

Cygnnet Microcap Opportunity Fund

INVESTOR REPORT

31 December 2007

Responsible Entity: Cygnnet Funds Management ABN 23 106 177 093 AFSL 306803

OBJECTIVE

The Cygnnet Microcap Opportunity Fund will target high capital growth over the medium to long-term (minimum 3 years) through exposure to the microcap sector of the Australian securities market, specifically ASX-listed and soon to list companies valued under \$200 million.

PERFORMANCE

	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD
Cygnnet Microcap Opportunity Fund*	2.43%	1.31%	-	-	-	-	-	-	3.74%
ASX Small Ordinaries Accumulation Index	-3.77%	-2.37%	-	-	-	-	-	-	-6.14%

*Performance has been calculated before fees and charges.

UNIT PRICE (as at 31 December 2007)

Net Portfolio Valuation per unit	1.0299	Minimum Investment	\$50,000
Bid Price	1.0340	Minimum Withdrawal	\$5,000
Redemption Price	1.0257		
		Management Fee	1.85%
Fund Size	\$4.65m	Performance Fee	12.5%
Number of Holdings	16	High Water Mark	Yes

*Unit Prices are calculated before performance and management fees have been deducted.

MARKET REVIEW & OUTLOOK

The market has continued to experience considerable volatility during the month of December. The ASX200 index has fallen -2.7% during the month with continuing Sub-Prime woes and credit crisis, with heightened concerns of a potential recession in the US. The Australian market has underperformed the US market in December. The credit issues spread to Centro Properties Group which saw the value of the stock fall 76% in one day. The All Ords index is currently close to 12% off its recent November 2007 highs. Gold, Iron Ore and Coal stocks have continued to perform well reflecting the strength in the underlying commodities. Oil rose 8% to \$96 per barrel on falling inventories and worries over supply while gold rose 7% to US\$838 per ounce reflecting investment support for the precious metal in times of lower investment confidence. Financials, Property Trusts, interest rate sensitive and/or highly geared sensitive stocks are out of favour in the current climate and their share prices reflect that sentiment.

We are cautiously optimistic about the outlook for the market over next few months. Domestically, the economy has been performing very strongly which should result in reasonably strong earnings announcements in the forthcoming reporting season. The challenges ahead remain a strengthening Australian dollar, rising inflation, increased interest rates and the ongoing credit crisis. Weakness of the US market looks set to continue in the short term as the economy slows and the full extent of the Sub-Prime issues come to the surface. We expect further cuts to US interest rates in the next quarter.

While the States are slowing, much of the rest of the world appears to be quite strong adding to the theory that the emergence of Asian and economic strength may lead to the global economy being decoupled from its principal driving force – the US economy. If this is the

case, the Australian market should prove to be sheltered to some extent from economic hardships faced in the US as we continue to provide much of the material to further fuel the robust regional growth. We continue to believe in the continued strength of the domestic investment markets in the medium term and believe that there are still some sound investment propositions available within the Microcap space.

FUND MANAGER'S REPORT

The Fund was officially launched in early November and we have carefully selecting suitable undervalued investments since that time. The fund is close to being fully invested. A large number of new investments have been made over this period and no positions have yet been exited. We are currently particularly keen on investments in the Precious Metals, Energy and Mining Services industries.

In addition to this Monthly Report, we hope to display the Fund's unit price on the Cygnet Capital website. The unit price should be updated on a weekly basis.

TOP 5 HOLDINGS

	Fund %
1 Bow Energy Limited	12.4%
2 Northern Energy Corporation	10.6%
3 Copper Strike Limited	10.5%
4 ComOps Limited	10.2%
5 Rheochem PLC	9.2%
Other holdings	41.5%
Cash	5.6%
Total	100%

MARKET SECTOR EXPOSURE

Energy	35%
Materials	22%
IT	15%
Industrials	9%
Telecoms	4%
Real Estate	4%
Other	4%
Cash	6%
TOTAL	100%

CONTACT



For information on the Cygnet Microcap Opportunity Fund or information on your account please contact:

Cameron Morcher - Portfolio Manager

Tel: (03) 9669 1956

Email: cm@cygnetcapital.com.au

www.cygnetcapital.com.au/managed.php

IMPORTANT INFORMATION

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