to the industrial sector. In addition, timing of stock positions is considered particularly important in this sector.

E.I.M. then assesses each potential investment against the following criteria in order to establish whether it warrants further analysis:

1. **Resources base for a long life operation.** Defined reserves or mineral resources with high potential for conversion into a production stream.
2. **Growth relative to asset base.** Earnings from organic growth expected to be realised within a three-year period.
3. **Technically robust operational plan.** Underlying resources can be extracted and processed using current technology.
4. **Implementation skills.** Strong evidence that the organisation has the necessary skills base to carry out the operational plan.
5. **Low cost structure.** Strong evidence that the operation's cost structure is feasible and comparable with peer company operations.

Although Lonsec considers the initial assessment process to be very comprehensive, Lonsec believes that as the business develops, more resources may be required in this area, given the labour-intensive nature of the process.

Evaluate 'Emerging Producers'

For companies that meet the above criteria, an investment case is built using in-house analysis. The investment case focuses on the construction of a full financial model, including the establishment of operating and capital cost parameters using discounted cash flow valuations from which the market value of a potential investment is assessed against its intrinsic value. The financial evaluation also consists of a value-time profile which indicates the expected change in value as various developments occur. Lonsec notes that at the request of the manager, members of the Advisory Committee are required to carry out projects covering company specific analysis and broader economic/political considerations to assist in the evaluation process. In Lonsec's opinion, the evaluation process is thorough and based on sound principles.

A potential detractor in the in-house modelling process relates to the labour-intensive nature. Whilst more detailed than employed by E.I.M.'s peers, Lonsec believes scalability could be an issue unless a degree of automation is achieved, and in addition the process would benefit from the appointment of an additional resource to assist the investment team (particularly in relation to inputting data and updating models). This may serve to free up the senior investment team to focus on other tasks such as idea generation.

Selection of Focus List

From the population of 'emerging producer' companies, the manager builds a Focus List of the most viable candidates for investment. This forms the sub-set from which investments are subsequently drawn. The Focus List generally consists of 50 stocks. During this stage, direct company contact, including onsite visits, is undertaken in order to assess operational plans, expertise in resource extraction and quality of management. The assessment of management is somewhat of a twofold assessment, where E.I.M. also seeks to ensure that company management is adequate to drive the organic growth potential of the company. That said, to a certain extent E.I.M.'s assessment of company management is reflected in the valuation produced (i.e. more aggressive growth is factored in when E.I.M. has a high conviction that management has the ability to deliver such growth from an available suite of projects with resources).

Value Ranking

The manager then draws on the valuations prepared in the initial assessment and ranks the companies on the basis of the value differential between the market value of a company and its assessed intrinsic value. Those companies that display the deepest discount to current price are the most likely to be included in the final portfolio.

There has been no change to the Fund's investment process since the last review.

Portfolio Construction

The portfolio will typically hold 20 stocks (at 31 May 2009 the fund held 20 stocks). When constructing the portfolio, E.I.M. seeks to include those companies that rank highest on the value ranking (i.e. whose share price is currently displaying the greatest discount to valuation), whilst maintaining a minimum of two stocks in each of the five resource sub-sectors. The manager has indicated to Lonsec that it does not expect situations to arise where a particular sub-sector (for example gold) appears so expensive that the minimum number of two stocks cannot be found, given the continuing likelihood of new entrants into the sector. In the event that this situation did arise and E.I.M. was not able to fulfil its investment mandate in any material way, E.I.M. is required to consult with Officium on how to proceed based on the constitution of the Fund and what was considered to be in the best interests of unit holders.

Lonsec notes that, when selecting stocks from the value ranking, E.I.M. bases the decision purely on the greatest discount to current price, and as such qualitative components (such as the assessment of company management) are not taken into account. Rather, this assessment forms part of the selection of the 'Focus List'. Initial investments will be approximately 5% of total portfolio value, and the portfolio will aim to be 96% - 100% invested. The manager views 'emerging producer' stocks as long-term investments, and as such portfolio turnover will likely be low.

Ongoing investment monitoring

The portfolio is reviewed on an ongoing basis through regular Investment Committee meetings (formally once a month but informally every business day). The ongoing monitoring process seeks to continuously review the Focus List and portfolio of stocks in light of the most relevant and up-to-date information.

Lonsec believes that the E.I.M. investment process is based on sound fundamentals that aim to identify the most undervalued stocks within a specific sector.

There have been no major changes to the portfolio construction process since Lonsec's last review.

Stock Selling

The Investment Manager will generally sell an investment for three reasons: if, (1) the original reasons for an investment in a company no longer apply because of a change in its business plans, (2) the company in the portfolio has moved from being undervalued, according to the Investment Manager's analysis, to being overvalued, or (3) a company remains undervalued but the Investment Manager's analysis shows that there is an alternative investment available at a deeper discount to its appraised value.

Stock Turnover

The E.I.M. aim to have an average annual stock turnover within the portfolio of approximately 20% to 35%. In the 12 months to 31 May 2009, the portfolio had a turnover of approximately 30% or 6 of the portfolios 20 stocks.

Gearing

Although gearing is allowed under the Fund's Constitution, it is the Responsible Entity's intention that the Fund will not undertake any direct borrowing.

However, the underlying investments of the Fund may have direct or indirect exposure to debt.

Risks

The ERCSF is exposed to the standard investment risks such as economic risks and risks associated with domestic and international markets, free trade arrangements, and the legal, tax, and regulatory environments. In addition to the usual general investment risks, some specific risks which may affect the manager and the investment product include:

- Licensing Requirements:** The ability of E.I.M. to continue to carry out its funds management duties is dependent on E.I.M. continuing to hold its Australian Financial Services Licence (AFSL) which requires the manager's continual compliance with ASIC imposed licence conditions and the Corporations Act.
- Business Risk:** E.I.M. Capital Managers is a relatively new entity with a small level of funds under management. E.I.M.'s prospects are heavily dependent on the success of this fund and the manager's ability to build FUM.
- Key Person Risk:** Significant key person risk surrounds E.I.M.'s Managing Director and key stake holder Tony Wiggins who, in Lonsec's view, is the key driver of performance. That said, this risk is to a certain extent mitigated by the ownership structure in place, and Lonsec considers the departure of Wiggins over the short-term to be unlikely.
- Investment Committee Risk:** Lonsec notes that E.I.M. has put in place contractual agreements to mitigate the risk of members of the Committee departing. However, the loss of key Committee members could have a detrimental impact on E.I.M.'s ability to manage this product.
- Commodity Risk:** Changes in the price of natural resources can directly affect earnings and valuations of stocks held in the portfolio. Share prices of raw material producers can also be influenced indirectly by commodity price movements as investors attempt to anticipate the likely duration and direction of future changes.
- Liquidity Risk:** Liquidity risk may occur where the Fund is seeking to buy shares where there is insufficient shares being offered for sale, or where the Fund wishes to sell stock when there is insufficient demand to allow the transaction to proceed. Low levels of liquidity may result in increased price volatility. The Fund may invest in the securities of emerging natural resources companies which have a lower level of capitalisation than longer established natural resources companies. The securities of companies with a lower level of capitalisation may have a lower degree of liquidity and may experience increased price volatility.
- Execution Risk:** Since all companies in which the Fund is investing are engaged in the development of new projects or significant expansions of existing operations, investment performance will depend on the ability of company management to execute business development plans and reach key milestones in line with pre-announced timelines. Failure to execute according to plan may have a negative impact on the value of shares held in the portfolio.
- Underlying Investment Risk:** Investors must be aware of the significant risk inherent in the underlying companies in which the fund invests. E.I.M. aims to diversify away this risk, and allocate only to quality companies. However, investors must acknowledge that companies within the emerging sector are typically exposed to elevated business risk because of their phase in the business cycle. Through only investing in companies within the emerging resources sub-sector, the Fund remain exposed to various risks (including the going-concern) associated with the underlying companies.

Performance

Whilst absolute performance of the Fund was impacted heavily by the broader market collapse in mid-late 2008 (-30.1% over the 12 months to June 2009), the Fund's relative performance is encouraging, especially over the longer term. The Fund has performed closely in line with its objectives over the 3 years to June 2009, achieving an excess return of 6.7% pa, above the benchmark S&P/ASX 300 Resources Accumulation Index.

The volatility of returns exhibited over the last three years has been moderately high, at 38.3% (standard deviation % pa), but this not considered excessive given the portfolio's universe of emerging producers that are typically small to mid-cap stocks, with high individual volatility.

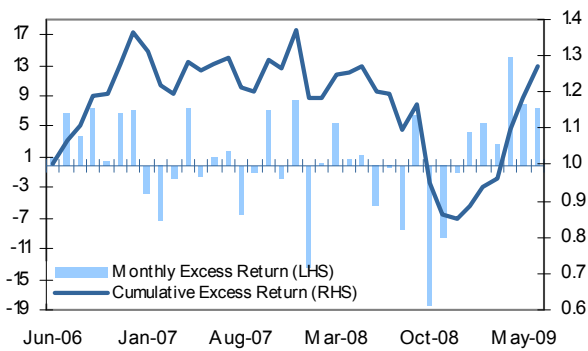
In respect to the emerging resource companies in which the fund invests, Lonsec believes that the impact of the global recessionary environment will be felt most significantly by the smaller, and especially, higher cost producers. These companies are likely to experience eroded profits under potentially falling or low commodity prices and persistently constrained credit markets. As a result of this, stock selection will be more than usually critical and, after widespread price declines in 2008, share price recovery opportunities are likely to be constrained. Despite this, Lonsec has confidence in the strategy and ability of the Manager to drive outperformance by focussing on a relatively small number of companies (thereby minimising the impact of any potential shortage of investment targets) depending on their organic growth profiles for their valuation upside.

Potential investors in this fund must clearly understand the risk return profile of this asset class, which typically has high to very-high levels of volatility. Whilst the fund has been impacted by macro economic issues over the last 12-24 months, longer term performance is relatively in line with objects (i.e. a return greater than 10%) with a 11.1% p.a over 3 years. Lonsec believes this clearly reflects the value add by the fund manager.

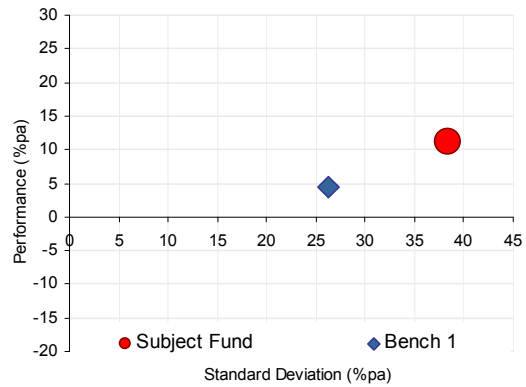
Quantitative Performance Analysis								
Annualised after-fee % Returns as at 30 June 2009								
	1 Year		2 Years		3 Years		5 Years	
	Fund	Peer Group	Fund	Peer Group	Fund	Peer Group	Fund	Peer Group
Performance (% pa)	-30.1	-	-8.8	-	11.1	-	-	-
Standard Deviation (% pa)	53.9	-	45.5	-	38.4	-	-	-
Excess Return (% pa)	0.3	-	-3.1	-	6.7	-	-	-
Outperformance Ratio (%)	58.3	-	58.3	-	61.1	-	-	-
Worst Drawdown (%)	-60.9	-	-63.1	-	-63.1	-	-	-
Time to Recovery (mths)	na	-	na	-	na	-	-	-
Sharpe Ratio	-0.7	-	-0.3	-	0.1	-	-	-
Information Ratio	0.0	-	-0.1	-	0.3	-	-	-
Tracking Error (% pa)	31.4	-	26.2	-	23.7	-	-	-

Benchmark: S&P/ASX 300 Resources Accumulation Index Figures to (Aug-09)

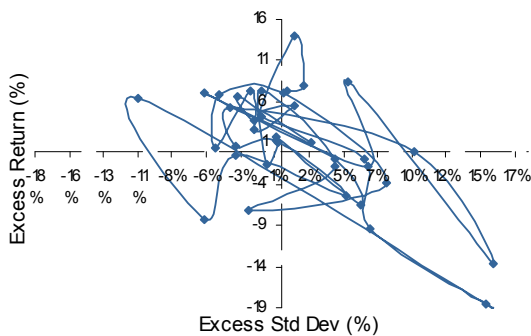
Cumulative Performance over three years



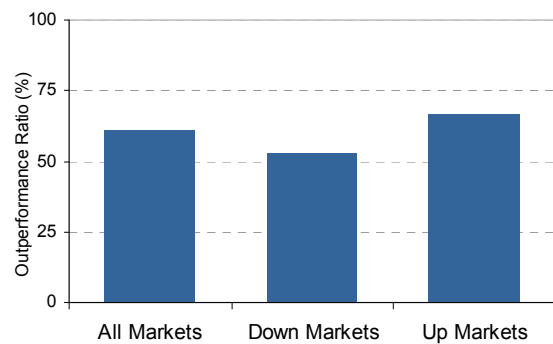
Risk Return Chart over three years



Snail Trail over three years



Outperformance Consistency over three years



Glossary

Absolute Return	'Top line' actual return, after fees
Excess Return	Return in excess of the benchmark return
Standard Deviation	Volatility of monthly Absolute Returns
Tracking Error	Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns)
Sharpe Ratio	Absolute reward for absolute risk taken (outperformance of the risk free return (Bank Bills) / Standard Deviation)
Information Ratio	Relative reward for relative risk taken (Excess Returns / Tracking Error)
Worst Drawdown	The worst cumulative loss ('peak to trough') experienced over the period assessed
Time to Recovery	The number of months taken to recover the Worst Drawdown

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Date Prepared: 17 August 2009
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Release Authorised by: Jim Blackburn

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