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balmainfunds

29 November 2010

Dear Investor

December 2010 Mandatory Redemption – Balmain AQUA High Income Trust

Pursuant to the Unitholder meeting held 20 April 2010 we are pleased to advise that \$2.62 million in mortgage assets have been realised in the Balmain Aqua High Income Trust which will now be distributed as a further mandatory redemption as set out in the Unitholder notice of meeting. Therefore as a unit holder in the Balmain AQUA High Income Trust you will shortly receive the proceeds from the second mandatory redemption of part of your unit holding.

The redemption will be made to all unit holders on a pro-rata basis. As this is a mandatory redemption, there is NO need to complete an application.

This redemption represents the net proceeds from the repayment of mortgage loans and/or the sale of mortgage assets for the period 1 June 2010 to 30 November 2010. We estimate the amount will be between 2.0% and 2.5% of a unit holder's unit holding as at 17 December 2010. The payment will be made on 20 December 2010.

May 2011 Voluntary Redemption – Balmain AQUA High Income Trust

Please note the next voluntary redemption for 10% of your issued units will take place in May 2011. We will write to you in advance of this to ensure that you are informed as to what you need to do and key dates.

Unitholder warning regarding unsolicited offers to sell your units in the Balmain AQUA Income Trust or the Balmain AQUA High Income Trust.

A request has recently been made by Direct Share Purchasing Corporation Pty Limited for a copy of the register of unitholders for each of the Balmain AQUA Income Trust and the Balmain AQUA High Income Trust (the Trusts). The Trust Company (RE Services) Limited, the responsible entity of your Trusts, provided the register in accordance with its obligations under law.

We wish to advise unitholders that Direct Share Purchasing Corporation Pty Limited is a company controlled by Mr. David Tweed, a person who has a track record of making unsolicited offers to purchase shares and other investments from individuals. In the past, some of these offers have been opportunistic, being priced at a discount to the fair market value. ASIC has acted to permanently ban Mr. Tweed from providing financial services, a move which (as stated on ASIC's website) signals ASIC's view that Mr. Tweed is not of sufficient fame and character to provide financial services.

Please be aware that any offer you receive from Direct Share Purchasing Corporation Pty Limited is not sanctioned or approved by the responsible entity or manager of the Trusts. As such, any correspondence which is received by unitholders which contains an offer to purchase units in the Trusts should be considered very carefully. Please make sure you read all information in any correspondence carefully and consult your investment adviser before acting on any such correspondence.

If you have any queries in relation to your investment in the Trusts, or any correspondence you receive in relation to the Trusts or any other questions in relation to the fund, or this redemption please email or call me on 02 92339583.

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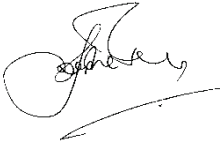
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Yours sincerely



Stephen Tunley
CEO
Balmain Funds