

OCEANIC ASSET MANAGEMENT PTY LTD

CF AUSTRALIAN NATURAL RESOURCES OEIC



**Quarterly Investment Report for the period ended
31st January 2008**

Contents

Fund Information	3
Market Review	4
Investment Performance	6
Fund Activity	9
Outlook & Strategy	10
Sector Breakdown	11
Market Capitalisation Breakdown	12
Portfolio Holdings by Sub Sector	13
Top Ten Holdings	14



Fund Information

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Latest price	£1.5785
12m high	£2.1307 (1st November 2007)
12m low	£1.3583 (17th August 2007)
Currency	GBP
Fund Size	£75m AUD\$165m (55 Holdings)
Launch date	25 July 2005
Benchmark	AS48 – S&P/ASX 300 Resources
IMA Sector	Specialist
Share class	Income (Dividend date – 31 May)
Structure	UCITS III OEIC
ACD	Capita
Depository	HSBC
Minimum Invest	£50,000 initial, £10,000 subsequent
Charges	1.00% AMC 20% PRF ½ly v Benchmark
ISIN	GB00B0D75910
SEDOL	B0D7591
Bloomberg Ticker	AUSNRFD LN

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Oceanic Asset Management and its affiliates, directors, employees, contractors, agents and assigns may from time to time hold interests in the form of securities in the companies mentioned in this document. Where this interest is considered relevant and material by Oceanic Asset Management, the extent of the interest will be disclosed.

Sources: Bloomberg L.P. LME. Comex/Nymex, Kitco, UXC

Quarterly Commentary

(for the Quarter 1st November 2007—31st January 2008)

MARKET REVIEW

Fund holdings were affected as large falls in global markets through mid January impacted the domestic market. Margin calls on over-leveraged market participants and other market-forced selling drove holdings to over-sold positions as liquidity evaporated in the local market, particularly in the small to mid cap sectors. Despite the selloff in equity markets, commodity prices, although volatile, finished the period broadly higher as investors looked to hedge against the falling US dollar.

Oil & Gas – Was particularly strong following continued global instability and supply concerns moving through psychological US\$100 / barrel levels.

Gold - Prices reflected the market instability and surged to record highs on the back of its 'safe haven' status, US dollar weakness and continued global instability, finishing the quarter above \$900/oz and well within sight of \$1000.

Platinum – Surged to near-record levels as increasing demand from a predicted uptake of fuel cells, South African power issues and a weaker U.S. dollar ignited buying from speculators and investors alike.

Nickel - Nickel prices jumped higher in early January, being supported by investment inflows, partly related to index reweighting. However, the nickel price was unable to sustain the highs of early-January. Evidence of a recovery in stainless steel-related nickel demand remains mixed. And LME nickel stocks remain at a high level, notwithstanding some moderation in LME nickel stocks through to mid- January.

Zinc – Tracked lower from peaks on an unwind in speculative positions despite a continued downtrend in LME inventories. Despite overwhelming negative zinc price sentiment, increasing cost pressures on production, more marginal lower grade production trends, declining mine reserves, a follow through on iron ore price negotiation rubbing off on base metals, all point to a recovery in the zinc price in the near term.

Aluminium - Prices finished the period sharply higher on reports of significant disruptions to aluminium production in China as a result of power shortages, and also disruptions to production in Africa, underpinned aluminium prices over the latter part of the quarter.

Copper – The copper price finished the period higher, benefiting from investment inflows, an increase in the volume of cancelled LME copper warrants, and perceptions that China’s demand for copper remained firm. However, concerns over the US economic outlook resulted in intermittent set-backs in the copper price.

Lead — Continued strength as LME warehouse levels plummeted. The lead price was choppy over the period, but closed higher. Lead prices were lifted late in the month by news that adverse weather conditions in China had disrupted lead production.

Iron Ore – Continued spot market increases as well as an agreement between CVRD and several of its customers for a 65% increase in benchmark prices, lead to speculation of an over 80% rise in iron ore prices for local miners as talks between domestic miners and Asian steel mills begin.

Coal — Prices surge on spot markets following continued threats to supply, including refinery outages, wet weather, port congestion, and a lack of electricity all having an exponential affect on the spot price, coupled with insatiable global demand, with a flurry of analyst rerating those stocks exposed to the sector.

Manganese — Prices skyrocket, driven by an ongoing shortage of high grade product and continued strong demand. Continued strength in both the spot market and the recently negotiated BHP-Nippon Steel annual contract lead to an increasingly robust outlook for the metal. Consolidation of independent producers by Privat lack of investment in new capacity due to previous long term low prices and historical latent capacity, and growth in demand from China in steel production enhance the tight fundamentals in the manganese market. Exacerbating this situation is the prospect of no new growth coming from South Africa, the source of 30% of global Manganese, as a result of tight power supply issues.

Uranium — Prices recovered slightly from the September correction, but of more importance, the long term price indicator remains at \$95 per pound. Recent threats to power supply and load shedding threaten African uranium production. In other news, the UK government has invited companies to submit proposals for the construction of new reactors, stating that ‘the evidence in support of nuclear power stations is compelling.’ the fundamentals for uranium remain strong and quality companies exposed to the sector continue to offer long term value creation for investors.

Rare Earths — Stability of supply remains an issue for buyers with a further decrease in export quotas expected to follow the increase in taxes and continued speculation of a possible relocation of mining operations at the world’s main Rare Earth source Baotou (50% of the market), to a higher grade iron ore and lower grade Rare Earths ore body.

Fund Performance

As at 31st January 2008

	Movement %			
	3 months	6 months	1 year	Launch
CF Australian Natural Resources Fund	(24.6)	(15.9)	7.7	57.8
AS 48 All Resources Index	(12.0)	9.9	52.0	92.0

The CF Australian Natural Resources Fund was 24.6% lower for the period, while the benchmark S&P ASX 300 Resources benchmark fell 12.0% over the same time, shielded by the global sell-off largely on the back of merger talk between benchmark heavyweights BHP and RIO Tinto. While these two stocks performed relatively well, the fund aims for longer growth from smaller, less known companies that offer huge rewards from exploration success as the fund captures the early mover advantage as those companies move through the growth profile from explorers to producers.

Comparative Returns: 25th July 2005 - 31st January 2008



Source: Bloomberg

In a difficult period for equity markets, particular positive highlights for the fund over the quarter were:

Extract Resources up 13.5% - Outstanding drilling results continue to be returned from Garnet Valley with mineralisation open in every direction and massive uranium intersection of 125 metres at 1,344ppm U3O8. Maiden resource estimate on track for Garnet Valley, and drilling at Rossing South in Namibia continues with wide zones of alaskite intersected, and confirmation of a new uranium discovery. Resource definition drilling continues with five rigs on site and the arrival of an additional two rigs imminent. Listed on Toronto Stock Exchange 22 October 2007.

Mundo Minerals down 6% - Significant improvements in economics for Engenho Gold Project, Brazil including Final capital cost expected to be 21% below budgeted cost, calendar 2008 production 32% above budget with forecast annualised production 21% above budget, forecast cash operating costs 5% below budget EBITDA forecast at A\$17 million per annum at conservative US\$750/oz gold price. Exploration continuing with drilling planned for April 2008. Cash position of \$19.2 million with no debt and no hedging.

Tanami Gold down 4% - Continued increase in gold production and plant performance with Quarterly gold production of 11,779 ounces exceeding budgeted production by 3,153 ounces (36%). Underground development commenced. Multipurpose drill rig secured for the next round of exploration drilling. Unhedged gold producer continues to benefit from surging gold price.

Pike River Coal up 5.9% - New \$100 million funding package announced including Rights Issue to shareholders, New long term transport contract with Solid Energy signed, Tunnel at 1973 metres and mine pit bottom under construction, surge in coal prices on spot markets, with forecast hard coking coal prices rising to US\$130 per tonne plus see a re-rating of stocks exposed to the sector.

The following holdings were disappointing for the quarter, particularly as global market influences weighed:

Wildhorse Energy down 65.3% - Completes Scoping Studies at two of its projects, and completes planning and permitting for drilling programs in 2008. Bison Basin, Wyoming, project study demonstrated the potential for the Basin to be an In Situ Recovery mine, while ongoing studies at the Pécs Project, in Hungary confirmed its exploration target of 60-80 million pounds of uranium with a grade range of between 0.08-0.12% U₃O₈, of which 30 million pounds is JORC compliant. Based on this target a large scale opportunity for mine development exists in the region.

Jabiru Metals down 55.6% - First copper and zinc concentrates shipped from Jaguar base metals deposit, first revenues achieved, lower zinc price weighs.

Globe Uranium down 48.4% - Kanyika Project, Malawi confirmation of higher grade uranium near surface drilling at new Jobu Zone confirms Uranium—Rare Earths mineralisation over at least 3.4km strike length. Livingstonia Project, Malawi discovery of roll-front style uranium mineralisation at the Chombe prospect. Fully funded for 2008 drilling campaign, Negative sentiment surrounds junior uranium sector.

Roc Oil down 39.2% - Cliff head oilfield pays out its gross capital investment after producing 5 million barrels of oil during the first 18 months of production. 23% increase in oil production for the period, record oil prices.

Ironbark Gold down 22.2% - Despite upgrade of resource at Citronen zinc lead project in Greenland defining a world class deposit, negative zinc price and global market sentiment weighs.

Salinas Energy down 38.0% - Achieves production target of 1000 barrels of oil per day, revenues increase significantly and projected to grow further in the next quarter. Maiden operating profit achieved, unhedged oil revenues.

ABM Resources down 36.7% - Sold off despite significant high grade zinc drilling results (over 5% Zinc) at Erayinia project, and acquisition of the highly prospective, world-class potential gold project in Mozambique.

Fund Activity

Placements, Rights Issues and Initial Public Offerings

The fund was particularly busy in corporate transactions through the early part of the period. Highlights included:

Southern Cross Electrical Engineering— Raised \$58 million in initial public offering. Closed 60% higher on first day of listing.

Resource Pacific Holdings— Pro-rata offer at \$1.60 per share. Subsequently receives takeover offer from Xstrata at \$2.95 per share.

Saunders International— Initial public offering of 14 million shares at \$0.50 per share. Finished first day of listing at 68 cents, representing a 36% premium to the issue price.

Eqitx— Equity raising at 10c to fund acquisition of Indonesian Coal Project. Surges past 40c during the period on news of acquisition.

Every Day Mining Services (placement) - Raises \$14 million at 60c per share to fund acquisition of businesses and for working capital purposes

Emmerson Resources— Initial public offering of 20 million shares at 20c per share. Closes first day at 15% premium to issue price.

Rheochem— Initial Public Offering of 100 million shares at \$0.35 per share. Closes first day at 38c, an 8.6% premium to issue price.

Bellevue Resources— Initial public offering raises \$3.5 million at \$0.20 per share. Closes first day of listing at a 35% premium.

Outlook And Strategy

The falls in share prices through January were sharp and largely defied robust underlying fundamentals and commodity pricing. We anticipate a strong eventual rebound from grossly oversold positions. We remain focused on building positions in companies who are sourcing current and future supply of natural resources that will be demanded from large and expanding emerging economies for decades to come. The fundamentals for broader commodities and resource companies remain bullish driven by the industrialisation and urbanisation of BRIC and other developing economies, which is reflected in continued strong forecasts in underlying global commodity prices.

As urbanisation accelerates, we expect a multiplier effect on metal and energy intensive consumption. This ex-US global strength is anticipated to put a floor on equity prices now that the majority of the 'hot money' has left the market. Domestically, the Australian economy remains in a solid position and will also be supportive of commodity investment.

Gold and oil markets are anticipated to continue their recent strength as the US dollar remains structurally weak, the US Fed's rate cut inflation implications are digested, and geopolitical tensions remain in the market's eye. We are still very bullish energy stocks (oil, gas, coal and uranium) due to the ever increasing supply constraints and increasing demand from China. Our most favoured base metals are nickel, copper and zinc and we have been acquiring positions in a number of companies which are in the process of developing significant deposits and / or ramping up production in these particular metals.

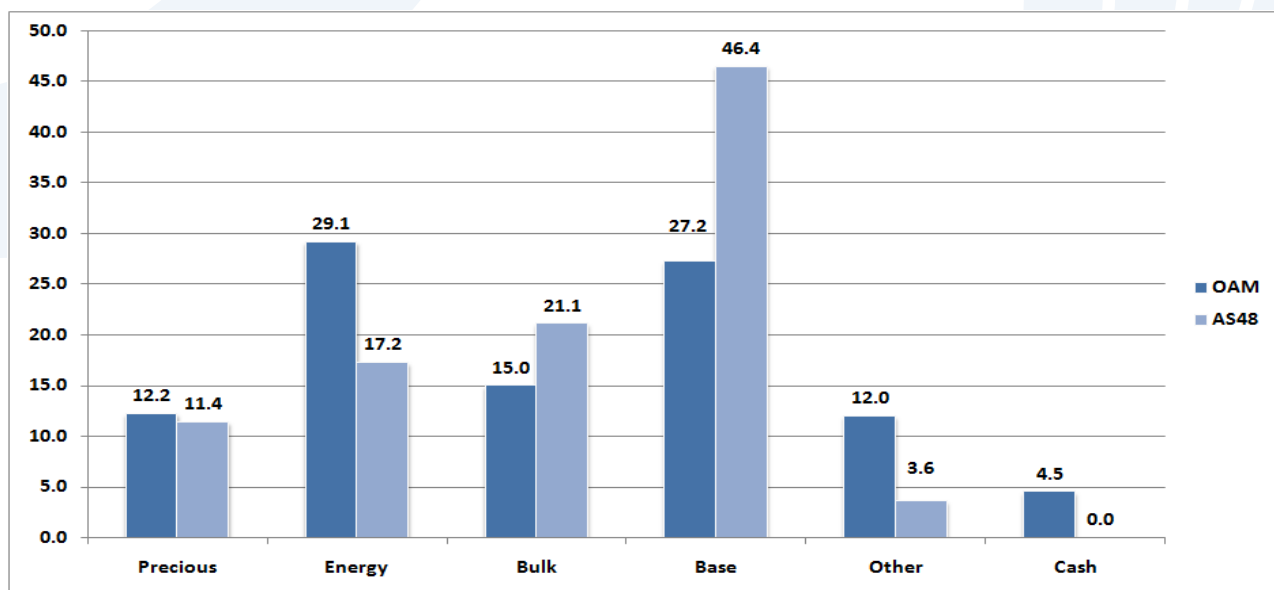
The fund is holding a strategic cash position and we intend to invest this incrementally over the coming period, depending on market conditions, as volatility is expected to remain for the foreseeable future. We anticipate opportunities to exist as the market weighs the US weakness against the BRICS strength.

Sector Breakdown By Primary Commodity (%)

As at 31st January 2008

	Oceanic (%)	AS48—All Resources Benchmark (%)	Difference – Over / (Under) Weight (%)
Precious Metals	12.2	11.4	0.8
Energy	29.1	17.2	11.9
Bulk Commodities	15.0	21.1	(6.1)
Base Metals	27.2	46.4	(19.2)
Other	12.0	3.6	8.4
Cash	4.5	0.0	4.5

%

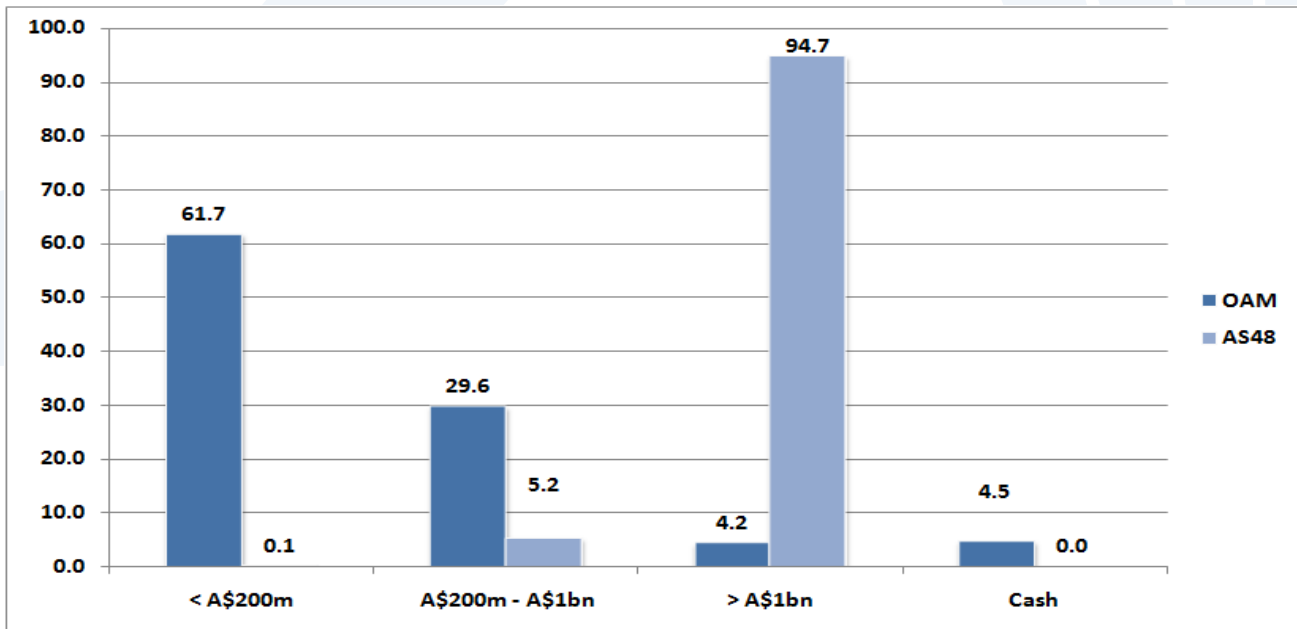


Market Capitalisation Breakdown (%)

As at 31st January 2008

	Oceanic (%)	AS48—All Resources Benchmark (%)	Difference – Over / (Under) Weight (%)
\$0— \$200 Million	61.7	0.1	61.6
\$200m —\$1 Billion	29.6	5.2	24.4
\$1 Billion +	4.2	94.7	(90.5)
Cash	4.5	0.0	4.5

%



Portfolio Stock Holdings by Primary Sub Sector

(Diversified by Primary Commodity)

As at 31st January 2008

Sub Sector	Weighting (%)	Weighting Previous Quarter (%)	Increase / (Decrease) (%)
Oil & Gas	21.1	17.5	3.6
Zinc	12.8	24.1	(11.3)
Copper	10.5	5.6	4.9
Gold	10.2	10.1	0.1
Iron Ore	5.4	8.2	(2.8)
Nickel	2.9	0.6	2.3
Logistics / Services	6.1	5.0	1.1
Manganese	3.3	0.0	3.3
Uranium	7.1	4.6	2.5
Coal	6.3	1.5	4.8
Platinum	1.6	1.7	(0.1)
Silver	0.0	1.1	(1.1)
Rare Earths	5.4	0.0	5.4
Alt. Energy	0.9	0.0	0.9
Bauxite	0.8	0.0	0.8
Mineral Sands	0.4	0.6	(0.2)
Diamonds	0.4	0.5	(0.1)
Magnesium	0.0	0.4	(0.4)
Tin	0.3	0.0	0.3
Cash	4.5	18.7	(14.2)

Top Ten Holdings

Company	Sector	Primary Sub Sector	Weighting (%)
Oilex	Energy	Oil & Gas	7.9
Mundo Minerals	Precious Metals	Gold	5.6
Arafura Resources	Other	Rare Earths	5.4
Salinas Energy	Energy	Oil & Gas	5.0
Ironbark Gold	Base Metals	Zinc / Gold	4.6
Sphere Investments	Bulk Commodities	Iron Ore	4.4
Greenland Minerals & Energy	Energy	Uranium / Rare	4.2
Pan Australian Resources	Base Metals	Copper / Gold	4.2
OM Holdings	Bulk Commodities	Manganese	3.3
Petsec Energy	Energy	Oil & Gas	3.2

Concentration Breakdown

%

Cash

Top 5 Holdings	28.6
Top 10 Holdings	47.8
Top 20 Holdings	73.2
Top 30 Holdings	86.2
Top 40 Holdings	92.1
Top 50 Holdings	94.9
Total Holdings (60—including non-physical option positions)	95.5