

Distressed Debt Fund

Investment Update – June 2009

Fund Information

Fund Size	\$2.6M	Investment Horizon	Long term	Management Fee	0.6%
Strategy	Passive Private Equity	Domicile	Australia	Performance Fee	Nil
Unit Price	\$0.1354	Denomination	Australian dollar	Inception date	09/07/2002
Distribution	0.68 cpu				

General comment

The quarter ended 30 June 2009 brought to a close the most tumultuous year in financial markets since the end of WWII. The Distressed Debt Fund (DDF) came through this in good condition, which is very pleasing and a credit to the manager.

Helmsman views the volatile markets as likely to provide investment opportunities in 2009/10.

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 continues to comprise 13 comprehensive radiology practices and one day surgery operating in Western Australia, Queensland and Victoria.

Radiology continues to perform ahead of last year but behind budget. The Day Surgery declined in the quarter as the sale process took management focus. Initiatives to recover lost productivity and profit have been put in place.

An offer for a Victorian based diagnostic imaging business has been made that would double the size of radiology.

Severe limits on equipment finance has placed strains on the business over the last 6 months but a recent approval from NAB for 7 new ultrasound machines has eased the situation.

2. Walter Diversified Services Ltd (WDS) - WDS provides specialist services to the infrastructure, energy and resources sectors.

Following the listing of WDS in December 2002, the Fund has been selling down its holding and as at 30 June 2009 held a 2% stake with an investment value of \$2.7m based on the five day weighted average closing price, discounted by 10%. The WDS share price has continued to improve post 30 June 2009.

3. Zone Products Australia Pty Ltd (Zone) - Zone is a provider of perimeter security devices and systems for counter terrorism.

Sales for the full year grew in excess of 30% driven largely by contracts with Officeworks and TNT. Zone has also tendered for a Navy base protection system and a munitions manufacturing facility project during the quarter.

International sales included \$200,000 sale of CCTV products to the Indonesian Police Force to be installed over 2009/2010.

Cash requirements have reduced to close to break even.

KPMG have been appointed global sale agent for Zone and Helmsman is aiming to complete a sale by 2010.

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 MainstreamBPO Pty Ltd on 02 9247 3326. 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

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