

18 November 2008

Dear Unitholder

Impact of ABC Being Placed into Voluntary Administration and Receivership (Receivership)

ABC Learning Centres Limited (ABC), which is the tenant of the 56 childcare centres owned by ASIF, and related entities of ABC, were placed into receivership and under voluntary administration on 6 November 2008. To ensure ASIF's interests are protected, we have held discussions with the Receivers, relevant government departments (including the ABC Government Taskforce) and ASIF's banker NAB. These discussions are ongoing and we will keep unitholders informed of their outcome via announcements on the ASIF website – www.asifund.com.au and via email to those unitholders and advisors who have provided their email addresses.

As at 30 June 2008, the 56 childcare centres represented approximately 60% of ASIF's total assets and generated approximately 80% of ASIF's annual rental income. To date all rent due from ABC has been paid. ABC pays rent monthly in advance to ASIF and the rent has been paid until 4 December 2008. ASIF expects that rent will be paid by the Receivers for so long as they remain in occupation of the centres.

Under the terms of ASIF's leases with ABC, the appointment of the Receivers and Administrators constitutes an event of default which would ordinarily allow ASIF to terminate the leases and re-enter into possession of the childcare centres. However, during the voluntary administration period, the *Corporations Act* 2001 confers a statutory moratorium in favour of ABC which has the effect of preventing ASIF from terminating the leases or entering into possession of the centres without the consent of the Administrators or the leave of the court. At the time of writing, ASIF has not received any correspondence from the Receivers in relation to its leases and all 56 leases remain in place. However, this position may change in the future.

Impact on ASIF

Over the past six months and in particular since the Receivers and Administrators were appointed, there has been a substantial amount of speculation centering around ABC. Much of this speculation has been in regard to the underlying profitability of ABC. The failure of ABC to lodge its 30 June 2008 accounts has added to this speculation. The reported need for the Federal Government and ABC's banking syndicate to advance circa \$50 million in immediate funding to ABC also increases the level of uncertainty.

The high level of uncertainty which currently surrounds ABC makes it difficult to accurately forecast the financial impact that the appointment of Receivers and Administrators to ABC will have on ASIF. The prompt sale of ABC's business to a financially secure childcare operator could result in minimal impact on ASIF. Conversely, the inability of the Receivers to sell ABC's business or the termination of a substantial number of ASIF's leases may result in a significant negative impact on ASIF. The termination of leases by the Receivers would immediately reduce ASIF's rental income which would negatively impact ASIF's distributions and debt servicing capabilities, while we seek to re-lease the centres.



Having regard to the high level of uncertainty around ABC, the fact that 80% of ASIF's income is derived from leases to ABC and the need to conservatively position ASIF in the current challenging economic times, we believe that it is in the best interests of ASIF and its unitholders that the monthly distributions to unitholders be suspended until 31 January 2009.

Suspension of monthly distributions will strengthen ASIF's financial position (assuming rent continues to be paid under the ABC leases) and will improve ASIF's ability to meet future challenges and costs which may eventuate as a result of ABC being placed into receivership and under administration.

We will review the position again at 31 January 2009 as there should be greater certainty surrounding the future of ABC and more specifically ASIF's leases with ABC at that time.

Overview – ASIF's Childcare Centres

No of Centres	56
Geographic Spread – No of Centres	Qld 44, Vic 1, NSW 3, SA 1, WA 5, NT 2
Current Book Value	\$81 million
Average Valuation Yield	8.50%

ASIF owns the freehold of the 56 childcare centres. Accordingly if the Receivers terminate any of the leases, ASIF will be in a position to re-lease the childcare centres to alternate operators. We have already received a number of enquires from potential operators who have expressed interest in leasing or buying certain centres should they become available.

ASIF Fund Updates will be uploaded on ASIF's website and will also be sent to unitholders via email. We are committed to keeping ASIF's investors well informed and update our website as often as possible. I strongly encourage unitholders and advisors who have not provided their email address details to do so by sending your details to llossi@austock.com

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