



RESIDENTIAL-PLUS GROWTH COMPANY LTD

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Investment Update

We are pleased to provide you with an update on the performance of Residential-Plus Growth Company Ltd.

Investment Update – General Market Comment

In our last letter to you, we spoke of the strong increases in residential property prices and the attention these were drawing from investors and regulators alike.

We have since seen the Reserve Bank of Australia (“RBA”) increase interest rates by 0.50%. In doing so, the RBA commented specifically on the “buoyant” housing market and the flow-on effect this has been having on household credit growth. We’ve now begun seeing reports of lower clearance rates for auctions and more subdued sale results. In fact, there is some data now indicating the slow-down may have actually preceded the RBA’s move to increase rates. We would expect any further interest rate increases to dampen sentiment further.

We do not believe, however, that these factors challenge the underlying investment thesis of the Company. We remain confident long term increases in population (primarily through migration) will continue to put pressure on the supply of land over the long term. By prudently accumulating properties that have the potential to rezone to increased density, we believe the Company is well placed to capitalise on the geographic and demographic factors affecting residential property prices.

Underlying Investments

When we reported at 30 June, our underlying investment had acquired a total of 17 properties. By early November, we stand at 26 properties. The pace of acquisition picked up in the second half of the year, as the manager found property prices increasing at a decreasing rate (i.e. the pace of price increases declined).

The underlying portfolio of properties now includes several consolidation plays. These occur when the manager begins acquiring properties adjacent to those already owned. This is a crucial aspect of the process of amalgamating sufficiently large parcels of land to obtain successful rezoning outcomes. We provide a simple illustration in Exhibit 1 below that shows the importance of adjacent acquisitions to the overall rezoning strategy. Acquiring the three properties marked with stars would increase the chances of obtaining a rezoning on the entire block, rather than attempting to secure a rezoning on either one or two individual properties. We see this as a prudent way of potentially “stacking the odds” in favour of a rezoning outcome and therefore increasing the price realized upon sale.

We are likely to report an increasing number of adjacent property acquisitions during the next year.

The underlying manager has also reported to us that they are securing an increasing number of properties through off-market transactions. That is, properties where owners are approached directly by the Manager, rather than by buying at public auction or sale. This development is partially due to the changes in the market, which we referred to above, but also the increasingly deep knowledge the Manager has of the precincts they are targeting. We see this as a positive development

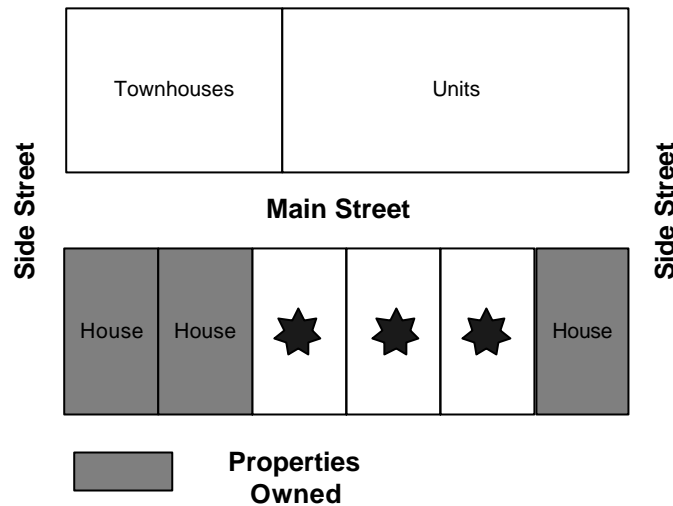


Exhibit 1

We are pleased with the progress being made at the individual investment level. The vagaries of the residential market are likely to have an impact on the acquisition prices, although the three-year acquisition strategy was designed to straddle any changes in the property price cycle, and smooth the price impact on the portfolio of these changes. The underlying fund is a quarter of the way through its acquisition strategy, therefore any falls in prices will benefit future acquisitions

Calls on Units

We have met the latest calls on our units in the underlying trust from the Company's cash reserves. We anticipate making our next call to shareholders of 33 cents per share as per schedule on 15 April 2004. We will advise you of the final details beforehand and will provide all shareholders at least 14 days prior of the call.

Shareholder Communications

We plan to send these newsletters out on a quarterly basis. We will post these on our website (www.berkleygroup.com.au) and will distribute it to Berkley Group Financial Consultants whom you can contact for a copy. We would welcome any comments you might have on this new format.

Should you have any enquiries regarding your share holding, you should contact Registries Ltd on 02 9279 0677.

If you have any questions regarding your investment in Residential-Plus Growth Company Ltd, you should speak with your financial adviser in the first instance or contact us on 02 8233 0200.

Glen Castensen
Chairman
Residential – Plus Growth Company Ltd

Gabriel Radzynski
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Berkley Group Funds Management Ltd

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