ELEVATION CAPITAL[®] VALUE FUND

THIRD QUARTER 2012 INVESTOR REPORT

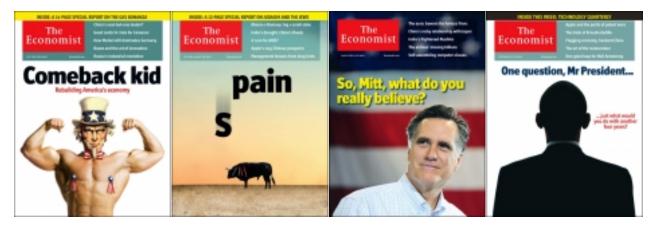
28 October 2012

Key Performance Data		Top 10 Holdings			
Q3 2012 Net Return	-0.19%	Security	% of Portfolio	Security	% of Portfolio
CY 2012 Net Return	-0.63%	Vealls Limited	3.52%	Heineken Holdings NV	2.39%
Return Since Inception	+9.05%	Guinness Peat Group	2.79%	Leucadia National Corp	2.33%
· ·		Pargesa Holding	2.71%	Smith & Nephew	2.27%
Funds Under Management	NZ\$ 14.65 million	Nestlé SA	2.59%	Vivendi	2.25%
Unit Price	NZ\$ 1.0800	Satara Co-operative*	2.50%	Encana Corp	2.12%

* Christopher Swasbrook was appointed as a Commercial Director of Satara Co-operative Group Limited on 24 June 2011.

Market Review:

The third quarter of 2012 was best summarised by the following covers from – The Economist.



Uncertainty remains widespread across the global economy. European politicians continue to vacillate and the US elections have only served to divert attention temporarily from several major issues – the approaching expiry of the "Bush tax cuts" and the looming "fiscal cliff" as the media have termed it. The world's major economic engine – China also appears to be slowing and is in the process of leadership change.

Separately, our scepticism / caution on investing directly into China remains and is only emphasised when we read in the New York Times that Prime Minister Wen Jiabao and his family have accumulated assets totalling US\$ 2.7bln. This is a fascinating article and worth the time for those interested: http://tinyurl.com/wenjiabaohiddenriches

Corporate performance until more recently has largely ignored the global macroeconomic backdrop but there are signs of weakness developing, especially within the global mining sector. Bonds as we referenced in our second quarter investor report are at historically high valuations and in our opinion global equities offer much better value. You might like to read the FT article written by Burton Malkiel which articulates this issue eloquently: http://tinyurl.com/bondbuyers

The Federal Reserve Governor – Ben Bernanke has continued to offer his support to the US economy (and global economy) by maintaining zero interest rates until 2015. This is now referred to as "QE Infinity". Quantitative Easing ("QE") is a term designed to distract, the real description is "Printing Money". History shows that when a government puts its mind to devaluing a currency it usually succeeds. These facts continue to drive our negative view on bonds, however predicting the / a turning point remains elusive. Global equities (and particularly those with brand / franchise power) remain the best alternative in our opinion (which should come as no surprise).



Fund Review:

Below we have detailed the ten largest contributors / detractors from performance during the third quarter.

Winners Q3 2012

Guinness Peat Group plc [UK] Wakefield Healthcare [NZ] Petrobras [Brazil] Kirin [Japan] Nokia [Finland] Pargesa SA [Switzerland] Cisco Systems [US] Canadian Natural Resources [Canada] Smith & Nephew plc [UK] GAM Holdings [Switzerland]

Losers Q3 2012

Vealls [Australia] Satara Co-operative Group [NZ] Supervalu [US] DELL [US] Staples [US] Artio Global [US] Kirkcaldie & Stains [NZ] OPAP [Greece] Anglo American plc [UK] Monster Worldwide [US]

It was not an extremely active quarter for the Fund from the perspective of adding new investment ideas. We added one new name to the portfolio. Marlin Global Limited ("Marlin Global") in New Zealand. We have released a comprehensive presentation on Marlin Global on our website (and via email) detailing our thoughts on this investment company. Additionally, we have tabled a resolution calling for "termination of the management contract and return all capital to shareholders at Net Asset Value less costs of termination, impairments and portfolio liquidation" for inclusion at the ASM. We do not expect an immediate outcome as our resolution is "non-binding" but we anticipate support from other shareholders and we plan to continue to lobby the directors in an effort to release value for ourselves and other like-minded investors.

We exited 15 holdings during the quarter as we continued to rationalise smaller positions and several NZ investments which had rallied strongly. We also executed on the opportunity to reduce Vealls Limited from 9.50% of the portfolio at the end of Q2 2012 to 3.52% at the end of Q3 2012. The Fund ended the quarter with 24.8% cash and 64 holdings in total.

Stock Review:



At the end of the third quarter, our investment in Yahoo! comprised 2.10% of the portfolio. Yahoo!, located in Sunnyvale, California, owns and operates Yahoo.com, one of the largest websites in the US. The company generates revenue through display advertising, search advertising and its affiliate network. The company also has two key investments – Alibaba Group and Yahoo! Japan.

On 19 September 2012, Yahoo! completed the initial sale of shares in Alibaba Group. This marked the first step to monetise its valuable stake in Alibaba Group. Yahoo! sold 50% of its stake in Alibaba Group (20% of Alibaba Group's total equity) for US\$ 7.1bln which placed a total value of US\$ 35 billion on Alibaba Group. Yahoo! also received US\$ 550mln and on-going royalty payments (~US\$ 50mln in 2011) for licensing technology and IP to Alibaba.

After tax proceeds totalled US\$ 4.1bln and Yahoo! still retains a 23% stake in Alibaba Group as the transaction resulted in Alibaba Group retiring shares and thus ownership accretion for Yahoo!.

We estimate a remaining value of US\$ 6bln or US\$ 5.00 per Yahoo! share on an after-tax basis. Market expectations are for Yahoo! to use US\$ 3bln to repurchase roughly 17% of its current market capitalisation.



Based on these numbers it is not hard to calculate a sum-of-the-parts valuation of Yahoo! in excess of US\$ 30.00 per share versus a price of US\$ 15.975 per share at the end of the quarter. Essentially at current prices we believe, investors are receiving the core US business, Yahoo.com and its US\$ 1.7bln in EBITDA for free!

We trust this explains succinctly why/how we see value in Yahoo!

Thank you for your continued interest and support in / of the Fund. We look forward to updating you again on the Fund performance and providing further insights into a selection of the underlying investments within the portfolio soon.

"The only source of knowledge is experience."

[Albert Einstein]

Yours sincerely,

Elevation Capital Management Limited



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