



26 November 2014

Dear Investor

BALMAIN AQUA HIGH INCOME TRUST – INVESTOR UPDATE AND REDEMPTION

The Supreme Court of NSW has set down a date for trial in the legal case we are running against a valuer to the Trust.

The trial date is set for 29 May 2015. The Manager and its legal team were keen to get to trial as soon as possible, however the Judge accepted that the diaries of the defendant's legal team did not have available time until late May.

Given this, and the absence of any meaningful settlement discussion, it appears that we will not know the Trust's position regarding this matter and, following this, the actual wind-up date of the Trust until late May/early June 2015. We remind investors that as the Trust was the mezzanine provider to the Loan and it has a subordinated interest in the outcome of the matter, it will only receive the balance, if any, following the extinguishment of the legal debt of the senior lender, the Balmain AQUA Income Trust.

The Balmain AQUA High Income Trust has circa \$11m in cash and the Manager and the Responsible Entity have determined to repay \$9.5m to investors in early January 2015 an amount equal to approximately 50% of your remaining unit value. This will result in a corresponding reduction in the number of units held.

Following this repayment the Trust will hold approximately \$1.5m in cash along with the assets of 2 remaining loans that the Manager is in the process of selling. There is a possibility that if these 2 remaining assets are realised earlier in 2015 that a further repayment can be made in advance of the final Trust wind-up and we will keep investors informed via the newsletter.

The payment of the \$9.5m means that the Trust operating expenses will now largely be funded from the remaining capital of the Trust and this will likely result in a corresponding reduction in the unit price on a quarterly basis starting March quarter 2015.

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Balmain AQUA Pty Limited (ABN 94 107 030 240) is the Investment Manager of Balmain AQUA High Income Trust (ARSN 110 223 348), Balmain AQUA Income Trust (ARSN 110 222 850), collectively the 'Schemes'. The responsible entity of the Schemes is The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235 150).



Financial hardship

Investors who are experiencing any financial difficulties may be eligible for the Trusts' Financial Hardship redemptions. For further information on hardship redemptions or regarding your investment in the Trusts, please contact our Registry Services Team on 1800 225 624 or email balmainfunds@balmain.com.au

If you have any questions regarding your investment, please contact our Registry Services Team on 1800 225 624 or email balmainfunds@balmain.com.au

Yours sincerely

Stephen Tunley

CEO, Balmain Funds