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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.



JUNE 2010 PERFORMANCE REVIEW

The net asset value of the Emerging Resources Company Share Fund fell by 4.33% in June and by 2.58% over the 12 months ended June 2010. Since the inception of the Fund in April 2006, the value of the Fund has increased at an annualized rate of 6.36%.

Background market conditions continued to weaken during the month although the pace of deterioration decelerated.

- The S&P/ASX 300 index fell by 3.0%. The average fall in ASX listed resource stocks was 7.4%. The median fall in resource sector stock prices was 9.1%.
- All the main daily traded base metal prices were lower by between 5% and 10%.
- Gold and silver prices rose by 3.5% and 1.1%, respectively. Platinum prices fell by 1.5%.
- Crude oil prices rose 1.7%.

Of the 20 stocks in the portfolio during the month, the value of eight holdings increased and the value of 10 declined. All the shares held in Western Australian gold miner Avoca Resources were sold by the Fund after the share price and output targets set for the company had been reached.

The stock that made the largest positive contribution to investment performance was Horizon Oil. The two stocks that subtracted most from portfolio value were Overland Resources and Carrick Gold.

Lower zinc prices would have contributed to the weakness in the Overland Resources share price. Since the company has the lowest market capitalization of any of the stocks in the portfolio, low market liquidity frequently adds to share price volatility.

The Carrick Gold share price was weaker, despite higher gold prices, because a large international institution and one of the company's largest shareholders was an ongoing seller of stock through the month.

As was widely reported, the entire board of Sundance Resources, a holding in the Fund, was killed in a plane crash in west Africa. Following the crash, the stock was suspended from trading until a new board could be installed. Meanwhile, a group of strategic advisers familiar with the company have been appointed to assist the surviving managers.

The plane crash highlighted some of the personal dangers confronting developers of mines as well as some of the investment risks. Taking account of these and other risks is a vital part of any valuation analysis. The manager uses a multi factor model to reflect the unique range of potential risks confronting each company it analyses. As it happens, Sundance Resources carries the largest risk adjustment of any stock held in the portfolio.

Development of the company's west African iron ore project could be delayed due to the loss of senior company personnel. Even so, west Africa is shaping up as one of the world's major iron ore provinces with Sundance Resources capable of generating significant value for shareholders, after taking account of the evident risks, through development of its deposits straddling the Congolese and Cameroon borders.

The managing director of Bauxite Resources, another portfolio holding, left the company without notice during the month. His resignation followed the failure of the company to have its proposed mining activities approved by the relevant environmental regulatory bodies in Western Australia. After the company had failed to clarify the circumstances surrounding the resignation and amid doubts about its ongoing business strategy, the manager decided to sell its holding in the company. The bulk of the holding had already been sold when litigation funding firm IMF (Australia) announced it was prepared to pay for a legal action against the company on behalf of investors who had participated in a capital raising by the company in October 2009. The value of the company fell a further 25% after this announcement.

Of the five commodity segments into which the Fund is divided, the steelmaking and coal segment was the only one to increase in value (up 1.2%). Oil and gas stocks within the portfolio declined in value by 1.7%, industrial minerals stocks fell 7.1%, the nonferrous metals group dropped 8.5% and gold stocks fell 11.4%.

