



**LimeStreet  
Capital**

23 February 2010

Dear Investor,

We are writing to you later than normal for the 31 December quarterly report for two reasons, namely to:

- Provide some feedback on the outlook for resources, particularly given the recent financial reporting by resource leaders, BHP Billiton and Rio Tinto as well as some recent progress in the price negotiations in bulk commodities (iron ore and coal).
- Announce that the client login is now functioning and that your username (your email address) and password (postcode).

Regarding our performance, during the December quarter the fund performance was in line with the resource indices and this was predominantly a consequence of the falling gold price and rising oil price in the month of December and which mitigated the outperformance of the fund earlier in the quarter.

However we are pleased to report that overall the fund's performance remains ahead of both the ASX Small Cap Resources and the S&P/ASX 300 Resources and continues to be one of the top performing funds across all Australian Funds on a 6 and 12 month basis (based on [www.investsmart.com.au](http://www.investsmart.com.au) monthly ranking of funds).

LimeStreet Capital Fund	Inception Date	December 09 Quarter Performance	6 month performance to 31 December 2009	12 month performance to 31 December 2009	Performance from inception to 31 December 2009
<b>LSC Australian Resources Hi-Alpha Fund*</b>	30-Jun-08	10.3%	42.4%	107.8%	-10.2%
<b>Resource focused indices</b>					
ASX Accumulation Small Cap Resources Index (benchmark)	30-Jun-08	10.8%	26.9%	88.3%	-18.6%
ASX Accumulation 300 Resources Index	30-Jun-08	9.7%	22.1%	46.7%	-15.0%
ASX Accumulation 200 Resources Index	30-Jun-08	9.6%	21.7%	43.2%	-14.0%
<b>General market indices</b>					
ASX Accumulation 200 Index	30-Jun-08	3.4%	25.6%	39.6%	0.3%
ASX All Ordinaries Index	30-Jun-08	3.0%	23.7%	33.4%	-8.4%
Dow Jones Industrial Average	30-Jun-08	7.4%	23.5%	20.3%	-8.1%

\*Unaudited, performance returns are calculated after the deduction of ongoing fees and expenses. Past performance is not indicative of future performance.



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While our December quarter performance was in line with the 10% performance in the indices, our view is that the magnitude of quarterly or monthly variations are unimportant as we expect some volatility during this period where the vagaries of Wall Street interact with the industrial demand in the emerging economies. This volatility was evident from the mid to the end of January and while we outperformed our benchmark by around 2%, unfortunately the index fell by 11%. Since that time there has been some recovery and we expect this will gain further traction during March.

As both BHP Billiton's CEO Marius Kloppers and Rio Tinto's CEO Tom Albanese stated at their respective financial results presentations, there is caution in the outlook for the global economy in the short term with the interaction of the withdrawal of government stimulus packages, reduced restocking rates and the emergence of real commodity demand on a backdrop of potential Chinese monetary tightening and a reduced rate of loan growth.

With this uncertain backdrop, it is difficult for investors to time their investment decisions. However, a better appreciation of the short to medium term outlook may be gained from the status of the current bulk commodity price negotiations. These negotiations set the contract prices in iron ore, thermal and coking coal for the Japanese fiscal year commencing 1 April 2010. This process of 'price discovery' through negotiation is expected to lead to price increases in the 30% to 50% range for these commodities, reflecting increasing spot prices relative to last year benchmark prices. The magnitude of these price increases within 12 months of the share market lows experienced during the Global Financial Crisis is testament to the divergence in commodity markets with financial markets with the former reflecting anticipated industrial demand from the emerging economies while latter reflects the fluctuating confidence in the timing of the recovery in the US economy.

Your fund is designed to provide you with investments in companies with exposure to the emerging economic growth from China, India and elsewhere. This exposure is not only through commodity price leverage but includes production and development growth with coveted assets that qualify their owners as takeover opportunities.

This matches the fact that over the long term both BHP Billiton and Rio Tinto continue to expect emerging economies' growth to strongly outperform the developed economies as they follow a path of continued urbanisation and industrialisation. In particular, Rio Tinto's CEO Tom Albanese stated that "Despite the volatility of the past year, we still believe that we are experiencing a secular uplift in demand for commodities. Our long term outlook remains strong as China, followed by India,



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continues to urbanise and industrialise over the next two decades.” In turn BHP Billiton’s CEO Marius Kloppers commented that given the reduced capital investment in new mining capacity since 2007, supply may struggle to keep pace with demand in the medium and longer term.

Our investments are focused on these long term gains and not the current market volatility which reflect the broader stock market being aligned to adjustments in the economic growth of the western world economies.

### **Client login**

We have developed a client login area on the top right hand side of our website: [www.limestreetcapital.com](http://www.limestreetcapital.com) Logins have now been set for all investors to access data on unit number and value based on exit prices. Your login for this information is as follows:

Username: *your email address*

Password: *your postcode*

The password can be changed if so desired by using the *password reset* option.

Please note that the data is derived from the fund administrator Mackenzie Coultas and while unit prices are generally updated daily, unit numbers are updated only weekly. We have designed the client login as a guide for investors but of course, if there are any discrepancies, our fund administrator’s records will be the correct data.

Ongoing development will continue to enhance the information available in the client login over time.

We would like to again thank you for being part of the LSC Australian Resources Hi-Alpha Fund and anticipate a prosperous 2010 as world economic conditions settle.



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Yours sincerely,

Stephen Bartrop

Managing Director

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