

Distressed Assets Fund

Investment Update - November 2008

Unit price

As at the most recent unit price calculation on 30 September 2008, units have been valued at \$0.1566.

General comment

Financial markets worldwide have been (and continue to be) very challenging, with credit markets tightening dramatically and equity markets declining. As a flow on it is anticipated that the continued deterioration in economic conditions will produce more distressed opportunities in the period ahead. Fortunately, the manager did not rush into the market earlier and has remained very patient with investment selection. Due to these market conditions the manager expects to make a number of significant investments over the next 12 months.

We continue to be pleased with the progress of the underlying asset manager and believe the current economic circumstances are the "ideal" environment for this fund to best serve in.

Underlying investments

The current collapsing markets have presented a number of opportunities for the Manager. Notwithstanding this, they continue to remain very disciplined in any assessment of investment opportunities. The Manager has assessed over 90 investments since inception of the fund, and thus far only 2 have met their investment criteria, and been transacted. Prior to this they were unsuccessful with a number of bids on the basis of price. Since 2005, average debt and equity EBITDA price multiples have increased only to fall quite dramatically over the last 10 months. The last 2 quarters in particular have seen debt and equity multiples decline significantly.

A brief update on the status of these is provided below:

1. Force Corp (Force)

The Force investment was completed in August 2008. Force is an equipment hire and sales company focused on access equipment for the large scale construction, infrastructure and maintenance markets, and holds the number two position in its market.

The investment was attractive on a NTA basis, and the Manager's strategy will focus on stabilising gearing and operations via the capital injection, pay down debt for approximately 12 months until debt reaches a sustainable level, and focus management efforts on the business.

2 Chippendale Printing (Chippendale)

The Chippendale investment was completed in October 2008. Chippendale is a large independent printing business which has seen its recent business performance suffer due to a stakeholder dispute. There was an opportunity to remove one stakeholder and restructure the business in order to



reinvigorate the business and improve sales and earnings by increasing utilisation of existing production capacity.

The Manager is assisting with business planning and upgrading systems, as well as assessing a number of smaller bolt-on aggregation acquisitions that could potentially expand the business over the coming period.

Both of these investments have been completed at EBITDA purchase multiples of less than 4 times, with debt multiples of circa 3 times, providing a sound basis to drive investment returns over the longer term.

Calls on units

Units in the Fund are currently paid up to 26.5 cents per unit, with a maximum of another 73.5 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 FundBPO Pty Ltd on 1300 652 565. If you have any questions regarding your investment in the Distressed Asset Fund, you should speak with your financial adviser in the first instance or contact us on 02 9250 6500.

Disclosures

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