

Residential-Plus Growth Company Ltd

Investment Update – September 2009

Fund Information

Fund Size	\$19.0M	Investment Horizon	Long term	Management Fee	0.6%
Strategy	Passive Residential Property	Domicile	Australia	Performance Fee	Nil
Unit Price	\$0.7282	Denomination	Australian dollar	Inception date	April 2002
Distribution	Nil				

General Comment

The residential market appears to have shaken off the Global Financial Crisis and with a lift in auction clearance rates in September; house prices recorded the strongest quarterly growth since 2003.

Affordability improved dramatically with interest rate cuts from late 2008, but declined over the quarter as house prices rose, income stalled and interest rates began to rise. Housing finance also appeared to peak during the quarter and a more balanced market is developing.

Despite the Reserve Bank starting an interest rate tightening cycle, the positive economic outlook and the forecasts for continued population growth will underpin the market. The withdrawal of the First Home Buyers Grant is not expected to have a big impact.

Underlying Investments

The portfolio has investments in two trusts in metropolitan Sydney and Perth. A brief update on these is provided below.

Sydney

This Trust's portfolio of 56 property titles was valued in August 2009, for mortgage purposes, at \$41.6m. At 30 September 2009, the total debt facility stood at \$20.1m, resulting in gearing of 48%.

The Manager is currently seeking to roll-over the debt facility and has been advised that the margin is likely to increase from 150bps to between 250-300bps. This increase is due to the effects of the global financial crisis and the weakening competition amongst financial institutions in Australia.

Taking into account the hurdles encountered in seeking to rezone the Trust's properties, the Manager will proceed with the disposal of the Trust's assets on the following basis:

1. Assets not expected to rezone and without critical development mass – sell as single houses based on current market value. This will result in the sale of 14 properties for approximately \$11m.
2. Assets expected to rezone – retain pending rezoning and then sell as development sites.
3. Assets with longer term potential to rezone, or with critical development mass – sell as development sites. If unsuccessful or does not achieve a sale price premium, consider rolling into a successor trust.

As agreed at the recent general meeting of unit holders, regardless of the outcome of this process, the Trust's assets must be disposed of by no later than 31 December 2012 and the Trust wound up and all assets distributed no later than 30 April 2013.

Perth

This Trust's portfolio of 18 property titles has a current value of \$38.6 million.



As agreed at the meeting of unit holders in August 2008, the Manager is putting in place plans to gradually dispose of the Trusts' assets prior to the termination date of December 2012.

To date, Knight Frank and Colliers International have been appointed to negotiate the sale of three properties. The proceeds from these sales will first be applied to repayment of the Westpac debt facility.

Burswood Peninsula – The Western Australian Planning Commission supports the proposed amendments and a decision by Town of Victoria Park is expected in November.

Toyota Fremantle – The recommended development controls are largely favourable for the site and would provide a significant increase in development potential. The Manager will continue to monitor the Scheme process and make presentations to council as required to get the best possible outcome for the site.

Red Castle – The development application for this site was rejected by the council and a request for the matter to go before the State Administrative Tribunal has been submitted. A hearing is expected by December.

Summers Street – The WA State Government announced the new Museum will be built in Northbridge. The East Perth Redevelopment Authority is now reviewing the development and disposal strategy of the East Perth Power Station site. The Manager has engaged Knight Frank to begin the sale process of 36-38 Summers Street. Proceeds from the sale will be used towards the repayment of debt.

Goodwood Parade – This is an area that is earmarked for significant change with high-rise mixed use development mooted. The Manager intends to realise the benefits of the change through disposal of this asset in 2010/2011.

Burswood Road – New planning controls for the Burswood Road area through the Causeway Precinct Review have been implemented by the Town of Victoria Park. These amendments to the local town planning scheme have increased the development potential for the Burswood Road sites. Benefits are likely to be realised on disposal of the assets in 2010. The Manager has engaged Colliers International to begin the sale process of 157 Burswood Road. Proceeds from the sale will be used towards the repayment of debt.

Calls on Units

Units in the Fund are paid up to 95.50 cents per unit, with another 4.50 cents per share remaining uncalled. We will advise you as soon as possible of any call, with at least 14 days notice.

Unit holder 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 Residential-Plus Growth Company Ltd, you should speak with your Financial Adviser in the first instance or contact us on 02 9250 6500.

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