Provident Capital High Yield Fund

ARSN 134 487 577

Benchmark Update

as at 30 September 2013

Benchmark Update

ASIC Benchmarks

This benchmark update is made in relation to Provident Capital High Yield Fund ARSN 134 487 577 (**Fund**) as at 30 September 2013.

In May 2012, the Australian Securities and Investments Commission (**ASIC**) updated Regulatory Guide 45: *Mortgage schemes: improving disclosure for retail investors* (**RG 45**) which supersedes the previous version of RG 45 issued in September 2008. RG 45 sets out ASIC's disclosure benchmarks for unlisted mortgage schemes. The benchmarks identify a number of financial measures and business practices to help investors assess the potential risks and rewards attached to their investment. The benchmarks are not mandatory. Rather, issuers are required to disclose whether the benchmarks are satisfied and if not, then why not. In a letter to unitholders dated 12 December 2012, the receivers and managers (**Receivers and Managers**) of Provident Capital Limited ABN 78 082 753 573 (Receivers and Managers Appointed) (In Liquidation) (**Provident Capital**), notified unitholders of the decision to terminate and wind up the Fund. In this benchmark update, reference has been made to the termination and winding up of the Fund where appropriate. Where indicated below, the circumstances of the receivership as well as the termination and wind-up of the Fund have impacted on the Fund's ability to meet all the relevant benchmark criteria.

The product disclosure statement for the Fund was withdrawn on 25 June 2012 and remains withdrawn. As a result, applications for units in the Fund continue to be closed after termination of the Fund and any application moneys received will be refunded. In addition, as a result of the decision to terminate the Fund, no future or outstanding redemption requests will be processed. The timing of any further income distributions from the Fund will depend on how the wind-up process proceeds and the extent to which the remaining assets continue to earn income.

Benchmark Summary (detailed responses follow)	**Satisfied** YES / NO
1. Liquidity	NO
2. Scheme borrowing	YES
3. Portfolio diversification	NO
4. Related party transactions	YES
5. Valuation policy	NO
6. Loan-to-valuation ratios	YES
7. Distribution practices	YES
8. Withdrawal arrangements	NO

Ongoing Disclosures

Provident Capital as responsible entity for the Fund, intends to continue to meet its continuous disclosure obligations under RG 45 and the Corporations Act 2001 (Cth) during the process of winding up the Fund. Updates on the benchmarks and relevant financial information will be lodged on the Provident Capital website *www.providentcapital.com.au/notices*.

Benchmark 1: Liquidity

This benchmark addresses the measures adopted by the Fund to manage its liquidity, including its cash flow needs.

The Fund does not satisfy ASIC Benchmark 1, on the basis that cash flow estimates for the Fund are to be approved by the Receivers and Managers rather than the directors of Provident Capital.

The Fund is expected to maintain cash or cash equivalents sufficient to meet its expenses, liabilities and other cash flow needs over the next 12 months. Depending on how the wind-up process proceeds for the Fund, the final wind-up may be completed earlier than 12 months.

Each month, as part of the Fund’s ongoing compliance management processes, an estimate will be made of the Fund’s expenses, liabilities and other cash flow needs (including to take into account any material changes) to ensure sufficient cash and cash equivalents are maintained to meet those required cash flow needs. The material assumptions underlying these cash flow estimates include analysis of projected loan discharges, budgeted projections of income and expenses, and anticipated wind-up distributions to unitholders.

In light of the receivership, these estimates will be approved by the Receivers and Managers on the basis that they are in charge of the affairs of Provident Capital, which includes Provident Capital's obligations as responsible entity of the Fund.

At 30 September 2013 the Fund had cash of $39,494. Of the $39,494, an amount of $1,650 will be used to pay abnormal expenses incurred in connection with the Fund.

The Receivers and Managers are continuing to oversee the liquidity of the Fund. As a result of the termination of the Fund, no future or outstanding redemption requests will be processed for the Fund. Accordingly, it will not be necessary to balance the maturity of the Fund's loan assets with potential redemption obligations.

Benchmark 2: Scheme borrowing

This benchmark addresses the Fund's policy on borrowing.

The Fund satisfies ASIC Benchmark 2.

Whilst the Fund is permitted under its constitution to borrow and give security for those borrowings, the Fund has not borrowed any money as at the date of this benchmark update and will not borrow any money in the future as the Fund is in the process of being wound up.

Benchmark 3: Portfolio diversification

This benchmark addresses the Fund's lending practices and portfolio risk.

The Fund does not satisfy ASIC Benchmark 3 as there is only one remaining loan in the portfolio.

Lending Criteria
The Fund will maintain its existing lending criteria in respect of the ongoing management and discharge of the remaining loan. However, to the extent that the Fund's lending criteria apply to the assessment and granting of loan applications, this criteria is no longer relevant as the Fund is being wound up and will not be making any further loans.

Other Assets
The Fund aims to maintain in cash or cash equivalents as much of the Fund's assets from time to time as are indicated by the cash flow projections described under Benchmark 1. The income earned on these investments is also part of the Fund's assets.

Portfolio Data
The following portfolio data is as at 30 September 2013 but will change when the remaining loan is discharged during the winding up of the Fund:

Portfolio Data at 30 September 2013:

	Loan 1
Loan Value	$129,999
Type of secured property	Industrial
Location of secured property	VIC
Loan in arrears[1]	No
Registered 1st mortgage security	Yes
Loan commitment drawn down	Yes
Maturity profile [2]	Longer than 3 months but less than 12 months
Loan to value ratio range	50% to 75%
Interest rate range (% per annum) [3]	10-12.5%

Notes:

1. The Fund considers a loan to be "in arrears" if interest has not been paid or the loan amount not repaid, in each case for at least 30 days after the due date.
2. The maturity profile reflects the maturity date on the loan agreement but is not necessarily reflective of the actual date the loan will be discharged.
3. The interest rate is the reduced rate for timely payments, where applicable.

The remaining loan in the Fund does not capitalise interest and add it to the loan amount instead of being paid by periodic interest payments.

The principal non-loan asset of the Fund is cash of $39,494. The Fund does not hold any derivatives nor does it intend to.

Benchmark 4: Related party transactions

This benchmark addresses the risks associated with related party lending, investments and transactions.

The Fund satisfies ASIC Benchmark 4.

The Fund does not have any loans to or from related parties nor any investments in related parties, and it is the policy not to have any. It has previously been the case that where the Fund has had sufficient cash reserves, Provident Capital as responsible entity has accepted into the Fund transfers of existing registered 1st mortgage loans made by Provident Capital in its other management capacities. Each such loan transfer was for the loan balance current at the time of the transfer and was required to satisfy the lending criteria of the Fund as if it were a new loan made by the Fund at the time of transfer as well as to meet the Fund's conflict of interest policies. All transfers were made on arm's length commercial terms and so member approval was not required.

As the Fund is in the process of being wound up, no new transfers of loans will be made by Provident Capital.

Benchmark 5: Valuation policy

This benchmark, together with benchmark 6, addresses the Fund's property-related lending and valuation practices.

The Fund does not satisfy ASIC Benchmark 5.

The valuation policy previously disclosed by the Fund is no longer applicable since it mainly concerns the process for valuation of the relevant secured properties upon loan application and renewal. As the Fund is being terminated and wound up, no further loans will be made. In addition, the Fund will not permit the rolling over of the remaining loan. Provident Capital may provide limited extensions for the loan in exceptional circumstances.

In light of the winding up of the Fund, the Receivers and Managers on behalf of Provident Capital will be monitoring the ongoing valuation of the relevant secured properties. In the event that there is a likelihood of a material decrease in the value of the relevant property, the Receivers and Managers will consider whether it is appropriate to seek a new independent valuation of the property.

Benchmark 6: Lending principles – loan-to-valuation ratios

This benchmark, together with benchmark 5, addresses the Fund's property-related lending and valuation practices.

The Fund satisfies ASIC Benchmark 6.

The Fund's remaining loan does not amount to more than 80% of the value of the relevant secured property, on the basis of the latest market valuation.

Details at 30 September 2013:

	Loan 1
Loan to value ratio range	50% to 75%

Benchmark 7: Distribution practices

This benchmark addresses the transparency of the Fund's distribution practices.

The Fund satisfies ASIC Benchmark 7.

Provident Capital will not pay distributions from Fund borrowings.

As the Fund has been terminated, the constitution provides that the winding up of the Fund must now be completed as soon as practicable. The Receivers and Managers on behalf of Provident Capital have been conducting an orderly disposal of the Fund's loans in order to maximise the value realised for unitholders. The Fund’s constitution provides that after paying or making allowance for actual and anticipated liabilities, the net proceeds from the realisation of the loans will be paid to unitholders on a pro rata basis according to the number of units they hold at termination.

As at 30 September 2013 the following wind-up distributions have been paid:

Wind-up Distribution	Paid	Cents per $1 unit held
First wind-up distribution	13/12/2012	50 cents
Second wind-up distribution	14/01/2013	2 cents
Third wind-up distribution	26/02/2013	14 cents
Fourth wind-up distribution	27/06/2013	8 cents
Fifth wind-up distribution	22/08/2013	3 cents
Total		**77 cents**

The timing and amounts of further payments will depend on how the wind up and remaining loan realisation process proceeds. However, the Receivers and Managers anticipate that further interim payments will be made during the process of winding up the Fund.

The timing of any further income distributions from the Fund will depend on how the wind-up process proceeds and the extent to which the remaining loan asset continues to earn income. Income distributions may be made at the same time as payments arising from the realisation of the Fund's assets. Unitholders will receive a tax statement in respect of their income distributions at the end of the financial year.

Benchmark 8: Withdrawal arrangements

The benchmark addresses our approach to the withdrawal of investments.

The Fund does not satisfy ASIC Benchmark 8 on the basis that no future redemptions will be paid in relation to the Fund, since it is in the process of being wound up.

The Receivers and Managers on behalf of Provident Capital suspended all redemptions on 12 July 2012, including all subsequent and outstanding redemption requests not yet paid. Accordingly, no redemption requests have been processed since the date of suspension. As a result of the Receivers and Managers decision to terminate the Fund, no future or outstanding redemption requests will be processed. All unitholders who have submitted a redemption request will receive their proportionate share of the Fund's net proceeds in the same manner as all other unitholders.

Additional Information

The following additional information in relation to the financial position of the Fund has been prepared as at 30 September 2013:

Balance Sheet Category	(Audited) 30 June 2011 $	(Unaudited) 30 June 2012 $	(Unaudited) 30 November 2012 $	(Unaudited) 31 January 2013 $	(Unaudited) 30 April 2013 $	(Unaudited) 30 June 2013 $	(Unaudited) 30 September 2013 $
Cash & Cash Equivalents	69,857	130,123	409,859	43,871	48,816	63,593	39,494
Loans and Advances	447,174	625,349	301,386	302,596	202,596	138,255	129,999
Loan Interest Receivable	-	18,441	2,185	2,235	3,964	0	0
Other Assets	2,225	2,622	7,512	7,181	7,181	10,306	5,198
Total Assets	**519,256**	**776,535**	**720,942**	**355,883**	**262,557**	**212,154**	**174,691**
Loan Interest Received in Advance	(19,038)	(5,806)	(718)	0	0	0	0
Undistributed income and Other Payables	(5,186)	(58,785)	(4,485)	(12,328)	(19,206)	(10,317)	(8,422)
Abnormal expenses payable	0	0	0	0	0	(15,745)	(1,650)
Net Assets attributable to Unitholders	**495,032**	**711,944**	**715,739**	**343,555**	**243,351**	**186,092**	**164,619**

***The Responsible Entity is permitted to recover abnormal expenses from the Fund. As at 30 September 2013 abnormal expenses accrued but not paid of $1,650 (including GST) have been included in the financial information above. Additional abnormal expenses maybe recovered in the future.**

To the extent that the above financial information is stated to be unaudited, it is illustrative only and should not be relied on as an accurate or complete statement as to the Fund's financial position. This unaudited information is based on the information available as at 30 June 2012, 30 November 2012, 31 January 2013, 30 April 2013, 30 June 2013 and 30 September 2013 respectively and various assumptions which may change. This information may be materially affected by changes in the remaining loan profile as well as broader economic circumstances which cannot be foreseen. As part of the process of winding up the Fund, Provident Capital will be required to complete and lodge with ASIC a set of final audited wind-up accounts for the Fund. Provident Capital will keep unitholders updated regarding the wind-up process.

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The Receivers and Managers are only acting as agents of Provident Capital in connection with this Benchmark Update. The Receivers and Managers have relied on Provident Capital to provide, and verify the accuracy of, the information contained in this Benchmark Update. Accordingly, recipients of this Benchmark Update acknowledge and agree that the Receivers and Managers will not be personally liable for any errors or omissions. The Receivers and Managers make no representations, warranties or undertakings in relation to the accuracy of the information contained in the Benchmark Update, nor will they have any responsibility for updating or supplementing the information.