

Officium Special Situations Fund

SECTOR FUNDS

OFFICIUM
CAPITAL

May 2011

The net asset value of the Officium Special Situations Fund declined by 4.1% for the month of May and underperformed the 1.9% decline for the S&P/ASX All Ordinaries Accumulation Index. The main contributors to the decline were Photon Group and Infigen Energy.

- Photon Group's operational update gave shareholders little reason to cheer. Results for the first four months of 2011 were no better than the results for the 6 months to December 2010. Year to date revenue is now 6% lower than the previous year, and earnings before interest, tax, depreciation and amortisation (EBITDA) is down 18%.

Two of Photon's most important businesses, international agencies Naked and The Leading Edge, returned to profitability in the first four months of the year but their contributions were offset by "lower spending by a small number of large clients" of the Australian agencies. This was clarified later in the month when Photon agency BWM announced that Telstra, its largest client, would not be renewing its contract after July 2011 and had already slashed its spending with the agency.

Photon's share price fell 39% for the month and is now 56% below the \$0.10 issue price for last year's rights issue and recapitalisation.

- Infigen Energy had a similarly tumultuous month – its security price fell 30% in May. In contrast to Photon, though, there was no news of note and we have no explanation for the volatility in this security's price.
- On the other side of the ledger, RHG Group's share price rose another 5% before it shed a \$0.79 fully-franked dividend on 12 May. The Manager exited the position at an average price of \$1.30, generating a return of 27% in just over one month.
- In another piece of event-driven arbitrage, the Fund established a position in online wagering company Centrebet International on the back of a tentative takeover from UK company Sportingbet Plc. The offer was confirmed later in the month at \$2 per share and, while still subject to some conditions, has the support of the board and majority shareholder Con Kafataris. The price is up 21% since the Fund's purchase and, in addition to the \$2 per share, shareholders also keep the right to 90% of the potential proceeds of a court case Centrebet is pursuing against Australian Tax Office, expected to be heard towards the end of 2011.
- During the month, the Fund bought ING Real Estate Community Living Group, added to existing positions in UXC and Centrebet International and sold RHG.

Performance Data as at	31/05/2011
1 month	-4.07%
3 months	8.93%
6 months	18.99%
1 year	6.28%
2 years (p.a.)	21.69%
3 years (p.a.)	-3.83%
5 years (p.a.)	0.39%
Since 30/09/2004	3.12%
Net Asset Value (\$)	0.9891
Fund Size (\$ million)	40.49

Top 10 Portfolio Holdings	%
Oceania Capital Partners Ltd.	25.95%
Spark Infrastructure Group	9.62%
CASH	8.33%
UXC Limited	7.33%
QBE Insurance Group Ltd	6.98%
Transfield Services Infrastructure	6.22%
Map Group	4.83%
Photon Group Limited	4.70%
Reckson New York Property Trust	4.50%
Infigen Energy	4.25%
Other holdings	17.29%
TOTAL	100.00%

Investment Information

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