SHSL

PROPERTY FINANCE • FUNDS MANAGEMENT

15th March, 2010

Dear Investor,

Re: Shakespeare Haney Premium Income Fund – Investment Update

We take this opportunity to thank all our investors for their understanding and patience over what has been a very challenging 24 months.

The impression given by the media to the public is that the global financial crisis has left Australia unscathed and that it is business as usual. The reality is very different.

Whilst the global financial crisis may have passed, business and markets are yet to recover from the damage inflicted on them. The fallout is most keenly felt in the property finance sector in which credit is still very tight and lenders are few. This makes it very difficult for our borrowers to repay their loans.

Liquidity in the mortgage trust sector is virtually non-existent. In August, 2009 the ASIC advised that there were 76 "frozen" funds holding approximately $25 billion of funds under management. Little has changed since then. Last month Colonial First State (owned by Commonwealth Bank) announced its intention to terminate its $850 million Mortgage Income Fund and that it was unlikely to make distributions for the next 18 months whilst it is wound up over the next 4 years. This is an indication of the difficulty our industry is currently experiencing.

Over the last 12 months we have not been idle and have been actively managing the loan book to repatriate cash to the Fund and reduce Premium Income Fund (PIF) borrowings. We are pleased to advise the bank facilities have now been fully repaid. It is not intended to undertake any further borrowings in the immediate future.

In the Market Review sent to all investors last October we estimated impairments to the Fund as at 30/06/09 at 15%. The final figure was slightly lower at 14.5%.

Whilst this represents the bulk of impairments to PIF there have been some further impairments in the six month period ending 31/12/09 and following completion of the recent review of the Fund in association with our auditors, KPMG, we have made provision for additional impairments of approximately 3% giving a total impairment of your original investment of approximately 17.5%.

SHAKESPEARE HANEY SECURITIES LIMITED

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Notwithstanding the decrease in the value of your original investment, the monthly cash distributions being paid to your account have to date not changed. From 15th March, 2010 the distribution rate will be referenced to the current adjusted investment value. For your records we enclose the following:

1. Investment Confirmation Statement as at 15/3/10 – showing your new monthly payments;

2. Statement of Funds – showing the current value of your investment.

Going forward, our aim is to recommence withdrawals as soon as possible however, as advised in the Market Review, it is a critical prerequisite to the suspension being lifted that the value of first mortgages in PIF, and hence unit values, have stabilised. Despite our best efforts in valuing security properties and thereby establishing the value of our first mortgages we do not believe stability has yet been achieved. The suspension will be reviewed again in August, 2010.

Once PIF has stabilised investors who have lodged eligible withdrawals will be able to participate in a withdrawal offer which will see cash available for redemptions paid on a pro rata basis. Subsequent capital payment amounts will be determined by the cash received from mortgage repayments. Clearly what investors can get back in each withdrawal offer will depend on what cash is available and the number of investors who participate. The more investors there are wanting return of funds the lower the percentage investors will receive from each withdrawal opportunity

We understand the suspension is frustrating to those investors who need access to funds however our duty under the Corporations Act is to treat all investors fairly and equally. We cannot meet our statutory obligations under the Corporations Act by allowing a potential situation where some investors get repaid based on the current impaired value and then further unanticipated losses are incurred leaving remaining investors to bear a greater proportion of any loss.

We will continue to devote our full effort to maximise the value of your investment in what is still a very difficult business environment.

Yours faithfully

Shakespeare Haney Securities Limited

John Haney

Director

David Williams

Director

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