



Distressed Debt Fund Investment Update

Quarterly Investment Update - December 2005

General Comment

The calendar year of 2005 can be viewed as the year where private equity funds took the financial world by storm, with expectations that 2006 will be more of the same. Institutional and retail investors are not taking their foot off the gas peddle and we continue to hear of private equity firms raising larger and larger amounts of capital. The Blackstone Group (a US based private equity firm) has just raised commitments of USD\$6.5 billion for their latest fund, which, incidentally, is also the record for the largest private equity fund ever. What was seen as ridiculous amounts of raised capital less than five years ago is now seen as the norm in the industry.

As can be expected, when you have a large number of people and capital chasing the same deals, it can lead to overpaying for assets as the acquiring firms feel obliged to invest their accumulated capital. This is why we feel that it is important for the Helmsman Capital Fund ("HCF") management to be able to walk away from potential targets. During this past quarter, HCF considered a number of new investments, primarily in mining services and medical devices, but in many cases did not proceed to exclusive due diligence due to pricing concerns.

The underlying investments in HCF are performing as many private equity funds do, some of the investments are doing really well, some do mediocre and some fail. This further supports the diversification factor behind being invested in a portfolio of assets instead of just one asset.

Underlying Investments

HCF currently has four investments across a variety of sectors, including underground mining services, lime kiln operations, medical general practices and wholesale stationery supplies. We provide a brief update on these below.

Walter Mining

Booming energy and mineral prices has and continues to provide a strong external environment for the investment, which has seen Walter Mining forecast 2006 revenue increase to \$75MM, a 50% increase over 2005. Walter Mining is the largest underground coal contractor in Australia, of which HCF has an economic interest of 81.5%. Using existing debt facilities, they continue to expand through a recent acquisition of a hire fleet. Current negotiations and due diligence is currently being done in order to acquire other complementary mining services. All of these reasons cumulate to HCF having had upwardly re-valued this investment as of the end of the quarter. We are very pleased with this investment to date.

WCP Group Services ("WCPGS")

The decision at the November WCPGS board meeting was made to write-off the remaining investment. We are not pleased with this outcome, but also are fully aware that, in these types of distressed investment scenarios, these events do happen. This reinforces the goal of diversification



through investing in more than one underlying asset, which HCF does. The WCPGS situation was one where HCF had a minority shareholding, which, to our detriment, did not afford us a control position in directing the company.

Loongana Lime

The process of selling off this investment is still being worked on, with no estimated date of completion at this time. Due to anti-competition laws, the highest bidder had to step back from negotiations and the investment has been re-valued to its estimated net value, which would be the selling price minus liabilities. At this time, we are looking to break even on this investment.

National Medical and Imaging Group Pty Limited ("NMIG")

The overall group operating and financial performance continues to improve with the Radiology and Day Surgery units leading the way. The recently-built day surgery theatres are at full capacity, with a new theatre being built in the near future. The Medical unit experienced a temporary set back when it lost its leading General Practice group as a group of doctors left and set up their own practice elsewhere. NMIG has since taken the steps to replace this revenue stream with a group of new doctors. NMIG will continue to focus on improving the Medical unit's performance while they have identified further potential acquisitions in the Radiology division. We are very pleased with the direction that this investment has taken in the past six months. This investment has also increased in value since the last quarter.

Calls on Units

We have received a request from HCF for further drawdown on committed capital, specifically 11 cents per unit. We are required to forward this to HCF by 24 March 2006; therefore we ask that we receive this by 21 March 2006. Please contact your adviser, as they have been made aware of this request.

Unit holder Information

This investment update is available on our website (www.centricwealth.com.au). Should you have any enquiries regarding your unit holding, you should contact Registries Ltd on 02 9279 0677.

If you have any questions regarding your investment in the Distressed Debt Fund, you should speak with your financial consultant in the first instance or contact us on 02 8233 0200.

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