

Distressed Debt Fund

Investment Update – March 2010

Fund Information

Fund Size	\$1.7m	Investment Horizon	Long term	Management Fee	0.6%
Strategy	Passive Private Equity	Domicile	Australia	Performance Fee	20% of returns > 10% pa IRR
Unit Price	\$0.0594	Denomination	Australian dollar	Inception date	09 July 2002

Fund Performance

Cumulative Distributions to Paid-in-Capital (DPI)	177.0%
Residual Value to Paid-in Capital (RVPI)	6.8%
Total Value to Paid-in-Capital (TPI)	183.8%
Paid-in-Capital to committed Capital (PIC)	91.6%
Internal Rate of Return (pa)	24.4%

General comment

As at 31 March 2010, Distressed Debt Fund (DDF) had drawn down \$9.08m or 91.6% of committed capital and distributed \$16.07m or 177.0% of committed capital. DDF had cash on hand of \$0.45m as on 31 March 2010.

Underlying investments

Distressed Debt Fund (DDF) holds 27.94% of the units issued in the Helmsman Capital Fund (HCF), managed by Helmsman Funds Management Limited (the underlying fund manager).

HCF currently has exposure to three investments, in mining services, medical services and perimeter security.

1. National Medical and Imaging Group Ltd (NMIG)

Following the sale of its general practice medical centres in 2007, NMIG now comprises 8 comprehensive radiology practices and 1 day surgery, operating in Western Australia (WA), Queensland (QLD) and Victoria (VIC).

Day surgery operations continue to perform strongly and remain ahead of budget. Recent storms and adverse weather in WA has led to some disruptions to service which will impact the full year result, however, management of NMIG expect budget to be achieved.

Radiology remedial actions have gained traction during the quarter with revenues improving through February and March to \$1.28m and \$1.33m respectively. NMIG's management focus has now moved to stabilising the practices and staff as the sales process progresses in an attempt to maintain current revenue levels.

Revised offers have now been received and accepted for WA sites with PRC (I-med) being preferred with a \$2.5m Firm Value (FV) bid. Five bidders are currently in process for the VIC assets with price expectations of approximately \$2.5m FV. Completion of the WA sale is expected by the end of April and VIC sales by the end of June 2010. The remaining assets of Uniradiology Southport (QLD) and South Perth Day Surgery (WA) will then be managed on a low overhead basis until they are sold.

The Investment Advisory Committee (IAC) of HCF had approved a Secured Mezzanine Loan Facility of \$1.25m for NMIG, on 11 November 2009, which is now fully drawn.

HCF's investment in NMIG is valued at \$3.0m as on 31 March 2010.

2. Walter Diversified Services Ltd. (WDS)

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

A market update was released on 2 February 2010 which indicated significant underperformance to guidance resulting in an extensive sell off by a number of large institutional shareholders. The underlying fund manager considers that the current



market value reflects the value of the company's coal operations with no value attaching to the drilling, engineering and pipeline businesses.

Members of the original Helmsman team have now been appointed as CEO and COO following the resignation of the CEO on 16 February 2010. The underlying fund manager continues to monitor the team's performance in addressing the underperformance in the engineering and gas pipeline divisions.

HCF retains only a nominal shareholding in WDS, which was valued at \$0.653 million at 31 March 2010.

3. Zone Products Australia Pty Ltd (Zone)

Zone is a provider of perimeter security software and devices.

Sales volumes grew strongly in recent months with \$387K recorded in March and \$200K projected for April 2010. Delays in large project commencements continue to impact sales, including the Barrack Gold PNG contract, which means that the forecasted revenues from this project are likely to be generated only in the last 3 months of the financial year.

Based on the levels of secured contracts, the underlying fund manager expects the remainder of the 2010 financial year to continue to deliver strong revenue growth and improving profitability.

A positive earnings result for the financial year 2010 and the revenues for the second half of the year will set the parameters for the 2011 financial year budget process, which will be used as the basis to recommence sale discussions with a number of parties, identified by the company and KPMG, but who declined to proceed to offers during the recent sale process.

HCF's investment in Zone is valued at \$1.55m as on 31 March 2010.

Calls and Distributions

Units in DDF 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 \$620k or \$0.0594 per unit as at 31 March 2010, down from \$0.0957 as at 31 December 2009 due to a reduction in the value of the underlying fund assets (refer above).

DDF has distributed \$1.54 per unit to unit holders, which is 177.0% of the paid in capital of \$0.87 per unit. The Internal Rate of Return on this investment has been 24.4% pa. As per the PDS the investment manager is eligible for a performance fee of 20% of returns in excess of 10% pa, payable at the termination of DDF. We have been advised by the underlying fund manager that HCF is expected to terminate by the end of 2010. Considering DDF is nearing the end of its life, we would like to give you a scenario of the distributions that you could expect to receive on an as is basis (as on 31 March 2010) net of performance fees. Based on the information available on 31 March 2010, you could expect to receive a distribution of \$0.0431 per unit net of performance fees. The final distribution that you receive may be different and will be based on the realisation of the underlying assets in HCF, less expenses and fees.

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