



April 2010

EQT Wholesale High Income Fund & EQT High Income Fund

Equity Trustees Limited ("EQT") closed the EQT Wholesale High Income Fund and EQT High Income Fund (the "Funds") on 19 May 2008, with a view to conducting an orderly wind-down of assets. EQT indicated at the time that the likely length of the wind-up process would depend on many factors, including the strength of credit markets and demand for specific securities held by the Funds. EQT stressed that it was not intended to fire-sale the Funds' assets, but expected to make progressive returns of capital as well as distributions of income during the wind-up process.

In August 2008, EQT appointed TechInvest Pty Limited ("TechInvest"), in conjunction with high yield specialist, Spectrum Asset Management Limited ("Spectrum"), to manage an orderly wind-up of the Funds' portfolio in a manner that sought to maximise the value of the portfolio to the Funds' investors.

Effective 31 March 2010, TechInvest resigned as investment manager of the Funds. In order to provide continuity of investment management, from 1 April 2010, Spectrum has been appointed as investment manager and continue the wind up of the Funds' portfolios.

Since closure, the EQT Wholesale High Income Fund has paid 7.94 cents per unit income and the EQT High Income Fund has paid 7.07 cents per unit income. Both funds have paid 25.8 cents per unit of capital to date. These payments include the income distribution for the 31 March 2010 quarter and return of capital effective 1 April 2010. As at 31 March 2010, the redemption value of EQT Wholesale High Income Fund's remaining units was \$0.5328 per unit and EQT High Income Fund's remaining units was \$0.5243 per unit.

Despite difficult markets, significant progress has been made in realising the portfolio. The running yield of the portfolio is currently approximately 7.0% with 80% of portfolio being based on floating rate instruments that pay a margin in excess of cash rates. Unit holders are currently receiving an income return in excess of cash rates and are likely to benefit from any rise in interest rates.

Credit Market Conditions

Since closure of the Funds, Australian credit market conditions deteriorated through to March 2009 but have slowly improved since then. Spectrum believes that if the portfolio had been sold during the distressed market period, the realisation value would have been significantly lower than the carrying value at the time.

It should be noted that the Australian credit markets are still not operating in an efficient manner. Secondary market trading is comprised of wide bid/offer spreads, poor liquidity and periodic distressed selling. The Government initiative to guarantee some bank securities aimed at preventing systemic failure has had unintended impacts on the pricing and liquidity of some non-guaranteed securities.

Portfolio Structure

While portfolio values have improved in recent months, portfolio liquidity remains generally poor. The Funds are significantly exposed to securities for which there is no, or limited, fair market. Typically, for securities with maturities in the next year or so, the discounts to our expectations of face value do not justify their sale. In cases where there might be risk of loss of capital, or if the security is close to fair value, consideration is given to selling ahead of maturity.

Outlook

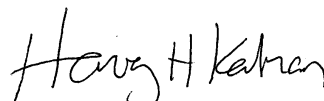
We expect the Funds will continue to make distribution payments in 2010. This will come about as a result of a combination of maturities, sales, and regular receipts of capital and interest by the Funds. Remaining investments of the Funds are expected to deliver a running yield in excess of cash rates and will rise if interest rates rise.

While there has been some improvement in valuations from the severely depressed levels of late 2008/early 2009, Australian credit markets remain fragile and credit margins remain historically high relative to pre 2008 levels. At this stage, it remains too difficult to forecast how long it will take for conditions to improve and return to some normality, however in Spectrum's view, it will require a resumption of bank lending to corporate Australia and a rebuilding of Australia's credit infrastructure, including re-establishing market-making teams and investor appetite. This could take some time to achieve. Markets are continuing to improve, albeit slowly and this should see value continue to return to the portfolio.

EQT together with Spectrum will continue to seek to maximise the value of the portfolio to investors through the wind-up process.



Lindsay Skardoon
Spectrum Asset Management Limited



Harvey H Kalman
Head of EQT Funds Management

9 April 2010

Disclaimer

For more information visit our website www.eqt.com.au or telephone EQT Funds Management on 1300 555 378.

Equity Trustees Limited (EQT), ABN 46 004 031 298 and Australian Financial Services Licence Number. 240975, is the Responsible Entity of the Funds. The investment manager of the Funds is Spectrum Asset Management Limited (ABN 31 096 442 198, AFSL 225069), referred to as the "investment manager". EQT has prepared this update in conjunction with the investment manager and is for information purposes only. It does not contain investment recommendations nor provide investment advice. Neither the investment manager nor Equity Trustees Limited nor its related entities, directors or officers guarantees the performance of, or the repayment of capital or income invested in the Funds. Past performance is not necessarily indicative of future performance. You should not act in reliance on the information contained in this update.