

20 February 2015

«Investor_Name»
«Street_Address_Line_1»
«Street_Address_City»
«State»

Dear Investor

Residential Property Fund

Further to our update to investors in October last year we have now undertaken a review of the three Queensland properties and the Perth property. We will visit the Darwin property, which currently has a rental guarantee in place, in coming months.

Property Update

Our observations to date are:

- The two Coorparoo, Brisbane units are in a sound location, in good condition and should prove solid long term investments. The suburb is generally well regarded in the market place. Coorparoo is an inner Brisbane suburb located approximately 5 kilometres south of the Brisbane CBD. The suburb is well serviced by rail and bus services and features a number of schools. The suburb appeals to a wide range of the market including owner occupiers and investors.
- The house in Doubleview, Perth is in a good location. The suburb of Doubleview is located approximately 11 kilometres northwest of the Perth CBD and is adjacent to the beachside suburb of Scarborough. The property in Sydenham Road is approximately 200m to Scarborough Beach Road, that is a major transport corridor between the beach and the city. The WA government has developed the 'Scarborough Beach Road Activity Corridor Framework' to provide an integrated corridor that improves the connection between the beach and the city. This is giving rise to an increase in redevelopment and rezoning along the corridor. The property had previously been subdivided and a house has been constructed along the new eastern allotment that has built out some of the view that the property enjoyed previously. The house itself is tired and in need of some maintenance. With the lease to the tenant expiring in late November we put the property on the market for sale with leading Perth real estate agents, Peard. The previous valuation in June 2014 was \$950k. Though the property market had softened due to the decline in the mining industry the agents were confident of a sale in excess of \$920k. Unfortunately no offers have been forthcoming. We will be looking to spend some funds on maintenance and then either lease the property or adjust the asking price.

- The Kallangur, Queensland property is not one that we would have acquired. The property is one of a large number of similar properties in a relatively modest socio-economic area. Kallangur is approximately 26 kilometres north of Brisbane. The suburb is located within 5km of the main highway connecting Brisbane and the Sunshine Coast. Ideally we will look to sell this property as soon as practicable. The current lease is due to expire at the end of March 2015 and we are in discussions with the current tenant as to whether they will enter into a new lease. If not, then we will place the property on the market. Some money will need to be spent on the inside of the property to make it presentable for sale. The potential upside of the property is that a railway station is scheduled to open in Kallangur in 2016 making commuting to Brisbane easier.

Redemptions

Until a property is sold redemptions will not be permitted.

Information Update

The Vasco website at www.vascofm.com has been update with additional information on the Fund including:

- RG46 disclosure on key metrics on the Fund
- Unit Pricing Policy
- FY2014 Financial Accounts
- Unit Price History
- Overview of the property portfolio

Contact Details

All correspondence in relation to the Fund should be forwarded as follows:

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We look forward to being of service to you.

Yours sincerely

Craig Dunstan
Managing Director