

Distressed Debt Fund Investment Update

June 2007

Unit price and distribution

The unit price as of 30 June 2007 is \$0.8443, a slight increase from the March unit price predominately led by an increase in the market value of the Walter Diversified Services (ASX: WDS) shares being held in escrow. Unitholders have invested \$0.87 to date, received \$0.91 in distributions and own units valued at \$0.8443.

General comment

Credit markets are currently re-pricing risk, with the cost of borrowing having risen considerably during June and July and looking to stay at these levels for the time being. In contrast to some other types of private equity investments that rely on leverage to enhance returns (and whose ability to do so may be affected under tighter credit conditions), distressed investing does not typically rely on leverage to enhance returns, rather it focuses on operational stabilisation and turnaround as the drivers of return (as well as buying with a sufficient margin of safety to provide some downside protection).

In fact, increased credit spreads (and interest rates) are likely to lead to more distressed opportunities.

Underlying investments

HCF currently has three investments across a number of sectors, including underground mining services, medical services and security software services. A brief update on these is provided below:

Walter Diversified Services Ltd

The majority of the investment was sold through an initial public offering (IPO) in December 2006, while a small portion of the listed stock is being held in escrow until the release of the 2007 financial results for the company.

National Medical and Imaging Group Pty Limited (NMIG)

This investment is currently the largest in HCF. Several exit opportunities continue to be explored and management continues to focus on improving the efficiency of its operations and grow the underlying business units.

Zone Products

This company manufactures perimeter security software products designed for the counterterrorism and critical infrastructure protection marketplace. Its existing clients include several large global companies and several Australian government bodies.

Loongana Lime

The vast majority of these assets have been disposed of and we do not expect much, if any, further realisations from this investment.



Calls on units

Units in the Fund are currently paid up to 87 cents per unit, with a maximum of another 8 cents per unit to be called. The timing of the final calls depends entirely on when Helmsman requires the capital and we will advise you as soon as possible of any call with at least 14 days notice.

Unitholder information

Should you have any enquiries regarding your unit holding, you should contact Registries Ltd on 02 9290 9600. If you have any questions regarding your investment in the Distressed Debt Fund, you should speak with your financial adviser in the first instance or contact us on 02 9250 6500.

Disclosures

This document was prepared by Specialised Private Capital Ltd trading as Centric Capital (Centric Capital). Centric Capital utilises the advice authorisation under the current Australian Financial Services License no 243253 of Centric Wealth Advisers Ltd to generate / provide the investor update.

This report has been prepared for the sole purpose of the intended recipient. The information used in this report has been sourced from various information providers and industry sources such as investment research organisations and the media. The report contents should not be disclosed, in whole or in part, to any other party without the consent of Centric Capital.

Disclaimer

Centric Capital is an Australian Financial Services Licensee no 246744 and is the Responsible Entity of the Distressed Debt Fund. Refer to the Product Disclosure Statement for further information.

This document has been issued on the basis that it is only for the information and exclusive use of the particular person to whom it is provided. Any forecasts included are reasonably believed to be reliable based on current information but due to our inability to predict future events they cannot be guaranteed. This document is of a general nature only.