

The Mosaic Special Situations Fund's unit price fell 0.4% in November, less than the 3.4% decline for the S&P/ASX All Ordinaries Accumulation Index. The relative outperformance for the month was driven by a significant increase in the share price of Photon Group and the Fund's large holding in Oceania Capital Partners (OCP), which offset a 21% fall in Infigen Energy and a number of lesser falls across the Portfolio.

- Major shareholders in Oceania Capital Partners (OCP) have reached agreement on a deal that will allow OCP to remain listed and buy back the shares of those investors looking for an exit. The company's updated proposal includes an increased buyback offer of \$2.45 per share (including a \$0.30 capital return to all shareholders) and an additional \$36.7m of cash available for the buyback, meaning that more shares can be acquired by the company.

The new offer is undoubtedly more attractive for those who wish to tender their shares, but may also benefit major shareholder HCI and any other shareholders intending to remain. The offer is still a 9% discount to the company's net tangible assets and the potential for accretion grows with the scale of the buy back. Depending on the number of shareholders accepting the offer, the post buyback NTA could be in excess of \$3 per share. With the backing of major institutional shareholders, though, the buy back is likely to proceed, which in the Manager's view is a sensible result for all shareholders involved, and these developments pushed the stock up 4.5% for the month.

- Photon Group (PGA) announced the much rumoured sale of its Field Marketing Group to private equity group Navis Capital. The \$146.5m price tag was seven times the division's operating earnings in the previous 12 months; an excellent multiple in any case but even better given the trading update suggests it hadn't been performing as well this financial year.

Photon has now received the cash, repaid all of its debt and has \$21.5m surplus to operating requirements – more than enough to meet

its \$15m of remaining obligations from previous acquisitions. This business still has problems, including falling revenue in the remaining businesses and a cost base too large for its current size. But the management team now has the financial flexibility to focus their attention on these issues, instead of worrying about the banks. The share price was up 58% in November but in the Manager's view still doesn't reflect the underlying value in this business.

- UXC held its AGM in Melbourne where the CEO's presentation didn't impress the market or the Manager. While short on specific details, Cris Nicolli said the business is 'positioned for future synergies' but that 'the first half is challenging' and that he is confident of a 'much improved second half'. All of this suggests the first half is going to be disappointing and that shareholders will again be asked to patiently wait for the benefits of UXC's restructure. The share price fell 13.4% for the month which the Manager believes reflects the painfully slow progress being made.

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Performance Data as at	30/11/2011
1 month	-0.43%
3 months	0.30%
6 months	-1.42%
1 year	17.36%
2 years (p.a.)	2.92%
3 years (p.a.)	32.35%
5 years (p.a.)	-0.39%
Since 30/09/2004	2.83%
Net Asset Value (\$)	0.9452
Fund Size (\$ million)	35.57

Top 10 Portfolio Holdings	%
Oceania Capital Partners Ltd.	31.73%
Photon Group Limited	8.72%
Infigen Energy	7.47%
QBE Insurance Group Ltd	7.41%
UXC Limited	6.32%
CASH	5.88%
1300 Smiles Limited	4.85%
ING Real Estate Community Living	4.39%
Reckson New York Property Trust	4.14%
Real Estate Capital Partners USA	3.96%
Other holdings	15.13%
TOTAL	100.00%

NOTE: Due to the high concentration of Oceania Capital Partners Limited (OCP) in this Fund, any purchase of new units in the Fund is effectively equivalent to investing circa 31.7% of your funds in OCP as at 30 November 2011. Please be mindful of this when considering a new investment into the Mosaic Special Situations Fund or purchasing additional units in the Fund.