

9 July 2014

Dear Adviser

Notice of termination of the Howard Mortgage Funds

This letter provides important information regarding your clients' investments in the Howard Mortgage Fund (ARSN 090 464 074) (APIR HOW0001AU) (**HMF**) and Howard Wholesale Mortgage Fund (ARSN 093 720 159) (APIR HOW0005AU) (**HWMF**) (together '**the Funds**').

Fidante Partners Limited (ABN 94 002 835 592, AFSL 234668), as responsible entity of the Funds continue to manage all aspects of the operation of the Funds. This includes the determination of appropriate capital repayments and income distributions, as well as the current valuation of the assets in HMF, including the mortgage portfolio. The mortgage portfolio of HMF has now reduced to less than 50 mortgage loans, including a number of mortgage loans where the realisation process is complex and is impacting on the value of these mortgage loans. If all mortgage loans are allowed to run down through to their respective maturity date, the final repayment of capital to investors would likely extend into 2016.

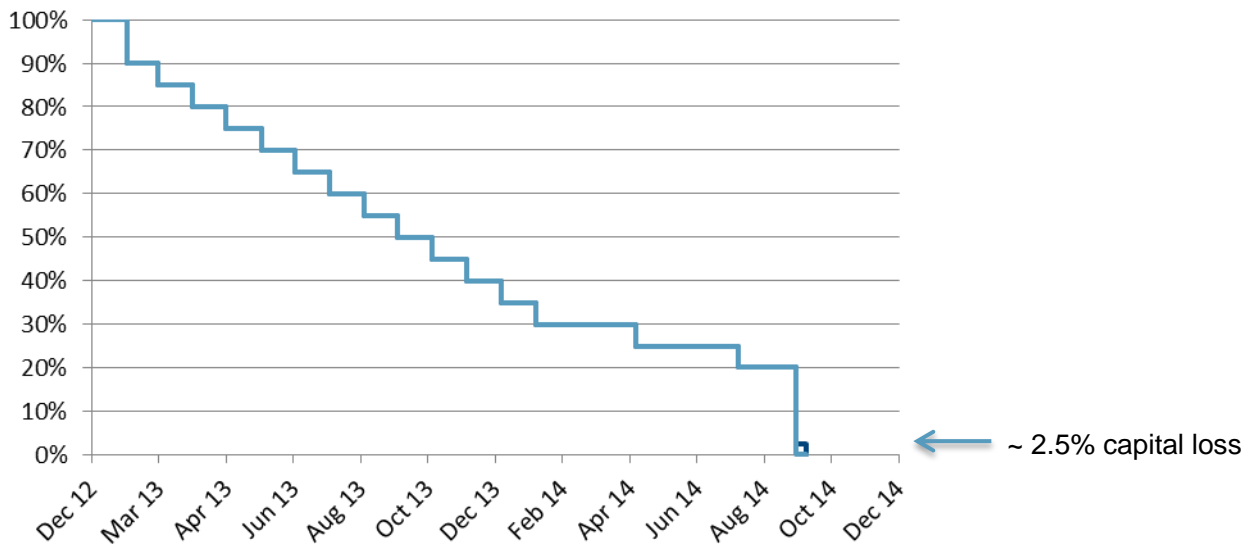
We understand the repayment of capital is a priority for unitholders. Over recent months we have reviewed a number of options to best realise the mortgage portfolio in the interest of expediting the orderly return of capital to unitholders. Following this review and after careful consideration, we undertook a competitive process for the sale of the remaining mortgage loans and have accepted an offer that will realise these loans. This will result in the Funds terminating on 17 July 2014 (the '**termination date**') and the commencement of the winding-up process for the Funds which will include the final return of capital.

Final outcome for unitholders

The sale of the remaining mortgage loans and termination of the Funds provides unitholders with a clear outcome for the final return of capital. The Funds have been returning capital to all unitholders on an equal basis since January 2013. Following the July quarterly return of capital and the final planned capital repayment in September 2014, the Funds will have returned in excess of 97.5% of unitholders' capital as well as receiving regular income from this investment.

The chart below shows the capital repayment to investors in the Funds since 31 December 2012, together with the July quarterly return of capital and planned final capital repayment in September 2014.





We understand the difficulties your clients may have experienced with their investment in the Funds and have appreciated their patience over the last few years. Given the current circumstances of the Funds and having regard to a number of considerations, we believe the sale of the remaining loans and the termination of the Funds is in the best interests of unitholders as a whole.

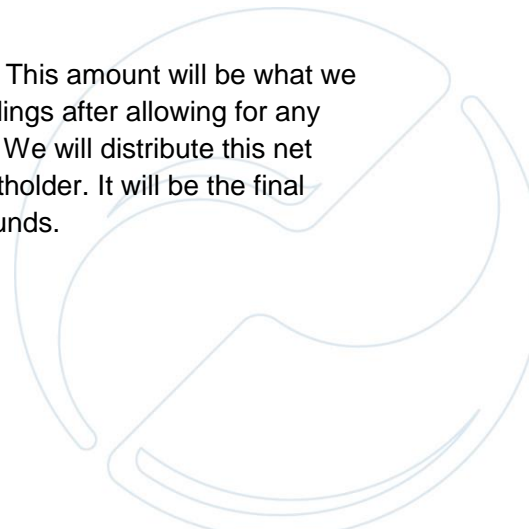
Cancellation of units, payment process and expected timetable

The sale of the remaining assets has resulted in a downward revaluation of the mortgage portfolio as at 30 June 2014. If your clients are invested in HMF, as a consequence of this revaluation and in accordance with the constitution for HMF, your clients' unit holdings in HMF as at 30 June 2014 has been reduced (by way of a cancellation of units) by 2.5% (based on the unitholder's balance as at 31 December 2012).

If your client is invested in HWMF, the impact of the cancellation of some HMF units will be a reduction in the unit price of your clients' unit holdings in HWMF as at 30 June 2014 by \$0.025. There is no change to the number of units that your clients currently hold in HWMF as a result of this change.

The Funds will pay the June quarter distribution together with the July quarterly 5% return of capital around 7 July 2014. If your clients are invested in HMF, capital repayments from HMF will result in the automatic redemption of units equivalent to the repayment amount.

We expect to pay the final distribution for the Funds in September 2014. This amount will be what we receive from the sale of the mortgage loans, together with any cash holdings after allowing for any liabilities for the Funds and the expenses of termination and winding up. We will distribute this net amount to unitholders according to the number of units held by each unitholder. It will be the final distribution payment, with no further distributions to be made from the Funds.



Details of the final distribution, such as the income and capital components, will be included in your clients' 2014/2015 tax statement. We expect the final distribution payment for the Funds to occur in September 2014.

To understand how the termination of the Funds and cancellation of your clients' units in HMF affects their personal situations, particularly in relation to any tax implications, we strongly recommend they consult you or seek independent advice.

Financial hardship withdrawals

It is important to note that consistent with the termination of the Funds, we have determined that it is no longer in the best interests of unitholders as a whole to permit financial hardship withdrawals. Accordingly, financial hardship withdrawal requests will cease from 27 June 2014.

We have notified your clients in writing of the termination of the Funds.

Further information

If you require any further information about the Funds please speak to your Business Development Manager or call our Adviser Services team on 1800 195 853.

Yours sincerely



Vito D'Introno
General Manager – Retail Distribution
Fidante Partners

