

Provident Capital High Yield Fund

ARSN 134 487 577

Benchmark Update

as at 30 September 2014

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 2014.

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The product disclosure statement for the Fund was withdrawn on 25 June 2012 and remains withdrawn.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 PPB Advisory website at www.ppbadvisory.com/creditor-information, click on Provident Capital Limited.

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 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 2014 the Fund had cash of \$163,035. Of the \$163,035, an amount of \$71,574 was utilised to pay the seventh wind-up distribution to unitholders on 6 November 2014.

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.

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 all loans in the portfolio have been discharged.

Lending Criteria

All loans in the Fund have been discharged. 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

As at 30 September 2014 all loans in the portfolio have been discharged.

The principal non-loan asset of the Fund is cash of \$163,035. 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.

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.

All loans in the Fund have been discharged.

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 2014 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
Sixth wind-up distribution	06/11/2013	3 cents
Total		80 cents

The timing and amounts of further payments will depend on how the wind up 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. 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 2014:

Balance Sheet Category	(Audited) 30 June 2011 \$	(Unaudited) 30 June 2012 \$	(Unaudited) 30 June 2013 \$	(Unaudited) 30 June 2014 \$	(Unaudited) 30 September 2014 \$
Cash & Cash Equivalents	69,857	130,123	63,593	156,495	163,035
Loans and Advances	447,174	625,349	138,255	0	0
Loan Interest Receivable	0	18,441	0	0	0
Other Assets	2,225	2,622	10,306	5,570	0
Total Assets	519,256	776,535	212,154	162,065	163,035
Loan Interest Received in Advance	(19,038)	(5,806)	0	0	0
Undistributed Income and Other Payables	(5,186)	(58,785)	(10,317)	(18,917)	(19,887)
Abnormal Expenses Payable	0	0	(15,745)	0	0
Net Assets attributable to Unitholders	495,032	711,944	186,092	143,148	143,148

- The responsible entity is permitted to recover any abnormal expenses from the Fund. Additional abnormal expenses may be recovered from the Fund in 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 June 2013, 30 June 2014 and 30 September 2014 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 currently proposes to complete and lodge with ASIC a set of final wind-up accounts for the Fund. Provident Capital will keep unitholders updated regarding the wind-up process.

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.