

12 December 2012

Dear unitholder

Notice of Termination - Provident Capital High Yield Fund

This notice is to provide an update on Provident Capital High Yield Fund (**Fund**) and to give you notice that Marcus Ayres, Anthony Sims and Philip Carter (**Receivers and Managers**) on behalf of Provident Capital Limited (Receivers and Managers Appointed) (in Liquidation) (**Provident**) have decided to terminate the Fund, effective on the date of this letter. From this date, the Receivers and Managers will commence the process of realising the Fund's assets and distributing the net proceeds to unitholders.

Why is the Fund terminating?

As noted in the last unitholder update on 21 August 2012, the Receivers and Managers have been exploring whether replacing Provident with a new responsible entity may provide a viable solution for the Fund and its unitholders. In connection with this, the Receivers and Managers have undertaken a tender process by which parties were invited to express interest in acting as responsible entity. This process has not resulted in a suitable change of responsible entity proposal being identified.

Consequently, after detailed consideration of all the available alternatives, the Receivers and Managers on behalf of Provident have decided to terminate the Fund. This decision has been made pursuant to section 601NA of the Corporations Act 2001 (Cth) on the basis of the powers given to Provident in the Fund's constitution (**Constitution**) and that it is in unitholders' best interests to terminate the Fund. Termination will provide unitholders with both certainty regarding the future of the Fund given that Provident is now in liquidation and also a means of exiting their investment.

When will unitholders be able to access their money?

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 propose to conduct an orderly disposal of the Fund's loans in order to maximise the value realised for unitholders. The 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.

The Receivers and Managers currently expect that an interim payment of net proceeds to unitholders of approximately 50 cents per unit will be made on or around 12 December 2012. However, this amount and date may change depending on how the wind-up process proceeds. The timing and amounts of further payments will also depend on how the 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.

What will happen with applications, redemptions and distributions?

The Fund's product disclosure statement 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.

The Receivers and Managers on behalf of Provident 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.

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. Investors will receive a tax statement in respect of their income distributions at the end of the financial year.

Benchmark Update

Attached to this notice is a Benchmark Update which includes updated information in relation to the benchmarks and disclosure principles contained in ASIC's Regulatory Guide 45. This information is provided by way of update to the most recent Benchmark Update for the Fund dated 20 March 2012.

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.

If you have any questions regarding the Fund, please contact the Fund's registry on (02) 8012 8650