



8 June 2011

Equititrust Income Fund ASRN 089 079 854 (EIF, the Fund) Update

You will have recently received our letter of 6 May 2011 summarising the matters discussed in the investor briefing sessions of 20 April and 29 April 2011 following the decision to suspend all distributions from EIF. This letter is to provide a brief further update as to your investment.

Valuations of Secured Property and Unit Pricing

As outlined in early correspondence, to determine a current EIF unit value we have sought fresh independent expert property valuations on a significant number of properties over which EIF holds security as the value of this security is a significant factor in an assessment as to the extent to which the loan by EIF to the borrower is likely to be repaid.

The vast majority of valuations sought have now been received, at least in draft (more than 90%), and we expect to receive the outstanding valuations shortly. In some cases the draft valuation advice obtained is currently being stress tested against purchase offers received and other information available to us.

We expect to be in a position to advise you on the current value of your investment in the EIF within 14 days. This valuation, once confirmed by the Directors will be posted on the Equititrust website (www.equititrust.com.au) and included in the next fund update posted to investors.

Accounting Issues

As a result of decreased security (property) values and resultant impairments and bad debts, the Fund will post a loss for the year ended 30 June 2011.

A number of investors have inquired as to the proper accounting and taxation treatment of distributions received during the financial year in such circumstances. Not every investor's position is identical and those issues, along with a raft of related accounting issues associated with the obligations to treat investors equally, are currently being worked through.

We expect to be in a position to provide advice to investors in this regard prior to 30 June 2011.

Bank Facility

The Fund owes the National Australia Bank (NAB) \$25 million and the bank has the right to receive repayment before distributions are made to investors. There are currently unconditional sale contracts totalling approximately \$15 million which are due to settle by early July 2011 and a number of other property sales campaigns underway.

On the basis of current information our earlier expectation that the NAB facility will be fully repaid by the end of August 2011 remains unchanged. As previously indicated, it is highly unlikely that any distributions will be made to investors before the bank is fully repaid.

Current Fund Operations

The focus of the Directors of Equititrust and all staff is the management of the current EIF loan portfolio. Once the bank debt has been repaid, it is our intention to continue an orderly realisation of the assets of the EIF so that distributions can be paid to investors. At this time we do not have a definitive timetable for this process but you can be assured this process is our utmost priority.

At the investor briefing sessions on 20 and 29 April 2011 and in our letter of 6 May 2011 we raised the prospect of a restructure of the Fund.

Presently, the management team at Equititrust is considering a number of potential proposals, which in the future may be offered to investors. Any proposal is unlikely to involve a restructure of the Fund but may be a separate opportunity for investors to participate using their investment in the Fund.

The structuring and issues surrounding any potential proposals are being given careful consideration, however, in the meantime our priority remains the EIF and dealing with its assets.

In Closing

Again let me record our disappointment that distributions have been suspended and that there is now a capital loss on your investment in EIF. The Equititrust team continues to explore all avenues of maximising the return from your investment.

Yours faithfully



David Kennedy
Chief Executive Officer
Equititrust Limited