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BET

DIGGA looks to shovel more funds into mining stocks

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Scouring the world of small cap mining companies fits well with Chimaera Financial founders Ian Pattison and Sal Catalano. Indeed, when *Garimpeiro* tried to track down the pair, they were half way up a mountain in rural Queensland visiting a mine.

"Can't tell you where we are," quipped Pattison.

The reason for Garimpeiro's interest in the pair is a product they have launched today on the Australian Securities Exchange. It's called the DIGGA Australian Mining Fund - ASX code DGA - which is an exchange-traded fund (ETF) that tracks a basket of small and mid-cap listed mining stocks.

That fund tracks Chimaera's existing DIGGA Index, which follows 70 listed mining entities including Iluka Resources, Lynas, Paladin Energy, Atlas Iron, Sandfire Resources and Oz Minerals.

Now, Garimpeiro notes the DIGGA Index fell 36.6 per cent in 2011, as share prices in the mining sector echoed a tough year on global markets.

Hardly the sort of returns to call home about. But the portfolio manager of the DIGGA Australian Mining Fund, Andrew Kemp, points out that last year's massive fall in share prices for stocks in the DIGGA Index significantly underperforms the commodity prices that the actual constituent companies produce.

"We continue to be encouraged by the building economic momentum in the US, and the recent stabilisation seen in Chinese data," Kemp said.

"For 2012 we expect decent market returns, although uncertainty over Europe will keep volatility levels elevated."

The Digga Australian Mining Fund excludes companies with a market cap of greater than \$10 billion - no BHP and Rio then - as well as ASX-listed companies that focus on offshore assets.

The timing might be handy given Glencore and Xstrata's deal overnight in [the world's biggest mining merger](#) which may ignite a bit more takeover action among resources companies globally.

Gold stocks are also left out - the thought is investors can manage their own exposure to gold.

The fund includes all the listed coal players, and companies that produce and explore for base metals, uranium and bulk commodities such as iron ore and mineral sands.

According to Catalano, the DIGGA Fund allows investors to gain broad exposure to Australia's mining assets.

"It's very hard for ordinary investors to get exposure to the mining sector outside of the big global players," he said. "The DIGGA gives investors a diversified exposure to approximately 70 of the largest producers and explorers with their operations and assets focused on Australia. This removes the need to try and pick winners, and allows exposure to the Australian mining sector as a whole."

Now, for regular Garimpeiro readers, picking winners is part of the fun.

The thought of investing in such a fund might some of the fun out of small-cap speculation, and the hunt for a 10-banger that brings windfall profits.

For those who are looking for a broad exposure to the mining boom, DIGGA might be one place to start.



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