

# GLOBAL MINING

INVESTMENTS LTD

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## **April 2004 NTA / Investment Update**

Global Mining Investments Limited (GMI) listed on the Australian Stock Exchange on 8 April 2004 after raising A\$78M. GMI subsequently converted A\$75.2M (net proceeds after deducting offer expenses and allowing for \$0.1M of working capital in GMI), to US\$ at a rate of US\$0.756 and made available US\$56,895,004 to the Investment Manager, Merrill Lynch Investment Managers Limited.

As at 30 April 2004 81% of the portfolio had been invested in natural resource companies in accordance with the Investment Manager's Investment Strategy. The balance of the portfolio is held in cash in US\$. The Investment Manager anticipates investing the remaining cash during May 2004.

The NTA at the close of the issue was 96.9 cents per share after allowing for all float costs.

The NTA before tax as at 30 April 2004 was 90.45 cents per share and the NTA after tax was 89.97 cents per share.

GMI has also issued options to subscribe for shares at an exercise price of \$1.00 on or before 30 November 2006. The options have no dilutive effect on the NTA per share until the NTA exceeds \$1.00.

*(NTA figures are unaudited)*

### **Investment Manager Commentary**

April was the first month of life for GMI and what a month it was. The mining sector, as represented by the HSBC Global Mining Index, had one of its worst periods on record with a 15.5% decline in US dollars (-10.7% in A\$ terms). To put this in perspective this is only the fourth time in 20 years that it has had a one-month fall in excess of -15%!

In comparison to this commodity prices fared much better with the MG Base Metal Price Index declining only 8% (-2.75% in A\$ terms). The prevailing reason given for the severe decline in mining equity values was China. Investor enthusiasm for mining companies diminished and the subsequent profit taking combined with mounting speculation of a slow down in the Chinese economy led to significant falls in equity prices. For example during the month BHP Billiton fell 6.4%, Rio Tinto 5.5%, CVRD 12.4% (all A\$ terms) etc. It is worth bearing mind that these companies derive a considerable part of their revenue from non-terminal market commodities such as iron ore, coking coal, thermal coal etc and these prices are fixed for the next 12 months at considerably higher prices than last year.

Outside of the major mining groups mentioned above the purer plays were worse hit in copper and nickel but the aluminium companies fared better due to the strong performance of the underlying metal (see table below). However even with aluminium prices rising the shares still posted falls for the month, testament to the fact that equities were far worse hit than the underlying commodities.

	Country	Commodity Exposure	A\$ Performance %
<b>Gold Price</b>			<b>-3.6%</b>
Newcrest	Australia	Gold	-11.4%
Harmony	Sth Africa	Gold	-25.2%
Goldfields	Sth Africa	Gold	-20.1%
<b>Copper Price</b>			<b>-5.2%</b>
Jiangxi Copper	China	Copper	-24.4%
Southern Peru Copper	Peru	Copper	-24.1%
Phelps Dodge	USA	Copper	-19.4%
<b>Nickel Price</b>			<b>-15.1%</b>
Falconbridge	Canada	Nickel/Copper	-13.6%
Noranda	Canada	Ni/Cu/Al	-16.1%
MPI Mines	Australia	Nickel	-19.9%
Inco	Canada	Nickel	-12.2%
<b>Aluminium Price</b>			<b>+3.5%</b>
Alcoa	USD	Aluminium	-6.3%
Alcan	Canada	Aluminium	-5.1%

The table below highlights the change in value of the Fund during the period. The strong relative performance was driven by two key factors. First the decision to invest at a measured pace due to the higher than normal volatility and general nerves on China prevented all of the portfolio from being exposed to the overall fall in equity prices. The second factor was the 5.8% decline in the A\$ during the month which enhanced the return of the non-domestic investments (85% of the equity portfolio plus cash held in US dollars). In addition relative performance was enhanced further by stock selection. Purchases of Rio Tinto, BHP Billiton, Alcoa and Alcan all added to the strong relative return.

*Performance Table*

	Starting Value	Value at 30/4/05	% Change
GMI Assets US\$	57,109,602	50,726,923	-11.18%
HSBC US\$	226.5	188.31	-16.86%
GMI Assets A\$	75,510,839	70,130,569	-7.13%
HSBC A\$	297.01	261.3	-12.03%

**Top Ten Holdings as at 7<sup>th</sup> May 2004** (% of Portfolio including cash)

	% of Portfolio including cash
Rio Tinto Ltd	8.6%
BHP Billiton Ltd	8.2%
CVRD	8.0%
Alumina Ltd	6.1%
Xstrata Plc	4.9%
Buenaventura	4.8%
Alcan	4.3%
Impala	3.8%
Alcoa	3.5%
Anglo American Plc	2.4%
	54.7%

The Investment Manager believes that the recent price declines in base metals do not reflect any significant changes in underlying fundamentals. Supply side capacity constraints coupled with a picture of resolute Chinese demand and an improving economic picture in the US should more than support current commodity prices. With deficits in place for all the major base metals and for most of the bulk commodities the scenario is a very positive one for commodity prices. Thus when combined with the magnitude of the recent decline in equity prices the Investment Manager believes the sector is offering excellent value.

**L Petterd**  
Secretary