



# CENTRIC Capital

## Distressed Assets Fund

### Investment Update - June 2009

#### Fund Information

Fund Size	\$7.4M	Investment Horizon	Long term	Management Fee	0.935%
Strategy	Passive Private Equity	Domicile	Australia	Performance Fee	Nil
Unit Price	\$0.3048	Denomination	Australian dollar	Inception date	14/02/2008
Distribution	Nil				

#### General comment

Economic statistics for the June quarter have generally printed better than the market was expecting and as a consequence, both equity and credit markets have improved substantially as confidence levels have risen. However, debt and equity conditions for smaller unlisted entities remain difficult and opportunities for the Fund during the year ahead are expected to be plentiful.

Management at Helmsman changed at year end with Scott Kershaw returning to insolvency practice and Peter Watt being appointed in his place. Peter has over 20 years experience in chartered accounting, insolvency and finance and we look forward to working with him.

#### Underlying investments

Trading conditions were difficult over the half year to June, however with the economic improvements noted above, the manager expects the flow of impaired assets into the market will increase.

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

**1. Force Corp (Force)** - An equipment hire and sales company focused on powered access equipment for the large scale construction, infrastructure and maintenance markets. The slow down in construction and mining in the last six months to 30 June 2009 saw average fleet utilization in the second half of the year at 68% compared with 75% in the first half of the year. Since July, utilisation has been consistently above 75%. The reduced activity levels resulted in the implementation of further cost reduction strategies yielding a saving of c.\$0.4m per month which is apparently sustainable at current activity levels. Debt rescheduling has also been achieved resulting in a positive cash flow impact of \$0.3m per month.

As at 30 June 2009, a total of \$16m had been invested in Force and the investment is valued at cost with interest being provided on a monthly basis.

**2. Chippendale Printing (Chippendale)** - Provides off-set print and direct mail, packaging and asset management of marketing products for clients. Various process initiatives and debt reduction continued during the period. Two strategic acquisitions made at nominal cost have improved utilisation, strengthened management capacity and provided a base in Victoria. The full benefits of these changes are expected in 2010.

As at 30 June 2009, the Fund had invested \$9.1m and the investment remains at cost.

**3. QRSciences (QRS)** - Develops and sells advanced technology systems for security related applications. Applications for its technologies and products include the detection of explosives and narcotics, metal detection and imaging, surveillance and monitoring. The QRS investment was completed on 25 June 2009 and consists of \$1.296m of senior debt and 23% ordinary equity of QRS on a fully diluted basis.

As at 30 June 2009, the investment was valued at \$2.16m.

#### Calls on units

Since December 2008, there were four capital calls of 14.5cpu totalling \$3.32m. The timing of the future calls depends entirely on when Helmsman requires the capital and we will advise you as soon as possible of any call with at least 10 days notice. As at 30 June 2009, the units in the fund were called to \$0.37 per unit, and the uncalled amount was \$0.63 per unit.

#### Disclosure

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