Specialised Private Capital Ltd AFSL 246744
Income-Plus Fund ARSN 106 910 392

Performance Report June 2007

Fund Information

Fund Size	$37.3MM	Domicile	Australia
Strategy	High-yield securities and investments	Denomination	Australian dollar
Unit Price	$0.9879	Management Fee	1.10%
Distribution	$0.0426 (June quarter)	Performance Fee	Nil
Liquidity	Buy: Monthly Sell: Quarterly		

Fund Performance (%)

	3 months	1 year	2 years p.a.	3 years p.a.	Since inception p.a.
Income	4.5	11.3	9.6	9.8	9.1
Growth	-4.1	-2.6	-1.1	-1.0	-0.3
Total	0.4	8.7	8.5	8.8	8.8

Market Commentary

We are pleased to advise a final distribution of 4.26 cents per unit for the year ended 30 June 2007, bringing the total cash distribution for the year to 11.86 cents per unit. As this was the final distribution for the financial year, all net income in the Fund has had to be distributed, accounting for part of the decline in the ex-distribution unit price.

Late May and June saw the beginning of what has become the most difficult period for global credit markets since 2002, with defaults in the US sub-prime mortgage market being widely cited as the catalyst. Credit spreads globally, which have been at historic lows for the past few years, have widened substantially (in some cases more than doubling). This has led to falling prices, irrespective of underlying credit quality.

Income-Plus Fund has no exposure to the sub-prime sector. One of our holdings invests in US senior secured loans which have also suffered widespread falls in price, despite there being no adverse credit issues in the loan market. These loans are senior secured debts of companies in a wide range of sectors. As medium to long-term investors, we intend to continue holding this investment, as we expect that borrowers will continue to pay interest on time, and will repay their loans at maturity – importantly, at 100 cents on the dollar. We believe that the market has overreacted at these levels. The full impact of the fall in credit markets will manifest itself in our July unit price, when we estimate we may report a 3% fall in unit price (an estimate based on broad market information at the time of writing).

Importantly, we expect our income levels to remain strong and we expect all investments to pay interest income when due. Our outlook for credit markets remains cautious, as it has been for some time. We are currently holding more than 30% of the Fund in cash and are likely to hold cash at these levels while turmoil remains. We expect that a more risk-averse credit market will lead to interesting opportunities for the Fund.

Portfolio Analysis				Return / Risk Statistics	
Country	Exposure	Asset type	Exposure	**Annualised since inception (% p.a.)**	
Australia	36%	Wholesale funds	59%	Return	8.8
Canada	19%	International - listed	19%	Standard Deviation	1.9
Europe	24%	Australia - listed	9%	Sharpe Ratio (R_f = 6.25%)	1.3
United States	21%	Private loans	13%	**Worst quarter performance (%)**	
				Income-Plus Fund	0.4
				ML Global High Yield Index	-4.2