

# OFFICIUM SPECIAL SITUATIONS FUND

The Officium Special Situations Fund posted a positive monthly return for May, however the Fund remains negative for the year at -6.36%, following a big fall in the share price of GoldLink IncomePlus Limited in late April and continued volatility in Resolute Mining Limited's share price over the past year.

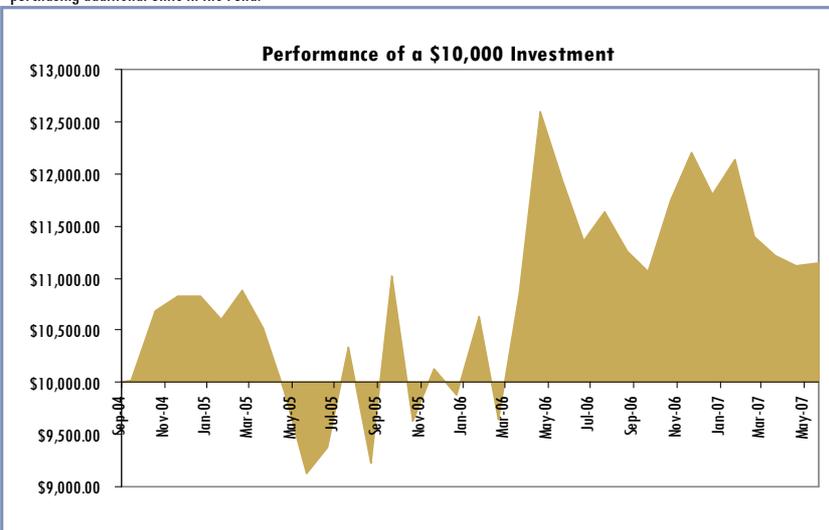
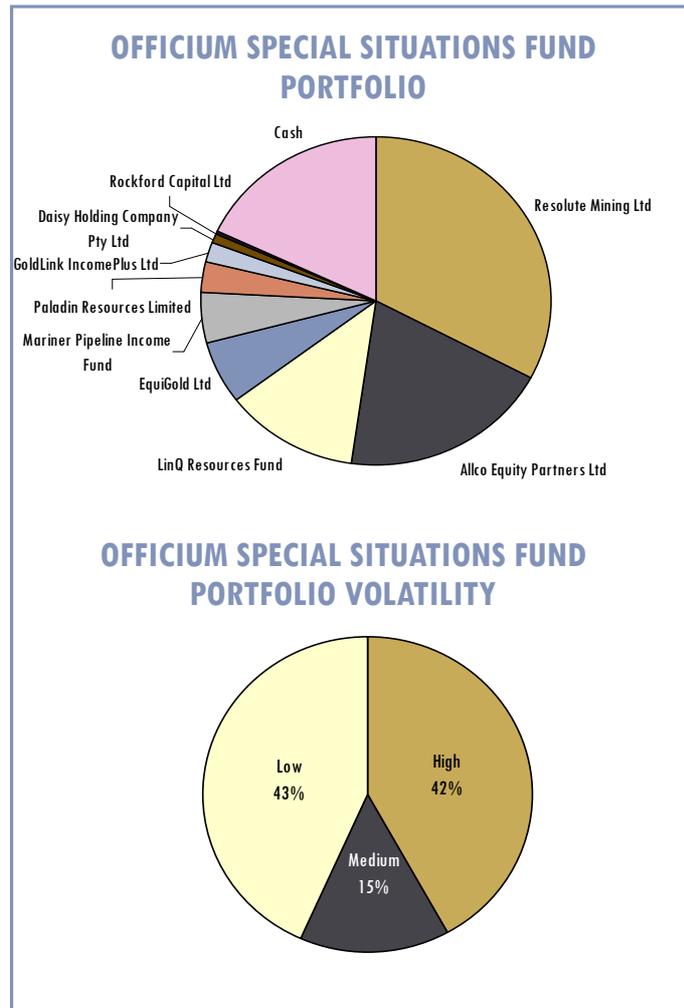
Equigold Limited also fell slightly towards the end of May, following the exercise of the Equigold options. However the company is progressing well, recently announcing increased gold reserves and locking in a mining convention with the Ivory Coast government, where one of its mines is located.

Officium Capital has been working to realise the value of Resolute Mining Limited, including seeking a seat on the board to assist in this process. Although Officium is unhappy with the management's strategy and lack of ability to realise the inherent value in Resolute, as a company the outlook is continuing to get better, with the operations of the business going well, and with results improving each quarter.

Mariner Pipeline Income Fund is also doing well, and the Officium Special Situations Fund is planning on reinvesting any distributions received in the next quarter, using the 5% discount reinvestment plan. Similarly, LinQ Resources Fund offered a discount reinvestment plan at 5% to volume weighted average price which the Fund planned to take up with the expected June distribution of 8.4 cents. Quite correctly though LinQ have cancelled this dividend reinvestment plan. LinQ Resources Fund has performed well since being added to the Fund's portfolio in March 2006 at an average price of approximately \$0.85 successfully narrowing its discount to net tangible assets of \$1.43, with the share price closing at \$1.31 at the end of May.

Whilst Allico Equity Partners Limited remains below the original purchase price, prospects are positive with the company recently announcing a buy back and the reported net asset backing of \$5.75 per share, showing the quality of the underlying assets of the portfolio.

NOTE: Due to the high concentration of RSG in this Fund, any purchase of new units in the Officium Special Situations Fund is effectively equivalent to investing circa 35% of your funds in Resolute Mining Limited (RSG) at current share prices, i.e. as at 31 May 2007, \$1.41. Please be mindful of this when considering a new investment into the Officium Special Situations Fund or purchasing additional units in the Fund.



| Performance Summary           | Officium Special Situations Fund | UBS Bank Bill Index |
|-------------------------------|----------------------------------|---------------------|
| Since Inception p.a. (6/9/04) | 3.99%                            | n/a                 |
| 1 Year                        | -6.36%                           | 6.38%               |
| 2 Years p.a.                  | 10.25%                           | 6.06%               |
| 1 Month                       | 0.24%                            | 0.54%               |
| Profitable Months             | 51.52%                           | 100.00%             |
| Distribution for quarter      | \$0.0088                         | n/a                 |
| Fund Assets (million)         | \$57.31                          | n/a                 |
| Application Unit Price        | 1.05740                          | n/a                 |
| Withdrawal Unit Price         | 1.05160                          | n/a                 |
| Net Asset Value Unit Price    | 1.05453                          | n/a                 |

## OFFICIUM SPECIAL SITUATIONS FUND

With a concentrated investment portfolio seeking to maximise medium-term gains, the Officium Special Situations Fund focuses on investing in the most attractive opportunities rather than diversifying investments across asset classes. The Special Situations Fund offers investors a unique approach to investing in the Australian share market.

The investment team uses a screening model to identify attractive investment opportunities. It then assesses the opportunity using qualitative and quantitative analysis, with an overriding value-oriented and fundamentals-based research process. This is enhanced by research visits and interviews with potential companies and projects throughout Australia. Once the research process is complete, opinions on each nominated investment opportunity are formulated and debated by the team before any decisions are made on investment levels and position limits.

Officium Capital's real difference lies in its highly developed understanding and execution of its value investing approach: Preservation of capital and principled investment decisions that minimise risk to achieve positive gains for investors over the medium to long term.

In periods of exceptionally strong equity market returns, Officium funds can, and in fact likely will, under-perform against the more traditional equity funds. In such an environment many assets become overvalued and this is when the downside risk from a more traditional investment approach is greatest. Our value investing helps preserve investor's capital, through seeking to achieve positive returns in all market conditions.

During downturns and times of negative market sentiment, the value investing approach moves into its element. Value opportunities emerge throughout the investment landscape. It is in these times that the cash typically held in reserve while the market is over-heated becomes a ready resource to invest in well-managed companies with an underlying capital value worth far more than the share price reflects.

In times of recession, value investing remains a superior investment strategy although the funds adopt key defensive characteristics in order to preserve client capital. In such an environment, it is likely that other investment and asset classes will under perform, representing large-scale value opportunities from which the largest gains are made during the next growth phase in the market. Investment and asset classes will under-perform, representing large-scale value opportunities from which the largest gains are made during the next growth phase in the market.

### ABOUT THE FUND

The Officium Special Situations Fund is a unique Fund that seeks to uncover value in securities not well understood by the mainstream investment community. To take advantage of these misunderstandings, the Fund invests in a concentrated portfolio of Australian securities and financial products that are undervalued at the time of acquisition.

Managed by Officium's Chief Investment Officer, David Guy, investments made by the 'Special Sits' Fund are uncovered through a methodical and comprehensive process of analysis. The Fund invests into areas of the market overlooked or disregarded by other investors, including "fallen angels" (formerly well-regarded companies which have fallen on hard times), complicated securities, and under-researched or unfashionable securities or sectors.

The objective of the Fund is to provide positive returns over the long term (five years plus) by realising the value of a stock once it is better understood by, or back in favour with, the market. Both the concentrated and misunderstood nature of the Fund's intended investments means it is likely that the Fund will be very volatile and produce its returns independent of broader asset markets.

### FUND FACTS

**Composition** Australian shares and investments  
**Fund Start Date** 6 September 2004  
**Investment Timeframe** 5 years  
**Withdrawals** Weekly  
**Distributions** Quarterly  
**Minimum Investment** \$10,000  
**APIR Code** WPC003AU  
**ARSN** 110 619 488  
**Unit Prices** Weekly  
**Applications** Weekly  
**MER** 0.25625% p.a.  
**Buy-sell spread** 0.275%/0.275%  
**Performance Fee** 20.5% p.a. of positive returns with any negative returns recouped before the performance fee applies  
**Level of Risk** High

### Important Information

This report is provided for investors in the Funds. While all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), Officium Capital Ltd, its officers, employees, agents and associated entities accept no responsibility for and will not be liable in respect of any loss or damage suffered by any person in connection with this other than under law which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment.

This report has been prepared without taking into account your investment objectives, financial situation or particular needs. Before investing, or retaining an investment, in any of the Funds you should read the relevant PDS and consider whether the Fund is appropriate having regard to those matters. A copy of the PDS is available at [www.officiumcapital.com.au](http://www.officiumcapital.com.au). Remember, past performance should not be taken as an indication of future performance.

### TOP TEN LARGEST PORTFOLIO HOLDINGS

| Top Ten Holdings              | % of Portfolio | Volatility* |
|-------------------------------|----------------|-------------|
| Resolute Mining Ltd           | 32.72%         | High        |
| Allco Equity Partners Ltd     | 19.43%         | Medium      |
| LinQ Resources Fund           | 12.57%         | Low         |
| EquiGold Ltd                  | 6.21%          | High        |
| Mariner Pipeline Income Fund  | 4.85%          | Medium      |
| Paladin Resources Limited     | 3.10%          | Low         |
| GoldLink IncomePlus Ltd       | 1.99%          | High        |
| Daisy Holding Company Pty Ltd | 0.87%          | Low         |
| Rockford Capital Ltd          | 0.17%          | Low         |
| Cash                          | 18.07%         | Low         |
| <b>TOTAL</b>                  | <b>100%</b>    |             |

**Expected Capital Movement from Volatility\***  
 High:  $\pm 15\%+$  p.a.  
 Medium:  $\pm 5$  to  $15\%$  p.a.  
 Low:  $\pm 0$  to  $5\%$  p.a.

### MONTHLY PERFORMANCE RETURNS

