



LimeStreet
Capital

9 November 2011

Dear Investor,

We have all felt the volatility of the markets over the last 6 months and in particular during August, September and which has continued through October 2011. In this report we have provided comparative performance data to the 31 October 2011 given this timeframe is now more relevant. However, the quarterly performance to the 30 September 2011 was a negative 18.8% return in comparison to the benchmark (S&P/ASX Small Cap Acc Resources Index) at negative 18.7% and the S&P/ASX 300 Resources Index which was a negative 17.2%.

The volatility during the September 2011 quarter impacted the resource sector to a greater extent than other market sectors on perceptions of weakening global economic growth, particularly due to the sovereign debt concerns in Europe. However, there has been some recovery during October 2011. Over the longer term, the three year annualised return to 31 October 2011 is 29.1% pa and places the Fund as the fifth best performing Australian fund over this timeframe as ranked on Investsmart.com.au.*

Changing Market Dynamics

It is worth briefly considering the impact of recent market volatility on broader market returns, irrespective of asset class.

Recently Bill Moss from Moss Capital at a real estate conference¹ summarised what are the obvious ramifications of a world population less inclined to use debt. He noted in the real estate sector, that property values will slowly fall as the desire to leverage future purchase prices with significant debt is diminishing. Of course, this is applicable to other assets including the broader equity markets. A combination of an increasingly cautious investor, a reduction in the use of debt, an ageing population, increasing healthcare costs and lower real estate prices suggests there will be a more selective (and possibly lower) exposure to the stock market in the future.

The reduction in funds from both retail and larger investors means the market as a whole may not deliver the returns experienced in recent history. Indeed, the performance of stock markets typically tracks domestic economic growth but this relationship may not be as strong, going forward. In the case of resources, the relationship applies to the global economy but with a greater focus on the emerging economies due to their higher commodity demand.

We believe we are experiencing a paradigm shift where investing will become more targeted and a greater disparity will occur in the pricing of 'great' companies versus 'good' companies. 'Great' companies are distinguished by good assets in the right commodities and with a management team that can deliver expected outcomes. These are key components of our stock selection screening process.



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Performance Update

The table below outlines the Fund's performance over various time frames to the 31 October 2011. On the two and three year annualised returns, the Fund has outperformed all of the indices presented in the table.

On a 12 month timeframe to the 31 October 2011, the Fund has outperformed the benchmark and other resources indices but not the broader market indices. This typifies the resource sector which is more prone to global economic concerns than other market sectors.

LSC Australian Resources Hi-Alpha Fund	Inception Date	12 Month performance to 31 October 2011	2 Year annualised performance to 31 October 2011	3 Year annualised performance to 31 October 2011	Annualised performance from Inception to 31 October 2011
Total Net Return	30-Jun-08	-7.3%	14.3%	29.1%	0.03%
Resource focused indices					
ASX Accumulation Small Cap Resources Index (benchmark)	30-Jun-08	-12.8%	6.1%	24.1%	-0.04%
ASX Accumulation 300 Resources Index	30-Jun-08	-9.6%	2.2%	11.4%	-0.05%
ASX Accumulation 100 Resources Index	30-Jun-08	-9.1%	1.7%	10.2%	-0.05%
General market indices					
ASX Accumulation 200 Index	30-Jun-08	-3.7%	0.4%	6.9%	-0.01%
ASX All Ordinaries Index	30-Jun-08	-7.9%	-3.1%	3.1%	-0.04%
Dow Jones Industrial Average*	30-Jun-08	0.4%	2.6%	-6.7%	-0.01%
Commodities					
Gold (spot)*	30-Jun-08	17.8%	18.4%	14.5%	0.11%
LMEX (LME base metal index)*	30-Jun-08	-12.6%	0.2%	0.7%	-0.05%

*DIA, Gold (spot) and LMEX index are converted to AS at month end AUD/USD exchange rates. Data sourced from Bloomberg. Total Net Returns is the Fund Return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions. Past performance is not indicative of future performance. Inception date of the Fund was 30 June 2008

We have also included in the above table, a comparison of the returns for both the spot gold price and the LMEX index, a LME composite index of base metal prices. As the gold price, the LMEX index and the Dow Jones Industrial Average are quoted in US dollars, we have converted the data to Australian dollars at month end exchange rates to provide an appropriate comparison.

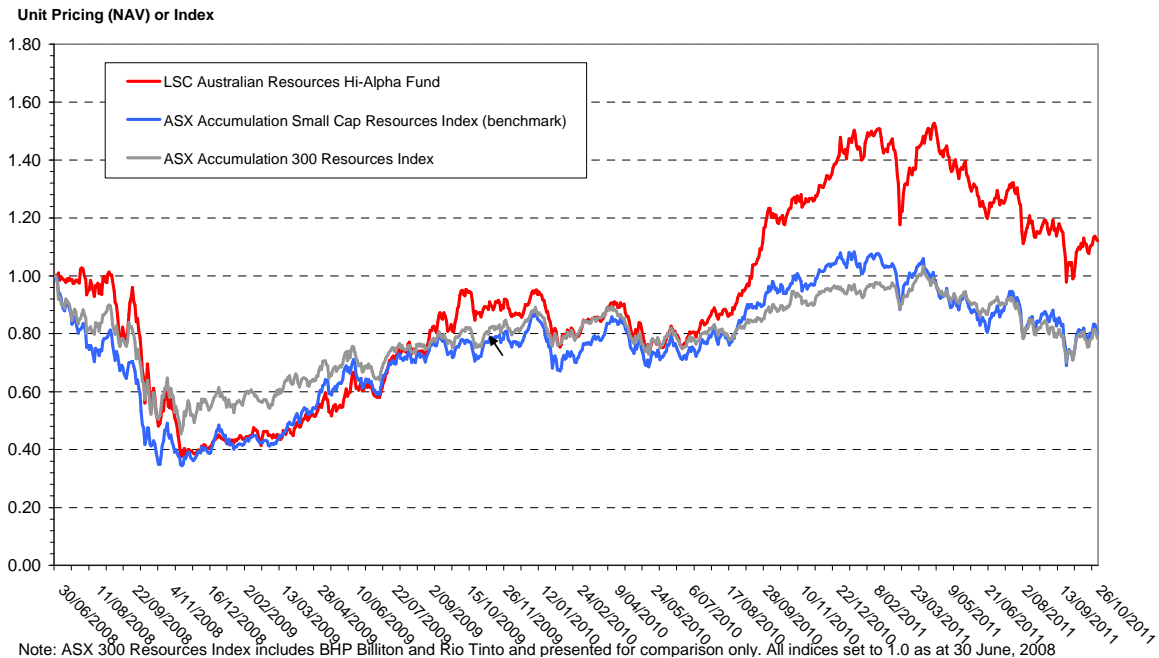
The companies held by the Fund have a broad mix of commodity exposure and this explains why the performance over the last two years lies between the performance of both the gold and base metal prices. The Fund is currently overweight in companies with gold exposure in comparison to earlier years.

The following chart plots the Fund's performance since inception. The recent downtrend commenced at the time of the Japanese tsunami and the Fukushima nuclear accident on 13 March 2011. This downtrend has reflected macro-economic factors including the weaker growth prospects for the US and ongoing uncertainty in resolving the Greek debt problem in Europe. More recent concerns have also centred on Chinese inflation and the capacity of the Chinese Government to encourage economic growth.



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LSC Australian Resources Hi-Alpha Fund Performance



Portfolio Changes

During the quarter, the overarching influence on the Fund's performance was the day to day changing global economic perceptions, although we are comforted that the Fund's portfolio tends to 'bounce back' quickly after softer periods in the market.

An overweight position in gold has also helped stem some weaker performance in the resource sector. Our current gold exposure includes Perseus Mining, Resolute Mining, Silver Lake, Integra Mining and Olympus Pacific.

Elsewhere, copper plays, Discovery Metals and Hillgrove Resources, continued to provide stability to the Fund.

Changes to the Fund

We are pleased to announce the following improvements to the Fund which will be implemented shortly. These changes are:

- The introduction of distributions on a half yearly basis with the next distribution payable in January 2011, following the half year end at 31 December 2011. The interim distribution will generally be lower than the final year distribution;
- The reduction on the initial investment amount from \$25,000 to \$10,000; and
- Facilities for regular savings plan and direct debit from bank accounts for investments.



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A new short form Product Disclosure Statement (PDS) will be issued shortly along with an updated application form incorporating a separate additional investment and redemption forms.

Client login reminder

For new investors, we have a client login area on the top right hand side of our website: 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 provided by the Fund's 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, the Fund's administrator's records are the correct data.

Overall we believe that the resource sector excluding BHP Billiton and Rio Tinto still appears to have one of the better outlooks in an overall subdued market. We also recognise that stock selection will take an even greater role in delivering performance given our perceived changing market paradigm and we continue to meet this challenge.

As part of the LimeStreet team, I would like to thank you again for your continued support of the LSC Australian Resources Hi-Alpha Fund and wish you a successful remaining 2011 investment year!

Yours sincerely,

Stephen Bartrop
Managing Director

* Derived from the search of 1602 funds on a 3 year return basis available on www.investsmart.com.au

¹ The Australian, 18 October, 2011, p25

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