

9 July 2009

Dear valued client

Distressed Debt Research Team Monthly Update

Please find attached the first issue of the monthly report from the AXA-GI Distressed Debt Research Team (DDRT).

The DDRT concept was one of the initiatives put in place at the time Spicers purchased Gould Wealth Management in March. Since then the DDRT has been liaising with the companies, receivers and trustees, monitoring progress of the recovery of loans and subsequent repayments to investors and providing information and research to our Investment Committee. The attached monthly update will provide you with a summary of the status of all impaired investments and their progress on repayment.

We are mailing this first update to make you aware of the commencement of this service. All future issues will be sent by email or if you don't have an email address will be available on-line at www.gouldwealth.co.nz. These will be available shortly after each month end.

Please note the Gouldwealth Albany office is now closed. The investment services team can be contacted at the Spicers office, located at 191 Queen Street, Auckland, on 09 377-6407.

Yours sincerely



Jeff Staniland
Chief Executive Officer-Gould Wealth Management.

Distressed Debt Update: June 2009

Summary

In June investors were faced with decisions on corporate actions relating to two distressed debt assets, the ING Diversified Yield Fund and PropertyFinance Securities secured debentures.

AXA Global Investors (AXAGI) recommended that investors accept the ING offer of 60 cents per unit for their investment in the ING Diversified Yield Fund .This offer closes on Monday 13 July,

Investors who accept the offer have the option of placing the funds in a five year call account with ANZ earning interest of 8.30% per annum. They should receive their funds no later than 28 August.

AXAGI also recommended that investors vote in favour of the resolution to amend the trust deed and continue the director governed wind down of PropertyFinance Securities.

The special meeting was held on 29 June with the resolution being passed with a vote of 95.2% in favour.

There were two defaults on interest payments on debt assets in June thus adding Albany City Properties Limited and St Laurence Property Development Fund to the list of impaired assets.

In both cases the companies are breaching covenants in their respective trust deeds which their trustees are reviewing.

There was one capital repayment during the month of June. PropertyFinance Securities made a further payment of 1 cent per unit.

Distressed Debt Asset Universe

The assets currently falling within the definition of distressed debt assets are:

1. Albany City Properties Limited *
2. Absolute Capital
3. BT Global Return Fund
4. Boston Finance Limited (moratorium)
5. Bridgecorp Limited (in Receivership)
6. Cymbis Finance Limited (in Receivership)
7. Diversified Mortgage Trust No 1 Limited – Class B Notes

8. Fairview New Zealand Limited (in Receivership)
9. IMP Diversified Income Fund (moratorium)
10. ING Diversified Yield Fund
11. OPI Pacific Finance (Moratorium)
12. Property Finance Securities (moratorium)
13. Provincial Finance Limited (Receivership)
14. St Laurence Limited – debenture stock (moratorium)
15. St Laurence Property Development Fund*

* added June 2009

Corporate Actions: June 2009

ING Diversified Yield Fund

ING made an offer to unit holders in the ING Diversified Yield Fund and the ING Regular Income Fund to purchase their units for 60 cents and 62 cents respectively. Those who choose to accept the offer were given the option of cashing out immediately or putting the funds into an ANZ on call bank account for 5 years, paying 8.30% per annum.

In accepting the offer investors were required to give a release whereby they settled and released all legal claims in connection with the fund. AXAGI recommended that investors accept the offer on the basis that 60 and 62 cents are well above the current market value of the fund, approximately 22 cents and that investors were trading uncertainty with uncertainty.

Those investors who do not accept the offer remain in the fund, the timing and quantum of any payment to those remaining investors is very uncertain.

AXAGI does not have a view on the validity of any legal claim that investors may have and recommend that investors seek independent advice on this.

AXAGI also recommends that investors seek advice on the tax implications of accepting the offer. The implications vary according to the tax status of the individual investor.

Property Finance Securities

A special meeting of debenture stock holders was held on 29 June. 95.2% of stock holders voted in favour of the extraordinary resolution proposed by the company thus enabling a continuation of the director-governed wind down. The alternative outcome would have seen the company being placed in receivership.

Investors have agreed to forgo all interest accrued prior to March 2009. Going forward interest will now accrue at the Official Cash Rate (OCR) + 2%. When the company has repaid all principal and interest in full then 60% of any remaining net assets will be paid to debenture stock holders with the remaining 40% staying with the company for the benefit of shareholders.

AXAGI recommended that a vote in favour of the resolution be recorded. Our major concern was how a receiver would treat the securitised assets that make up the largest portion of the company's assets.

The options would be to find a buyer or to hold them to maturity. There is currently not a liquid market for mortgage backed securitised assets such as these. A buyer could be found at a price but any price received would be at a significant discount to the assets real value.

The directors of PropertyFinance Securities had stated that they would not sell the assets in the current market.

Capital Repayments June 2009

PropertyFinance Securities Ltd

Repaid a further 1cent on 22 June, bringing the total capital repaid to date to 12 cents in the dollar.

Defaults

Albany City Property Limited

In early June the company advised bond holders that they were not in compliance with the gearing ratio set out in the trust deed for the bond issue. The trustee has granted an extension to 30 June for the company to correct this.

On 25 June the company advised bond holders it would not be in a position to make the interest payment due to bond holders on 30 June. Interest continues to accrue and will be payable on or before the next payment date unless further suspended by the company.

If not paid on that next date then interest will be compounded on that date and thereafter on each subsequent interest payment date until paid.

The company has also advised that negotiations with its bankers to restructure the company are still continuing. AXAGI are in regular contact with the company.

St Laurence Property Development Fund Limited

Company did not make the bond interest payments due to investors on 15 June 2009.

The non payment of interest has resulted in an event of default under the company's trust deed. The company has requested that the trustee either waive the breach or agree to the manager calling an extraordinary meeting of bondholders to seek their approval to the temporary suspension of bond interest payments.

In the event of an extraordinary meeting being called the alternatives for investors will be to accept the suspension of bond interest payments or placing the company in receivership.

Interest is accruing on the unpaid interest at 18% per annum.

AXAGI are in regular contact with the company. We have been advised that as yet no response has been received from the trustee.

Company News June 2009

Absolute Capital Yield Strategies Fund (wind up)

The managers are in the process of winding up this fund. Repayments of capital are being made to investors as assets are realised. Repayments are made on a quarterly basis.

Boston Finance Limited (in moratorium)

Current moratorium expires in November 2009. To the best of our knowledge the company is operating within the terms of the moratorium agreement. It should be noted that it is very difficult to get any information from the company on the status of the assets.

The company will likely seek an extension of the moratorium when the current one expires. This will require a vote by investors.

Bridgecorp Limited (in Receivership)

In its communication to investors in April 2009 the receiver Price Water House Coopers (PWC) advised that it was still unable to provide any certainty regarding the likely timing and quantum of returns to secured debenture investors. This was largely the result of Bridgecorp's subordinated position in most instances.

Bridgecorp's largest loan and receivables asset is the Momi Resort development in Fiji. In June Fiji's National Provident Fund, which has a first mortgage over the development, signalled that it intends to take over the resort and auction it off in an attempt to recover some of the NZD64.5m it is owed. PWC has unsuccessfully tried to find new backers for the development.

BT Global Return Fund (wind up)

Next quarterly payment to unit holders expected to be paid in late August.

Cymbis Finance Australia Limited (in Receivership)

Next communication from receiver PWC is anticipated in late July

Diversified Mortgage Trust No 1 Limited – Class B Notes (in moratorium)

Praesidium, the manager of the Diversified Mortgage Trust advised on 1 July that it will be making a further capital repayment of 9.33 cents in the dollar to unit holders in the Diversified Mortgage Trust sometime in July.

Fairview New Zealand Limited (in receivership)

No update

IMP Diversified Yield Fund (in moratorium)

To date IMP has repaid 40c in the dollar to debenture holders. The last payment in Dec 2008 of approximately 3c in the dollar comprised the transfer of IRG shares in lieu of cash. IMP anticipates that the next payment will be in the vicinity of 15c in the dollar, being made in the next 6 to 9 months.

The actual timing of future payments to investors is dependent of the repayments of the remaining loans in the portfolio and exiting the remaining equity position. The portfolio holds 4 assets; an equity position which could be difficult to exit, and 3 loans.

One of the loans is in default and has been written down by approximately 95%. A nil or minimal recovery is expected on this loan. The other two loans are not impaired. A full recovery is expected on the larger one of approximately \$4.5m but the timing of repayment is unknown.

It is the smaller loan of \$1.9m that IMP is expected to repaid in the next 6 to 9 months. The company with the loan is looking to sell part of one its assets to repay this loan.

The holders of equity stock in IMP have been advised that it is unlikely that they will recover any of their holding.

OPI Pacific Finance (in moratorium)

OPI have advised that they are not able to make a distribution of capital to investors this quarter. The company has not made sufficient recoveries from its own loan book to make any payment.

In addition legal action between the Queensland Public Trustee and the administrators and creditors of the Octivar group of companies will not be resolved for some time and until it is OPI will not be able to recover anything from its investment in Octivar.

Provincial Finance Limited (in Receivership)

Final payment made by receiver bring total amount paid to 92.2c in the dollar. Balance of 7.8c to be written off.

St Laurence Limited – debenture stock (moratorium)

A second quarterly payment of 2 cents in the dollar is being made on 1 July 2009.

Distressed Debt Capital Repayments

30 June 2009

Company Name	Capital Repayments to 30 June	Anticipated next payment
Albany City Properties Limited	nil	Unknown. Company advised 25 June that it was unable to make interest payment due 30 June
Absolute Capital Yield Strategies Fund – Class A	8.17 cents per unit	July/August 2009
BT Global Return Fund	23.1963 cents per unit	Late August 2009
Boston Finance Limited (moratorium)	27.5 cents in the dollar	July 2009
Bridgecorp Limited (in Receivership)	nil	unknown
Cymbis Finance Limited (in Receivership)	15 cents in dollar	June 2009 (5 to 10 cents)
Diversified Mortgage Trust No 1 Limited – Class B Notes (moratorium)	27 cents in the dollar	A further 9.33cents to be paid in July
Fairview New Zealand Limited (in Receivership)	nil	unknown
IMP Diversified Income Fund (moratorium)	40 cents in the dollar	Sept to December 2009, circa 15cents
ING Diversified Yield Fund	nil	For those accepting the ING offer payment to be received by 28 August 2009
OPI Pacific Finance (moratorium)	22.14 cents in the dollar	unknown
Property Finance Securities (moratorium)	12 cents in the dollar	Unknown – last payment 22 June 2009
Provincial Finance Limited (Receivership)	92.2cents in the dollar	None – final payment of 1.7cents made in May 2009. There will be no further payments. Balance written off
St Laurence Limited – debenture stock	2 cents in the dollar	A further 2cents being paid on 21 July

(moratorium)		
St Laurence Property Development Fund	nil	Unknown. Company defaulted on interest payment June 2009