Real Estate Capital Partners Enhanced Income Fund — Monthly Report July 2007

REAL ESTATE CAPITAL PARTNERS

Current Performance (%)

	1 m	3 m	1 yr	3 yr	Since Incept
REIF	-3.2	-0.8	21.1	22.1	27.6
Benchmark	-4.6	-5.4	17.4	21.3	23.6

Portfolio Volatility (12 month rolling)

REIF	4.7%
Benchmark	5.3%

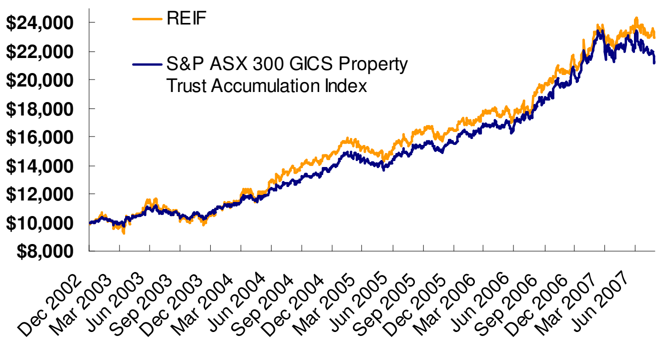
Distribution, Unit Price and NAV per Unit ($)

	Dist (¢)	Buy	Sell	NAV
30 Mar	3.500	1.7843	1.7683	1.7763
30 Jun	3.900	1.8768	1.8600	1.8684
31 July	N/a	1.7614	1.7456	1.7535

Fund Debt

Amount	$36.9M
LVR	34.3%
Amount Hedged	78.6%
Average Duration	1.8 yr
Swap Rate	6.5%

Performance since Inception



Funds Under Management

REIF	$107.7M	
Comprising		
LPT Index	$35.1M	31.9%
LPT Active	$51.1M	46.5%
LPT Active Plus	$1.4M	1.4%
Unlisted	$19.8M	19.9%
Cash	$0.3M	0.3%

Top 5 LPT Positions

Westfield	11.9%
GPT Group	5.2%
DB RReef	4.1%
Macquarie Office	3.9%
Centro Shop America	3.5%
Portfolio Balance	71.4%

Performance & Market Commentary

- July was a very volatile month with global and international equity markets recording strong declines, due to a credit related rise in risk aversion.
- Internationally the UBS Global Investors Index decreased 7% as all regions posted negative returns.
- The Australian LPT market fell 4.6%, with all sub-sectors declining. The Industrial sector was the worst performer (down 6.2%) whilst Commercial faired the best (down 3.6%)
- It is in these conditions that REIF outperforms on a relative basis.
- REIF's investment strategy is to invest for absolute return together with a strong conviction towards capital preservation. This is because we view property as a defensive asset class. Therefore our focus is to acquire traditional property assets at tangible value with income sourced from sound rental covenants. Our performance is evidence of our strategy.
  - a) The Fund declined 3.2% for the month, outperforming its main benchmark by 1.4 percentage points. For each time period from one month to inception the Fund has outperformed its benchmark.
  - b) In addition, the volatility from our geared portfolio remains less than the benchmark.
- The LPT outlook remains very positive over August and September. This is due to:
  - a) Improved LPT sector fundamentals. The sector is trading at an 8.1% discount to fair market value, which compares favourably with the five year mean discount to fair value of -2.4%.
  - b) The LPT reporting season has commenced. Sector earnings growth is expected to be very solid at 5.8%.
  - c) There are no major capital raisings.
  - d) An estimated $2.5b in distributions will be paid along with$8.6b in cash from the Investa and Multiplex takeovers.
  - e) The annual LPT forecast of 8% to 10% returns remains unchanged.

Contact Real Estate Capital Partners 1800 648 328 or visit www.recap.com.au