

Officium Special Situations Fund

SECTOR FUNDS

OFFICIUM
CAPITAL

February 2011

The Officium Special Situations Fund returned 2.1% in February, compared with a 2.2% increase in the All Ordinaries Accumulation Index. Increases in the share prices of Oceania Capital Partners, UXC, and Elders Convertible Notes were offset by falls in Photon Group and RNY Property Trust. With reporting season in full swing, there were a number of newsworthy events and several changes to the Portfolio.

- Oceania Capital Partners (OCP) reached an agreement to sell Signature Security, one of its three remaining assets, to Tyco International. The price equates to \$0.90 per OCP share but receipt of the proceeds is dependent on ACCC approval and partly contingent on operational performance between now and the deal being finalised. The price was up 10.5% for the month.
- Elders Convertible Notes (ELDPA) rallied 24.0% for the month, despite a relatively pedestrian 3.0% increase in Elders' ordinary shares. It was a timely move to switch out of the ordinary shares and into the ELDPA's in August of last year – the relative outperformance has been in excess of 50%. The value, relative or absolute, is not so clear today, however, and the manager exited the position during the month at an average price of \$65.
- The results for Photon Group (PGA) for the 6 months ended 31 December emphasised the importance of its \$75 million business sale to Salmat (SLM) before Christmas. Two of its best historical contributors – international agencies Naked and The Leading Edge – didn't contribute a dime to the company's otherwise respectable half year result. Management are confident they can turn both of these businesses around but they'll need time. Thanks to Salmat's contribution to debt reduction, time is something they now have. The share price fell by 11.6% in the month.
- UXC's share price increased by 21.4% during February despite also reporting a mediocre result. A number of brokers have commenced coverage on the company and highlighted the value that will become obvious if the company is split into its two distinct parts – the same rationale the manager used for the investment. New CEO Cris Nicolli is also on the same page and is proceeding with a potential demerger of the two businesses. The path ahead is clear but the manager would rather see hard results than broker consensus and, with the share price rising even further in March, the manager has reduced the position.
- The Ethane Pipeline Income Fund increased by 15.8% during the month following confirmation from Qenos of the volume of ethane required until 2014. Given the risk associated with revenue being contingent on one customer and the lack of liquidity in the investment, the manager took the opportunity to sell the remaining holding on this recent price strength.

Performance Data as at	28/02/2011
1 month	2.12%
3 months	9.28%
6 months	16.68%
1 year	4.45%
2 years (p.a.)	27.29%
3 years (p.a.)	-5.70%
5 years (p.a.)	3.54%
Since 30/09/2004	2.00%
Net Asset Value (\$)	0.9361
Fund Size (\$ million)	39.92

Top 10 Portfolio Holdings	%
CASH	18.89%
Oceania Capital Partners Ltd.	17.83%
UXC Limited	8.34%
Spark Infrastructure Group	7.52%
QBE Insurance Group Limited	7.26%
Photon Group Limited	6.57%
Resolute Mining Ltd.	5.71%
MAP Group	4.90%
Tassal Group Limited	3.64%
Reckson New York Property Trust	3.26%
Other holdings	16.08%
TOTAL	100.00%

Investment Information

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