

AUSTRALIAN

RESEARCH

MANAGED INVESTMENTS ANALYSIS

Listed Managed Investments

September 2009 Quarterly Review

Trading conditions for LMIs improve
as equity markets continue to rally over the quarter

EXTRACT

Contents

This is an extract of the Listed Managed Investments September 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 September quarter, LRF saw its portfolio value (pre-tax NTA plus dividends) remain largely unchanged, while its benchmark increased 14.5%. This was due in part to LRF's holdings of cash and convertible notes and holdings in overseas listed stocks, which have been impacted by the stronger Australian dollar. Aegis has maintained its neutral outlook on the metals and mining sector. 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. Commodity prices tended to rise or consolidate the June quarter gains in the September quarter. 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 September 2009, LRF was trading at a discount to pre-tax NTA of 32.6%. 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 (\$)	0.62
As at 27 November 2009	
Market Cap (\$M)	151.3
Shares On Issue (M)	238.3
Shares Traded (\$M p.a.)	19.1
12-month L/H (\$)	0.28/0.65
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. (%)	(38.82)	(18.16)	(29.14)	(7.89)
Beta	0.93	0.97	1.20	1.35
TE (%)	15.04	23.70	34.37	34.69
IR	(2.58)	(0.77)	(0.85)	(0.23)

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

Dividend Yield (%)

FY07	FY08	FY09
28.47uf	33.42uf	1.67uf

Substantial Shareholders (%)

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

As at 30 September 2009

Company contact



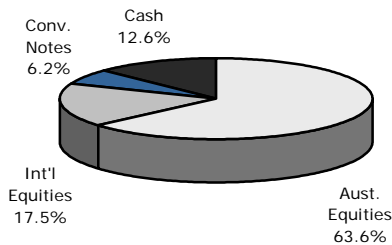
Clive Donner
info@linqresources.com
61 8 9488 8888

www.linqresources.com

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

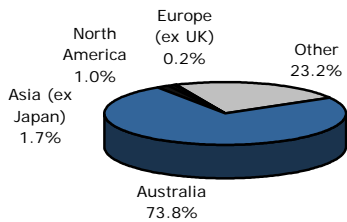
Asset Weighting



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

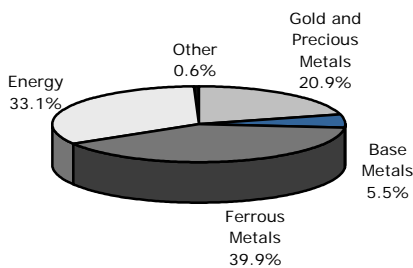
Country Weighting (Equities Component)



LRF's Portfolio (Top 10)

Company	Country	Portfolio (%)
Atlas Iron Ltd	Australia	17.69%
Riversdale Mining Ltd	International	17.40%
Ferrous Resources Ltd	International	16.22%
Lihir Gold Limited	International	11.54%
Continental Capital Limited	International	7.13%
Independence Gold NL	Australia	2.00%
Alliance Resources Limited	Australia	1.95%
Western Areas NL	Australia	1.57%
Millennium Minerals Ltd	Australia	3.63%
Crescent Gold Ltd	Australia	1.25%
Total		80.38%

Note: by major project location
Sector Weighting

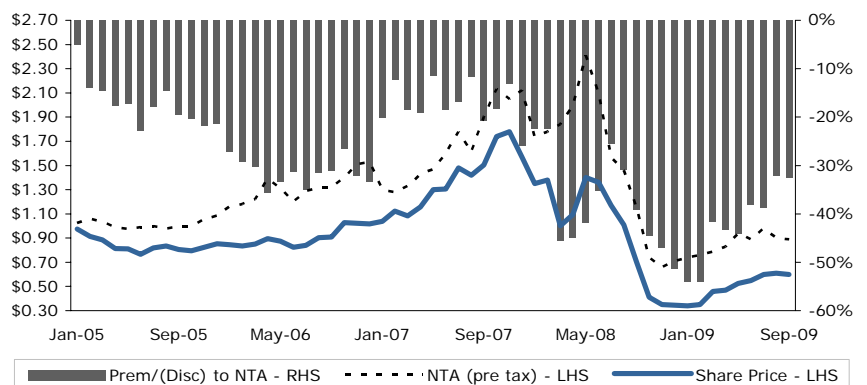


Tax-Based Returns on Share Price and Dividends

	Fund		All Ords Acc	
	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)
No Tax (0%)	(12.6)	(4.3)	9.0	3.1
Super Fund (15%)	(12.8)	(5.6)	8.0	2.2
AWOTE* (30%)	(13.1)	(7.0)	6.9	1.3
Max Tax Rate (46.5%)**	(13.4)	(8.3)	5.9	0.5

*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 September 2009 unless otherwise specified

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Level 6, 33 York Street
Sydney NSW 2000 Australia
Locked Bag 7 Australia Square
Sydney NSW 1215
Phone 61 2 8296 1100
Fax 61 2 9299 3777
ABN 72 085 293 910
www.aegis.com.au