

Residential-Plus Growth Company Ltd Investment Update

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March 2004

Investment Update – General Market Comment

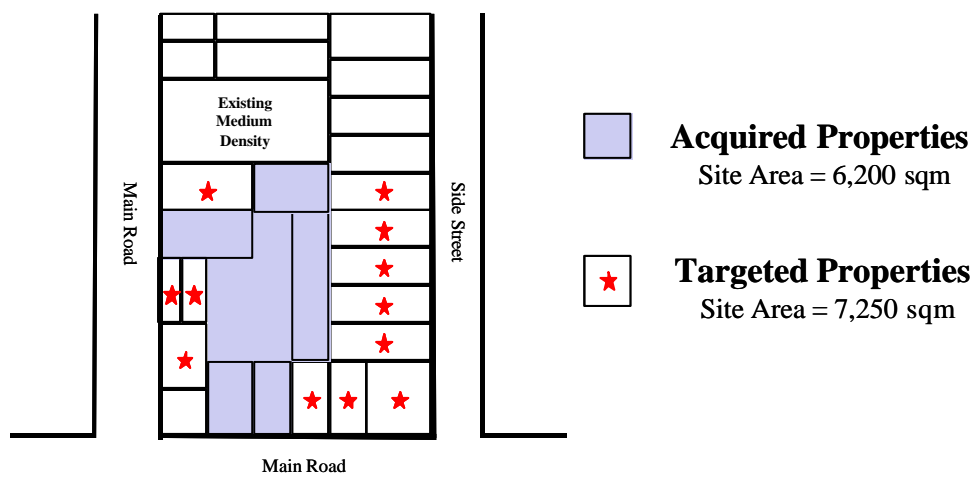
The property market has continued to attract attention during the first few months of 2004. In contrast to 2003, the comments so far this year have been far more about the downside risks to property, rather than about the unbridled price increases of 2003.

There are clearly some measures that would indicate substantial imbalances in the demand and supply for residential property (both for acquisition and rental). Softness in the rental market and record low yields on residential property are two measures that bear this out. Reports from our underlying manager indicate that the markets they are targeting are showing signs of prices stabilising, and lower vendor confidence, as measured by the declining number of properties going to auction. All of this is positive for the acquisition strategy, particularly as the slow-down in the pace of acquisitions last year has left more capital available to buy properties at more attractive prices.

Underlying Investments

A total of 28 properties have been acquired so far, with several more expected to settle within the next month or so. Of these 28 properties, 15 are adjacent to each other. These adjacent acquisitions are crucial to the success of the investment, as it is by consolidating adjacent properties that we expect to obtain increased housing density. The total number of properties rezoned will depend, amongst other things, on the number and proportion of adjacent properties owned.

In one instance, the trust has acquired properties totaling over 6200 square metres, with the potential to acquire several more over the next few years. The diagram below provides an illustration of this site. It shows the properties that have been acquired and others that are targeted for acquisition. Acquiring one or more properties on the side street would create a parcel of land with 3 street frontages, which we believe would help both in obtaining a rezoning and making the property attractive to developers if it can be rezoned. Acquiring the properties is only half of the equation, the harder part is to then obtain the appropriate rezoning for the aggregated properties. The larger the parcel of land, the better the odds are for a rezoning, but there remains considerable work before we see any rezoning.



New Investment

In the Prospectus, we detailed our intention to invest in two trusts managed by EGC Funds Management. One of the trusts was purely residential and the other was to be commercial. The residential trust was established first. Together with EGC, we have decided not to proceed with the proposed investment in the commercial trust due to substantial increases in the prices for commercial properties. Although residential prices have also increased, there are far fewer commercial opportunities and precincts available, which means the impact on that investment strategy would be far greater. At around the same time, Michael Easson, Adam Geha and Shane Geha proposed establishing a new company, EG Funds Management, to pursue a similar investment strategy and apply the same principles in the Perth market. EG Funds Management has been able to secure the services of Jim Service, deputy Chairman of listed developer Australand Ltd and Peter Newman, Professor of Urban Planning at Murdoch University in Perth, both of whom will contribute valuable local knowledge in managing the investment.

The new investment seeks to identify property rezoning opportunities arising from major infrastructure developments. The main differences in this new investment are:

- It involves a mix of residential and commercial property (roughly 70:30),
- It focuses on the Perth metropolitan market,
- It will be managed by EG Funds Management and not EGC Funds Management.

We are pleased with this investment for a variety of reasons. First, it adds some geographic diversity to the portfolio. There are attractive differences in the cycles between the Perth and Sydney markets and, historically, the Perth market tends to be less volatile than Sydney. Prices in dollar terms are also substantially lower in Perth. Second, it provides a commercial exposure to the portfolio. Third, the WA government is committed to controlling urban sprawl and encouraging sustainable urban redevelopment.

We are projecting returns similar to those in Sydney and within our original timeframe. We believe this investment will contribute positively to the investment strategy of the Company, and as a result is to the benefit of shareholders.

Calls on Units

The Fund has issued notice of its second call of 33 cents per share, due on 15 April 2004. This brings the total funds called to 66 cents per unit, with another 34 cents per unit remaining uncalled. Initially, the second call was due on 15 April 2003, but a slow-down in the acquisition process led us to defer that call. The final call is likely to be due on 15 April 2005, which was flagged in the prospectus as the deferred call date.

Shareholder Information

This Investment Update is available on our website (www.berkleygroup.com.au). Should you have any enquiries regarding your shareholding, 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.

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