

AUSTRALIAN

RESEARCH

MANAGED INVESTMENTS ANALYSIS

Listed Managed Investments

June 2009 Quarterly Review

Equity markets rebound as positive signs emerge and confidence improves

EXTRACT

Contents

This is an extract of the Listed Managed Investments June 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 that LRF intends to shift towards a more active role in the control and management of some of its investments, which it expects should provide unit holders with greater potential for upside.

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, 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 June quarter, LRF benefitted from the bounce in the Resources sector; its portfolio value (pre-tax NTA plus dividends) grew by 13.9%. However, this was below the 32.1% increase in the benchmark due in part to LRF's holdings of cash and convertible notes. The best performing stocks in the portfolio were LRF's strategic investments in Riversdale Mining and Atlas Iron. The largest negative contributor was Lihir Gold. Aegis has maintained its neutral outlook on the Resources sector. Commodity prices will depend on the pace of world (particularly Chinese) economic growth on the demand side and the impact on capacity as higher-cost producers exit on the supply side. While investing in junior miners carry a 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 30 June 2009, LRF was trading at a discount to pre-tax NTA of 38.2%. This discontinuation of the off-market withdrawal facility makes it harder for investors to sell units closer to pre-tax NTA per unit.

Key investment information



RATING	Investment Grade
Price (\$)	0.59
As at 4 September 2009	
Market Cap (\$M)	140.2
Shares On Issue (M)	237.7
Shares Traded (\$M p.a.)	18.2
12-month L/H (\$)	0.28/0.90
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. (%)	(21.30)	(11.21)	(35.00)	0.64
Beta	0.95	0.97	1.56	1.51
TE (%)	15.86	23.56	37.24	33.80
IR	(1.34)	(0.48)	(0.94)	0.02

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

Dividend Yield (%)

	FY07	FY08	FY09
	31.05uf	36.45uf	1.82uf

Substantial Shareholders (%)

LinQ Resources Fund No 2	28.5
Austral Australia Resources & Infrastructural Investments Pty Ltd	13.5

As at 30 June 2009

Company contact



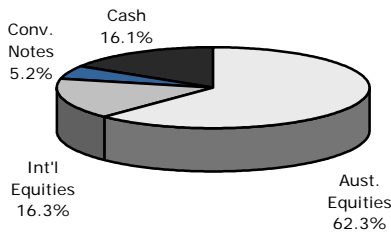
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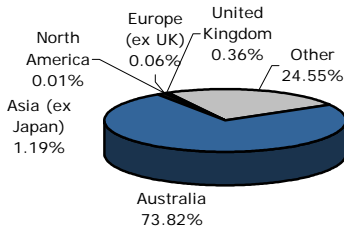
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Sector	Industry Group	Industry	Sub Industry
Financials	Diversified Financials	Diversified Financial Services	Other Diversified Financial Services

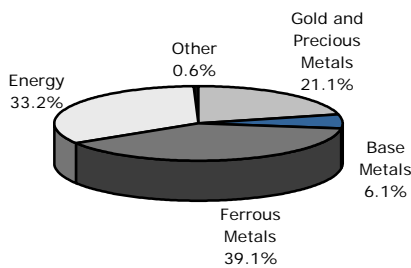
Asset Weighting



Country Weighting (Equities Component)



Note: by major project location
Sector Weighting



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 buy backs of up to 10% of issued capital.
LIC tax concessions	Not applicable
DRP available	Yes

LRF's Portfolio (Top 10)

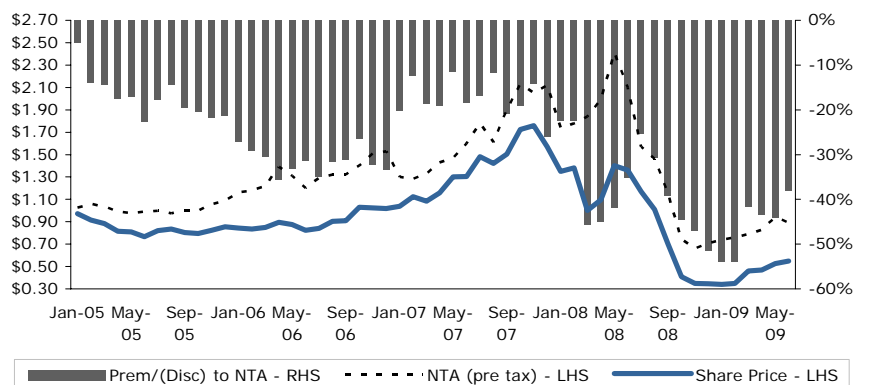
Company	Country	Portfolio (%)
Atlas Iron Ltd	Australia	17.18%
Riversdale Mining Ltd	International	16.92%
Ferrous Resources Ltd	International	14.50%
Lihir Gold LTD	Australia	12.67%
Continental Capital Ltd	International	7.78%
Independence Gold NL	Australia	2.15%
Alliance Resources Limited	Australia	2.02%
Western Areas NL	Australia	1.99%
Millennium Minerals Ltd	Australia	1.73%
Crescent Gold Ltd	Australia	1.35%
		78.29%

Tax-Based Returns on Share Price and Dividends

Fund	Fund		All Ords Acc	
	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)
No Tax (0%)	(58.8)	(4.0)	(20.9)	(2.5)
Super Fund (15%)	(58.9)	(5.2)	(21.7)	(3.3)
AWOTE* (30%)	(59.0)	(6.7)	(22.5)	(4.2)
Max Tax Rate (46.5%)**	(59.1)	(8.0)	(23.3)	(5.0)

*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 30 June 2009 unless otherwise specified



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