

# Distressed Assets Fund

## Investment Update - March 2009

### Unit price

As at the most recent unit price calculation on 31 December 2008, units have been valued at \$0.2235.

### 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. As at 31 December 2008, the Manager invested a total of \$13.5mln and the valuation of the investment remains valued at cost with interest being provisioned on a monthly basis. Since 31 December, the investment has increased to \$15mln.



## 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.

Since this acquisition was completed, the entity has continued to perform below internal forecasts with \$2.1m of revenue generating EBITDA of \$1.15K (forecast \$2.48m and \$351K respectively). Thus far, a total of \$6.98m has been invested of which an estimated \$4.5m represents the net valuation of the business property. This investment remains valued at cost.

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**

During this quarter, there were two capital calls of 7.8c and 2.2c totalling \$9.1m. All amounts that were called were received from investors. In addition to this, a call of 1.65c was made and received after quarter end. 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 1 300 652 565. 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.

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