

AUSTRALIAN

# RESEARCH

MANAGED INVESTMENTS ANALYSIS

## Listed Managed Investments

December 2006 Quarterly Review

Extract

Time to get defensive and diversified

## Contents

This is an extract from the Listed Managed Investments December 2006 Quarterly Review.

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# Mirrabooka Investments Ltd (MIR)



LMI Type	Investment Assets	Investment Area	Investment Sectors
Listed Investment Company	Listed Companies	Australia and New Zealand	Diversified

## Company Details

MIR is a listed investment company, which invests mainly in small- to medium-sized businesses listed on the Australian and New Zealand stock markets. MIR generally invests in companies that fall outside the S&P/ASX 50 Index. MIR's objective is to provide long-term growth through investing in companies that offer both solid growth and attractive dividend yield.

## Board

T Campbell (Chairman), R Barker, R Fynmore, D Meiklejohn, D Evans

## Investment Philosophy

MIR's investment philosophy is that a lack of research on smaller companies means that markets are inefficient at valuing them correctly. Therefore, opportunities exist to invest in good-quality businesses at cheap prices.

## Style and Process

MIR's investment style can be characterised as a bottom-up 'buy and hold' biased strategy. The investment team sees hundreds of companies each year, which may be presented by brokers or found through MIR's own searches. MIR also retains Goldman Sachs JB Were to undertake research on its behalf. MIR looks to identify companies that have strong management, good margins, operate within a sustainable industry dynamic and have strong free cash flows. MIR's investment team and committee (a sub-committee of the board) spend significant time with senior management, particularly with the CEO, in order to understand the business. The investment committee meets fortnightly to ratify decisions. Portfolio weightings reflect the manager's conviction in a company. MIR generally holds a maximum of 70 stocks.

## Investment Team

Ross Barker, BSc(Hons), MBA, Grad Dip SIA: Managing Director; Mark Freeman, BCom, MBA, ASIA: Chief Investment Officer; Rob Evans, BEc: Investment Manager; Alan Dunn, BEng(Hons), Bcom, CFA: Senior Investment Analyst; Kieran Kennedy, BCom, CPA: Investment Analyst.

## Aegis Comments

MIR offers investors a core exposure to small to mid-cap companies and has a history of generating a stable dividend yield for investors. MIR has performed strongly over the past 12 months, generating a total return of 26.4% (pre-tax NTA + div). The fund has underperformed the Small Ords Accumulation Index, but much of this is attributable to the absence of some of the single commodity resource stocks such as Oxiana and Zinifex, which MIR deems as too risky for the desired risk profile of the MIR portfolio. MIR maintains a moderately cautious view of the small to mid-cap market and this is reflected in the composition of the portfolio and material cash position. To the extent that the view is more broadly held, it may also partially explain why the fund is trading at around 10% discount to NTA.

## Key investment information



<b>RATING</b>	<b>Investment Grade</b>
<b>Price (\$)</b>	<b>2.11</b>
As at 2 March 2007	
Market Cap (\$M)	245.7
Shares On Issue (M)	116.4
Shares Traded (\$M p.a.)	31.0
12-month L/H (\$)	1.64 – 2.19
Listing Date	June 2001
<b>Fees</b>	
Management Fee (%)	0.87
Performance Incentives (%)	n/a

## Pre-tax NTA Performance Analytics (including dividends)

	S&P/ASX			
	Small Ords Acc		All Ords Acc	
	1 Yr	3 Yr (p.a.)	1 Yr	3 Yr (p.a.)
Excess Per. (%)	(7.78)	(2.04)	1.46	0.12
Beta	0.74	0.77	0.77	0.82
TE (%)	4.43	5.04	5.40	6.19
IR	(1.76)	(0.40)	0.27	0.02

Benchmark returns are purely pre-tax, whereas LIC returns incorporate realised capital gains tax and will understate portfolio performance.

## Dividend Yield (%)

FY04	FY05	FY06
2.38ff	2.62ff	3.10ff

## Substantial Shareholders (%)

AFIC	5.6
Djerriwarrh Investments	4.0

As at 31 December 2006

## Company contact

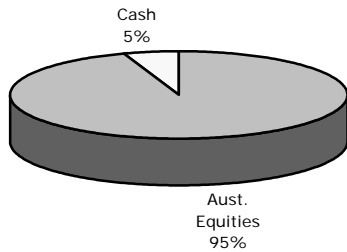


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Sector	Industry Group	Industry	Sub Industry
Financials	Diversified Financials	Diversified Financial Services	Multi-Sector Holdings

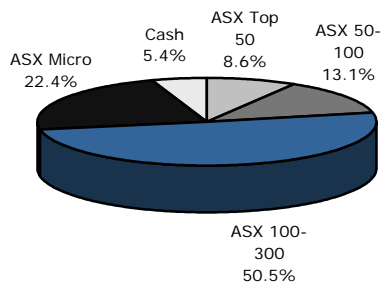
**Asset Weighting**



**Other Data**

Options	None on issue.
Dividend policy	Dividends received are generally distributed.
Capital management policy	Share acquisition plan allows shareholders to subscribe for a total of A\$5,000 of shares per annum. A one-for-four rights issue was conducted in 2003.
LIC tax concessions	Yes
DRP available	Yes - at a 2.5% discount to market price.

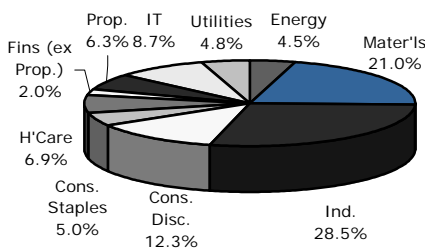
**Size Weighting (Equities Component)**



**MIR's Portfolio (Top 10)**

Code	Weighting		2007 Aegis Forecasts			Prem/Disc to Aegis Target (%)
	Portfolio (%)	Small Ords (%)	PE (x)	Yield (%)	EPS Gth (%)	
TCL	3.5	n/a	(2527.4)	7.1	0.0	(2.9)
NUF	3.3	1.1	13.2	3.1	10.1	(17.5)
BAX	3.1	n/a	n/a	n/a	n/a	n/a
TOL	3.0	n/a	21.4	2.1	32.2	(19.8)
HSP	2.9	1.1	16.2	3.2	55.3	(12.5)
APNG	2.7	n/a	n/a	n/a	n/a	n/a
BOL	2.6	0.6	16.0	3.0	13.3	(9.4)
CEU	2.5	1.4	(50.2)	4.5	0.0	(10.7)
CPU	2.3	n/a	19	1.9	51.6	(28.5)
IPL	2.3	1.7	14.7	4.5	63.3	(8.8)
	<b>28.1</b>	<b>5.9</b>	<b>(306.5)</b>	<b>3.0</b>	<b>20.9</b>	

**Sector Weighting (Equities Component)**

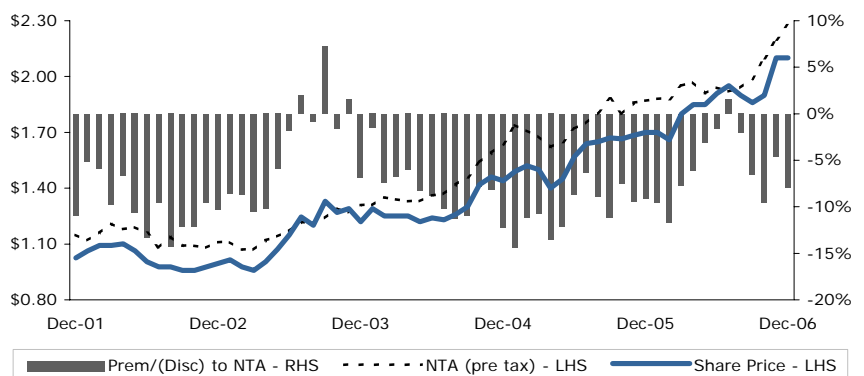


**Tax Based Returns on Share Price and Dividends**

	Fund		Small Ords		All Ords Acc.	
	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)
No Tax (0%)	30.4	20.0	35.5	28.0	26.6	26.1
Super Fund (15%)	29.3	21.0	34.6	27.1	25.6	25.1
AWOTE* (31.5%)	28.2	22.2	33.5	26.0	24.5	24.0
Max Tax Rate (48.5%)	27.0	23.3	32.4	25.0	23.4	22.9

\* Marginal Tax rate for worker on the Average Wage OTE rate + Annualised

**NTA Performance**



Source all figures: MIR/Aegis Equities Research/IRESS

All data as at 31 December 2006 unless otherwise specified



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