EQUITITRUST CAPITAL

14 February 2011

INVESTOR COMMUNICATION – RECENT MEDIA ARTICLES

Dear valued investor,

You may be aware of a recent series of articles published by Fairfax newspapers The Sydney Morning Herald and Melbourne's The Age.

These articles contain a litany of false and misleading information. Understandably, this has generated a number of enquiries from our investors, clients, and business partners.

The articles have the potential to undermine and damage our hard-earned reputation that we have established over nearly 20 years.

We are particularly distressed at the insinuations that we have put our interests ahead of investors. I can assure each and every investor that this is not the case. Every decision we make puts the interests of investors first.

In several parts, the articles have been factually wrong. Moreover, we believe they have misrepresented Equititrust's business on a number of issues, for example:

- It was incorrectly reported that, "loan impairments (for the Equititrust Income Fund) are expected to hit $35 million for the half-year to December."

  This is incorrect. As previously advised to all investors and also explained to the journalist, there have been approximately $30-$35 million in write-downs over the past *three years* and, more significantly, these have been *voluntarily* absorbed by Equititrust Limited, from revenue, rather than passed onto investors.

- It was alleged that we were "forced to look for new funding sources last week…"

  This is also incorrect. Firstly, Equititrust has amortisation plans with both its banks. These plans – which were put forward by Equititrust – will see these banks paid out before the relevant loan terms expire. The cashflow for these payments is to be funded by loan repayments from borrowers. External funding was not necessary.

  Secondly, the Equititrust Priority Class Income Fund was established as one part of our overall strategy for *accelerating* an exit from the Equititrust Income Fund's credit facility with the National Australia Bank. It was designed to supplement our continual proactive property asset management initiatives.

- There is an unfounded reference to a "recent tangle with the corporate watchdog" and an allegation that the Australian Securities and Investments Commission "forced Equititrust to withdraw a product disclosure statement."

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This allegation is both damaging and misleading. At no stage have we "tangled" with ASIC. We have had discussions with them, whereby they have expressed their views and we have expressed ours, in relation to a potential conflict of interest position for the newly established Equititrust Priority Class Income Fund.

This position was fully disclosed in the Fund's Product Disclosure Statement, and an appropriate mechanism is in place to address any potential conflict should it occur. If nothing more than out of an abundance of caution, we have voluntarily withdrawn the Fund offer whilst we review the perceived concerns.

There is a misnomer reference to a "retained profits buffer"

- There is no such thing as a "retained profits buffer". Equititrust Limited has an investment in Capital Protection Units in the Fund. This investment – voluntarily subordinated to other unit holders at the onset at the GFC – is specifically designed to protect investors' interests. This initiative and commitment to investors is unprecedented in the Australian mortgage funds industry.

In all instances, we have been responsive to and made every effort to work with the journalist responsible for these articles to ensure that they were accurate, fair and balanced.

Unfortunately our efforts appear to have been unheeded. We are now in the process of pursuing Fairfax to publically correct the inaccuracies.

In the meantime, if you have any queries, we encourage you to contact our Investor Relations team on 1800 635 527.

Yours sincerely,

Mark McIvor
Managing Director
Equititrust Limited