



23 July 2003
PO Box R718
Royal Exchange
NSW 1225

**Australian Small Company Investment Fund -
Newsletter for 6 months to 30/06/2003**

Please find enclosed your distribution statement for the year to June 2003. We anticipate sending you your tax statement by the end of August, after the fund has received all of its tax statements.

In the 6 months to 30 June 2003 the fund returned +6.1%.

The fund benefited from a positive market return for the period. Both Iress and Macquarie Goodman Management, stocks that we have previously spoken about and in which we continue to retain significant holdings, had improved share prices for the 6 months.

Another stock we have spoken about previously is Altium (ALU), which has been a poor performer for the fund. We are hopeful that we have seen the worst of this stock's performance.

Sydney Futures Exchange (SFE) was one of the major positive contributors to the fund over the last six months. Sydney Futures Exchange is effectively the only exchange in Australia for the trading of futures. On the SFE, there are futures over a large number of different products – wool, beef, interest rates etc. However, over 70% of the volume comes from trading in the contracts related to interest rates – 90 day bills, 3 year bonds and 10 year bonds. Consequently, last years public announcement of the Federal Treasurer's dream to eliminate Federal debt sent SFE's share price down sharply. This was despite the fact that the consensus of stock market opinion was that it was very unlikely to actually happen. In March this year when the Treasurer conceded that the government paying off its outstanding debt was somewhat academic given delays in plans to sell Telstra, we decided that this risk to SFE was now acceptably small and purchased a significant holding. The May budget announcement that the federal government will maintain the debt market has put the issue beyond doubt. Added to this, the uncertainty in interest rate markets due to the Iraq war and the economic recovery has resulted in the SFE reporting record trading volumes for the last six months.

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 to achieve a satisfactory return and I look forward to giving you an update in 6 months.

Yours sincerely,

Rob Hopkins
Australian Small Company Investment Manager