Equititrust Income Fund

Benchmark Disclosure Update

As at 31 December 2010

Equititrust Income Fund ARSN 089 079 854
Equititrust Limited ACN 061 383 944, AFSL 230471

EQUITITRUST CAPITAL

EQUITITRUST INCOME FUND
ASIC Benchmark Disclosure Update
As at 31 December 2010

About Benchmark Disclosure
In September 2008 the Australian Securities and Investments Commission (ASIC) issued Regulatory Guide 45 which sets out eight Benchmarks, for all unlisted mortgage funds to disclose against. The Benchmarks are intended to assist investors to understand the risks, assess the rewards being offered, and to determine whether the investment is suitable for them.

Following the Benchmarks is not mandatory. Managers of mortgage funds are simply required to disclose whether they follow the Benchmarks or not and, if not followed, to explain on an 'if not, why not' basis.

Ultimately, investors should review the Benchmarks in the context of all Disclosure Statements as a whole, rather than rely on any one particular Benchmark in isolation to make an investment decision.

The table below lists the Benchmarks and whether or not the Equititrust Income Fund (the 'Fund') follows the Benchmark.

	ASIC Benchmark for comparing investment funds	Follows the Benchmark
1	Liquidity	No
2	Scheme Borrowing	Yes
3	Portfolio Diversification	Yes
4	Related Party Transactions	Yes
5	Valuation Policy	Yes
6	Loan-to-Value Ratios	No
7	Distribution Practices	Yes
8	Withdrawal Arrangements	Yes

The following sections detail how Equititrust Limited, as the Responsible Entity for the Fund, addresses each of the Benchmarks. This is done by identifying the management processes in place to satisfy and to mitigate against any operational, financial, credit or business risks that the Fund may experience.

Benchmark 1
Liquidity

ASIC Regulatory Guide 45 requires the Responsible Entity to have estimates of, and provisions for meeting, projected cash flow requirements over the next three months.

As at 31 December 2010, the Fund anticipated having a sufficient level of cash and cash equivalents available from loan repayments to meet its operational cash needs, including income distribution payments to investors, for the next three months.

With the Fund's deferral of withdrawal requests remaining in effect as at 31 December 2010, all investments maturing in the next three months are forecast to remain in the Fund for the purposes of cash flow calculations under this Benchmark.

During normal market conditions, Equititrust aims to maintain a cash balance to meet all future needs, including withdrawal requests.

The ASIC Regulatory Guide requires that established undrawn credit lines cannot be taken into account for the purpose of cash flow projections. Equititrust follows this guideline, and has prepared cash flow forecasts for the next three months that do not rely on undrawn credit lines provided to the Fund.

Cash Flow Estimation Process
Equititrust has policies and procedures in place to estimate the Fund's cash flow projections, taking into consideration:
- estimated rollovers of investors' maturing investments;
- payment of loan instalments or loan repayments; and
- cash flows from operating activities.

In determining the level of cash flow required during the period, the cash flow forecast process is subject to a series of estimates and judgements, including:
- the probability of the rollover of investors' maturing investments;
- the risk and maturity profile of the mortgage loan portfolio;
- expected borrower drawdowns; and
- management's reasonable expectation of future cash flow requirements, based on expected business and operational trends, the property market, and the projected economic and legislative environment.

To complement and support the cash flow estimation process, Equititrust has management systems in place to monitor and review historical cash flow performance, as well as trends over time associated with investors' new investments and the advances of mortgage loans. This analysis evidences the trend in rollovers of investors' investments and turnover within the loan portfolio.

Equititrust's cash flow management system also includes:
- monitoring the liquidity position on a daily basis.
- reviewing weekly forecast cash flow needs for the next quarter.
- reviewing quarterly cash flow needs for the next year.

Balancing the maturity of assets and liabilities

ASIC's Regulatory Guide 45 also requires the Responsible Entity to disclose the Fund's policy on balancing the maturity of assets with the maturity of liabilities.

Equititrust's mortgage portfolio comprises loans with varying maturities, generally within 12 months. These loans are funded by investments with varying maturities up to 12 months, including Pending Withdrawal investments. They are also supported by Equititrust Limited's investment in subordinated Capital Warranty units in the Fund.

The Fund's liquidity management policy reflects the strategy of funding short- and medium-term mortgage loans with a mix of short-term investor funds, short- and long-term bank credit lines, and long-term investment held by Equititrust Limited in the Fund.

Benchmark 2
Scheme Borrowing

ASIC Regulatory Guide 45 states that, where the Fund has borrowed funds, the Responsible Entity should disclose:

- for each borrowing that will mature in five years or less – the amount owing and the maturity profile in increments of not more than 12 months;
- for borrowings that mature in more than five years – the aggregate amount owing;
- for each credit facility – the aggregate undrawn amount and the maturity profile in increments of no more than 12 months;
- if amounts owing to lenders and other creditors of the Fund rank before an investor's interests in the Fund;
- the purpose for which the funds have been borrowed, including whether they will be used to fund distributions or withdrawal amounts; and
- any information about breaches of loan covenants that is reasonably required by investors.

Credit Facilities

The Constitution of the Fund allows Equititrust to borrow funds on behalf of the Fund. These credit facilities, or similar facilities, may be varied by Equititrust from time to time to prudently manage the cash flows of the Fund.

Equititrust does not intend that credit facilities would ever exceed 40% of the value of the Fund's mortgage portfolio. As at 31 December 2010, bank-sourced credit facilities were 10.3% of the Fund's mortgage portfolio.

Lines of credit will generally be used for:

- financing direct mortgages by the Fund;
- loan partnering, which involves the Fund jointly investing in a direct mortgage with another party;
- bank guarantees for client borrowers; and
- paying distributions and withdrawals, which assists in managing the cash liquidity of the Fund.

The rights of investors in Ordinary Units to the income and assets of the Fund rank behind the rights of the providers of credit facilities. The credit facilities are secured by charges over the assets of the Fund.

As at 31 December 2010, Equititrust, in its capacity as Responsible Entity of the Fund, had the following finance facilities in place:

a. Provided by Commonwealth Bank of Australia (CBA):

Bank Guarantee Facilities with a limit of $580,665.
All former borrowings under this facility have been permanently repaid.

Security for CBA:

1. First registered mortgage debenture over the assets and undertakings of Equititrust Limited; and
2. Guarantee of $90 million together with a First Ranking Mortgage Debenture over the Assets and Undertakings of Equititrust Limited as Responsible Entity of Equititrust Income Fund, limited to $580,655 in respect of guarantees issued by CBA to third parties.

Facility Expiry Date: 28 February 2011

Prior to the expiry date of the facility, Equititrust Limited may lodge a cash deposit with CBA of an amount equal to the value of the outstanding guarantees. Some of the guarantees originally provided under this Facility have been released and have reduced utilisation of this Facility. It is expected that the remaining guarantees will progressively be no longer required. Following their subsequent release, the usage of the Facility will be reduced and any associated cash deposit would be progressively released to Fund.

b. Provided by National Australia Bank (NAB):

Approved Limit: $26 million
Amount Drawn: $26 million

Security for NAB:

1. Second registered mortgage debenture over the assets and undertakings of Equititrust Limited; and
2. Guarantee of $26 million together with a Second Ranking Mortgage Debenture over the Assets and Undertakings of Equititrust Limited as Responsible Entity of Equititrust Income Fund.

Facility Expiry Date: 31 October 2011

Equititrust, on behalf of the Fund, is undertaking strategies to repay the NAB facility before the Facility Expiry Date.

Loan Covenants

Equititrust, as the Responsible Entity for the Fund, has breached several minor covenants with respect to the NAB facility. These relate to the percentage of loans in arrears (which under the facility were capped at 5%) and the eligible asset percentage (which does not allow cash or loans in arrears to be used in such calculation). The possibility of these breaches arising were discussed with NAB several months before they occurred and NAB has agreed not to take further action in relation to them.

These covenants were agreed prior to the onset of the Global Financial Crisis, when the fund had the $90 million CBA facility in place. NAB has agreed to remove such covenants as part of a revised facility but this was not considered necessary by the Equititrust due to the fact that such breaches were considered immaterial and the costs to document and approve a revised facility were not considered to be warranted given the current facility is in the process of being paid out.

Benchmark 3
Portfolio Diversification

ASIC Regulatory Guide 45 requires Responsible Entities to disclose details of the current nature of the Fund's investment portfolio, as follows:

- loans by class of activity, by number and value;
- loans by geographical region, by number and value;
- what proportion of loans are in arrears or default, by number and value;
- the nature of the security for loans made (e.g. first or second ranking);
- the proportion of total loan monies lent to the largest borrower, and the 10 largest borrowers;
- loans that have been approved but have funds that have yet to be advanced, and the funding arrangements in place for any of these undrawn loan commitments;
- the maturity profile of all loans, in increments of not more than 12 months;
- loan-to-valuation ratios for loans in percentage ranges;
- interest rates on loans, in percentage ranges;
- loans where interest has been capitalised, by number and value;
- the use of any derivatives; and
- a clear description of the non-loan assets of the Fund including the value of such assets.

The following information, whilst not audited, has been compiled by Equititrust to provide a snapshot of the Fund portfolio as at 31 December 2010.

EQUITITRUST INCOME FUND PORTFOLIO

As at 31 December 2010

Cash deposited with banks	$301,433
Net receivables	$10,568,662
Total Mortgages	$251,470,135

Number of loans	41
Number of loans secured by first mortgage	41
Number of loans secured by second mortgage	0
Number of borrowers	25
Average loan-to-value ratio	73.0%
Largest loan as % of total loans	18.5%
Average loan value	$6,133,418
Average loan interest rate	10.9%

Loans with capitalised interest:	
Value of loans:	$54,217,776
Share of total loans, by value	21.6%

Loans with undrawn loan commitments	$144,043,351
Total undrawn loan commitments	$6,883,624

The anticipated funding source for these loan commitments is cash deposits, with anticipated progress draws over 18 months from 30 September 2010.

Borrowers By Size	Borrowers' Total Loans	% of Total Loans
Borrower 1	$52,213,753	20.8%
Borrower 2 - 10	$177,912,034	70.7%
10 Largest	$230,125,788	91.5%

Interest Rates on Loans (% per annum)	No. of loans	Value of Loans
0.00% to 9.99%	0	$0
10.00% to 11.99%	23	$150,063,396
12.00% to 13.99%	17	$101,205,988
14.00% +	1	$200,750
Total	41	$251,470,135

Loan Maturity Profile	No. of loans	Value of Loans
Past Due	6	$29,893,966
Matures within 12 months	35	$221,576,168
Total	41	$251,470,135

Note: If a loan reaches maturity and continues to satisfy the Fund's lending criteria then Equititrust may, at its descretion, agree to extend the loan for a further period - usually 12 months.

Activity Type	No. of Loans	Value of Loans	% of Total
Commercial / Industrial	7	$94,087,827	37.4%
Commercial Site	3	$3,817,351	1.5%
Residential	12	$40,913,480	16.3%
Residential Site	13	$86,369,941	34.3%
Residential Development	1	$4,201,419	1.7%
Rural / Rural Residential	6	$22,080,117	8.8%
Total	42	$251,470,135	100.0%

Geographic Region	No. of Loans	Value of Loans	% of Total
Brisbane / Sunshine Coast	6	$75,180,150	29.9%
Gold Coast	7	$20,726,658	8.2%
QLD Other	12	$22,524,990	9.0%
Sydney	4	$25,834,829	10.3%
NSW Other	9	$64,969,856	25.8%
South Australia	3	$42,233,651	16.8%
Total Loans	41	$251,470,135	100%

Loan to Value Ratio	No. of Loans	Value of Loans	% of Total
0% - 50.0%	3	$606,440	0.2%
50.1% - 60.0%	9	$16,904,877	6.7%
60.1% - 70.0%	14	$136,965,554	54.5%
70.1% - 80.0%	7	$55,777,514	22.2%
80.1% - 90.0%	1	$1,541,863	0.6%
> 90.0%	7	$39,673,887	15.8%
Total Loans	41	$251,470,135	100.0%

The LVR is based on the latest formal valuation for mortgage purposes held by Equititrust for the secured property. Refer Benchmarks 5 and 6 for further details.

Loans with Interest in Arrears				
Days in Arrears	No of Loans	Loan Principal	Interest in Arrears	% of Total
60 - 90 days	7	$29,286,244	$763,540	11.6%
90 - 120 days	4	$19,846,283	$815,912	7.9%
120+ days	11	$74,573,392	$4,332,315	29.7%
Total	22	$123,705,919	$5,911,767	49.2%

Equititrust deems any loans for which interest payments are greater than 90 days in arrears to be in default. The fifteen (15) loans in the 90-120 days and 120+ days categories above, therefore, are considered to be in default.

Of the seven (7) loans in the 60-90 days category, Equititrust has chosen to exercise its rights over the relevant loan security for three (3) of these loans, even though these loans are not, by definition, in default. The total principal for these loans is $13,407,970.

Of the balance loans in the portfolio, Equititrust has also chosen to exercise its rights over the relevant loan security for five (5) loans from four (4) borrowers, for strategic purposes. The total principal for these loans is $54,092,794.

Default Management

Equititrust has procedures under its compliance plan whereby appropriate action is taken against the borrower if they default. Such action may include working with the borrower collaboratively to resolve non-payment or effecting completion (if necessary), and/or the sale of the asset.

In certain circumstances, where Equititrust considers it in the best interests of investors, Equititrust has made a strategic decision to allow some loans to go into default rather than continuing to capitalise interest for these loans. In allowing certain loans to go into default, this then enables Equititrust to take enforcement action for the control of the security properties, in order to maximise and protect the security asset values.

Equititrust's Funds Management team conducts regular reviews of the Fund's security assets in order to formulate and update the action plans for each of the relevant security assets.

These reviews identify which:

- Security assets to further develop, in order to maximise the net return on the asset for the Fund, and/or
- Security assets to exit immediately, at current 'as is' market value, in order to optimise the cash flow needs for the Fund.

Loan Diversification

There are no target allocations within the portfolio with respect to loan security type and geography.

Lending Policy

- All loans are secured by registered first or second mortgages. Before funds are advanced, a valuation or market appraisal is obtained taking into account relevant factors such as the sale price likely to be obtained for the proposed security property, and factors affecting the possible sale of the security property.

- All valuations are obtained only from approved valuers and are no more than six months old at the time of the initial advance. Borrowers' capacity to service loans is assessed in terms of:
  - o the background and history of the borrower;
  - o the corporate structure of the company or group and associated companies if applicable;
  - o the borrower's track record and experience;
  - o the status of current and past developments/investments in which they have had an interest; and
  - o their past credit history and track record with Equititrust Limited or other lenders.

- If the borrower is a corporate entity, Equititrust undertakes searches of the ASIC register.
- Loans are to be no greater than 80% of the value of the security property at the commencement of the loan.
- Each improved security property is to be insured to replacement value.
- Loan applications involving specialised security properties are generally not considered.
- Property investigation is undertaken through land titles registries and other relevant authorities.
- To encourage borrowers to make prompt interest payments we provide a lower interest rate for timely payments.

Maximum Loan

At the date of the approval for a loan, the maximum single loan limit is not expected to exceed 20% of the total mortgage portfolio value. As at 31 December 2010, the Fund's largest single loan was $46,456,537, equivalent to 18.5% of the total loan portfolio value.

It is possible that a loan approved within the 20% internal guideline could, later in time, exceed that guideline simply because of a reduction in the size of the overall loan portfolio. In such an event, Equititrust uses its discretion in deciding whether or not such an event would be grounds for requesting that a borrower be asked to repay the portion of its Facility that resulted in the excess position.

Investment in Other Unlisted Mortgage Investment Schemes

The Fund has no current investments in other schemes.

The Fund may invest in another unlisted mortgage investment scheme provided that:

- it is registered under Chapter 5C of the Corporations Act;
- it deals only in first mortgages over property of the nature similar to that detailed in the Product Disclosure Statement;
- the term of investment does not exceed two years; and
- the Equititrust Credit Committee believes the investment to be in the best interest of investors.

Before making any investment in any other unlisted mortgage investment scheme, Equititrust would issue an updated Benchmark disclosure. In any event it is likely that Equititrust would require the other operator to satisfy Benchmarks 1-8.

Loan Partnering / Syndication
Equititrust may itself, or in collaboration with other financiers or banks, partner with such entities in relation to the provision of property loans. The loan assessment criteria and process will be identical to those loans for which the Fund is the sole financier.

Where Equititrust engages in loan partnering, the mortgage documents may be held in the name of a trustee on behalf of the Fund and its loan partner. Equititrust has the option to offer loan partners a priority mortgage position. In that instance the Fund's status would be to hold a second ranking mortgage behind that of the loan partner.

Derivatives
Equititrust does not use derivatives (e.g. futures, options, swaps, forward rate contracts) in relation to any of the Fund's operations.

Benchmark 4
Related Party Transactions

ASIC Regulatory Guide 45 states that the Responsible Entity should discuss its approach to transacting with related parties of the Fund including lending or investing Fund money with related parties, and should disclose these transactions.

Equititrust has a policy of not using Fund money to provide loans to, or make investments in, any related parties. There are no loans undertaken by the Fund to related parties. Related parties can, provided they are on commercial arms-length terms:

- invest in the Fund; and/or
- lend monies to Equititrust Limited; and/or
- enter into co-lending arrangements with the Fund.

Entities associated with the directors may, from time to time, provide services to Equititrust. The arrangements for these services are reviewed annually to ensure they remain on commercial arms-length terms.

Benchmark 5
Valuation Policy

ASIC Regulatory Guide 45 states that the Responsible Entity should take the following approach to valuations of property over which the Fund has taken security:

- Properties (real estate) should be valued on an 'as is' basis and (for development property) also on an 'as if complete' basis.
- The Responsible Entity should have a clear policy on how often it obtains valuations, including how recent a valuation has to be when making a new loan.
- The Responsible Entity should establish a panel of valuers and ensure that no one valuer conducts more than one third of the Fund's valuation work, calculated by the value of the security properties.

Equititrust's policy in relation to valuations of security properties incorporates the following:

- Properties are valued on an 'as is' basis and, for development property, also on an 'as if complete' basis.
- Valuations in relation to new loans are to be no older than six months at the time of initial advance.
- When appointing a valuer, Equititrust ensures no one valuer conducts more than one third (33.3%) of valuation work for the Fund.
- On occasion, due to loan portfolio changes over time and depending on the timing for updated valuations (at least every 3 years), it is possible that more than one third of the current valuations may have been performed by one valuer.
- Equititrust may accept an assignment of the valuation instead of obtaining a valuation directly from a panel valuer, in certain circumstances, subject to Equititrust's guidelines.

These guidelines include ensuring that the valuer is a panel valuer and that the valuer states in writing that the valuation complies with Equititrust's valuation instructions and may be relied upon by Equititrust. Equititrust's Lending Management Team must confirm that these guidelines have been met before an assignment of a valuation is acceptable.

Valuation Updates
Equititrust's policy is for valuations of security properties to be updated at least every three years. In the interim, the Equititrust credit committee reviews all loans at the end of their term to determine whether or not to extend each loan for a further term and whether obtaining an updated valuation is appropriate.

As at 31 December 2010 the valuations for the security properties for all loans were less than three years old.

Valuer Selection
Equititrust reviews the qualifications and experience of each valuer before they are appointed to our panel of valuers. Each panel valuer must be independent of Equititrust and the borrower, be registered (if applicable) to undertake and provide valuations in the relevant state or territory where the security property is located, hold an appropriate level of professional indemnity insurance and have at least two years continuous valuation experience in valuation.

Valuers must also include in their valuation reports a warranty confirming that the report complies with all relevant industry standards and codes.

ASIC Regulatory Guide 45 states that the Responsible Entity should include information about the valuation of a particular property where a loan secured against the property accounts for more than 5% or more of the total value of the Fund. As at 31 December 2010, the following loans were more than 5% of the total value of the Fund's loan portfolio:

Security Property	Loan Principal	% of Total Loans	Security Value	LVR	Date of Valuation
Property 1	$54,032,024	20.4%	$81,500,000	72.9%*	02-Sep-10
Property 2	$43,525,581	16.4%	$56,364,495	80.7%*	16-Feb-09
Property 3	$24,939,875	9.4%	$53,100,000	65.6%*	19-Sep-08
Property 4	$13,956,743	5.3%	$12,000,000	65.6%*	13-Aug-10
Property 5	$13,419,441	5.1%	$22,050,000	65.6%*	19-Sep-08

*These loans are cross-collateralised with other loans to this borrower. The LVR shown above is the total group LVR for all loans to this borrower, including this loan.

Benchmark 6

Loan-to-Value Ratios

ASIC Regulatory Guide 45 states that property development loans should not exceed 70% of 'as if complete' valuations. For non-development loans the maximum Loan-to-Value ratio (LVR) should not exceed 80%, based on the latest market valuation.

At 31 December 2010, the Fund had no property development (construction) loans that exceeded 70% of the 'as if complete' value of the security property.

As at 31 December 2010, the Fund had eight (8) non-development property loans that exceeded 80% of the latest 'as is' market valuation.

When these loans were originally approved, the LVRs met the respective Benchmark limits. The increase in the LVRs above the Benchmark limits for these loans is due to a change in the valuation for the underlying security.

Capitalisation of interest only occurs where Equititrust is satisfied the loan is, or (in the case of a cross-collateralised position) the combined loans are, recoverable and will not cause the loan-to-value ratio to exceed 80%.

Fund money may be advanced with respect to second mortgages taken as principal security where the LVR is no greater than 80%.

ASIC Regulatory Guide 45 states that loans provided by the Fund relating to property development should only be provided progressively as works are completed.

As at 31 December 2010, the Fund had one (1) construction loan.

For all property development (construction) loans, all plans, specifications and building contracts are provided to an independent quantity surveyor who approximates the cost to complete the development. This ensures that the borrower has allowed for appropriate development costs. Funds are only advanced progressively on a 'cost to complete' basis. Prior to any subsequent advances, a quantity surveyor appointed by Equititrust inspects the development at set stages of construction and certifies that the cost of completing the development at each stage is less than or equal to the undrawn amount of the loan facility.

Benchmark 7
Distribution Practices

ASIC Regulatory Guide 45 states that where the Responsible Entity expects the Fund to make distributions to investors, the Responsible Entity should disclose:

- the source of the current distributions;
- the source of any forecast distributions;
- if the current or forecast distribution is not sourced solely from income received in the relevant distribution period, the reasons for making those distributions; and
- if the current distribution or forecast distribution is sourced other than from income, whether this is sustainable over the next 12 months.

The Fund provides investors with income distributions either monthly or annually. The current distribution rate is nominated at the commencement of an investor's investment and is referred to as the Benchmark Rate. For fixed-term investors and Access investors the Benchmark Rate remains fixed for 12 months. The Benchmark Rate is not a warranty or forecast that the investor will receive this rate of distribution for the term of their investment. Distribution rates are variable and may be less than the Benchmark Rate.

The Benchmark Rate is the distribution rate that must be paid monthly to ordinary unit investors, or accrued if not paid monthly, before Equititrust is entitled to be paid its management fees. The Benchmark Rate is, in effect, the monthly performance hurdle rate that must be achieved before management fees may be paid to Equititrust.

The cash flow necessary for payment of the Benchmark Rate to investors is derived from a range of sources including:

- inflows from investors;
- loan repayments from borrowers;
- interest payments from borrowers;
- repayments derived from the sale of completed developments;
- refinancing upon project completion; and
- liquid assets of the Fund.

The distribution rate paid by the Fund for the term of the investor's investment will not exceed the Benchmark Rate. Equititrust may, but is not obliged to, contribute money to the Fund to supplement the distributions. If any investor, other than the subordinated Capital Warranty unit investor, does not receive, or have accrued, their Benchmark Rate in a particular month during the term of their investment, Equititrust is not entitled to receive any management fees.

The expenses of the Fund and all expenses incurred by Equititrust Limited on behalf of the Fund are paid in priority to Benchmark Rate payments.

When the monthly income of the Fund is higher than the amount necessary to pay all investors their Benchmark Rates, Equititrust will, after payment of the Benchmark Rates, receive its management fee. Any remaining surplus will be paid to Equititrust Limited, as the holder of the subordinated Capital Warranty Investment units.

ASIC Regulatory Guide 45 states that, where the Fund promotes a particular return, the Responsible Entity should disclose details of the circumstances in which a lower return may be payable, together with details of how that lower return would be determined.

A lower return may be payable:

- if interest payments from borrowers are insufficient to cover income distributions to investors; or
- if there is insufficient cash available due to interest payments from capitalised loans not being realised until the maturity of the loan; and/or
- if Equititrust does not contribute additional money to the income of the Fund.

In this event, investors would receive income distributions (if any) based on the cash and income available for distribution.

Equititrust does not represent that investors will receive their Benchmark Rate of distribution. As mentioned above, the Benchmark Rate is the hurdle rate that must be achieved before Equititrust is entitled to its management fees.

Benchmark 8

Withdrawal Arrangements

ASIC Regulatory Guide 45 requires the Responsible Entity for the Fund to disclose:

- the maximum withdrawal period;
- any significant risk factors or limitations that may affect the ability of investors to withdraw from the Fund;
- the approach to rollovers, including whether the 'default' is that investments in the Fund are automatically rolled over.

Maximum Withdrawal Period

Under normal operating conditions the Fund constitution allows Equititrust up to 180 days or, in particular circumstances, a further 180 days to pay any valid withdrawal request.

Equititrust has no fixed obligation to satisfy withdrawal requests within, or upon the maturity of, the stated investment periods above. If the Fund does not satisfy the statutory liquidity requirements, investors may only have a limited, if any, ability to withdraw.

Current Withdrawal Status

In consideration of the best interests of investors in the Fund, the processing and payment of withdrawals from the Fund are currently deferred.

Up to 31 December 2010, a total of $21.5 million in withdrawals has been paid to investors, including payments made under hardship relief provisions.

As at 31 December 2010, 16.7% of investors' funds under management were in the pending withdrawal category.

For more information on the current withdrawal process, please refer to our web site www.equititrust.com.au or contact Investor Relations on 1800 635 527

Monthly income distribution payments have continued to be paid to investors during the withdrawal deferral period.

Rollovers

The 'default' approach to rollovers is for the principal investment to be rolled over automatically at the maturity date. Investors are sent a notification prior to the maturity date for their investment

Unit Prices

ASIC Regulatory Guide 45 requires Responsible Entities to provide details of whether, and the circumstances of how, a lower unit price may be payable than that relating to a person's original investment.

The price of Ordinary Units in the Fund has historically remained at $1.00 per Unit. A lower unit price for Ordinary Units may occur if the Fund incurs losses over and above the Capital Warranty Investment.

A loss could arise due to:

- loan defaults by borrowers;
- valuations not accurately reflecting the value of the security property at the time they are undertaken;
- a fall in the value of security property during the term of the loan; and
- diminished value of the security as a result of non-completion of works (in respect of development loans).

Capital Warranty

As detailed in the PDS, Equititrust Limited also invests in the Fund, in Capital Warranty units. This investment is subordinated to the interests of investors as a safety buffer against losses, should they occur.

For example, if the realised sale value of a security property does not adequately cover a Borrower's loan amount, then any loss would be first incurred against the Capital Warranty Investment held by Equititrust in the Fund.

Equititrust may vary the amount of its Capital Warranty Investment in the Fund at any time subject to:

- the terms in the PDS relating to the minimum Capital Warranty Investment amount;
- the consent of its financier/s; and
- the withdrawal rights of other investors.

Liquidity Facilities

If withdrawals may be funded from an external liquidity facility, then ASIC Regulatory Guide 45 requires the Responsible Entity to disclose the material terms of this facility, including any rights the provider has to suspend or cancel the facility.

Equititrust may utilise third-party financing to assist in funding withdrawals. If that were to be the case, there is a risk that Equititrust may not be able to renew existing credit facilities on similar or no less favourable terms to those it currently receives. If this occurred, the Fund may have lower available cash resources and its ability to meet short-term liquidity objectives could be affected. This may require the Fund to deploy a lower proportion of investors' funds into income producing loans and therefore also affect overall Fund performance.

If Equititrust, when borrowing on behalf of the Fund, defaulted on any of the credit facilities, then the providers of these facilities would have first right of access to the assets of the Fund in priority to the investors. This could impact on the capacity of Equititrust to meet unpaid and ongoing withdrawal requests.

The provision of external liquidity facilities are subject to the Fund maintaining certain loan covenants. If the material covenants are not maintained, this could result in a breach of the facility, in which case the provider of the facility would be entitled to review the facilities, and may decide to do all or any of the following:

- declare that the amount owing as immediately payable;

- appoint a firm of independent accountants, or other experts, to review and report on the affairs, financial condition and business generally of Equititrust and the Fund; or
- re-negotiate the terms of the facility.

For more information on the Fund's credit facilities refer Benchmark 2.

Fund Information and Updates

Benchmark Disclosure Reports and Continuous Disclosure Updates on the Fund are provided on our website www.equititrust.com.au. If you do not have access to the internet, or would prefer to have disclosure updates posted to you, please contact Investor Relations on 1800 635 527.

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