

30 October 2008

The unprecedented events of the last several weeks oblige me to communicate with you. No doubt you will be familiar with the following:

- In response to significant financial market turbulence Prime Minister, Kevin Rudd, announces efforts to underwrite stability of the banking sector by promising an unlimited Government guarantee on bank deposits.
- This historic intervention in the market had the unintended consequence of creating two classes of investments – those covered by the guarantee (retail and wholesale deposits at banks, building societies and credit unions) and those not covered (foreign banks, cash management trusts, mortgage funds and investment companies).
- The flight of a massive amount of investor capital from non-bank financial institutions to those guaranteed by the Federal Government ensued. In the words of the Reserve Bank Governor, Glenn Stevens, the Government's "blanket guarantee" was creating "serious dislocation" in markets.
- Australia's largest mortgage funds (Challenger, Axa, Perpetual, Australian Unity, Ing) have suspended redemptions exacerbating investor disquiet.
- On Monday 27 October, Colonial First State, the wealth management arm of Commonwealth Bank, became the 14th top 20 investment fund in Australia to postpone withdrawals.

As a logical consequence of these events, we have experienced an increase in investors wishing to redeem. In the context of the fear and pessimism prevailing, I understand and respect this. However, we are governed by Constitutional Liquidity Protection Rules, as consistently high levels of redemption would destabilise the Fund. As Equititrust must make decisions in the best interest of the Fund and investors as a whole, the Board has decided that it is appropriate to defer redemptions for 90 days, effective immediately. During this time we can properly assess investor sentiment and strategise accordingly. It is critical for the continued operation of the Fund that redemption volume is in harmony with required liquidity.

I STRESS THAT ALL INCOME DISTRIBUTION WILL BE PROMPTLY PAID TO YOUR BANK ACCOUNT AS THEY ALWAYS HAVE BEEN.

Whilst we are ever conscious of the potential for reputational risk and apologetic for any inconvenience, our single-minded focus is to operate in the best interests of the Fund. Unfortunately, these events have overtaken otherwise positive news in the form of our Annual Review which will be forwarded shortly. It provides a comforting snapshot of the 2008 financial year the keynotes of which are:

- Strong profit result - \$13.8m NPAT (net profit after tax).
- Significant increase (32%) in retained earnings to \$58m.
- Announcement of subordination of Equititrust's retained earnings to that of investors. Essentially this means Equititrust would have to lose all its own money before any investor suffers loss. I'd suggest even the most negative pundit would acknowledge the unlikelihood of that.

I sincerely hope our historical performance and this level of substantial additional commitment, provide comfort in these unsettled times. The financial market unrest will pass and we will continue to deliver strong returns. My investment team is at your service and I'm personally available to answer your questions.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Mark McIvor', written in a cursive style.

Mark McIvor
Chief Executive Officer