

Kinsmen Diversified Property Fund Statement of Advice

AFSL 222650
ARSN 111 285 940

Kinsmen Securities:

The Kinsmen Group, established in 1985, has achieved significant growth in delivering over \$1 billion of national property investments while actively growing its funds under management through Kinsmen Securities Limited. Our aim is to deliver returns across a range of property related investments within a controlled framework. Being a boutique fund manager enables us to be flexible, stay focused on high levels of service and maximise investor returns.

Overview and Objective:

The Kinsmen Diversified Property Fund currently comprises a portfolio of assets including equity and mezzanine investments in completed development projects and income yielding commercial assets in locations with solid growth forecasts.

A restructure of the Fund is proposed given a recent downturn in the property market and economic conditions more generally. This is required to maintain the growth and stability across the six property investments in which the Fund has a direct or indirect interest.

The restructure proposal is designed to increase the Fund's investment in the Kinsmen Mezzanine

Fund through a voluntary unit swap with units held by Kinsmen Mezzanine Fund investors.

Additional purposes of the restructure of the Kinsmen Diversified Property Fund include;

- To generate tax advantaged income returns from completed property assets and the potential for capital growth.
- To progressively repatriate capital from the disposal of completed property development projects.

Fund Specific Risks:

Liquidity Risk

As the fund invests in property related securities, it is in general an illiquid investment product. The fund does however intend (where the available income and capital of the Fund allows) to make quarterly distributions at the rate of 2% of the issued capital of the fund. The intention is also to progressively repatriate capital from the disposal of the completed property development projects.

Security Specific Risk

The Fund comprises a Portfolio of six property investments including completed development projects for resale and income yielding direct property assets.

Market Risk

For the completed development projects Market Risk is a factor particularly given the recent down turn in property markets and economic conditions more generally. Investor sentiment may affect the price and the rate of sales which can be achieved. This could affect the profitability of the completed development projects and the ability to repay senior debt and mezzanine loans in order to provide Fund liquidity.

Interest Rate and Credit Rise

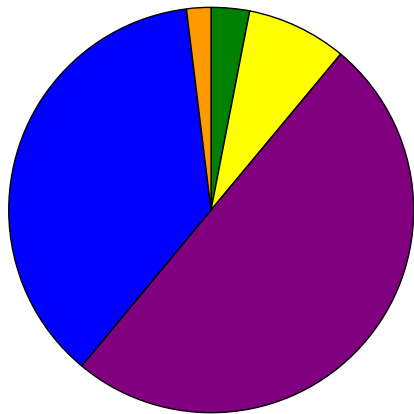
Upward movement in interest rates may affect the cost of debt, the profitability of the completed development projects and therefore the availability of cash to repay mezzanine loans and provide Fund liquidity. Senior debt lenders may also be reluctant to refinance mezzanine loans early during uncertain economic conditions and may request further sales.

Key Features & Benefits:

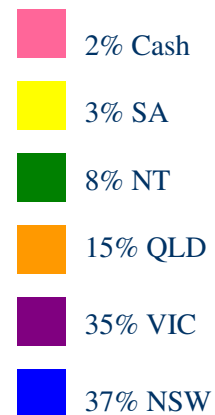
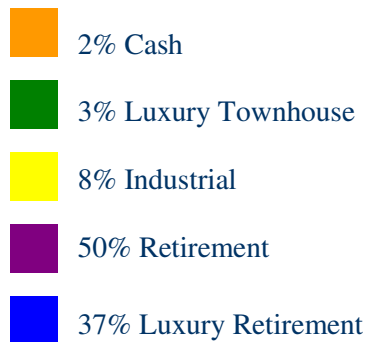
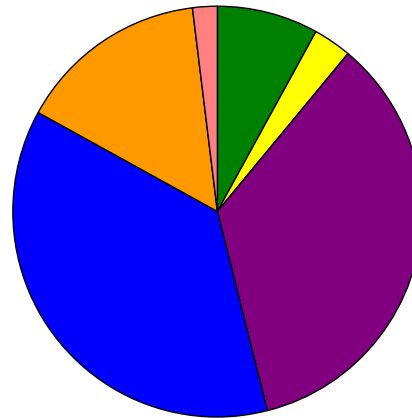
- Exposure to a portfolio of completed development projects and direct property investment
- Progressive repatriation of capital
- Property investment diversification
- Tax advantages income returns
- Capital growth potential
- Experienced manager with track record

Kinsmen Diversified Property Fund Statement of Advice

Sector Allocation



Geographic Allocation



Performance Benchmark

The fund's performance is benchmarked against a composite property index, being a 50/50 ratio of the Mercer Unlisted Property Funds Index and ASX 200 Property Index.

Fund Performance:

Kinsmen Diversified Property Fund

Fund v's Benchmark Performance - 12 Months ending 30 June 2008

