kinetic
INVESTMENT PARTNERS

Kinetic Emerging Companies Fund

Move towards emerging opportunities – with confidence.

Why invest in the Kinetic Emerging Companies Fund?

1. Well established, tested and proven process for small company investment
2. The broad, diversified portfolio offers a risk efficient approach to small cap investing
3. Stable and expeienced investment team with a strong track record in managing small company funds
4. Strong, consistent track record

The Fund

The Kinetic Emerging Companies Fund invests in companies that are outside of the S&P/ASX 100. The fund aims to exploit the inefficiencies that exist in the small caps sector of the market. The objective of the Fund is to outperform the S&P/ASX Small Ordinaries Accumulation Index over a five year rolling period.

Kinetic Investment Partners

Founded by Richard Sharp and Jonathan Findlay in 2005, Kinetic Investment Partners is a boutique investment manager, focusing on the small caps sector of the market. Prior to establishing Kinetic, Richard and Jonathan worked together at a large international funds management firm. Challenger Financial Services Group has a minority shareholding in Kinetic and provides administration and distribution support which allows the founders to focus on what they do best – investment management.

Kinetic believes value can be added by using cash flow return on investment (CFROI) analysis to identify companies that they believe have been undervalued by the market. With this focus, Kinetic concentrates on companies that are listed on the ASX but outside the S&P/ASX 100 and have a market capitalisation of over $25 million.

Investment approach

The Kinetic Emerging Companies Fund seeks to consistently produce returns that outperform their benchmark (S&P/ASX Small Ordinaries Accumulation Index).

Investment opportunities are found via a disciplined research and valuation process. Kinetic focuses on a company's ability to create shareholder wealth by generating a cash flow return on investment in excess of the firm's cost of capital.

The key drivers of a company are understood by a careful assessment of both quantitative and qualitative information, the company's business environment and strategies.

Kinetic models the company using its CFROI methodology to determine whether the market is correctly valuing the company. However, on occasion, a discounted cash flow methodology is more appropriate (such as for toll road investments).

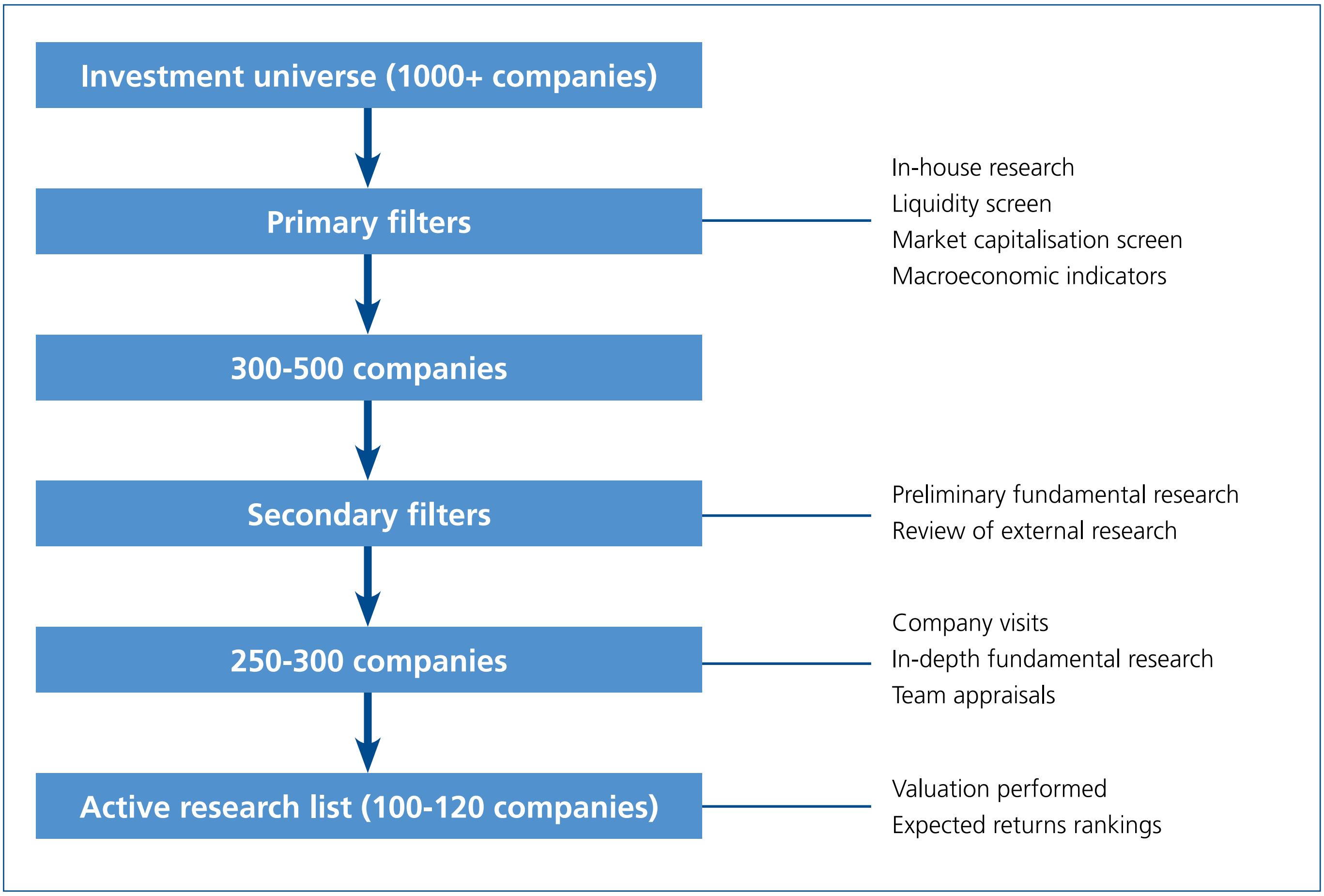
The advantage of using the CFROI is that it values the underlying cash flow of a business and is thus not impacted by differing accounting principles. Critically, this allows a consistent valuation approach across different market sectors.

Investment process

Kinetic builds a diversified portfolio of between 30 and 70 small cap shares. Stock selection is determined by Kinetic's bottom up research process.

Identifying the opportunities

The Kinetic team follows a strict regime to find investment opportunities. By reviewing a broad range of shares with a rigorous identification process, Kinetic is able to uncover hidden opportunities.



Fundamental research

There are four primary areas of analysis:

1. management and strategy;
2. the key drives of each company;
3. industry structure;
4. catalyst for change.

Company interviews represent the primary source of internal research. As such, Kinetic undertake a large number of company visits and engagements with company management.

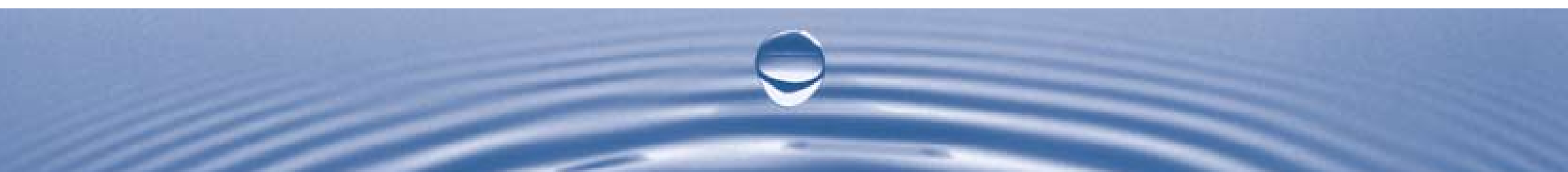
Portfolio construction

The weight of each stock is determined by considering:

1. fundamental research;
2. risk/return trade off;
3. the investment's liquidity; and
4. market capitalisation of the company.

Risk management

Kinetic employs a comprehensive approach to risk management. Risk management is applied on a stock level and operates around the risk/return principle. That is, the expectation that the portfolio is to be rewarded for the proportion of risk taken.



Sectors of focus

Energy

Global demand for energy continues to grow at unprecedented rates with the emergence of the new economic super powers, China and India. At the same time the supply of fossil fuels, such as oil, are approaching 'peak oil', the point at which the maximum global petroleum production rate is reached. Once reached, the rate of production will decline. Already we are seeing that new field reservoirs are getting more difficult to find, develop and extract oil from.

As such we believe that it is prudent to own oil producing assets that are endowed with quality reserves.

Capital goods and services

The commodity super cycle, where emerging Asian economies continue to have an insatiable demand for resources, is expected to continue for some time. The mining industry will need to develop more and more projects which will require engineering skills and capital equipment to build and operate these plants.

This is a sector that directly leverages the resources super cycle, for which demand for mining services and equipment will likely to be underpinned for many years to come.

Commercial services

The growing outsourcing trend, whereby companies outsource non core business activities, is expected to continue. Potential areas of interest for outsourcing companies include technology services, maintenance of industrial plants and of commercial property.

A number of Australian companies have the skills to capitalise on these trends.

Biotechnology

With the Australian biotechnology sector reaching maturity, a number of listed companies are moving out of the R&D stage and into the regulatory approval phase to commercialise their products. Some of these pharmaceuticals products could be sold into very large markets.

This is an exciting time for the sector and some companies in the sector should deliver substantial revenues in the next few years.

The team:

Richard Sharp M.Econ (Hons) ASIA

Director and Portfolio Manager

Richard is a founding Director of Kinetic Investment Partners and has over 21 years' experience in investment management.

Prior to founding Kinetic, Richard managed a range of Small Companies portfolios as well as holding large cap research responsibilities across a range of sectors for an institutional Fund Manager.

Richard has also held positions in the UK with Norwich Union as an economist, and subsequently in Australia with Norwich Investment Management as an Industrial Equity Analyst.

Jonathan Findlay BEc (Hons) MCom CFA

Director and Portfolio Manager

Jonathan is a founding Director of Kinetic Investment Partners and has over 13 years' experience in investment management.

Prior to founding Kinetic, Jonathan worked as a Portfolio Manager at an institutional Fund Manager and previously was the Portfolio Manager of Glebe's Small Cap funds. From 1999 to 2001, Jonathan held senior roles as a Portfolio Manager in Domestic Equities and Japanese Equities at National Australia Asset Management. He was also an investment strategist and financial consultant with Merrill Lynch in Australia.

Anthony Porto BCom (Hons) BLaw (Hons)

Investment Analyst

Anthony joined Kinetic as an Investment Analyst in August 2007. Prior to this, Anthony spent three years at Credit Sussie as an Analyst in the Investment Banking Group.

Whilst at Credit Suisse, Anthony worked on a range of transactions in the utilities, infrastructure, retail and mining services sectors.

Fund summary*

Fund Name	Kinetic Emerging Companies Fund
APIR Code	HOW0036AU
Fund objective	The Fund aims to outperform its benchmark over rolling five-year periods.
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Inception date	March 2007
Suggested investment timeframe	Five years +
Distribution frequency	Yearly (30 June)
Management costs	1.15% p.a.
Performance fee	20% of the Fund's after management fee return above the Fund's benchmark.
Buy/sell spread	+0.40% on entry and –0.40% on exit

*current as at October 2007

Challenger Boutique Partnerships

Challenger Boutique Partnerships is a division within the Challenger Financial Services Group. By establishing and maintaining mutually beneficial partnerships Challenger is able to support boutique fund managers, giving them the freedom to focus on what really matters – investing and managing assets.

Challenger Boutique Partnerships looks after the administrative and distribution support to our boutique partners, including;

- investment services;
- distribution and marketing;
- administration; and
- compliance support.

More information

For more information regarding the Kinetic Emerging Companies Fund, please visit **www.kineticip.com.au** or call;

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