

2 February 2009

Dear Investor

As you're aware, we deemed it prudent to defer redemptions for 90 days. This enabled us to properly assess investor sentiment and strategise accordingly. I'm pleased to report positive response regarding the deferral, which has been widely acknowledged as in the best interests of the Fund. With the significant drop in institutional investment rates, the number of investors desiring withdrawal has returned to relative normality. Ironically, the more money the banks receive, the less return they seem to offer. Our rates now enjoy strong superiority over BBSW (bank bill swap rate). With projected further decreases in the RBA cash rate, that is assured.

Consistent with the amended withdrawal policy adopted by larger funds (eg AXA, Perpetual, Challenger) we shall recommence withdrawals on a quarterly basis. Each quarter we'll determine an appropriate sum available for distribution in accordance with our Liquidity Protection Rules. Communication with those eligible and desirous of withdrawing will be immediate with a view to a first quarter distribution in March. As we have some backlog, it's anticipated that withdrawals will exceed the allocated sum available. In this event we shall distribute on a pro rata basis.

I apologise for any inconvenience caused by the temporary change to our normal withdrawal process. Our complete focus is to act in the best interests of the Fund. We foresee a return to our usual withdrawal policy during the course of the year. In the current environment of low institutional investment rates, we anticipate an increase in demand for mortgage investment as investors seek to improve return. This will correspondingly increase Fund liquidity. Despite more demanding economic conditions, I'm pleased to report a sound half-year profit. I also confirm we have \$50,000,000 of company funds subordinated for your protection (Income Fund \$40m, Premium Fund \$10m).

We remain ever vigilant regarding loan book performance. We appreciate, and highly value, the confidence you place in us. With falling investment rates, we consider this a unique opportunity to provide greater than normal superiority in return. Tough markets come and go. Our enduring commitment will remain.

Yours sincerely,



Mark McIvor
Chief Executive Officer