

AUSTRALIAN

RESEARCH



Contents

This is an extract from the Listed Managed Investments
December 2009 Quarterly Review

For Advisers Only

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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. In May-09, the RE announced its shift towards a more active role in the control and management of some of its investments, which it expects should provide unitholders with greater potential for upside. Consequently, it became a trading trust, effective 30 June 2009, for tax purposes.

Investment Team

Clive Donner, BCom: Managing Director; Richard Proctor, BSc (Eng), MBA, C Eng: General Manager; Karen Lloyd, BSc (Hons), MBA MAusIMM: Analyst; Pierre Malherbe, M.Comm: Senior Manager.

Aegis Comments

LRF is a unique listed investment trust, giving investors a 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 saw its portfolio value (pre-tax NTA plus dividends) increase 13.5% versus a 10.8% increase in the S&P/ASX Small Resources Accumulation Index. Over the December quarter, commodity prices rose strongly in US\$ terms, partly offset by the dampening effect of a rising A\$ exchange rate. Aegis maintained its neutral outlook on the metals and mining sector in its March 2010 quarter Strategy Outlook report. As western economies continue to recover, albeit at various rates, combined with an ongoing strong outlook for Chinese and Indian economic growth, the outlook for the resources component of the materials sector is encouraging. While investing in junior miners carry relatively higher risk, LRF's investment in convertible notes and more active involvement in the management of some of these investments may reduce some of these risks. As at 31 December 2009, LRF was trading at a discount to pre-tax NTA of 37.6%. The discontinuation of the off-market withdrawal facility makes it harder for investors to sell units closer to pre-tax NTA per unit. However, there is an on-market buyback in place.

Key investment information



RATING	Investment Grade
Price (\$)	0.60
As at 1 March 2010	
Market Cap (\$M)	143.0
Shares On Issue (M)	238.3
Shares Traded (\$M p.a.)	28.4
12-month L/H (\$)	0.28/0.66
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 Res. Acc		All Ords Acc	
	1 Yr	3 Yr (p.a.)	1 Yr	3 Yr (p.a.)
Excess Per. (%)	(44.44)	(14.82)	4.27	(6.19)
Beta	0.63	0.98	(0.10)	1.35
TE (%)	15.91	23.40	26.35	34.70
IR	(2.79)	(0.63)	0.16	(0.18)

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

Dividend Yield (%)	FY07	FY08	FY09
	27.11uf	31.83uf	1.59uf

Substantial Shareholders (%)

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

As at 31 December 2009

Company contact



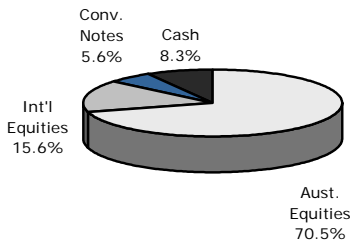
Clive Donner
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Sector	Industry Group	Industry	Sub Industry
Financials	Diversified Financials	Diversified Financial Services	Other Diversified Financial Services

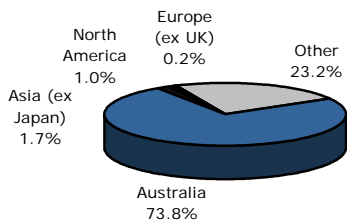
Asset Weighting



Other Data

Options	10.1M (C Class)
Distribution policy	As part of LRF's shift towards a more active role in its investments, distributions will be franked if franking credits are available. Annual distributions are determined by reference to the return on the fund's investment portfolio and investment capital requirements.
Capital management policy	LRF is currently able to undertake share buybacks of up to 10% of issued capital.
LIC tax concessions	Not applicable
DRP available	Yes

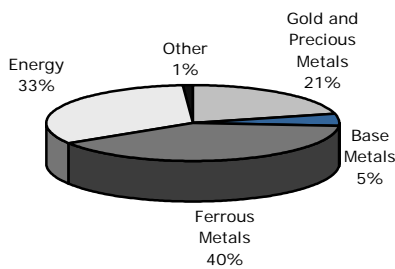
Country Weighting (Equities Component)



LRF's Portfolio (Top 10)

Company	Country	Portfolio (%)
Riversdale Mining Ltd	International	23.16%
Atlas Iron Ltd	Australia	21.11%
Ferrous Resources Ltd	International	16.28%
Lihir Gold Limited	International	13.24%
Continental Coal Ltd	International	6.71%
Millenium Minerals Ltd	Australia	2.75%
Zambezi Resources Ltd	International	2.53%
Independence Group NL	Australia	2.14%
Alliance Resources Ltd	Australia	1.68%
Western Areas	Australia	1.60%
		91.20%

Note: by major project location
Sector Weighting



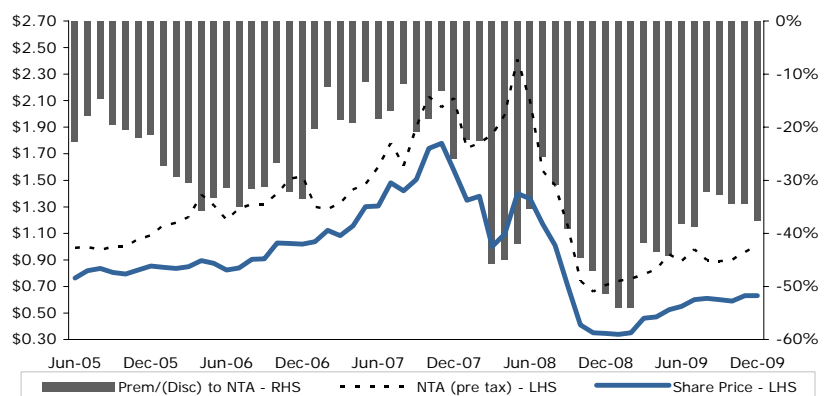
Tax-Based Returns on Share Price and Dividends

	Fund		All Ords Acc	
	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)
No Tax (0%)	86.2	(6.3)	41.6	0.7
Super Fund (15%)	85.7	(7.6)	40.3	(0.1)
AWOTE* (30%)	85.1	(9.0)	39.0	(1.0)
Max Tax Rate (46.5%)**	84.5	(10.2)	37.8	(1.8)

*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



Source all figures:
LRF/Aegis Equities Research/IRESS

All data As at 31 December 2009 unless otherwise specified

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