

Responsible Entity

Officium Capital Limited
ABN 13 108 747 637
AFS Licence No. 275101
Unit 3, 249 Coronation Drive
Milton, QLD 4064
Phone: (07) 3876 4333
www.officiumcapital.com.au

Investor Services

PO Box 1692
West Perth WA 6005
Phone: 1300 781 247
Fax: (08) 9485 1711

Investment Manager

E.I.M. Capital Managers Pty Ltd
ABN 28 101 508 632
AFS License No. 261989
97 Kooyong Road
Armadale Vic 3143
Phone: 03 9509 9347
www.eimcapital.com.au
info@eimcapital.com.au

Custodian

Bond Street Custodians Limited
ABN 57 008 607 065
Level 22, 20 Bond Street
Sydney NSW 2000

The Product Disclosure Statement (PDS) for the E.I.M. Capital Managers Emerging Resources Company Share Fund (ARSN 118 630 541) contains important information to assist prospective investors to decide if they should invest in the Fund. The PDS should be read carefully. In reading the PDS, prospective investors should be aware that the PDS does not take into account their individual investment objectives, financial situation or particular needs. Before making an investment decision, investors should obtain independent financial advice.



MAY 2010 PERFORMANCE REVIEW

The net asset value of the Emerging Resources Company Share Fund fell by 12.17% in May. Since the inception of the Fund in April 2006, the value of the Fund has increased at an annualized rate of 7.65%.

Background market conditions weakened significantly.

- The S&P/ASX 300 index fell by 7.9%. The average fall in ASX listed resource stocks was 12.1%. The median fall in resource sector stock prices was 14.1%.
- There were falls of 16-16½% in the prices of zinc, lead and nickel. Copper and aluminium prices were 7% lower.
- Among the precious metals, gold prices rose 2.4%. Silver and platinum prices fell by 0.5% and 10.5%, respectively, reflecting the greater industrial orientation in their uses.
- Crude oil prices were 14.1% lower.

On 2 May, the Australian government moved to increase the tax payable on resource sector profits. The tax, if implemented in the form foreshadowed, would reduce the value of companies with existing or proposed mining operations in Australia. Operations outside Australia would not be affected. Oil and gas producers were already subject to resource rent tax arrangements limiting the negative impact on their operations.

Two-thirds of the value of the Fund portfolio is made up of companies whose primary development asset is outside Australia or which would have been covered by the resource rent tax for the oil and gas sector.

The manager of the Fund concluded that its valuation of Macarthur Coal should be reduced as a result of the government's resources tax initiative and that the tax would also jeopardize the takeover proposal previously received by the company from Peabody Energy. Following this assessment, the manager moved to sell the Fund's entire holding in Macarthur Coal which it did at an average price of \$13.75 a share (16% above the closing price at the end of the month).

Of the 21 stocks in the portfolio during the month, the value of 18 declined and the value of two stocks increased. Independence Group was added to the portfolio.

Independence Group is a WA-based nickel miner with production costs less than half recent nickel prices. It also has a 30% interest in the Tropicana gold mine development north of Kalgoorlie. The Tropicana joint venture is targeting annual output of around 350,000 ozs of gold with production slated to commence in 2013. The company also has several base metal exploration targets in WA.

3D Oil made a positive contribution to investment performance. Weakness in the 3D Oil share price has been referred to in Fund reports for the previous several months. In May, the share price appeared to stabilize and improved slightly.

Platinum Australia, Overland Resources, Sundance Resources and Terramin Australia made the largest negative contributions to investment performance.

As a result of recent base metal price movements, the gap between current prices and industry production costs has become narrower in the case of zinc than for the other base metals. This might partly explain the relative share price performance of zinc mine developers such as Terramin Australia and Overland Resources.

Share price movements during the month tended to reflect a broad range of macroeconomic conditions, policy influences and price movements in the underlying commodities to which the companies are exposed. Consequently, the share prices of gold and copper producing companies, for example, performed better than those of zinc and nickel producers within an overall weakening market. There was little company specific information affecting portfolio investments during the month to offset the effect of the negative influences.

Of the five commodity segments into which the Fund is divided, the gold group fell the least (-5.4%), followed by a 7.8% fall in the oil and gas stocks. Steelmaking and coal (-14.4%), nonferrous metals (-16.1%) and industrial minerals (-18.1%) subtracted most from the Fund investment performance.

