

AUSTRALIAN

RESEARCH



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

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Scarborough Equities Limited (SCB)



LMI Type	Investment Assets	Investment Area	Investment Sectors
Listed Investment Company	Listed Companies	Australia	Diversified

Company Details

SCB, formerly Rivkin Financial Services Limited (*RFS*), changed its name in May 2005. FSP Equities Management Limited (*FSP*) was appointed as the manager for the SCB portfolio in December 2004. SCB currently has one legacy investment (DLS) in addition to the FSP managed fund.

Board

F Khan (Chairman), S Cato, W Johnson, C Ryan

Investment Philosophy

The FSP Equities Leaders Fund (the *Fund*) that SCB invests into is based on the philosophy that equity markets can display inefficient pricing valuations in the short term that can allow an active investment style to benefit and ultimately outperform its relevant benchmark.

Style and Process

The FSP process seeks to focus on publicly available information combined with in-house research to identify stocks. The Fund is divided into two parts: equity and cash. As much as 75% of the equity portion of the Fund must be from the S&P/ASX 200 Index. The remaining 25% can be invested in companies outside of the S&P/ASX 200 Index. The cash component will contain other listed fixed interest holdings that include preference shares, convertible notes or hybrid securities. The manager is style neutral and invests in growth stocks, value stocks, stocks with maintainable dividend yields and special situations.

Investment Team

R Chalmers, BComm(Acc & Fin), ASIA: Investment Director;
J Haddad, BComm(Econ & Finance): Equities Analyst;
V Cook, BA, LLB: Analyst

Aegis Comments

Since the company has been operating in its current form since May 2005, the pre-tax NTA has returned an annualised 20.2% (to 31 March 2006) compared to the All Ordinaries Index, with an annualised return of 29.4%. The underperformance comes despite an overall solid performance by the manager and was partly due to the lacklustre performance of a number of the largest holdings in the SCB portfolio, including TLS, its residual holding of DLS as well as the impact of the fund's relatively large average cash position over this period and limited exposure to the resources sector. SCB's portfolio is diversified by company, sector and market capitalisation, with the result that it appears to reflect a neutral investment strategy stance. SCB has been given an approved rating due to the size of the discount. We note that the discount has tightened to 18% as at 31 March 2006 however still remains significant. Although the share price discount remains substantial to consider investment, it is likely that the share price growth is likely to be restricted as long as the DLS holding remains a significant proportion of the portfolio and cash holdings up to 5% of portfolio value remain.

Key investment information



RATING	Approved
Price (\$)	0.87
As at 9 June 2006	
Market Cap (\$M)	16.5
Shares On Issue (M)	19.1
Turnover (\$M p.a.)	5.4
12-month L/H (\$)	0.44 - 0.90
Listing Date	August 1994

*SCB recently completed a 1 for 4 share consolidation

Fees

Management Fee (%)	0.75
Performance Incentives* (%)	13.0

* Out-performance of S&P/ASX 200 Accumulation Index.

Pre-tax NTA Performance Analytics (including dividends)

	All Ords Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	na	na
Beta	na	na
TE (%)	na	na
IR	na	na

Dividend Yield (%)

FY03	FY04	FY05
7.41	9.88	7.41pf

Substantial Shareholders (%)

Orion Equities Limited	26.6
Rochester No. 39 Pty Ltd	11.0

As at 31 March 2006

Company contact

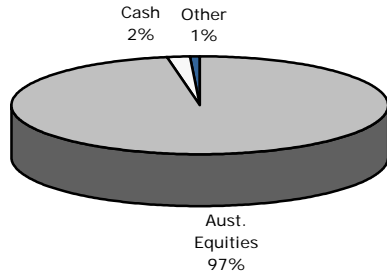


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Sector	Industry Group	Industry	Sub Industry
Financials	Diversified Financials	Diversified Financial Services	Other Diversified Financial Services

Asset Weighting



Other Data

Options: None on issue.

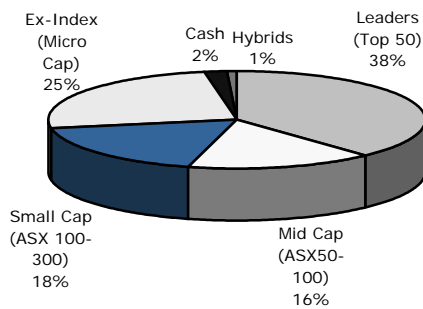
Dividend policy: SCB recently paid a 2.4cps dividend (50% franked). The company intends to pay at least 50% of available net profits on an ongoing basis.

Capital management policy: The company completed a 1-for-4-share consolidation, effective 1 December 2005.

LIC tax concessions: Subject to qualification with taxation legislation.

DRP available: Implemented for interim dividend paid on 26 April 2006; shares issued at 2.5% discount to Volume Weighted Average Price in 5 trading days up and including the record date (11 April 2006).

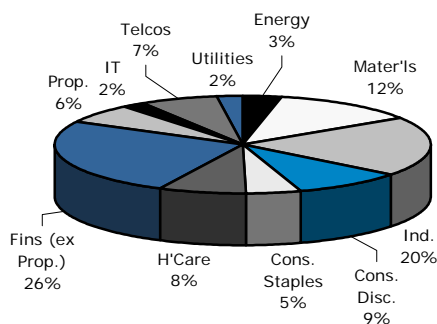
Size Weighting (Equities Component)



SCB's Portfolio (Top 10)

Code	Weighting		2006 Aegis Forecasts			Prem/Disc to Aegis Target (%)
	Portfolio (%)	S&P/ASX 200 (%)	PE (x)	Yield (%)	EPS Gth (%)	
DLS	11.0	na	na	na	na	na
NAB	7.8	6.1	16.2	4.5	11.0	21.4
TLS	4.3	2.4	13.6	9.1	(24.8)	0.0
BNB	4.0	0.2	20.4	1.5	20.3	(8.7)
WDC	3.4	2.7	16.9	6.3	7.3	(4.2)
COH	3.0	0.3	34.8	2.0	38.0	(8.0)
IAG	2.6	0.9	11.4	7.8	(8.8)	(3.1)
WES	2.5	1.4	13.8	6.2	34.1	(6.3)
BIL	2.3	1.1	26.1	2.2	11.9	(10.2)
CML	2.2	1.3	17.2	3.8	18.7	(2.7)
	43.1	16.3	17.8	4.7	9.9	

Sector Weighting (Equities Component)

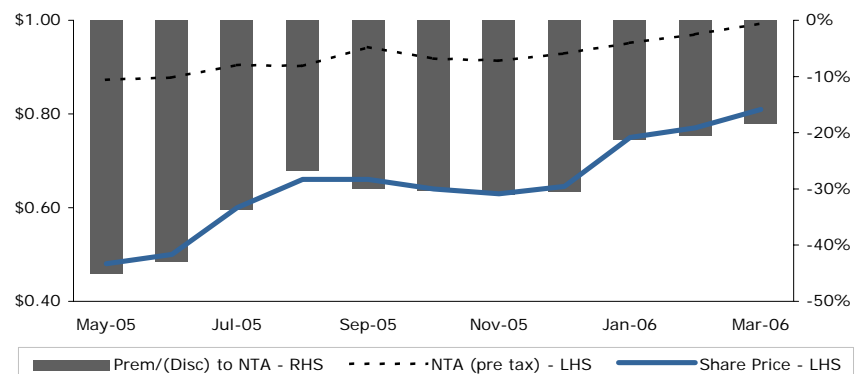


Tax Based Returns on Share Price and Dividends

	Fund		All Ords Acc.	
	1Yr Rtn (%)	3Yr Ann (%)	1Yr Rtn (%)	3Yr Ann (%)
No Tax (0%)	na	na	31.0	28.0
Super Fund (15%)	na	na	30.0	27.0
AWOTE* (31.5%)	na	na	28.8	25.9
Max Tax Rate (48.5%)	na	na	27.7	24.8

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

NTA Performance



Source all figures: SCB/FSP Equities Management Limited/ Aegis Equities Research/IRESS

All data as at 31 March 2006 unless otherwise specified



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