

Distressed Debt Fund

Investment Update – December 2009

Fund Information

Fund Size	\$2.1M	Investment Horizon	Long term	Management Fee	0.6%
Strategy	Passive Private Equity	Domicile	Australia	Performance Fee	Nil
Unit Price	\$0.0957	Denomination	Australian dollar	Inception date	09 July 2007

Fund Performance

Cumulative Distributions to Paid-in-Capital (DPI)	177.1%
Paid-in-Capital to committed Capital (PIC)	91.6%
Residual Value to Paid-in Capital (RVPI)	11.0%
Internal Rate of Return (pa)	25.0%

General comment

As at 31 December 2009, Distressed Debt Fund (DDF) had drawn down \$9.08m or 91.6% of committed capital and had cash on hand of \$499k.

Underlying investments

The Fund currently has exposure to three investments across a variety of sectors, including underground mining services, medical services and security software services. A brief update on these is provided below:

1. National Medical and Imaging Group Ltd (NMIG)

NMIG comprises 13 comprehensive practices and a one day surgery operating in Western Australia, Queensland and Victoria.

The Radiology practices continued to underperform during the quarter, but management advises that remedial action noted in the previous investment update began to demonstrate traction during the January.

The sale of the Day Surgery was terminated by the potential buyer in mid December and the sale process for the radiology operations failed to elicit a satisfactory bid.

2. Walter Diversified Services Ltd. (WDS)

WDS is a leading provider of specialist services to the mining, pipeline and infrastructure sectors.

The company has advised, that due to some contract delays, 2010 FY profit is expected to be in the range of \$22-24m down from earlier projections of \$26m. Following the profit downgrade the WDS share price fell from \$1.70 to \$0.60.

The Fund's shareholding in WDS was valued at \$1.6m as at 31 December 2009, and the Manager has stated that the remaining shares will be realised during the current half year.



3. Zone Products Australia Pty Ltd (Zone)

Zone is a provider of perimeter security software and devices.

Profit year to date is ahead of budget on only 50% of forecast revenues due to the higher margins and favourable sales mix.

The revenue shortfall was the result of the delay in a PNG gold mine project and the Pine Gap radar hardware being provided directly from the supplier by the US Government.

Elsewhere, Zone has been winning contracts in the retail sector, an airport and in defence applications.

Intellectual property lawyers have been engaged to protect various possible patent infringements, by former staff.

The KPMG-led sales process has not resulted in any offers for Zone and a review of this process will occur during February.

Calls and Distributions

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. We will advise you as soon as possible of any call with at least 14 days notice.

There were no distributions or capital calls during the quarter.

Valuation of Investments

DDF has estimated the remaining net asset value of the Fund at \$998k or \$0.0957 per unit as at 31 December 2009, down from \$0.1640 as at 30 September 2009.

Unitholder Information

Should you have any enquiries regarding your unit holding, you should contact FundBPO Pty Ltd on 1300 133 451. If you have any questions regarding your investment in the Distressed Debt Fund, you should speak with your Adviser in the first instance or contact us on 02 9250 6500.

Disclosure

Specialised Private Capital Ltd (SPC) utilises the advice authorisation under the current AFSL 243253 of Centric Wealth Advisers Ltd to generate and provide this report and SPC is the Responsible Entity of the Distressed Asset 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