

Leveraged Investment Companies Fund

Performance Report June 2009

Fund Information

Fund Size	\$12.1M	Domicile	Australia
Strategy	Geared Australian equities	Denomination	Australian dollar
Style	Long-only	Management Fee	1.10%
Unit Price	Buy: \$0.6098 Sell: \$0.6056	Performance Fee	Nil
Liquidity	Monthly	Inception date	8 August 2005

Fund Performance	1 month	3 months	6 months	1 year*	2 years*	3 years*	Since inception*
	2.5%	20.2%	19.1%	-49.4%	-61.9%	-35.1%	-5.9%

*Annualised figures, assume no reinvestment of distributions.

Manager Commentary

The final quarter of the financial year witnessed the best quarterly rise by the Australian market for 8 and a half years. The Fund performance for the quarter was +20.2%, despite the Listed Investment Companies Fund (LIC) performance for June being only +2.5% against the Index being +4% over the month.

This underperformance was due, in essence to the fact that larger (LIC) generally had a poor month with Argo Investments Ltd (ARG) -2.4%, Brickworks Investment Company Limited (BKI) -0.94%, Milton Corporation Limited (MLT) -0.27% and a positive performance of 1.6% from Australian Foundation Investment Company Limited (AFI). Overall, this would appear to be the result of investors chasing high beta stocks as the impact of the Global Financial Crisis subsided and ignoring less exciting but still good quality investments such as listed investment companies.

The Reserve Bank of Australia made its last cut to the cash rate in April and credit spreads eased substantially over the quarter despite a small uptick in June. This reflected the fact that the Australian economy has come through the Global Financial Crisis in remarkably good condition, with unemployment lower than predicted at 5.8% at quarter end and consumer confidence at its best level for three years.

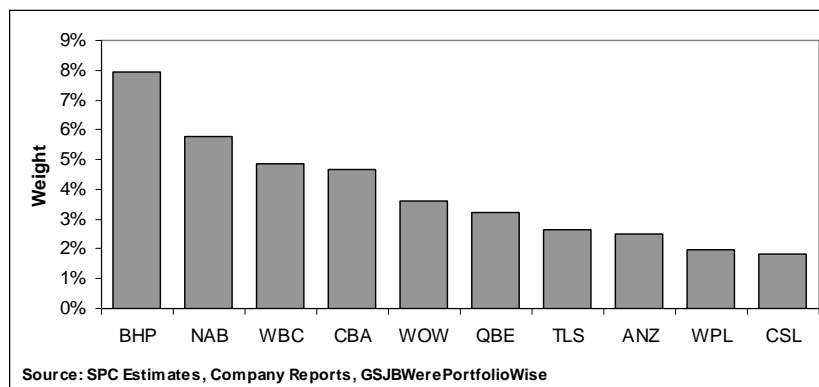
The loan to value ratio (LVR) at quarter end was 44.25%. This was lower than prior quarters as we anticipated lower dividends from the portfolio for the financial year to 30 June and must match this with the Fund's borrowing covenants.



The companies we currently hold are: Australia Foundation Investment Company Ltd, Argo Investments Ltd, Brickworks Investment Company Ltd, Choiseul Investments Ltd, Century Australia Investments Ltd, Contango Microcap Ltd, Diversified United Investments Ltd, Hunter Hall Global Value Ltd, Milton Corporation Ltd, Premium Investors Ltd, Whitefield Ltd, Wilson Investment Fund Ltd, and SPDR S&P/ASX200 Fund.

Since the first full month from inception, the Fund has delivered a compound return of -5.9% per annum, compared to the Morningstar Australian Large Cap Geared Index return of 1.4% per annum and the S&P/ASX 200 Accumulation Index of 1.8% per annum for the same period.

Top 10 indirect holdings ~ 39% of portfolio



Return / Risk Statistics

Annualised since inception (% pa)		Worst month performance – November 2008	
Return	-5.9%	LIC Fund	-32.1%
Monthly Standard Deviation	31.8%	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.