

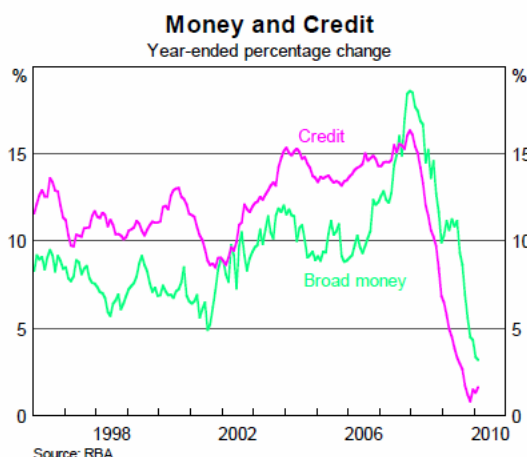
MARKET UPDATE

For the past four years the quarterly reports from Kinsmen have been written by our General Manager, Jim Papanicolaou. Jim has moved on and I want to take this opportunity to thank him for his contribution to Kinsmen and to wish him the best in his new career.

I am Paul Zahara, the Managing Director of Kinsmen and I will now be writing the quarterly reports.

Over the past 18-24 months Kinsmen's view has been that property markets in Australia started the downturn in fundamental balance; that is there was a reasonable balance between supply and demand. In spite of this, the performance of the property markets has been poor as a result of the intimate relationship between the property markets and capital markets, which as we all know have been suffering. Over the last quarter we have begun to see the first tangible signs of improvement in property markets, resulting from improvements in the capital markets.

The impact of the global financial crisis on the property markets has mostly been felt as a result of lack of liquidity, resulting in a stalemate across markets. Prospective buyers have been unable to access credit, and therefore unable to buy. Sellers have had no buyers with the ability to complete transactions. The following graph from the Reserve Bank of Australia shows the first signs of a turnaround in credit conditions, which we hope will lead to a greater volume of transactions in all property markets.



In another hopeful sign, the Mercer/IPD Australian Pooled Property Fund Index is showing an annualised 1.1% return for the past month, although it is still showing a negative 4.6% return for the past 12 months. Compared to other long term managed investment options property is still comparing favourably with the JP Morgan: Fixed Income GBI 7-10yrs Index showing a negative 1.5% annualized return for the past month (and negative 4.1% for the past 12 months).

FUND UPDATE

In our last Quarterly Report we noted the difficulties we were having in getting the audit of the fund completed. Unfortunately and to my great embarrassment the problem continues. Since that time many hundreds of hours have been spent on trying to resolve the audit but it is still not complete. The problem is complex and seems to change from time to time, but revolves around the auditor's (Pitcher Partners) requirements for the wording of the notes to the accounts. We seem to have agreed on the numbers that would appear in the accounts some time ago and now just need final sign off on the notes. I am hopeful this will be resolved in the next several weeks.

ASIC refuses to allow us to use another auditor for the 2008-09 year, however we have engaged HLB Mann Judd to undertake the audit for the current financial year. They are ready to commence as soon as Pitcher Partners sign off on the current audit.

KINSMEN SECURITIES LIMITED

KINSMEN ADELAIDE COMMERCIAL SYNDICATE

QUARTERLY REPORT

PROPERTY UPDATE

1 Station Place, Hindmarsh

Tenancy Update

Freightlink Tenancy

Kinsmen Securities continues to liaise with Korda Mentha as Receivers and Managers of Freightlink with respect to progress on the sale of the Freightlink business, after which we would expect a new long term lease to be negotiated with the new owners. In the meantime rent continues to be paid as specified in the lease.

Rentals continue to be paid on time and there are no rental arrears as Freightlink continues to operate in a business as usual manner.

Boral Tenancy

Rental operations for the Boral tenancy at the property continue in an efficient business as usual manner. All rentals for the quarter have been paid on time with no arrears to report.

Maintenance Update / Building Matters

In previous quarterly reports we noted that air conditioners needed replacement and that we had sourced replacement units for around \$40,000 rather than the original quote of \$80,000. This work has now been completed.

296 St Vincent Street, Port Adelaide

Tenancy Update

All tenancies at the Port Adelaide property including Flinders Ports, Housing SA, and China Shipping continue to be administered in an efficient manner with all rentals paid up to date with nil arrears. NYK Line has vacated the building which decreases the net income by approximately \$15,000 annually. We are searching for a replacement tenant but there are numerous other properties for lease in the vicinity and we do not expect to find a replacement tenant quickly.

A market review of the Housing SA tenancy on 28 February 2010 increased the rent, which will increase net income in future months.



1 Station Place, Hindmarsh



296 St Vincent Street, Port Adelaide

FUND PERFORMANCE SUMMARY

Distribution Return		Growth Return		Total Return		Funds Under Management
Last Qrt	Last 12 Months	Last Qrt	Last 12 Months	Last Qrt	Last 12 Months	
0.85%	2.77%	-0.53%	-19.08%	0.32%	-16.32%	\$10.156 million

DISTRIBUTION SUMMARY - Based on Initial Investors capital (\$1.00 face value) *

Last Quarter (annualised)	Last 12 months
3.5%	3.5%

* If units were purchased for an amount other than the \$1.00 then this rate could vary.