

AUSTRALIAN

RESEARCH



Contents

This is an extract from the Listed Managed Investments December 2008 Quarterly Review

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LinQ Resources Fund (LRF)



LMI Type	Investment Assets	Investment Area	Investment Sectors
Listed Investment Trust	Listed and Unlisted Companies	Australian and International	Resources

Company Details

LRF invests mainly in Australian and international small- to medium-sized listed resource companies at all stages of development, from exploration to production. Established in March 2002 as the Golden Arrow Fund II and managed by the Rothschild Australia Group, the management of the Fund was bought out by LinQ Capital's current Managing Director in 2004.

Board

G Toll (Chairman), C Donner, B Camarri, G Fariss, N Lattimore, J S Baker

Investment Philosophy

LRF believes a concentrated portfolio of carefully chosen resource companies at various stages of development can generate absolute returns. By focusing on companies in their earlier stages of development, there is significant opportunity for high returns.

Style and Process

LRF has developed a unique method of investing by combining convertible notes and loans with equity to manage risk and returns. Through its structuring of convertible notes, LRF has the capacity to minimise downside risk and generate yield with potential equity upside. Selection of securities relies upon the manager running a series of quantitative and qualitative assessment methods over prospective candidates. A significant part of the due-diligence process relies upon utilising management's existing industry contacts and experience in this style of investing. LRF has historically provided high dividend yields.

Investment Team

Clive Donner, BCom: Managing Director; Jason Brewer, M.Eng(Hons), ARSM: General Manager; Duncan Hughes, BSc (Hons): Senior Analyst; Pierre Malherbe, M.Comm: Senior Manager.

Aegis Comments

LRF is a relatively unique listed investment trust (LIT), providing investors with diversified exposure to Australian and international small- to medium-sized resource companies at various stages of development, with a high portion of the portfolio invested in producing or near-producing assets. Over the December quarter, LRF was impacted by the slump in the Resources sector; its portfolio value (pre-tax NTA plus dividends) fell by 38.3%, compared to a 31.1% decrease in the benchmark (ASX Small Resources Accumulation Index). The most significant underperforming commodities were energy, ferrous and base metals and the main underperforming stocks were Atlas Iron and Riversdale. Going forward, Aegis has a cautious outlook on the Resources sector. Since December, these stocks have increased in value, but risks remain. Commodity prices will depend on the pace of world (especially Chinese) economic growth on the demand side and the impact on capacity as higher-cost producers exit on the supply side. While LRF will be vulnerable to continued share-price weakness amongst junior miners, the investment in convertible notes may offset (to some degree) a decline in capital value; however, these instruments still carry risk, as they rank behind debt. As at 31 December 2008, LRF was trading at a discount to pre-tax NTA of 51%. In February, LRF announced it would discontinue the off-market withdrawal facility, given the current debt markets. In our view, this makes it more difficult for investors to sell units closer to pre-tax NTA per unit.

Key investment information



RATING	Investment Grade
Price (\$)	0.31
As at 6 March 2009	
Market Cap (\$M)	71.9
Shares On Issue (M)	232.0
Shares Traded (\$M p.a.)	92.4
12-month L/H (\$)	0.30/1.54
Listing Date	January 2005

Fees

Management Fee (%)	1.75
Performance Incentives* (%)	20.0

*Outperformance of S&P/ASX Small Resources Accumulation Index with high watermark.

Pre-Tax NTA Performance Analytics (including dividends) ¹

	ASX Small		All Ords Acc	
	Res. Acc	3 Yr	All Ords Acc	3 Yr
	1 Yr	(p.a.)	1 Yr	(p.a.)
Excess Per. (%)	(9.08)	(9.28)	(22.93)	(2.74)
Beta	1.06	0.99	2.07	1.75
TE (%)	21.35	22.41	40.41	31.91
IR	(0.43)	(0.41)	(0.57)	(0.09)

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and will understate portfolio performance.

Dividend Yield (%)

FY06	FY07	FY08
21.74uf	27.36uf	58.12uf

Substantial Shareholders (%)

LinQ Resources Fund No 2	29.2
Austral Australia Resources & Infrastructural Investments Pty Ltd	13.8

As at 31 December 2008

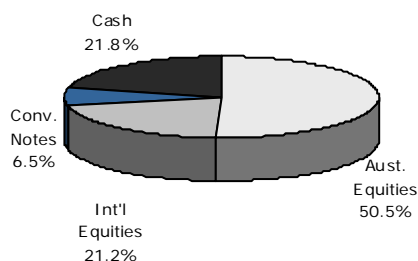
Company contact



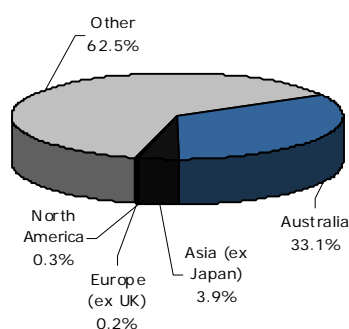
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Sector	Industry Group	Industry	Sub Industry
Financials	Diversified Financials	Diversified Financial Services	Other Diversified Financial Services

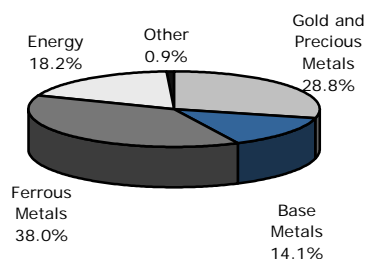
Asset Weighting



Country Weighting (Equities Component)



Note: by major project location
Sector Weighting



Source all figures:
LRF/Aegis Equities Research/IRESS

All data as at 31 December 2008 unless otherwise specified

Other Data

Options	20.1M (B and C Class)
Dividend policy	Distribution of all net taxable income of the Fund on an annual basis.
Capital management policy	LRF has discontinued the off-market withdrawal facility, given the current debt markets. This will be reviewed once when global equity markets have stabilised. LRF will continue with an on-market buyback and weekly publication of its NTA.
LIC tax concessions	No
DRP available	DRP Available

LRF's Portfolio (Top 10)

Company	Country	Portfolio (%)
Ferrous Resources	International	18.67%
Lihir Gold	International	16.64%
Riversdale Mining Ltd	International	11.08%
Atlas Iron Ltd	Australia	9.91%
CopperCo Ltd	Australia	5.31%
China Gold Mines Ltd	International	1.91%
Independence Group NL	Australia	1.90%
Millennium Minerals Ltd	Australia	1.80%
Crescent Gold	Australia	1.72%
Western Areas	Australia	1.42%
		70.4%

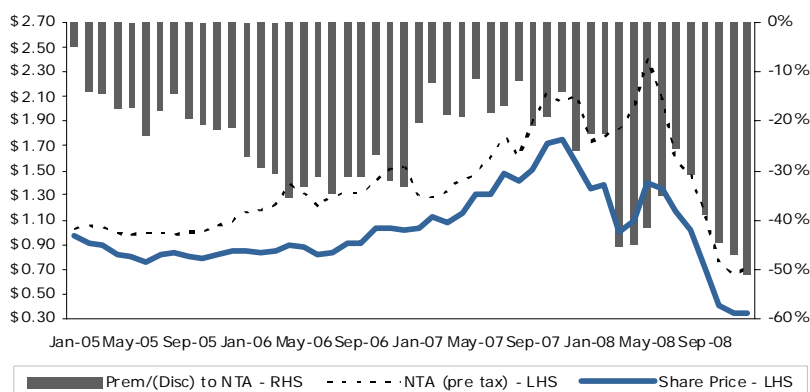
Tax-Based Returns on Share Price and Dividends

	Fund		All Ords Acc	
	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)
No Tax (0%)	(74.7)	(18.4)	(39.6)	(3.0)
Super Fund (15%)	(75.2)	(19.6)	(40.1)	(3.8)
AWOTE* (30%)	(75.7)	(20.8)	(40.6)	(4.6)
Max Tax Rate (46.5%)**	(76.2)	(22.0)	(41.2)	(5.4)

*Marginal Tax rate for worker on the Average Wage OTE rate + Annualised

** Max Tax Rate of 46.5% used from July 2006 (48.5% used prior to July 2006)

NTA & Share Price Performance





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