

**Officium Diversified Funds
Investment Manager's Annual Letter 2008**

Dear Unitholders,

Severe market turmoil has hit investment markets worldwide following the crash of the securitisation market in the United States, with most markets recording negative returns for the twelve months ending 30 June 2008. The Officium Diversified Funds' are also down for the year, returning between -3.10% to -10.25%. This has been an especially difficult investing climate where little has been positive. However, Officium Capital believe that the Officium Diversified Funds are well positioned for the future, with higher weightings to cash and alternative investments such as gold, which have performed relatively well over the past year, and while volatile in some cases, are expected to perform well in the future. See the table below for further details on individual fund performance.

Diversified Funds	Fund Assets (million)	Inception Date	Since Inception p.a.	1 Month	3 Months	6 Months	1 Year	2 Years (p.a.)
Officium Cautious Fund	\$1.11	30/9/05	4.96%	-0.90%	1.31%	-2.57%	-3.10%	3.95%
Officium Conservative Fund	\$10.25	30/9/05	4.68%	-1.18%	1.04%	-4.37%	-4.90%	3.45%
Officium Balanced Fund	\$39.81	23/9/05	4.83%	-2.77%	-0.01%	-7.32%	-7.33%	2.83%
Officium Assertive Fund	\$17.07	16/9/05	4.74%	-3.79%	-0.68%	-9.19%	-8.59%	2.79%
Officium Aggressive Fund	\$7.61	23/9/05	4.52%	-4.64%	-1.39%	-10.93%	-10.25%	2.38%

Market Outlook

Last year, we stated:

Markets are poised for an interesting time in 2007 - 2008. Extreme excesses that have built up in the global economy during the recovery from the recession of 2001 to 2003 are becoming more apparent on an almost daily basis. While these excesses are not, to date, showing up in global stock markets they are most assuredly showing up in a raft of important economic statistics - massive current account deficits for the Anglo Saxon countries (the USA, UK and Australia to name just the most prominent) contrasting with massive current account surpluses in emerging countries (China, Russia et al), double digit increases in credit and money supply in the USA, European Union and Australia, rising interest rates in the same countries, prominent (and large) hedge fund failures... The list could go on much further. Suffice it to say that risks are extremely high, potential returns are middling to low and hence, on a portfolio wide basis, a conservative and well diversified strategy remains the most appropriate means by which to navigate what we expect will be the hard times to come.

How right we were!!! Unfortunately, it has been impossible to protect portfolios from the events of the last 12 months. Regardless of diversification and regardless of the value of assets that were held, traded prices for most assets have fallen - in a lot of cases substantially. There is no way to predict when things will "turn around". Economic stresses that we pointed out last year have continued and while they are, literally, being papered over as central bank after central bank bails out failing financial institutions it is clear that they are not improving. We have a world that is undergoing a massive deleveraging and in a lot of cases market or traded prices bear little relevance to the intrinsic value of assets. This however is only a problem if you sell, something which will

likely not prove to be wise at the moment. Notwithstanding the general falls in prices, we have been (as the above quote from 12 months ago illustrates) reasonably successful in identifying where there is value, where notwithstanding continuing economic developments that value will remain, and diversifying our investments broadly. We cannot guarantee what the future will hold but we can say that we are prepared, and that what we own represents, on average, extremely good value at the moment.

Portfolio

As you are probably aware the Officium Diversified Funds diversify their funds across the five asset classes, cash, fixed interest, shares, alternatives and property. The actual allocation to each of these asset classes is dependent on the risk profile of the Fund, thus the Officium Cautious Fund which takes the least risk of all the Officium Diversified Funds has a higher allocation to cash and fixed interest with only a small allocation to shares. Whilst the Officium Aggressive Fund, the Fund which takes the most risk, has a higher allocation to shares, and lower allocation to cash and fixed interest. The figures below represent the portfolio on a look through basis, i.e. whilst the Fund may only directly invest say 5% in cash, indirectly the other investments in the Officium Diversified Funds also allocate money into cash, thus on an overall basis we actually have a higher allocation to cash, as can be seen below.

ACTUAL ASSET ALLOCATION as 30 June 2008

Asset Class	Officium Cautious Fund	Officium Conservative Fund	Officium Balanced Fund	Officium Assertive Fund	Officium Aggressive Fund
Cash	29.05%	29.61%	23.74%	20.84%	21.20%
Fixed Interest	8.70%	11.90%	8.58%	5.52%	4.36%
Alternatives	31.14%	30.15%	26.70%	24.38%	21.81%
Shares	19.00%	18.81%	31.22%	39.64%	45.57%
Property	12.11%	9.54%	9.76%	9.62%	7.06%
TOTAL	100%	100%	100%	100%	100%

Portfolio Summary

Select Defensive & Growth Funds

The Select Diversified Funds are at the core of the Officium Diversified Funds, with cumulative weightings to the Select funds varying from 21% (in the Officium Aggressive Fund) to 48% (in the Officium Cautious Fund). The Select funds are, like the Officium Funds, a diversified portfolio of investments with an absolute returns philosophy; thus the Select funds aim to provide positive returns over the long term. For the 2007/2008 financial year the Select Defensive Fund returned 0.8% and the Select Growth Fund returned -4.6%. While these shorter term returns were clearly below the longer term return objectives that Select Asset Management aim for, they were significantly better than most traditional diversified funds. The table below shows the diversification of the Select portfolios across the five asset classes. The table shows that the Select funds likewise have a higher weighting to cash and alternatives at this time.

Asset Class	Select Defensive Fund	Select Growth Fund
Cash	18.70%	14.40%
Fixed Interest	13.50%	2.50%
Alternatives	26.70%	26.10%
Shares	29.60%	47.20%
Property	11.50%	9.80%
TOTAL	100%	100%

Australian Shares

The Australian shares allocation in the Officium Diversified Funds portfolios is divided between the Ganes Value Growth Fund, the MMC Concentrated Fund, the Officium Australian Shares Fund and the Officium Special Situations Fund. The broader Australian share market has fallen by over 13% during the last 12 months, and this, combined with tax loss selling at the end of June, saw the Australian shares allocation overall in the portfolio lose value. However, on an individual basis, the Officium Special Situations Fund, performed relatively well with a positive return of 4.54% for the year, whilst the other three funds lost around 20% of their net asset value. The Officium Special Situations Fund's investment in gold mining companies, such as Resolute Mining Limited, Equigold Limited, and Emperor Mines Limited, provided positive share price growth for the fund, increasing its net asset value over the last twelve months, in sharp contrast to most Australian share funds which lost value.

The Officium Australian Shares Fund, formerly the Leithner Value Fund, changed strategic direction at the start of the calendar year, to become a fund of Australian share funds, rather than making pure direct share investments only. Since the changeover the Officium Australian Shares Fund has further diversified its portfolio, investing in two Australian share funds managed by experienced absolute returns managers. The Fund has also sold out of some of its previous holdings where attractive prices could be obtained, although not all of the investments under the previous mandate were able to be sold, and the falling share prices of these investments have been detrimental to the performance of the Fund.

Each of these Australian shares fund managers are invested in quality companies which are trading at a substantial discount to their value at present, and we expect to see this gap between share price and value narrow over the longer term.

International Shares

International share markets were also hit hard following the collapse of the securitisation market, and subsequent credit crunch, which saw companies fall over and many find themselves in financial difficulties; the MSCI World Accumulation Index \$A returned approximately -21.03% over this time. The Officium Global Fund and Peters MacGregor Global Fund, performed relatively well given the challenging investing climate, returning -5.11% and -14.90%, respectively. The Officium Global Fund's purposeful allocation to commodities and hedge funds of around 43.51% of the fund's assets, saw it through this difficult time relatively unscathed. The Peters MacGregor Global Fund's investment in quality companies, such as Berkshire Hathaway, Johnson & Johnson and Michael Hill, also helped to alleviate some of the pain while also leaving the fund well positioned for the future, with investments in quality and long term successful companies.

Fixed Interest

As mentioned above, the collapse of the securitisation market has affected markets globally, and has since evolved into a much more serious issue, with all credit markets affected regardless of credit quality and underlying fundamentals. The Officium Income Fund has also been caught up in the credit crisis and for the last twelve months the Fund posted a negative return of -5.03%. Since July 2007 the Fund has drastically reduced its exposure to hybrids, traditional fixed interest and fixed interest arbitrage, while increasing its exposure to cash and cash equivalents as interest rates in Australia have been raised. Over the last quarter the fund has seen the benefits of moving to a higher weighting to cash with the fund up by 1.39% over that time.

Alternatives

The Officium Diversified Fund's exposure to alternatives comes from a range of sources, including the Officium Global Fund, the Officium Special Situations Fund and the Select

Defensive and Growth Portfolios, discussed previously. The Officium Diversified Fund's also invest directly in two fund of hedge funds products, namely the Select Gottex Market Neutral and Select Gottex Enhanced Market Neutral Funds with an aggregated allocation of between 10% and 15% to these funds. These funds returned 1.4% and -5.6%, respectively, for the last twelve months.

Property

The falling housing market in the United States, combined with the global credit crunch has resulted in massive write-downs and the unwinding of leverage. This is most readily seen in Australia through the crash of Centro Properties Group which was unable to find financing following the collapse of the securitisation market. Following Centro's fall, other listed property trusts with adverse gearing levels were also hit hard by investors exiting on the back of these concerns. The listed property trust sector subsequently fell by around 40% during the last twelve months, with the worst performing security, i.e. Centro Properties Group, down by 97%.

The Officium Property Fund has provided most of the exposure to this asset class for the Officium Diversified Funds, with some further exposure coming from the Select Defensive and Growth Funds. The Officium Property Fund's diversified allocation to unlisted, as well as listed property, and higher than normal allocation to cash, saw it through this extremely challenging investing climate, with a loss of -13.17% over the last twelve months and a return of 4.78% p.a. since inception two and a half years ago.

At Officium Capital we remain very cautious on the global economy and the global equity markets, and whilst we believe we are relatively well positioned, we are also very aware of the ever changing investing landscape. We hold a relatively large amount of cash within the Fund and believe that the funds and companies we invest in are conservatively positioned, and, like us, are acutely aware of the risks that are present in global markets.

We thank you for your continued support as we endeavour primarily to minimise the risk of capital loss of your investment in the medium to long term and then (and only then) we will try to provide reasonable investment returns relative to the level of risk taken. If you have any questions regarding the Fund, please don't hesitate to contact me at david.guy@officiumgroup.com.au or by phone on 07 3876 4333. Also, please visit our website at: www.officiumcapital.com.au to view the latest unit prices, performance data, product disclosure statements, and monthly investment reports.

Yours faithfully



David Guy
Chief Investment Officer
Officium Capital

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The product disclosure statement (PDS) for the Officium Property Fund is issued by Officium Capital. The PDS details the terms of the offer and if you wish to invest in the Fund, then you should consider the contents of the PDS, consider whether or not an investment in the Fund is appropriate for you and complete the application form accompanying the PDS. You should also consider the PDS in deciding whether to continue to hold an interest in the Fund.

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