

LMN Australian Small Companies Fund

Morningstar Category Aust Mid/Small Blend	Product Type Retail	Legal Type Investment Trusts	Fund Status Open	Morningstar Recommendation Hold	Morningstar Rating ★★★★★ Out of 32 funds as at 31 Dec 2008
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Morningstar Take by Mark Laidlaw 26 May 2008

As one of the newest players in smaller companies investing, has its work cut out as it attempts to establish itself in this competitive area of the funds management industry. s entrée to the sector came in June 2007 after the firm acquired 's local equities business. The transition has not all been smooth sailing – the three members of small-cap team left within six months of the changeover. While disappointing, this is not a complete surprise, given the change in investment style and organisational culture. Portfolio management is the responsibility of Head of Equities Mark , backed up by 's six-member Australian equities team. The investment style mirrors that of the shop's large-cap offering, seeking quality companies with attractive valuations and using a buy-and-hold approach. The potential universe is ex-ASX100 stocks, maintaining a coverage list of about 65 small-cap firms, concentrated more in the mid-cap segment, and with only limited exposure to micro-caps. This coverage list is narrow compared to peers. In keeping with 's philosophy, the portfolio comprises 30 – 45 names, and as such is more compact than it was under the label. and his colleagues display sound insights into the names they own. Our concern is that has no demonstrated experience in managing specialist Australian small-cap strategies, putting the shop at a disadvantage relative to peers. At the same time, the strategy does have some positive aspects. The buy-and-hold approach means that turnover is among the lowest we've seen, making the strategy attractive from an after-tax perspective. Another factor in 's favour is the low assets base, under A\$ million at the time of writing. This allows the firm to act more nimbly, free from the capacity constraints faced by a number of competitors. These positive characteristics aside, has still to prove that its small-cap strategy is worthy of selection. We recommended holding off until there's tangible proof.

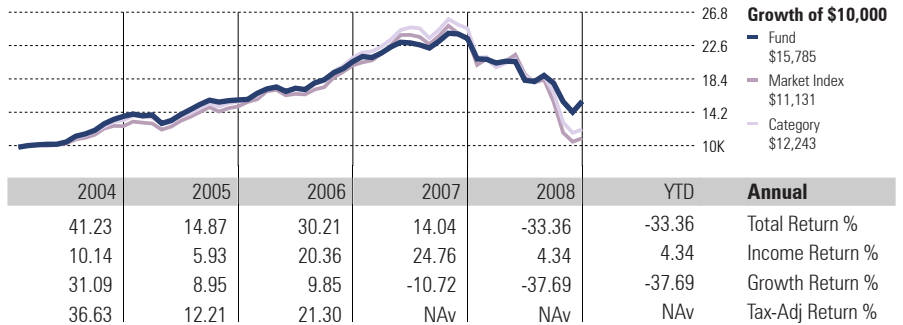
Fees

One-time	
Entry Fee/Contribution Fee	0% 0.00
Exit Fee/Withdrawal Fee	0% 0.00
Buy/Sell Spread	0% 0.50
Ongoing	
ICR pa	0% 0.90
Management Fee pa	0% 0.90
Performance Fee pa	NAv
Adviser Service Fee pa	0% 0.00

Operations

Investment Details	
Ticker	3
APIR Code	01AU
Fund Inception	01 Apr 2003
Net Assets (Mil) 31 Oct 2008	\$
Entry Price 15 Jan 2009	\$1.
Exit Price 15 Jan 2009	\$

Performance 31 Dec 2008



Trailing	6 Mth	1 Yr	3 Yr	5 Yr	7 Yr
Quartile	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	■ ■ ■ ■ ■	NAv
Total %	-14.41	-33.36	-0.35	9.93	NAv
Income %	0.00	4.34	14.79	12.62	NAv
Growth %	-14.41	-37.69	-15.14	-2.69	NAv
Tax-Adj %	NAv	NAv	NAv	NAv	NAv
Index %	-42.04	-53.17	-9.73	2.18	4.26
Category %	-35.78	-50.94	-7.95	4.59	7.56

Category Risk Meter (3 Year Standard Deviation)



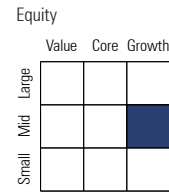
Risk	Std Deviation	Rel to Category
3 Year	17.17	Below Average
5 Year	16.57	Below Average
7 Year	NAv	NAv

Index: S&P/ASX Small Ordinaries Accum Index

Portfolio 31 Oct 2008

Composition (31 Oct 2008)		% Assets
	Domestic Equity	93.68
	Int'l Equity	0.00
	Listed Property	2.17
	Unlisted Property	0.00
	Mortgages	0.00
	Dom Fixed Interest	0.00
	Intl Fixed Interest	0.00
	Cash	4.14
	Other	0.00

Morningstar Style Box



Medium Growth
These funds own mostly medium-sized companies the fund manager believes will grow more quickly than the sharemarket overall.

Top 10 Stock Holdings		Sector	% Assets
	Ltd	🏠	5.65
	Ltd	🔥	5.44
	Ltd	🏢	5.23
InvoCare Ltd		🏢	5.16
MYOB Ltd		🏢	4.71
Healthscope Ltd		🏢	4.55
David Jones Ltd		🏢	4.29
Austereo Grp Ltd		🏢	4.13
Primary Health Care Ltd		🏢	4.09
Nufarm Ltd		⚙️	4.05

Top 5 Sector Weightings		% Assets
🏢	Business Services	23.07
🏢	Healthcare Services	15.73
⚙️	Industrial Materials	15.20
🏢	Financial Services	13.25
🏢	Consumer Services	10.00

Top 5 Countries		% Assets
	Australia	94.40

Investment Detail Disclosure

Quick Stats

Morningstar Category: A fund category is based on exposure to asset classes, investment sectors, the investment style, market-cap, and the associated risk and return characteristics of funds. The objective of the classification system is to provide groupings of funds which can be reasonably considered to be close investment alternatives and for which performance and other statistics such as fees are comparable.

Morningstar Recommendation: The recommendation is a qualitative assessment of the people, process, portfolio, parent, and performance of a fund manager as it relates to a particular investment strategy. The Morningstar Recommendation operates on a five-point scale: 'Highly Recommended', 'Recommended', 'Investment Grade', 'Hold', or 'Avoid'. The Morningstar Recommendation is the final outcome of a collaborative process based on a site visit, the IFSA questionnaire, quantitative and holdings-based analysis of the portfolio, and an assessment of all the key issues outlined.

Morningstar Rating: The rating is calculated for funds with at least a three-year history based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance. The top 10% of funds in each peer group receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The peer group is determined by the fund's Morningstar Category, Legal Type, and Product Type. The Overall Morningstar Rating is derived from a weighted average of the performance figures associated with its three- and five-year (if applicable) Morningstar Rating metrics.

Morningstar Take

The Morningstar Take is a summary of Morningstar's overall opinion of the fund manager's strategy and capabilities in the asset class. If Morningstar has not qualitatively reviewed the manager, the PDS Objective and Fund Investment Strategy will appear in its place.

Performance

Growth of \$10,000: The graph compares the growth of \$10,000 in a fund with that of a capital market index chosen by Morningstar and with that of the average growth for all funds in its Morningstar peer group. The index is an unmanaged portfolio of specified securities. The index and the category average do not reflect any initial expenses however the category average returns are net of ongoing fees. A fund's portfolio may differ significantly from the securities in the index.

Quartile Rank: The graph represents the fund's total return percentile rank among funds in the same peer group. The black bar on the graph represents the quartile in which the fund-performance ranking falls. If the top quarter of the graph is shaded, for example, the fund performed among the top 25% of its category that year.

Total Return: Reflects performance without adjusting for sales charges or the effects of taxation, but is adjusted to reflect all actual ongoing fund expenses and assumes reinvestment of distributions. Growth return is the percentage change in the scheme's soft close exit price adjusted for any capital re-organisation (eg. an issue of

bonus units). Income return is the total return less growth return and reflects the level of distributions from a fund (distributions include such things as interest, dividends, and realised capital gains).

Tax-Adjusted Return: A pre-liquidation performance calculation that assumes the taxed distribution amount (as opposed to the gross distribution amount used in the total return calculation) is reinvested in the fund. The calculation assumes the following: investors are Australian residents exposed to local taxation rules; all taxation credits/concessions can be fully-utilised immediately; the highest tax bracket will apply when calculating an after-tax CPU (48.5% for all after-tax return calculations before 1 July 2006 and 46.5% thereafter); the after-tax distribution is re-invested at the ex-distribution exit price (Ex-Price), on the distribution end date; and an after-tax return will be calculated post 1 October 1999 only.

Category Risk Meter: The graph compares the fund's three-year standard deviation with that of the average for all funds in its peer group. Standard deviation is a statistical measure of the volatility of the fund's returns.

Fees

Entry Fee/Contribution Fee: The amount paid or payable against the initial, and any subsequent, contributions made into a product by or for a retail client.

Exit Fee/Termination Fee: The amount paid or payable on the disposal of all interests held in a financial product.

Buy/Sell Spread: The difference between the price at which you can buy a unit and sell a unit on any given day. This is a transaction cost incurred by the investor that reflects the actual or estimated transaction costs incurred by the fund in dealing with the underlying securities.

ICR: The Indirect Cost Ratio is a ratio of the fund's management costs that are not deducted directly from a member's or product holder's account, to the fund's total average net assets. Note: A dollar-based fee charged directly against a member's account, such as a \$1 per week management cost is not included in the ICR.

Management Fee: Includes any of the following: in relation to a product or fund - an amount payable for administering the fund; for a custodial arrangement - the cost involved, or amount paid or payable, for gaining access to, or participating in, the arrangement; distribution costs; other expenses and reimbursements in relation to a product or fund; amounts paid or payable for investing in the assets of the fund; amounts deducted from a common fund by way of fees, costs, charges or expenses, including amounts retrieved by an external fund manager or a product issuer; and amounts deducted from returns before allocation to the fund; estimated performance fees; any other investment-related expenses and reimbursements, including any associated with custodial arrangements.

Adviser Service Fee: The amount that is: paid or payable to a financial adviser for financial product advice to a retail client or product holder about an investment; and not included in a contribution fee, withdrawal fee,

termination fee, establishment fee or management cost.

Performance Fee: The amount paid or payable, calculated by reference to the performance of a product or fund above a specified hurdle rate.

Portfolio

Composition: The graph represents a breakdown of the fund's holdings into general investment classes based on surveyed data provided by the fund manager.

Morningstar Style Box: For equity funds the vertical axis shows the market capitalization of the stocks owned and the horizontal axis shows investment style (value, blend or growth). For fixed-income funds the vertical axis shows the average credit quality of the bonds owned, and the horizontal axis shows interest rate sensitivity as measured by a bond's duration (short, intermediate or long).

Credit Analysis: For corporate-bond and municipal-bond funds, the credit analysis depicts the quality of bonds in the fund's portfolio. Government bonds are also included within the AAA category. Bonds with a BBB rating or above are considered to be of investment grade. Bonds rated BB or below are considered to be quite speculative.

Bond Statistics: The average weighted interest-rate sensitivity (Duration), years to maturity (Maturity), bond credit ratings (Credit Quality), coupon rates (Coupon) and cost (Price), computed by averaging each bond adjusted for its relative size within the portfolio.

Top 10 Stock Holdings: The largest equity exposure of a fund's portfolio. Portfolio holdings information is based on the most recent information available to Morningstar.

Top 5 Sector Weightings: The Morningstar sector structure divides the stock universe into 129 industries ranging from semiconductors to medical equipment. These industries are classified into 41 industry groups, which are then used to construct 12 separate sectors.

Top 5 Countries: The largest geographical exposure of a fund's stock assets. Country assignments are based on the primary exchange where each stock is traded.

Operations

Minimum Initial Investment: Indicates the smallest investment amount accepted by the product to establish a new account.

Minimum Investment Facility: Indicates the smallest investment amount accepted by the facility to establish a new account.

Minimum Additional Investment: Indicates the amount required to make subsequent investments in the product.

Minimum Withdrawal: Indicates the smallest amount that can be taken out of the product at one time.

Minimum Switch: Indicates the smallest amount that can be switched between similar investment products defined in the PDS.

Distributions Frequency: Indicates the number of times per year a fund intends to distribute for the life of the PDS.