Provident Capital Monthly Income Fund

ARSN 134 487 362

Benchmark Update

as at 30 June 2014

Benchmark Update

ASIC Benchmarks

This benchmark update is made in relation to Provident Capital Monthly Income Fund ARSN 134 487 362 (**Fund**) as at 30 June 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The product disclosure statement for the Fund was withdrawn on 19 June 2012 and remains withdrawn.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 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 June 2014 the Fund had cash of $1,333,164. Of the $1,333,164, an amount of $726,712 is held in an escrow bank account received from a discharged loan that is subject to litigation (refer to the note under the table in the Additional Information section). Subsequent to 30 June 2014, three loans have discharged resulting in the Fund making a twelfth wind-up distribution of $1,261,021.

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 on the basis that all but one of the loans are residential loans.

Lending Criteria

The Fund will maintain its existing lending criteria in respect of the ongoing management and discharge of loans. 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.

Diversification

The loan portfolio was previously diversified by having loans secured by property in the residential (metropolitan and non-metropolitan), commercial, industrial and rural use sectors, and located in metropolitan areas, major centres and selected rural areas in the various states and territories of Australia. The status of the Fund loan portfolio diversification will alter in the future as loans are discharged during the winding up of the Fund.

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 Structure

The following portfolio limits have been applied for the Fund. The status of the Fund loan portfolio will alter in the future as loans are discharged during the winding up of the Fund.

Limits for secured property types	*Type of property mortgaged as security*			
	Residential	*Commercial*	*Industrial*	*Rural*
Maximum percentage of whole portfolio	100%	50%	40%	20%

Limits for location of secured properties	*NSW*	*QLD*	*VIC*	*WA*	*SA*	*ACT*	*TAS*	*NT*
Maximum percentage of whole portfolio	100%	100%	100%	25%	25%	25%	10%	10%

Portfolio Data as at 30 June 2014

The following portfolio data is as at 30 June 2014 but will change as loans are discharged during the winding up of the Fund:

Number and value of loans, after impairment provision, at 30 June 2014 by type of security property:

	Residential	*Commercial*	*Industrial*	*Rural*	*Other*	*Total*
No of loans	5	0	0	1	0	6
Value of loans ($)	2,142,196	0	0	461,600	0	2,603,796

Number and value of loans, excluding impairment provision, at 30 June 2014 by state and territory:

	NSW	QLD	ACT	VIC	WA	Total
No of loans	5	0	0	0	1	6
Value of loans ($)	2,532,641	0	0	0	71,155	2,603,796

Other details at 30 June 2014:

Loans in arrears[1]	6 loans in arrears with a value of $2,603,796 (100% by value and 100% by number of the loan portfolio).		
Nature of security	All loans are secured by at least a registered 1st mortgage over real estate in Australia.		
Undrawn loan commitments	There are no loans which have been approved but which have not yet had funds advanced in relation to them.		
Largest borrower	One loan of $968,551 (37.2% by value and 16.7% by number of the loan portfolio but more than 5% by value of the total assets of the Fund – refer benchmark 5).		
Six largest borrowers	6 loans to 6 borrowers aggregating to $2,603,796 (100% by value and 100% by number of the loan portfolio).		
Maturity profile[2]		*Number*	*Value*
	Not longer than 3 months	6	2,603,796
	Longer than 3 but not longer than 12 months	0	0
	Longer than 1 but not longer than 2 years	0	0
	Longer than 2 but not longer than 5 years	0	0
	Longer than 5 years	0	0
	Total	6	2,603,796
Loan-to-value ratio range		*Number*	*Value*
	Less than 50%	1	71,155
	50% to 75%	5	2,532,641
	More than 75%	0	0
	Total	6	2,603,796
Interest rate ranges [3]		*Number*	*Value*
	Less than 10%	0	0
	10% to 12.5%	1	154,608
	More than 12.5%	5	2,449,188
	Total	6	2,603,796

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 agreements but is not necessarily reflective of the actual date the loan will be discharged. All the loans have passed their maturity date and as a result have been classified as not longer than 3 months.
3. The interest rate is the reduced rate for timely payments, where applicable.

There are no loans in the Fund where the interest is capitalised and added to the loan amount instead of being paid by periodic interest payments.

The principal non-loan asset of the Fund was cash of $1,333,164. 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.

At 30 June 2014 Provident Capital held 116,695 security units and 11,094 wholesale variable rate units in the Fund. At 30 June 2014 Provident Capital has received $103,859 and $9,874 respectively as wind-up distributions representing 89 cents per $1 unit held. Provident Capital will receive tax statements in respect of its income distributions for the financial year.

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 loans. Provident Capital may provide limited extensions for loans 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.

Details of the valuations of properties where the loan amount exceeds 5% of the loan portfolio are:

Loan Amount	*% of Portfolio*	*Valuation Amount*	*Valuation Date*	*Property Location*
$968,551	37.2%	$1,890,000	12/05/2011	NSW
$537,882	20.7%	$910,000	16/11/2010	NSW
$461,600	17.7%	$680,000	18/09/2013	NSW
$410,000	15.7%	$800,000	25/11/2011	NSW
$154,608	5.9%	$320,000	10/05/2011	NSW

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 does not hold loans which amount to more than 80% of the value of the relevant secured property, on the basis of the latest market valuation.

Details at 30 June 2014:

Loan to value ratio range	*Number*	*Value*
Less than 50%	1	71,155
50% to 75%	5	2,532,641
More than 75%	0	0
Total	6	2,603,796

As the Fund is being wound up, no further loans will be made.

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 are 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 June 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	30 cents
Second wind-up distribution	14/01/2013	7 cents
Third wind-up distribution	26/02/2013	5 cents
Fourth wind-up distribution	4/04/2013	19 cents
Fifth wind-up distribution	17/05/2013	9 cents
Sixth wind-up distribution	28/06/2013	4 cents
Seventh wind-up distribution	22/08/2013	3 cents
Eighth wind-up distribution	06/11/2013	3 cents
Ninth wind-up distribution	28/02/2014	3 cents
Tenth wind-up distribution	24/04/2014	4 cents
Eleventh wind-up distribution	26/06/2014	2 cents
Total		**89 cents**

The timing and amounts of further payments will depend on how the wind up and loan realisation process proceeds. However, the Receivers and Managers will pay a twelth wind-up distribution of 4 cents per every $1 unit held on 8 August 2014 and 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 assets continue 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 for 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 June 2014:

Balance Sheet Category	**(Audited)** **31 December 2011** **$**	**(Unaudited)** **30 June 2012** **$**	**(Unaudited)** **30 June 2013** **$**	**(Unaudited)** **30 September 2013** **$**	**(Unaudited)** **31 December 2013** **$**	**(Unaudited)** **31 March 2014** **$**	**(Unaudited)** **30 June 2014** **$**
Cash & Cash Equivalents	1,174,230	599,098	1,112,421	783,758	325,329	2,326,803	1,333,164
Loans and Advances after Provisions	19,796,753	31,366,452	7,532,801	6,363,333	5,738,341	2,942,491	2,521,044
Loan Interest Receivable after Provisions	65,901	119,358	539,828	562,458	680,762	507,111	279,811
Other Assets	31,145	51,652	60,799	60,356	69,726	88,264	3,584
Total Assets	**21,068,029**	**32,136,560**	**9,245,849**	**7,769,905**	**6,814,158**	**5,864,669**	**4,137,603**
Loan Interest Received in Advance	(771,227)	(355,260)	0	0	0	0	0
Undistributed Income and Other Payables & Provisions	(278,738)	(360,764)	(293,976)	(390,685)	(380,704)	(376,980)	(669,797)
Abnormal Expenses Payable	0	0	(755,237)	(128,350)	(128,350)	(128,350)	0
Net Assets attributable to Unitholders	**20,018,064**	**31,420,536**	**8,196,636**	**7,250,870**	**6,305,104**	**5,359,339**	**3,467,806**

***Excluded from the financial information at 30 June 2014 are estimated legal expenses of $234,022 incurred on the recovery of loans and advances that will be recovered from the Borrowers on discharge of the loans. Any amount not recovered will be a cost to the Fund.**

****The responsible entity is permitted to recover any abnormal expenses from the Fund. Additional abnormal expenses may be recovered from the Fund in the future.**

*****Included in Cash & Cash Equivalents as at 30 June 2014 is proceeds from a discharged loan of $726,712 which is held in an escrow bank account pending litigation from the Borrower. This amount will not be distributable until the litigation has been concluded. A provision against undistributed income has been made for estimated legal costs associated with the litigation. We will continue to review the adequacy or otherwise of the provision as the matter progresses.**

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 September 2013, 31 December 2013, 31 March 2014 and 30 June 2014 respectively and various assumptions which may change. This information may be materially affected by changes in the loan profiles 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.

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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.