



QUARTERLY INVESTMENT UPDATE (DEC 2011)

COMMODITY MARKET REVIEW

Commodity markets continued their weakness in the fourth quarter, with the Dow Jones UBS Commodity Index falling by 4.9% in Australian dollars (AUD). Over the calendar year the commodities asset class fell by 13.52%. Global economic growth disappointed in 2011, and this had flow-on effects on commodity demand. However, on the supply side, commodity markets remained tight with supply growth constrained by geopolitical events and natural disasters.

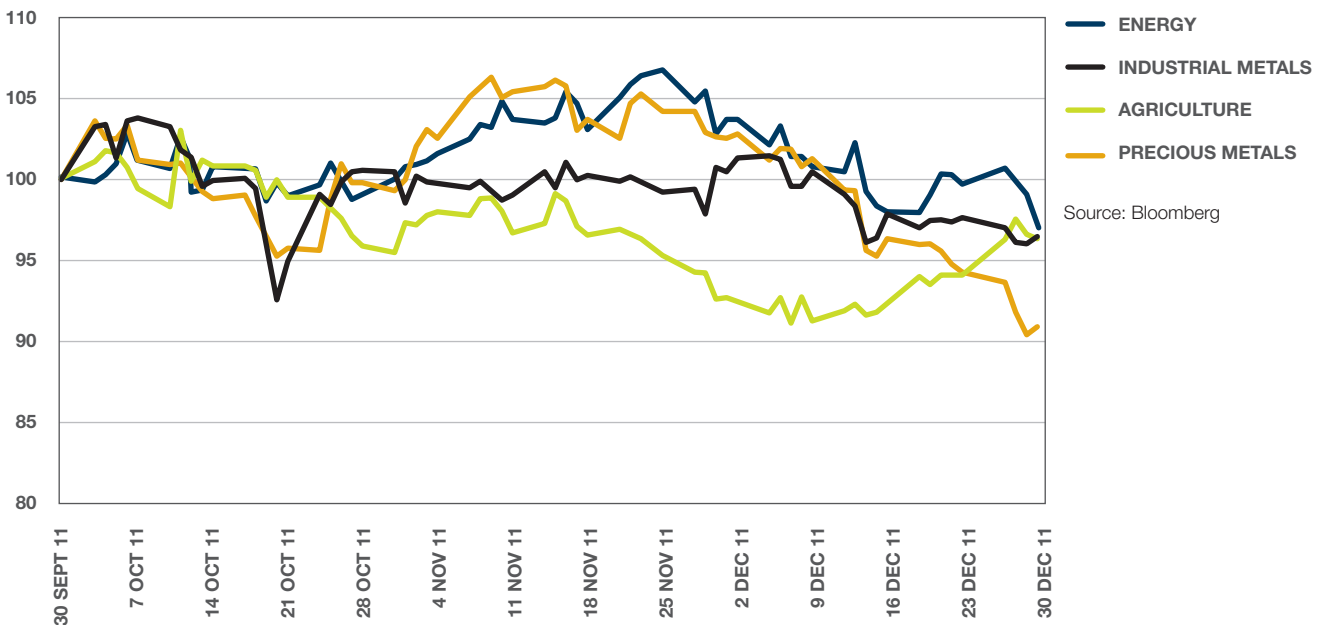
Precious metals (-9.3%) were the big losers in the December quarter, with the falls led by silver, which lost 12.3%. Gold was down 8.6% as much of its gains throughout the year were lost in the final couple of weeks, and it ended the year at \$1563.70 per ounce.

Agriculture markets overall fell by 3.9%. Cotton was the worst performing grain and fell by 13.1% on the back of predicted record cotton crops and falling demand. Wheat (+2.5%) and corn (+3.1%) were given a substantial boost during December, with the appearance of unusually dry weather in South America.

Energy markets lost ground, with natural gas (-34.1%) being the biggest loser across the commodity spectrum in both the December quarter and the calendar year. Supply continues to outstrip demand growth as companies focus on reserve and production growth despite the economics not being favourable. Energy commodities overall lost 3.1% for the quarter and were only buoyed by crude oil, which gained 16.8%. Oil demand remained surprisingly resilient and has grown year on year by over 1 million barrels per day and hit a new all-time high during the quarter of over 90 million barrels/day. Risks to supply were once again heightened in the Middle East as Iran threatened to close the Straits of Hormuz.

Industrial metals fell by 3.7% and have been mainly driven by falling economic growth in Europe and production in Asia as evidenced by the contracting Purchasing Managers Index (PMI) across the Asian continent. Aluminium, down by 11.4%, led the falls in metals, zinc fell by 6.1% while copper bucked the trend and rose by 3.1%.

The performance of the subsector components of the Dow Jones UBS Commodities Index in AUD are presented below (all components rebased to 100 as at 30 September for comparative purposes).



COMMODITY EQUITIES REVIEW

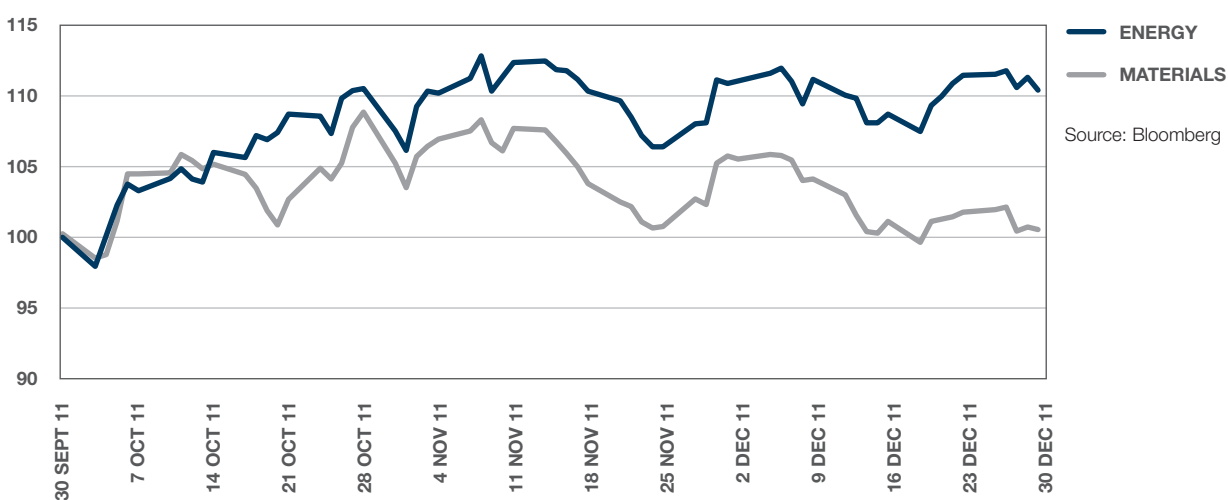
In a reversal of the trend from previous quarters, resource equities outperformed the physical markets in the December quarter. Fears of a global slowdown, which became more apparent in the economic data out of Europe and Asia during the quarter, finally took its toll on the physical markets while it appeared this had already been priced into the resource equity markets.

The oil & gas sector was the best performing area, particularly for companies which provide services to the explorers and producers. Agricultural stocks also performed relatively well. Oil & gas and agricultural stocks tend to be more defensive and outperform in down markets.

On the other hand coal stocks, which were among the bigger underperformers (driven by lower growth expectations in China and India), tend to be more volatile and are more correlated to the economic cycle, especially in developing markets. Gold mining stocks also continued to underperform the general equity market as well as the gold price.

Overall, global energy equities gained 10.5% and global materials stocks gained 0.6% for the quarter.

The performance of the MSCI World Energy and Materials Indices in AUD are presented below (all components rebased to 100 as at 30 September for comparative purposes).



CURRENCY MARKET REVIEW

The Australian dollar (+5.66%) had another volatile quarter and moved through parity three times. The AUD was strong early in the quarter along with the Japanese yen which touched a post World War II high of 75.35 against the US dollar before the Japanese authorities intervened to weaken the currency. Along with most risk assets, the AUD fell in November as investors sold off their positions and moved into US treasuries pushing up the US dollar. The world's major central banks then announced renewed liquidity measures that again lifted the AUD. The AUD ended the quarter at 102.09 US cents (compared to its 31 December 2010 value of 95.88 US cents).

FUND PERFORMANCE AND INVESTMENTS

The NTA for the Company at 31 December 2011 was \$1.522 per share, having decreased by \$0.006 per share during the quarter, or 0.4%.

This compares to the Dow Jones UBS Commodity Index performance of -4.9%, the MSCI World Materials Index of 0.6%, and the MSCI World Energy Index of 10.5%.

As at 31 December 2011, the Company was 93.4% invested.

The investments made as at 31 December are presented below:

FUND	% INVESTED	ASSET CLASS	RESOURCES FOCUS
iShares S&P Global Energy	15.4%	Equity	Energy
ETFS Physical Gold	13.6%	Physical	Precious
Schroders AS Commodity Fund	8.9%	Physical	Broad
PIMCO Commodity Real Return	8.8%	Physical	Broad
RS Global Natural Resources Fund	7.7%	Equity	Broad
Blackrock Small Cap Energy Fund	7.4%	Equity	Energy
CS GAINS Fund	7.1%	Physical	Broad
Martin Currie Global Resources Fund	7.0%	Equity	Broad
Invesco Energy Fund	4.3%	Equity	Energy
Tocqueville Gold Fund	4.0%	Equity	Precious
Passport Energy	3.7%	Equity	Energy
Passport Materials	3.1%	Equity	Materials
Van Eck Global Hard Assets Fund	3.0%	Equity	Broad
Taurus Precious Metals Fund	2.5%	Physical	Precious
Passport Agriculture	0.3%	Equity	Agriculture
	96.8%		
Cash	3.2%		
Total	100.0%		

The top 50 equity and top 20 physical commodity holdings of the Company are presented below:

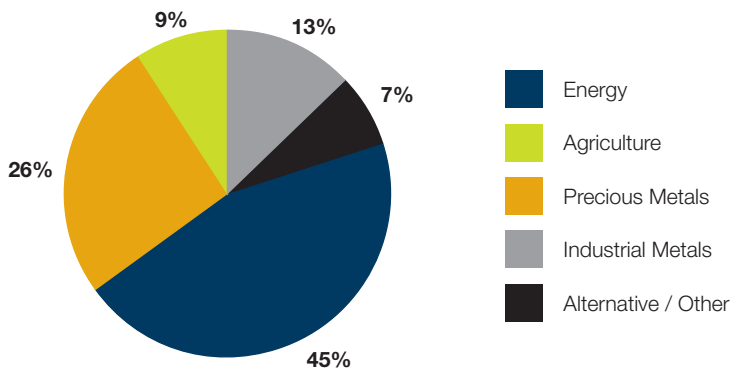
RANK	NAME	% TOTAL PORTFOLIO	% EQUITY PORTFOLIO	SECTOR
1	Exxon Mobil Corp	2.7%	4.8%	Integrated Oil
2	Chevron Corp	1.5%	2.6%	Integrated Oil
3	Royal Dutch Shell PLC	1.3%	2.3%	Integrated Oil
4	BP PLC	0.9%	1.7%	Integrated Oil
5	Occidental Petroleum C	0.9%	1.7%	Integrated Oil
6	Total SA	0.8%	1.5%	Integrated Oil
7	Range Resources Corp	0.8%	1.5%	Oil & Gas E&P
8	ConocoPhillips	0.8%	1.4%	Integrated Oil
9	Schlumberger Ltd	0.7%	1.3%	Oil Services
10	HRT Participacoes	0.7%	1.2%	Integrated Oil
11	Peabody Energy Corp	0.7%	1.2%	Coal
12	Goldcorp Inc	0.7%	1.2%	Precious Metals
13	EQT Corp	0.6%	1.2%	Oil & Gas E&P
14	Halliburton Co	0.6%	1.1%	Oil Services
15	Southwestern Energy Co	0.6%	1.1%	Oil & Gas E&P
16	BG Group PLC	0.6%	1.0%	Oil & Gas E&P
17	Alpha Natural Resources	0.6%	1.0%	Coal
18	Apache Corp	0.5%	1.0%	Oil & Gas E&P
19	Consol Energy Inc	0.5%	0.9%	Coal
20	Petroleo Brasileiro SA	0.5%	0.9%	Integrated Oil
21	Anadarko Petroleum Cor	0.5%	0.9%	Oil & Gas E&P
22	Suncor Energy Inc	0.5%	0.9%	Oil & Gas E&P



RANK	NAME	% TOTAL PORTFOLIO	% EQUITY PORTFOLIO	SECTOR
23	Tullow Oil PLC	0.5%	0.9%	Oil & Gas E&P
24	Clayton Williams Energy	0.5%	0.9%	Oil & Gas E&P
25	ENI SpA	0.5%	0.9%	Oil & Gas E&P
26	Barrick Gold Corp	0.5%	0.8%	Precious Metals
27	Franco-Nevada Corp	0.5%	0.8%	Precious Metals
28	EOG Resources Inc	0.4%	0.8%	Oil & Gas E&P
29	Canadian Natural Resou	0.4%	0.8%	Oil & Gas E&P
30	Denbury Resources Inc	0.4%	0.8%	Oil & Gas E&P
31	Plains Exploration	0.4%	0.8%	Oil & Gas E&P
32	Energy XXI Bermuda	0.4%	0.7%	Oil & Gas E&P
33	Talisman Energy Inc	0.4%	0.7%	Oil & Gas E&P
34	National Oilwell Varco	0.4%	0.7%	Oil Services
35	New Gold Inc	0.4%	0.7%	Precious Metals
36	QEP Resources Inc	0.4%	0.7%	Oil & Gas E&P
37	Cabot Oil & Gas Corp	0.4%	0.7%	Oil & Gas E&P
38	Antofagasta Plc	0.4%	0.7%	Diversified Mining
39	Martin Marietta Materi	0.4%	0.7%	Materials
40	Compass Minerals Inter	0.4%	0.6%	Diversified Mining
41	Oil Search Ltd	0.4%	0.6%	Oil & Gas E&P
42	AZUMAH RESORUCES LTD	0.3%	0.6%	Precious Metals
43	CNOOC Ltd	0.3%	0.6%	Oil & Gas E&P
44	Praxair Inc	0.3%	0.5%	Oil & Gas E&P
45	Calpine Corp	0.3%	0.5%	Alternative Energy
46	Newmont Mining Corp	0.3%	0.5%	Precious Metals
47	Trilogy Energy Trust	0.3%	0.5%	Oil & Gas E&P
48	Baker Hughes Inc	0.3%	0.5%	Oil Services
49	ARC Resources Ltd	0.3%	0.5%	Oil & Gas E&P
50	RIO ALTO MINING LTD	0.3%	0.5%	Metals & Mining
	Total	28.9%	51.3%	

RANK	NAME	% TOTAL PORTFOLIO	% PHYSICAL PORTFOLIO	SECTOR
1	Gold	18.1%	44.6%	Precious
2	Crude Oil	3.3%	8.2%	Energy
3	Aluminium	1.9%	4.6%	Metals & Mining
4	Corn	1.6%	3.8%	Agriculture
5	Soybeans	1.5%	3.8%	Agriculture
6	Copper	1.4%	3.3%	Metals & Mining
7	Gasoline	1.2%	3.0%	Energy
8	Wheat	1.1%	2.7%	Agriculture
9	Heating Oil	0.9%	2.3%	Energy
10	Natural Gas	0.9%	2.2%	Energy
11	Sugar	0.8%	1.9%	Agriculture
12	Live Cattle	0.7%	1.8%	Agriculture
13	Coal	0.7%	1.7%	Metals & Mining
14	Nickel	0.5%	1.3%	Metals & Mining
15	Zinc	0.5%	1.3%	Metals & Mining
16	Coffee	0.4%	1.1%	Agriculture
17	Silver	0.4%	0.9%	Precious
18	Lean Hogs	0.4%	0.9%	Agriculture
19	Soybean Oil	0.3%	0.7%	Agriculture
20	Cotton	0.3%	0.7%	Agriculture
	Total	37.0%	91.0%	

The aggregate sector allocation of the portfolio is presented below:



GLOBAL RESOURCE MASTERS FUND PERSPECTIVE

Commodity prices and natural resource equities were mixed during the year, with a disconnect between the performance of the commodities and that of the related equities. While oil prices increased during the year due to tight inventories and rising concern around geopolitical tensions, many oil stocks declined. The story in gold was similar, with bullion posting another positive year but many gold stocks down. In natural gas, the opposite was true, as the commodity continues to be under pressure from excess supply, while stocks benefited from large scale acquisitions and joint ventures, as well as improving economics in areas such as the Marcellus shale.

Despite disappointing growth in 2011, commodity markets remained tight. Long-term demand growth is still intact, with the developing countries already accounting for half of global GDP. These countries have six times the population of the developed world and their appetite for cars, whitegoods and larger dwellings is increasing. Supply growth is constrained by geological, political, environmental and cost considerations and across the spectrum of the resources space inventories are low. Meanwhile accommodative monetary policies across the developed world are also providing a tailwind to the prices of these scarce real assets.

Even though growth was slow, oil demand actually grew by over 1 million bpd to hit an all-time high during the fourth quarter somewhere over 90 million bpd. Combined with the lack of supply growth, this resulted in oil prices staying over \$100 for much of the year. There is a big chance that we are one supply shock away from a significant spike in not only oil prices but that of many other resources in the future.

On gold, despite much speculation that the “bubble” is bursting, the fact remains that the drivers of the gold price through recent years still remain in place. Real interest rates are low and reserve currencies are in a de facto devaluation war. Currency surplus countries need to diversify away from the US dollar and gold is one of the few options available. On top of this, the cost of gold production continues to rise as evidenced by the poor performance of gold stocks relative to the price of physical gold.

We remain confident in our belief that the longer-term outlook for commodities is intact, driven primarily by limited spare capacity and rising marginal costs of supply.



MAXIMILIAN WALSH
Chairman



ALEX MACLACHLAN
Managing Director



NIRAV DESAI
Director



JEFFREY WHALAN
Director



MOIRA DAW
Director