

25 March 2015

Dear Unitholder

Changes to fees and expenses recovery - Provident Capital Monthly Income Fund

This notice is to update you on developments in relation to the Provident Capital Monthly Income Fund (**Fund**) and to give you notice that Marcus Ayres and Christopher Hill (**Receivers and Managers**) on behalf of Provident Capital Limited (Receivers and Managers Appointed) (In Liquidation) (**Provident**) have decided to make changes to the way fees are charged and expenses are recovered for the Fund.

Updates

Following termination of the Fund on 12 December 2012, the Receivers and Managers have been undertaking an orderly wind-up of the loan assets with a view to maximising the proceeds to return to unitholders. As at the date of this letter, the Receivers and Managers have disposed of all but 3 of the Fund's loans and 1 litigation matter and have made 12 wind-up distributions to unitholders totalling \$0.93 per \$1 unit held.

The Receivers and Managers have determined to continue the orderly wind-up process in order to maximise the return from the 3 remaining loans. In order to do so, the Receivers and Managers on behalf of Provident have decided that it supports the interests of unitholders and is appropriate to the circumstances of the Fund to make changes to the way fees are charged and expenses are recovered.

Changes to fees and recovery of expenses

Provident is entitled to a management fee of 1.95% per annum of the total value of the Fund's assets and an administration fee for work undertaken in relation to loans in default. Further details of these fees are set out in the Fund's product disclosure statement (**PDS**).

The constitution of the Fund entitles Provident to pay or be reimbursed out of the Fund's assets in respect of *all* expenses incurred by it in the proper performance of its duties. However, as disclosed in the PDS, Provident currently pays "ordinary" Fund expenses from its own resources. Ordinary Fund expenses include costs relating to maintaining the unit registry, custodial services, Fund accounting and administration and audit. Abnormal expenses may be recovered directly from the Fund's assets.

The Receivers and Managers do not consider that the fee and expense recovery arrangements set by the PDS remain appropriate in the context of the Fund now being in the final stages of wind-up. In particular, as the total value of the Fund's assets has substantially reduced due to distributions made to unitholders, the management fees and any default loan administration fees received by Provident are no longer sufficient to cover the ordinary expenses of the Fund. To support the interests of unitholders and make

appropriate arrangements for the continued orderly wind-up of the Fund, the Receivers and Managers on behalf of Provident have therefore decided to:

- waive the management fee payable to Provident;
- waive any default loan administration fees payable to Provident; and
- pay ordinary and abnormal Fund expenses directly from the Fund.

The above changes will accordingly constitute a variation to the terms of the PDS and will take effect on and from 1 May 2015. The Receivers and Managers note that Provident reserved its right to make changes to the PDS provided notice as given before or as soon as practicable after the change occurs, and in accordance with the Corporations Act.

Further information

The Receivers and Managers on behalf of Provident will continue to keep unitholders updated about the progress made regarding the wind-up of the Fund. A copy of this letter will be posted as a continuous disclosure notice on the Provident page of the PPB Advisory website at www.ppbadvisory.com/creditor-information.

If you have any questions regarding the changes identified in this letter or more generally about the Fund, please contact the Fund's registry on (02) 8012 8650.