

## ASIC Benchmarks update 30 June 2009

In September 2008 ASIC issued Regulatory Guide 45 – “Mortgage Schemes – improving disclosure for retail investors”, which sets out eight Benchmarks formulated by ASIC to assist investors understand the risks and assess the rewards being offered and whether the investment is suitable for them. It stated that managers of mortgage schemes should disclose whether they comply with those Benchmarks and if not, why not.

Table below identifies those Benchmarks and whether the Fund satisfies each of them.

Benchmark	Compliance with benchmark
1 Liquidity	No
2 Scheme borrowing	Yes
3 Portfolio diversification	Yes
4 Related party transactions	Yes
5 Valuation policy	Yes
6 Lending Principles	Yes
7 Distribution Practices	Yes
8 Withdrawal arrangements	Yes

This section addresses each of those benchmarks with a statement as to whether Equititrust meets the benchmark and, if it does not, an explanation is provided as to how we deal with the benchmark. This is done by identifying the management processes in place to satisfy and mitigate against operational, financial, credit or business risk that the Fund may experience, which will help you assess the risk-reward prospects.

### Benchmark 1

Liquidity

Status: No

ASIC Regulatory Guide 45 requires Equititrust to have estimates of, and provisions for meeting cash flow requirements over the next three months. However, ASIC requires that established credit lines cannot be taken into account. Equititrust disagrees with this approach.

Equititrust has policies and procedures in place to estimate the Fund's cash flow projections, taking into consideration:

- estimated rollovers of investors' maturing investments;
- payment of loan instalments or loan repayments; and
- cash flows from operational activities.

In determining the level of cash flow required during the period, the cash flow forecast process is subject to a series of estimates and judgements, including:

- the probability of non rollover of investors' maturing investments;
- the risk and maturity profile of the mortgage loan portfolio; and
- management's reasonable expectation of future cash flow requirements based on expected business and operational trends and the projected economic and legislative environment.

To complement and support the estimation process, Equititrust has management systems in place to monitor and review historical cash flow performance, as well as trends over time associated with investors' new investments and the advances of mortgage loans. This analysis evidences the trend of rollovers of investors' investments and turnovers in the loan portfolio. Equititrust's mortgage portfolio comprises loans with varying maturities generally between 12 to 18 months, funded by investments with varying maturities up to 12 months, supported by the retained earnings of Equititrust Limited.

Equititrust has policies and procedures in place to ensure it has sufficient cash or available credit lines to meet projected cash requirements. These policies and procedures include:

- monitoring liquidity position on a daily basis;
- reviewing weekly forecast cash flow needs for the next quarter; and
- reviewing quarterly cash flow needs for the next year.

Unlike the ASIC Regulatory Guide Benchmark, Equititrust includes in its cash flow forecasts undrawn credit facilities.

ASIC Regulatory Guide 45 requires responsible entities to disclose Fund policy on balancing the maturity of assets with those of liabilities.

The Fund's liquidity management policy reflects the position of funding short-term mortgage loans with a mix of short-term investor funds, short term and long-term bank credit lines and long-term investment by Equititrust. For further details refer Benchmark 3 for current mortgage portfolio mix and Benchmark 2 for the maturity dates of bank credit lines.

## Benchmark 2

### Scheme borrowing

Status: Yes

ASIC Regulatory Guide 45 states that, where the Fund has borrowed funds, Equititrust must disclose:

- for each borrowing that will mature in five years or less – the amount owing and the maturity profile in increments of not more than 12 months;
- for borrowings that mature in more than five years – the aggregate amount owing;
- for each credit facility – the aggregate undrawn amount and the maturity profile in increments of no more than 12 months;
- the fact that amounts owing to lenders and other creditors of the Fund rank before an investor's interest in the Fund; and
- the purpose for which the funds have been borrowed, including whether they will be used to fund distributions or withdrawal amounts; and
- any information about breaches of loan covenants that is reasonably required by investors.

### Credit Lines

The constitution of the Fund allows Equititrust to borrow funds on behalf of the Fund. The credit line facilities allow Equititrust to approve and settle loans in a timely manner where the temporary available cash of the Fund may otherwise be insufficient. Likewise, when Fund cash is surplus, Equititrust retires credit lines ensuring the Fund efficiently utilises these facilities. Lines of credit will generally be used for:

- financing direct mortgages by the Fund;
- providing secured finance to other licensed mortgage fund operators;
- loan partnering, which involves the Fund jointly investing in a direct mortgage with another party; and
- paying distributions and withdrawals which assists in managing the cash liquidity of the Fund.

The finance facilities are secured by charges over the assets of the Fund. Details of the status of the finance facilities are updated quarterly at [www.equititrust.com.au](http://www.equititrust.com.au). The rights of investors to the income and assets of the Fund rank behind the rights of the banks. For further information, refer Benchmark 8.

Equititrust in its capacity as responsible entity of the Fund (as at 30 June 2009) has the following finance facilities:

Approved Limit	Total Drawn Down	Remaining Credit available	Facility expiry date
\$30 million	\$29,750,872	Nil	31/10/09
\$35 million	\$35,000,000	Nil	31/10/09

### Facility repayment

The directors of Equititrust have accepted a letter of offer from the bank to extend the existing facility of \$30 million to 31 October 2009 on the basis of a repayment of \$20 million on 30 September 2009, with a final repayment of \$10 million by 31 October 2009. As forecast cash flows indicate the Fund may not meet these repayments, an alternative repayment schedule, extending final repayment until March 2010 has been sought. Surplus cash and credit lines to 31 December 2009 are expected to exceed \$8 million.

### Risk

These finance facilities or similar facilities may be varied by Equititrust from time to time to prudently manage the cash flows of the Fund. In utilising external financing, there is a risk that Equititrust may not be able to renew existing credit facilities on similar or no less favourable terms to those it currently receives. In such an event, the Fund may have lower available cash resources and its ability to meet short-term liquidity objectives will be detrimentally affected. This may require the Fund to deploy a lower proportion of investors' funds in income producing loans and therefore detrimentally affect overall Fund performance. Equititrust does not envisage credit line facilities exceeding 40% of the value of assets of the Fund.

## Benchmark 3

### Portfolio diversification

Status: Yes

ASIC Regulatory Guide 45 requires Equititrust to disclose details of the current nature of the Fund's investment portfolio, including by number and value:

- loans by class of activity;
- loans by geographical region;
- what proportion of loans are in arrears or default;
- what is the nature of the security for loans made (e.g. first or second ranking);
- loans that have been approved but have funds that have yet to be advanced and the funding arrangements in place for any of these undrawn loan commitments;
- the maturity profile of all loans in increments of not more than 12 months;
- loan-to-valuation ratios for loans in percentage ranges;
- interest rates on loans in percentage ranges;
- loans where interest has been capitalised.

Additional information includes:

- total loan monies that have been lent to the largest borrower and the 10 largest borrowers
- the use of any derivatives; and
- a clear description of the non-loan assets of the scheme including the value of such assets.

## Portfolio at 30 June 2009

The following unaudited information has been compiled by Equititrust to provide a 'snapshot' of the Fund portfolio as at 30 June 2009.

Cash deposited with banks	\$12,638,829
Net receivables*	\$2,692,935
Total Mortgages	\$301,837,209
Distributions due to investors	\$2,877,053

\* Interest receivable from borrowers less management fees payable to Equititrust Limited

### Fund Information

Undrawn loan commitments \$1,244,554

(Anticipated progress draws over 18 months from 30/6/09.

These are 9 loans with approved amounts totalling

\$122,327,713) The funding sources of these anticipated loan commitments are loan repayments by other borrowers and available credit lines.

Number of loans	59
Number of loans secured by first mortgage	58
Number of second mortgages	1**
Number of borrowers	36
Average loan-to-value ratio	60.0%
Largest loan as % of total loans	11.2%
Average loan value	\$5,115,885
Average loan interest rate	11.2%
Number of loans in excess of 5% of Fund value	4

\*\* Refer final paragraph of this benchmark commentary: "Loan partnering / Syndication"

### Percentage of the Fund's total approved

loans to top five borrower groupings	57.3%
Borrower one: 4 loans totalling \$49,616,657	16.3%
Borrower two: 3 loans totalling \$44,878,102	14.7%
Borrower three: 2 loans totalling \$30,042,610	9.9%
Borrower four: 4 loans totalling \$29,654,453	9.7%
Borrower five: 2 loans totalling \$20,274,312	6.7%
Borrower six: 1 loan totalling \$12,880,088	4.2%
Borrower seven: 3 loans totalling \$12,055,210	4%
Borrower eight: 3 loans totalling \$9,738,549	3.2%
Borrower nine: 1 loans totalling \$9,402,895	3.1%
Borrower ten: 1 loans totalling \$9,088,000	3.0%

Percentage of loans by dollar value with capitalised income was 85 (being 38 loans) with the value of these totalling \$256,160,364. Equititrust generally provides development loans with terms of 12 to 18 months and the interest accrues during the term.

### Interest rates payable on loans

Interest rates	No. of loans	\$
9.55% - 10%	27	151,218,712
11.55% - 12%	7	19,263,609
12.05% - 12.5%	8	82,593,064
12.55% - 13%	10	33,623,172
13.05% - 13.5%	5	10,671,500
13.55% - 14%	1	4,266,402
15.55% - 16%	1	200,750
	59	301,837,209

Loan maturity profile	No. of loans	\$
Past due	11	67,395,195
Within 12 months	47	232,453,461
12-18 months	1	1,988,553
	59	301,837,209

### Loans by security type

	No. of loans	\$	% of total
Residential	24	101,546,923	34
Commercial/Industrial	9	82,043,496	27
Future development	19	86,374,223	29
Residential Development	2	9,824,879	3
Rural/Rural Residential	5	22,047,688	7
Total	59	301,837,209	100

### Loan geographies

Our preferred location is coastal metropolitan. Funds lent as at 30 June 2009 were represented as follows:

	No. of loans	\$	% of total
Gold Coast	12	56,997,163	19
Brisbane/Sunshine Coast	6	62,875,990	21
Queensland Other	21	47,418,955	16
Sydney	6	31,988,570	11
New South Wales Other	11	69,657,112	23
Other	3	32,899,419	10
Total	59	301,837,209	100

## Portfolio at 30 June 2009 Continued

Status of loans as at 30 June 2009

Loans with interest in arrears were as follows:

	Principal \$	Interest in arrears \$	Number of loans
60-90 days	2,956,836	92,188	2
90-120 days	0	0	0
120+ days	1,782,852	173,521	2
Total	4,739,688	265,709	2

All the above interest in arrears is considered to be recoverable and no loss of interest or principal is anticipated. Not all the above loans are past their maturity date. Loans in default, but which do not have interest in arrears, are as follows:

	Principal
Loan 1	\$1,418,971
Loan 2	\$921,345
Total	\$2,340,316

Fixed / variable loan interest rate split

Variable\*\*\* 100%

\*\*\* The borrower rate on development loans may only be varied at Equititrust's discretion.

Undrawn funds on approved loans: 9 loans totalling \$1,244,554. Funding for these commitments is taken account of in our long-range cash flow.

The loan-to-value ratios of loans within the Fund as at 30 June 2009 were:

	No. of loans	\$	% of total
30% - 40%	3	30,097,045	10
40% - 50%	11	90,073,752	30
50% - 60%	7	21,481,940	7
60% - 70%	20	78,734,388	26
70% - 80%	18	81,450,084	27
Total	59	301,837,209	100

Quarterly updates of portfolio information are available via the Equititrust website ([www.equititrust.com.au](http://www.equititrust.com.au)) or by phoning Equititrust on 1800 63 5527.

#### Maximum loan

At the date of the approval of loan advance the maximum single loan is not expected to exceed 15% of the mortgage portfolio, which based on the size of the Fund at 30 June 2009 would be approximately \$45.7 million.

#### Loan diversification

There are no target allocations within the portfolio with respect to loan security type and geography.

#### Lending policy

- All loans are secured by registered mortgages. Before funds are advanced, a valuation or market appraisal is obtained taking into account relevant factors such as the sale price likely to be obtained for the proposed security property, and factors affecting the possible sale of the security property.
- All valuations are obtained only from approved valuers and are no more than six months old at the time of the initial advance.
- Members of the credit committee are expected to research each property they present to the committee.
- If the borrower is a corporate entity, Equititrust undertakes searches of the ASIC register.
- Loans are to be no greater than 80% of the value of the security property. Generally Equititrust's lending policy will restrict the loan to 70% of the security property's value.
- Each improved security property is to be insured to replacement value.
- Loan applications involving specialised security properties are generally not considered.
- Property investigation is undertaken through land titles registries and other relevant authorities.
- To encourage borrowers to make prompt interest payments we impose a lower interest rate for timely payments.
- Equititrust has implemented procedures under its compliance plan whereby appropriate action is taken against the borrower if they default. Such action may include working with the borrower collaboratively to resolve non-payment or effecting completion (if necessary) and sale of the asset.
- Where appropriate, Equititrust issues a default notice to the borrower and, if this is not satisfied, we exercise our rights under the mortgage, such as exercising power of sale. In this event, the proceeds of sale are applied in the following priority:

- a) towards payment of any liabilities having priority at law
- b) in payment of the Fund's capital investment
- c) in payment of any accrued income
- d) in payment of any of Equititrust's costs and expenses (including legal costs on a full indemnity basis); and
- e) in accordance with its obligations at law.

This priority schedule aligns Equititrust's interests with those of investors. Specifically, investors receive priority over Equititrust (as the responsible entity) in the event of loan defaults.

#### Investment in other unlisted mortgage investment schemes

The Fund may invest in another unlisted mortgage investment scheme provided that:

- it is registered under Chapter 5C of the Corporations Act;
- it deals only in first mortgages over property of the nature similar to that detailed in this PDS;
- the term of investment does not exceed two years; and
- the Equititrust Credit Committee believe it to be in the best interest of investors.

There are no current investments in other schemes. Before making any investment we will update this benchmark disclosure. In this event it is likely that we would require the other operator to satisfy Benchmarks 2-8.

#### Finance to other unlisted mortgage funds

Before lending to another fund, Equititrust assesses its credit history, management and lending team (including their track record) and obtains a first ranking equitable mortgage over its relevant assets.

#### Loan partnering / Syndication

Equititrust may itself or in collaboration with other financiers or banks in relation to the provision of property loans. The loan assessment criteria and process will be identical to those loans for which the Fund is the sole financier. Where Equititrust engages in loan partnering the mortgage documents may be held in the name of a trustee on behalf of the Fund and its loan partner. Also, Equititrust will be at liberty to offer its loan partner (where the loan partner is not Equititrust) a priority mortgage position. In that instance the Fund's priority would be second ranking behind the loan partner. The Fund's participation in loan partnering will not exceed 20% of the total assets of the Fund.

#### Derivatives

Equititrust uses no derivatives (e.g. futures, options, swaps, forward rate contracts) in relation to any of its operations.

## Benchmark 4

### Related party transactions

Status: Yes

ASIC Regulatory Guide 45 states that Equititrust should discuss its approach to transacting with related parties of the Fund including lending or investing Fund money with related parties and Equititrust should disclose these transactions.

Equititrust has a policy of not using Fund money to provide loans to, or make investments in, any related parties. There are no loans undertaken by the Fund to related parties. Related parties can (provided they are on commercial arms length terms):

- invest in the Fund;
- lend monies to Equititrust Limited (if required); and
- enter into co-lending arrangements with the Fund.

Entities associated with the directors may from time to time provide services to Equititrust. The arrangements for these services are reviewed annually to ensure they remain on commercial arms length terms.

## Benchmark 5

### Valuation policy

Status: Yes

ASIC Regulatory Guide 45 states that Equititrust should take the following approach to valuations of property over which the Fund has taken security:

- Properties (i.e. real estate) should be valued on an 'as is' and (for development property) also on an 'as if complete' basis.

- Equititrust should have a clear policy on how often it obtains valuations, including how recent a valuation has to be when Equititrust makes a new loan.
- Equititrust should establish a panel of valuers and ensure that no one valuer conducts more than 1/3rd of the Fund's valuation work, calculated by the value of the security properties.

Equititrust's policy in relation to valuations of security properties incorporates the following:

- Properties are valued on an 'as is' and (for development property) also on an 'as if complete' basis.
- Valuations in relation to new loans are to be no older than six months at the time of initial advance.
- All valuations will be reviewed at the expiry of three years from the date of initial loan and, if Equititrust considers it appropriate, fresh valuations are obtained.
- Equititrust ensures no one valuer conducts more than 1/3rd of valuation work for the Fund.
- Equititrust may accept an assignment of the valuation instead of obtaining a valuation directly from a panel valuer, in certain circumstances, subject to our guidelines. These guidelines include ensuring that the valuer is a panel valuer and that the valuer states in writing that the valuation complies with Equititrust's valuation instructions and may be relied upon by Equititrust. Equititrust's Lending Management Team must confirm that these guidelines have been met before an assignment of a valuation is acceptable.

Valuations of security properties are updated at least every three years. In the interim, the Equititrust credit committee reviews all loans at the end of their term to determine whether or not to extend each loan for a further term and whether obtaining an updated valuation is appropriate.

ASIC Regulatory Guide 45 states that Equititrust should include information about the valuation of a particular property where a loan secured against the property accounts for more than 5% or more of the total value of the Fund.

	Approved	Drawn	Security	Loan-to-value ratio	Date of valuation	% of scheme assets
Property 1	\$41,918,101	\$41,581,189	\$57,950,520	75.7%	27/6/2007	13.8%
Property 2	\$39,025,537	\$39,001,535	\$87,500,000	48.5%	16/9/2008	12.8%
Property 3	\$26,436,663	\$26,436,663	\$56,897,200	47.5%	19/2/2008	8.8%
Property 4	\$17,926,757	\$17,926,755	\$54,970,000	38.5%	23/10/2008	5.9%

\* This loan is cross collateralised with another loan.

At the date of these benchmarks, the respective properties comprised:

Property 1 – Industrial land in Northern New South Wales

Property 2 – Residential development land outside Brisbane

Property 3 – Residential units on the Gold Coast

Property 4 – Approx. 500 hectares of beachfront land in South Australia

Equititrust reviews the qualifications and experience of each valuer before they are appointed to our panel of valuers. Each panel valuer must be independent of Equititrust and the borrower, be registered (if applicable) to undertake and provide valuations in the relevant state or territory where the security

property is located, hold an appropriate level of professional indemnity insurance and have at least two years of continuous valuation experience in valuation. Valuers must also include in their valuation reports a warranty confirming that the report complies with all relevant standards and codes.

## Benchmark 6

Lending principles – loan-to-value ratios

Status – Yes

ASIC Regulatory Guide 45 states that property development loans should not exceed 70% of 'as if complete' valuations, and 80% of non-development loans based on the latest market valuations.

Equititrust has the power under its constitution to lend up to 80% of the value on real estate property based upon independent valuations. However, as a rule, lending limits are maintained at a maximum of 70% of the value of the security property. Facilities that exceed this level require approval from Credit Committee. The table below sets out standard loan value rates in respect to security types.

Property type	Loan-to-value ratio (LVR)
Commercial/ Industrial Premises	Generally a maximum of 70% with strong tenancies. Reduced LVRs may be required for owner-occupiers, or vacant possession valuation may be applied.
Development Facilities	A maximum of 70%. Due consideration to the saleability of the end product must be given and LVRs reduced accordingly.
Residential Properties	Generally a maximum of 70% of investment properties. Reduced LVRs may be enforced for loans required for business purposes but secured by residential property.
Vacant Land	Generally up to 70% LVR in areas where a high demand for vacant land is evident. Generally kept to 60% if there is no immediate intention to develop the site..

The Fund currently has no loans for construction or development that exceed 70% of the on completion value of the security property. If the Fund does undertake a construction or development loan that exceeds this 70% threshold, this benchmark disclosure will be updated.

Fund money may be advanced with respect to second mortgages taken as principal security where the LVR is no greater than 80%.

ASIC Regulatory Guide 45 states loans provided by the Fund relating to property development, should only be provided progressively as works are completed

Prior to advancing construction funding Equititrust provides all plans, specifications and building contracts to a quantity surveyor who approximates the cost to complete the development. This ensures the borrower has allowed appropriate development costs. Funds are then advanced progressively on a 'cost to complete' basis. The quantity surveyor appointed by Equititrust inspects the development at set stages of construction prior to further loan advances and certifies to Equititrust the cost of completing the development at each stage in writing.

Equititrust withholds the amount of loan funds necessary to complete the development in accordance with the advice received from the quantity surveyor. If the borrower becomes unable to complete the development, Equititrust based on the advice of the quantity surveyor should have sufficient funds to complete the development.

## Benchmark 7

Distribution practices

Status – Yes

ASIC Regulatory Guide 45 states that where Equititrust expects the Fund to make distributions to investors, Equititrust should disclose:

- the source of the current distributions;
- the source of any forecast distributions;
- if the current or forecast distribution is not sourced solely from income received in the relevant distribution period, the reasons for making those distributions;
- if the current distribution or forecast distribution is sourced other than from income, whether this is sustainable over the next 12 months.

The Fund provides investors with income distributions either monthly or annually. The current distribution rate is nominated at commencement of an investor's investment and is referred to as the Benchmark Rate. For fixed term investors and Access investors the Benchmark Rate remains fixed for 12 months. The Benchmark Rate is not a warranty or forecast that the investor will receive this rate of distribution for the term of their investment. Distributions rates are variable and may be less than the Benchmark Rate.

The Benchmark Rate is the distribution rate that must be paid to investors before Equititrust is entitled to be paid its management fees. The Benchmark Rate is in effect the monthly performance hurdle that must be achieved before management fees may be paid to Equititrust.

The distribution rate paid by the Fund for the term of the investors investment will not exceed the Benchmark Rate.

- Equititrust may (but is not obliged to) contribute money to the Fund to supplement the distributions; and
- whilst an investor does not receive their Benchmark Rate in a particular month (during the 12-month term of their investment), Equititrust is not entitled to receive any managed fees).

Irrespective of the distribution rate paid from the Fund, all expenses of the Fund and expenses incurred by Equititrust on behalf of the Fund will continue to be paid.

When the income of the Fund is higher than the amount necessary to pay all investors Benchmark Rates, Equititrust will, after payment of the Benchmark Rates, receive its managed fee and any remaining surplus will be paid to Equititrust as the holder of the subordinated Capital Warranty Investment.

ASIC Regulatory Guide 45 states that, where the Fund promotes a particular return, Equititrust should disclose details of the circumstances in which a lower return may be payable, together with details of how that lower return will be determined.

A lower return to investors may be payable if:

- interest payments by borrowers are insufficient to enable income distributions to investors; and
- Equititrust does not contribute additional money to the Fund.

In this event investors would receive income distributions (if any) based on the cash and income available for distribution.

Equititrust does not represent investors will receive their Benchmark Rate of distribution. As mentioned above, the Benchmark Rate is merely the hurdle rate that must be achieved before Equititrust is entitled to its management fees.

## Benchmark 8

### Withdrawal arrangements

Status – Yes

ASIC Regulatory Guide 45 requires Equititrust to disclose:

- the maximum withdrawal period;
- any significant risk factors or limitations that may affect the ability of investors to withdraw from the Fund;
- the approach to rollovers, including whether the 'default' is that investments in the Fund are automatically rolled over; and
- if withdrawals from the Fund are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility.

Equititrust has no fixed obligation to satisfy withdrawal requests within, or upon the maturity of, the stated investment periods below. If the Fund does not satisfy the statutory liquidity requirements investors will only have a limited ability to withdraw, if any. Specifically, under normal operating conditions the Fund constitution allows Equititrust up to 180 days or, in particular circumstances, a further 180 days to pay any valid withdrawal request.

### Current status

Equititrust has currently deferred the processing and payment of withdrawals. During this period, Equititrust expects (but is not obliged) to make periodic withdrawal offers subject to available cash and the operations requirements of the Fund.

ASIC Regulatory Guide 45 requires Equititrust to provide details of whether, and the circumstances of how, a lower unit price may be payable than that relating to a person's original investment.

The price of units in the Fund has historically remained at \$1.00 per Unit. Equititrust has invested in the Fund a minimum \$40 million to 31 October 2009 and thereafter at least \$20 million as a Capital Warranty Investment. The Capital Warranty Investment acts as a buffer in the event the Fund suffers a loss arising from the operation of the Fund. A loss could arise due to:

- loan defaults by borrowers;
- valuations not accurately reflecting the value of the security property at the time they are undertaken;
- a fall in the security property during the term of the loan; and
- diminished value of the security as a result of non-completion of works (in respect of development loans).

In the event of a loss to the Fund, the value of that loss (up to \$20 million) is first apportioned to the Equititrust Capital Warranty Investment. This means the Fund would need to suffer a loss of at least \$40 million to 31 October 2009 and thereafter at least \$20 million (which at 30 June 2009 represented 6.6% of the total assets of the Fund) before the value of an investor's investment is affected.

### Liquidity facility

Equititrust may utilise third party financing to assist in funding withdrawals. There is a risk that Equititrust may not be able to renew existing credit facilities on similar or no less favourable terms to those it currently receives. If this occurred the Fund may have lower available cash resources and its ability to meet short-term liquidity objectives will be detrimentally affected. This may require the Fund to deploy a lower proportion of investors' funds in income producing loans and therefore also affect overall Fund performance.

If Equititrust (on behalf of the Fund) defaults on the credit facilities then the banks will have first right of access to the assets of the Fund in priority to the investors. This will impact on the capacity of Equititrust to meet current withdrawal requests. If the Fund is unable to meet the liabilities to the banks then the investors will likely suffer a capital loss.

External liquidity facilities are subject to maintaining certain loan covenants. One of these covenants is to maintain a total-debt-to-total-eligible-assets ratio of 25% for the \$30 million facility and 12.5% for the \$35 million facility. If this or any other material covenant is not maintained this will result in a breach of the facility. Where a breach occurs the banks are entitled to review the facilities and may decide to do all or any of the following:

- declare that the amount owing as immediately payable;
- appoint a firm of independent accountants, or other experts, to review and report to the banks on the affairs, financial condition and business generally of Equititrust and the Fund.