

11 February 2011

Dear Unitholder

## Hardship Policy and Litigation Recovery Right - Pacific First Mortgage Fund

### Hardship Policy

Balmain Trilogy Investment Management Pty Limited (Balmain Trilogy) is pleased to inform Unitholders of the Pacific First Mortgage Fund (PFMF or Fund) that the Hardship Policy for the Fund has now been finalised.

Following ASIC granting the Fund the required relief, changes have been made to the Fund's constitution to facilitate the implementation of the Hardship Policy. The Hardship Policy enables Unitholders who are suffering from severe financial hardship to apply for redemption from the Fund. Applications will only be considered where the Unitholder is able to satisfy the criteria and requirements detailed in the Hardship Policy.

Unitholders are permitted to withdrawal up to \$20,000 each calendar year pursuant to successful hardship redemption applications. Hardship applications will be processed on a semi annual basis, for the periods ending 31 March and 30 September. Please note Hardship withdrawals will only be permitted if there is sufficient liquidity within the Fund and hardship payments may be scaled back on a pro rata basis if the total amount approved for Hardship withdrawals exceeds the available allocation of funds set aside for hardship payments. If payments are scaled back on this pro rata basis, the excess will be rolled over to the next hardship redemption period

Hardship withdrawals will be at a unit price based on the net asset value of the Fund divided by the number of units on issue at the relevant time. This will ensure all Unitholders are treated equally.

For those Unitholders who wish to make a hardship redemption application, it is requested they carefully read through the Hardship Policy and the Statutory Declaration Form before making an application. Please ensure all supporting documentation is provided as incomplete applications will not be able to be processed. Upon receipt of your completed application, your application will be assessed and you will be advised of the outcome.

Please note that in order to participate in the first hardship redemption period ending 31 March 2011, your completed Statutory Declaration Form, together with all required documentation to support your application, must be received by Balmain Trilogy by 18 March 2011.

Further details in relation to hardship redemptions and a copy of the Hardship Policy is available on the Balmain Trilogy website [www.balmaintrilogy.com.au](http://www.balmaintrilogy.com.au). Should you require additional information or require a copy of the Hardship Policy or the Application Form please call Balmain Trilogy Client Services on 1800 194 500.

## **Litigation Recovery Right**

As previously advised, to ensure all Unitholders are able to obtain the benefit of any future net proceeds that result from the litigation currently being undertaken by the Fund, we will create a separate and transferable entitlement. Each unit in the Fund which you hold on 15 March 2011 will be split into two units going forward, one of which will be a Litigation Recovery Right ('Litigation Recovery Unit').

You do not need to do anything in order to effect the split and, in all material respects, your rights and entitlements in respect of the Fund will not change. There will be no cost to the Unitholder for the Litigation Recovery Unit. The split is being undertaken to ensure that those Unitholders who were affected by the significant losses the Fund suffered will, even if they transfer or withdraw (through the hardship withdrawals process) their ordinary units in the Fund, obtain their portion of any benefit from any net proceeds that may result from legal action currently in process.

All rights you have as a Unitholder in the Fund will remain attached to your ordinary unit, with the exception that the right you have to share on a proportional basis in any net proceeds of litigation taken by the Fund for loss suffered as a result of previous Fund management will attach to your Litigation Recovery Unit. The Litigation Recovery Unit does not restrict Unitholders in dealing with their ordinary Fund units - at any point in time, you are able to transfer your ordinary units, or apply for redemption through the Fund's hardship facility. At the time of any transfer, you can elect whether you also transfer your Litigation Recovery Units or whether you hold on to them.

If you have any question please contact the Client Services Team on Freecall: 1800 194 500 or [contact@balmaintrilogy.com.au](mailto:contact@balmaintrilogy.com.au).

Yours sincerely,



**Rodger Bacon**

Joint Chief Executive



**Andrew Griffin**

Joint Chief Executive