

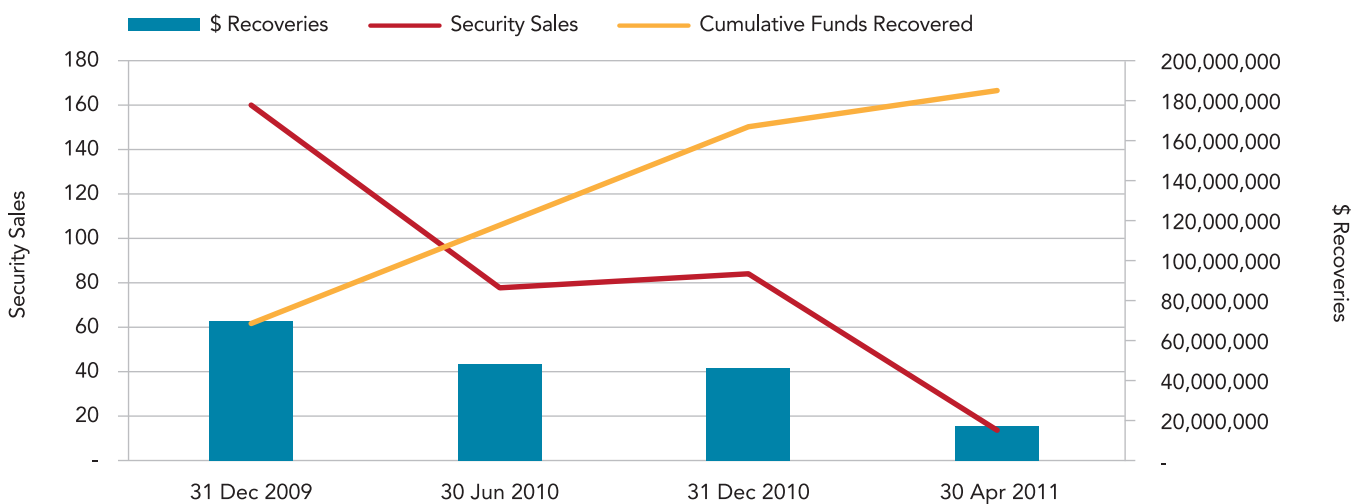
Dear Unitholder,

We are pleased to announce that a return of capital payment totaling \$8.87 million (or 1 cent per unit held) was made to all Unitholders in the Pacific First Mortgage Fund (the Fund) on 29 April 2011. As this is a return of capital and not a redemption of units, your units held in the Fund do not change.

As indicated in February, the scheduled capital return of \$35 million (or 4 cents per unit) would be partly paid in April due to property market conditions and unforeseen flooding impacts. Since February there has been a continued decline in the Queensland and New South Wales market for residential units and vacant land. These market conditions have affected the rate at which Balmain Trilogy has been able to realise assets at fair market value which, in turn, has reduced the quantum of funds available for the repayment of capital to Unitholders.

As it has been our commitment to achieve optimal returns for Unitholders and not undertake fire sales of assets, the adverse market conditions have made it difficult to accelerate asset sales at fair value. The below graph shows the effects of the decline in the property market on the volume of PFMF security sales (red line) and dollars recovered (blue bars) since July 2009. The Fund recovered \$70.4 million in the six months ended December 2009 and \$96.9 million for the year ended December 2010. With \$18 million recovered since January 2011, the Fund has accumulated gross recoveries of \$185 million to date (orange line). With more than 336 individual securities sold, we will continue to transact on the remaining Fund assets at optimal values subject to market conditions.

PFMF Recoveries Since July 2009



While we have added value by completing assets, obtaining development approvals and repositioning assets, we have not been able to counteract the effects of the deteriorating market. At this time, the residual \$26.13 million (or 3 cents per unit) is forecast to be returned by the end of June 2011. However, this may be extended if market conditions deteriorate further and/or there are delays with settlements. We will provide an update nearer that time. As per our undertaking in February, Trilogy Funds Management Limited (Trilogy) will exclude a part of the \$35 million from the calculation of the gross assets of the Fund when calculating the management fee from 1 April 2011.

Martha cove information session

More than 60 PFMF Unitholders joined representatives from the PFMF Investor Committee on Saturday 16 April for a first hand look at Martha Cove, one of the Fund's major assets.

With briefings by asset managers and tours of the Martha Cove development, Unitholders gained a full understanding of the current assets held, the issues and opportunities for Martha Cove and a complete perspective of its future development potential.

For those Unitholders who were unable to make the visit to Martha Cove, a video presentation of the Information Session is currently being prepared for webcasting and DVD production. We will notify Unitholders once the video is available for distribution.



Hardship

The first hardship redemption period ending 31 March 2011 has now closed and all applications have now been reviewed by the Hardship Committee. 91% of applications were approved under the guidelines set out under the hardship relief policy of the Fund. All applying members will shortly receive correspondence advising the outcome of their application.

Applications are now being accepted for the second hardship redemption period ending 30 September 2011. Please ensure that the required supporting information is provided with your application. If you have any questions or require any further information regarding the Hardship Policy, please contact the Balmain Trilogy Client Services team on 1800 194 500.

Litigation

Following leave from ASIC, Trilogy Funds Management Limited (Trilogy) has commenced proceedings in the Supreme Court of New South Wales Equity Division for the issuing of Examination Summonses and Production Orders so that the examinable affairs of City Pacific Ltd (receivers and managers appointed) (in liq) can be investigated.

A number of Production Orders have been issued by the Supreme Court of NSW requiring third parties to produce various documents to the Court by 7 April 2011. To date our lawyers have received in excess of ten thousand documents in partial answer of Production Orders. However, a number of other production orders have been adjourned and documents are now scheduled to be produced on dates in mid to late May 2011.

In conjunction with the issue of Production Orders, Examination Summonses have also been issued by the Court and served upon various individuals with knowledge of the examinable affairs of City Pacific (receivers and managers appointed) (in liq). It is expected that those examination hearings will take place in the Supreme Court of NSW during July 2011. Subsequent to those examinations, legal advice will be sought to determine the best course of action to recover funds on behalf of Pacific First Mortgage Fund Unitholders.

Your litigation recovery right

All Unitholders have now been issued with one Litigation Recovery Right (LRR) for each ordinary unit held in the Fund on 15 March 2011. You will soon receive a transaction statement confirming your current PFMF holding across both your ordinary units and litigation rights as at this date.

The LRR is a separate and transferable entitlement that has been created to ensure all Unitholders retain the right to their pro rata share of any net proceeds resulting from litigation being undertaken by the Fund.

The creation of this entitlement enables you to deal in your ordinary units through either a transfer or withdrawal (via the Fund's Hardship Policy) without affecting your entitlement to participate in a pro rata share of the net proceeds of litigation.

As you have been previously advised, the Fund has entered into an arrangement with IMF (Australia) where, for a proportion of the proceeds of any successful litigation, IMF (Australia) will fund all costs and expenses associated with such litigation. Balmain Trilogy will provide updates about litigation proceedings and LRRs via the website.

The LRR will have no right to distribution of capital or income of the scheme other than the right to a pro rata share in net proceeds from litigation. The issue of the LRR has not affected your rights and entitlements as a Unitholder in dealing with your ordinary units.

A separate transfer form (Transfer Form - Litigation Recovery Right) has been created for the transfer of LRRs and is available from the Balmain Trilogy website. Please note that no action is required unless you wish to transfer your rights to another party.

A simplified reporting process

Historically, PFMF Unitholders who have holdings across multiple classes (ie 12 Month, 180 Day) have received multiple statements (ie one for each class). As part of our commitment to efficiency, Unitholders will now receive a single statement summarising their entire holding across all classes.

This simplified reporting process will have no bearing on your rights and entitlements as a Unitholder. However, Unitholders are asked to now use their eight digit investor number (shown on the top right-hand corner of the transaction statement that you will soon receive) for all future correspondence in relation to the Fund.

Please do not hesitate to contact the Balmain Trilogy Client Services Team on Free Call 1800 194 500 or email contact@balmaintrilogy.com.au should you have any questions.

Yours sincerely,



Rodger Bacon
Joint Chief Executive



Andrew Griffin
Joint Chief Executive