



7 July 2002

**Australian Small Company Investment Fund -
Investment Update at 30/6/02**

Please find enclosed your distribution statement for the last six months and tax statement for the year to 30 June 2002.

In the 6 months to 30 June the fund returned -7.9%. The total return since inception in November 2000 is 17.9%.

The major contributors to the negative return were a difficult market – the Small Ordinaries Accumulation Index was down 4.3% - and a couple of disappointing stocks – specifically Altium (ALU) and Energy Developments (ENE).

In my update six months ago, I mentioned that Energy Development's management was confident of SWERF's remaining problems being sorted out by 30 June 2002. As far as we can ascertain, that forecast has gone out another six months. We have sold all our shares in the company and will continue to monitor announcements. While the potential for SWERF is large the early mover advantage is declining over time.

Altium is a developer of Microsoft Windows based software for the design of electronic products such as printed circuit boards. In the four years to June 2001, the company had average profit growth of 68%. In October 2001, ALU was going to release a major product upgrade. A combination of the events of 11th September and delays to finishing the writing of the software has meant that this release has been delayed twice and did not happen until a few days ago. ALU's management felt that because it was a "once in 5-10 year platform upgrade" it was important to get this release right. Their attitude has been "We have sacrificed a couple of months of profit for the next 5 years of growth for the company". Management have forecast that ALU's profit in FY02 will be down approximately 80% but rebounding strongly in FY03. We have increased our holding in this company as the price has moved down, believing that fundamentally it is a sound business with a one year delay in profits.

On a positive note, the current very negative investor sentiment has been a good buying opportunity and enabled us to buy some quality stocks, that previously have been far too expensive.

On behalf of Bill Ryan and myself, I would like to take this opportunity to thank you for your support of the fund. We will continue to work diligently over the coming period and hope to achieve a satisfactory return. I look forward to giving you an update in 6 months.

Yours sincerely,

Rob Hopkins
Australian Small Company Investment Manager