

# Leveraged Investment Companies Fund

## Performance Report December 2009

### Fund Information

<b>Fund Size</b>	\$15.3M	<b>Domicile</b>	Australia
<b>Strategy</b>	Geared Australian equities	<b>Denomination</b>	Australian dollar
<b>Style</b>	Long-only	<b>Management Fee</b>	1.10%
<b>Unit Price</b>	Buy: \$0.7994    Sell: \$0.7938	<b>Performance Fee</b>	Nil
<b>Liquidity</b>	Monthly	<b>Inception date</b>	8 August 2005

Fund Performance	1 month	3 months	6 months	1 year*	2 years*	3 years*	Since inception*
	1.2%	1.9%	31.0%	55.8%	-31.2%	-17.8%	-0.11%

\*Annualised figures, assume no reinvestment of distributions.

### Manager Commentary

The December quarter of 2009 witnessed stabilisation of the Australian share market with mixed performance across many sectors. The Financials Sector performed poorly -2.6%, whilst the Consumer Discretionary and Industrial Sectors were flat, performing +0.3% and -0.01% respectively. The Resources sector continued its strong growth at +9.8% for the quarter. The Fund performance for the December quarter was +1.9% compared to the Index of +3.4%.

Strong performers within the portfolio included:

- Choiseul Investments Limited (CHO) +5.4%;
- Hunter Hall Global Value Limited (HHV) +5%;
- Brickworks Investment Company Limited (BKI) +4%;
- Milton Corporation Limited (MLT) +3.2%; and
- Australian Foundation Investment Company Limited (AFI) +3.2%.

Poor performances that weighed down the portfolio's overall performance for the quarter were:

- Premium Investors Limited (PRV) -8.3%;
- Contango Microcap Limited (CTN) -6.9%; and
- Century Australia Investments Limited (CYA) -3.3%.

The negative effects from the Global Financial Crisis continue to abate and investor confidence has continued to improve. The Reserve Bank of Australia (RBA) increased the official cash rate during the quarter, with increases of 25bps in each of the October, November and December. These increases reflect the RBA's view that the Australian economy continues to normalise and return to trend growth. The Westpac-Melbourne Institute Index of Consumer Sentiment recorded a "modest fall" of 3.8% in December; whilst the National Australia Bank Business Confidence Index increased by 3 points reaching its highest level since May 2002.

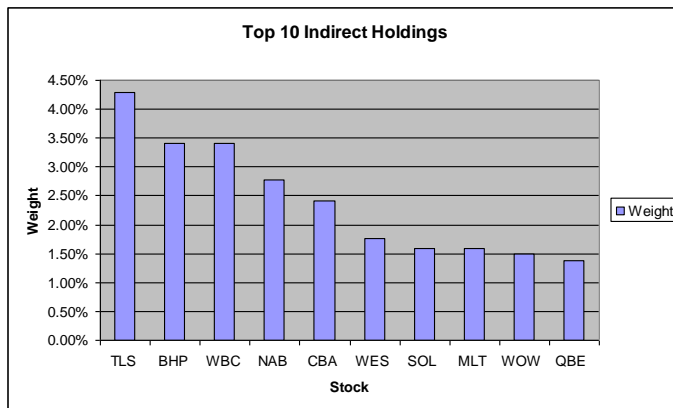
The loan to value ratio (LVR) at quarter end was 40.27%. This was lower than previous quarters as we anticipate lower dividends from the portfolio for the financial year ending 30 June 2010 and match this with the Fund's borrowing covenants.



The companies we currently hold are:

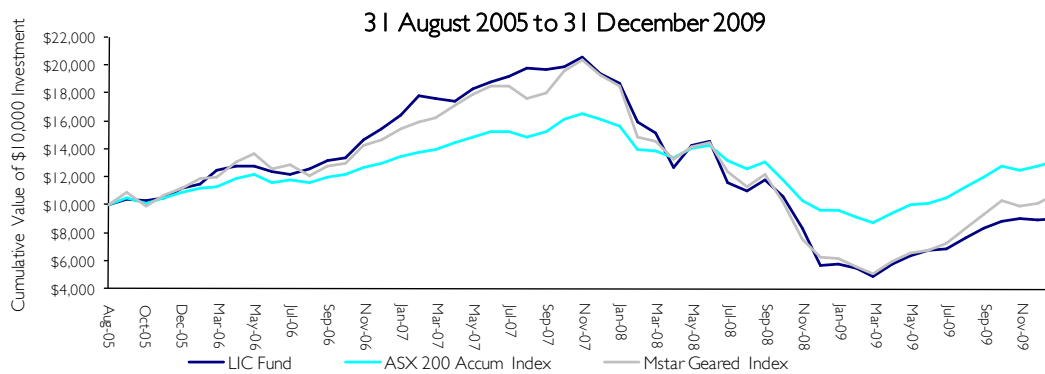
- Australia Foundation Investment Company Ltd (AFI)
- Argo Investments Ltd (ARG)
- Brickworks Investment Company Ltd (BKI)
- Choiseul Investments Ltd (CHO)
- Century Australia Investments Ltd (CYA)
- Contango Microcap Ltd (CTN)
- Diversified United Investment Ltd (DUI)
- Milton Corporation Ltd (MLT)
- Premium Investors Ltd (PRV)
- Whitefield Ltd (WHF)
- Wilson Investment Fund Ltd (WIL)
- SPDR S&P/ASX200 Fund (STW)

## Top 10 indirect holdings ~ 25% of portfolio



Source: IRESS, Company Announcements, Centric estimates

Since the first full month from inception, the Fund has delivered a compound return of -0.1% per annum, compared to the Morningstar Australian Large Cap Geared Index return of 1.9% per annum and the S&P/ASX 200 Accumulation Index of 6.8% per annum for the same period.



Note: "Cumulative Value" assumes reinvestment of distributions.

## Return / Risk Statistics

### Annualised since inception (% pa)

Return -0.11%  
 Monthly Standard Deviation 30.90%

### Worst month performance – November 2008

LIC Fund -32.1%  
 S&P/ASX200 Accum. Index -6.2%  
 Morningstar Geared Index -17.3%

### Disclosure

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Returns are accumulated calculated on the basis of end of month redemption prices and are net of investment management fees and expenses. Returns are pre-tax and assume no reinvestment of income. The returns represent past performance only and are not indicative of future performance. The value of an investment may rise or fall with changes in the market.