

15 February 2010

Dear Investor

Income-Plus Fund liquidity update

Why we are writing to you

We are the responsible entity of the Income-Plus Fund ARSN 106 910 392 (the **IP Fund**).

We are writing to you to update you on recent developments with respect to the Fund's liquidity i.e., the ability for you to withdraw money on the usual quarterly basis.

This letter is for your information ~ you need not do anything in response.

We value your investment and will write to you again with developments as and when they occur.

Situation

The global credit crisis has put pressure on many investments. Decreased access to credit has meant that people have less money to do the things they need and want to do.

The continuation of that crisis has now meant that we believe that the principal investment of the Fund, an investment in an AMP managed fund called the AMP Structured High Yield Fund (the **AMP Fund**), is now less likely to pay withdrawals to investors as and when the AMP Fund would normally be able to do so.

And this in turn impacts on our ability to pay our investors when they would usually be able to withdraw.

Consequence

As a result of recent information from the AMP and developments within the AMP Fund, we have suspended redemptions from the IP Fund for the time being.

Our ability to re-open the IP Fund withdrawals will depend on how the AMP Fund manages its own liquidity.

However the IP Fund has always been and remains a long term investment and its nature is to have low liquidity.

We ask for your patience during this time and we will advise you of significant developments.



The IP Fund

The Fund has always been a long term investment with an investment timeframe of 3-5 years. This remains unchanged. These last 18 months have posed many difficult challenges and those investing with patience are in our experience those who sleep easily at night.

Up until this point the Fund has responded well in the face of crisis. The unit price has been relatively stable (at approximately 90 cents) through the Global Financial Crisis, and astute management of the assets has meant that redemptions have been able to be met and quarterly income distributions consistently paid.

Recent developments

Part of our management of the fund involves liquidity management. Portfolio changes are always taken into account, and as best as we can anticipate, future changes are factored in.

For the last 18 months, we have been closely monitoring the AMP Fund: in the context of the Global Financial Crisis, credit was being squeezed like never before and AMP Fund's investments centred on debt.

As a result, we acted on available AMP withdrawal dates to withdraw all or a substantial proportion of the Fund's investment in the AMP Fund but although the AMP remained up beat that it would still offer reasonable liquidity, our requests were not met in full.

For example the Fund received only 1.5% of its investment back in January 2009 and has not received any capital repayments since, despite continuing to make redemption requests.

Beyond our and their control, the AMP Fund's liquidity was deteriorating through last year.

The AMP Fund declared that it was *illiquid* (a legal term explained below) in October 2009, but even so represented to us that it would be making distributions, and in this context we remained positive that we would still be able to meet our own withdrawal requests.

The September 2008 quarter saw the highest redemption request in the Fund's history amounting to approximately \$10 million, a response by investors to the global financial crisis and although we met this, our own liquidity fell.

And finally, in these last few days, AMP has informed us that although we could expect 5-20% capital distribution from the AMP Fund in April 2010, this was not a promise and the future availability of cash from the AMP Fund was dependent on pre-payments/re-payments of the underlying assets and this could not be predicted with certainty.

Our response

We have as from today:

- determined that the Fund is now illiquid.
- suspended redemptions until further notice.
- suspended the acceptance of contributions to the Fund and issued a supplementary product disclosure statement.



What is an “illiquid” fund?

The Fund is largely governed by the Corporations Act and its constitution.

When particular tests concerning liquidity of the Fund's assets, set by law and interacting with the constitution, are satisfied then the Corporations Act steps in automatically to protect investors, ensuring that if money does become available to pay redemptions and we decide to allow redemptions, then the only way we can pay redemptions is the way the Corporations Act considers fair ~ an offer made to all investors in which they can all share.

Developments can and do impact on whether those tests continue to be satisfied ~ we monitor the Fund's illiquidity each day.

There is no obligation on us to make such an offer ~ we take many factors into account in making such decisions, including of course what we determine is in the best interests of all investors at the time.

What to do?

You need not do anything.

Our recommendation is as it always has been ~ be patient. In practice, investing is a business suited to the patient. Your investment in the Fund was a long term decision.

But we appreciate that reduced access to your investment is disconcerting and certainly not what some investors in the Fund want at this time.

Rest assured we will do all reasonable things which we can to secure greater liquidity but largely our hands are tied at this time.

If and when we receive cash from the AMP, we will decide what is in the best interests of investors and be in touch.

We may determine to make some cash available after April 2010, but this depends on how much cash we can secure from the AMP Fund.

A re-start our usual quarterly redemption facility depends on AMP.

If you have lodged a withdrawal request which has not yet been processed, then unfortunately the operation of the law dictates that these cannot be processed.

If you have lodged an application which has not yet been processed, then we will refund your application moneys.

Questions?

Feel free to contact your adviser.



Important Information:

Investors should consider the product disclosure statement (PDS) available from Specialised Private Capital Limited AFSL 246744 (SPC) for the Income Plus Fund (Fund) before making any decision regarding the Fund. SPC is the responsible entity of the Fund and the issuer of PDS for the Fund.

This document has been prepared for the purpose of providing general information, without taking into account of any particular investor's objectives, financial situation or needs. An investor should consider the appropriateness of the information in this document and seek professional advice having regard to the investor's objectives, financial situation and needs.