

3 December 2008

WITHDRAWAL OFFER FOR THE COLONIAL FIRST STATE BRICKS AND MORTAR FUND

Dear Investor

Important information

In November 2008, we sent you a letter letting you know that we had suspended certain transactions on the Colonial First State Bricks and Mortar Fund.

Now we'd like to walk you through the basis of that decision and give you an opportunity to access a portion of your investment through the withdrawal offer, contained in this letter.

Why a suspension is applied and how it operates can be confusing, so this letter is broken into two parts. **Part 1** focuses on explaining why a fund is suspended. **Part 2** of the letter provides an explanation of the withdrawal offer and how it works.

A guarantee is in place in relation to this Fund. If you choose to accept the withdrawal offer you will lose the benefit of this guarantee on the withdrawal funds you are paid.

It's natural to feel uneasy in times of volatility. However, letting volatility drive your decisions can lead to poor outcomes. You should talk to your financial adviser before making any investment decisions. Remember, the decision to sell is just as important as the decision to invest and should be treated with the same care.

Part 1 Why a fund is suspended

Colonial First State has a responsibility to always act in the best interests of its investors. Making a decision to suspend certain transactions on a fund is an example of doing exactly that. Let's look at why, using a mortgage fund example.

As an investor in a fund, your money is pooled together with a large number of other investors and invested in assets like Australian based mortgages, fixed interest investments and cash. These mortgages usually provide a steady rate of return and are conservatively managed through strict lending criteria. Mortgages, however, are not easily turned into cash and the fund maintains a portion of assets that can be quickly turned into cash to pay expected withdrawals.

Where the level of demand for cash withdrawals exceeds the level of cash available, particularly in extraordinary circumstances, the fund may need to suspend. Selling assets quickly, simply to pay the withdrawal requests, would not provide sufficient time to deliver the optimal return to investors. For example, the assets may be sold at a discount to their market value, which would disadvantage all investors.

By suspending withdrawals, payments can then be made as sufficient cash becomes available to achieve the optimal return on the assets within the Colonial First State Bricks and Mortar Fund.

Now let us take you through the details of the withdrawal offer which opens in December 2008.

Part 2 What is the withdrawal offer?

A withdrawal offer is a way for us to make payments to investors who wish to make a withdrawal request, while still acting in the best interests of all investors.

How does it work?

We intend to process all withdrawal requests received, using the funds available. The amount you receive will depend on a number of factors, including the available funds, the number of investors who take up this withdrawal offer and how much they request.

Investors who take up this offer will receive a minimum payment of \$1,000 (or their full Colonial First State Bricks and Mortar Fund balance if this is less than \$1,000).

Payments made in accordance with the withdrawal offer will be calculated using a unit price determined at the time of payment.

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Withdrawal offer example

Sam has \$20,000 in his Colonial First State Bricks and Mortar Fund and chooses to accept this withdrawal offer and he nominates to receive 100% of his investment. Based on the funds available and the number of requests received, we are able to pay 15% of all withdrawal requests. Therefore in this example, Sam will receive a payment of \$3,000.

Let's say Sam only nominated to receive 50% of the \$20,000. How would this change the outcome? Based on the funds available and the number of requests received, we are able to pay 15% of all withdrawal requests. Sam will then receive a payment of \$1,500.

What money is available?

The amount of money which is expected to be available to satisfy this first withdrawal offer is \$15 million or approximately 15% of the fund.

What assets will be used to fund requests?

The assets that will be used to fund this withdrawal offer will be cash received from the underlying assets. The cash is generated through the repayment of mortgages, the sale of assets and existing cash.

What happens if there are insufficient funds?

If there are insufficient funds to satisfy all withdrawal requests made during this withdrawal offer, then we will process these requests on a proportional basis in accordance with the law.

What if I want to withdraw a specific dollar amount?

You cannot choose to request to withdraw a specific dollar amount for this offer. You can only nominate the percentage of your investment in the Colonial First State Bricks and Mortar Fund that you wish to withdraw.

How much will I receive?

Even when you select a percentage, we cannot predict how much you will be paid, as we do not know how many investors will take up the offer or how much they will request.

Once all withdrawal requests are received, we will be able to finalise the total number and amount of payments to be made and you will be notified in a confirmation letter around mid January 2009. We also anticipate making payments at that time.

Will I be receiving any income distributions?

Yes. Income distributions will continue to be paid as usual. Your next income distribution is due before the end of the year.

What do I need to do?

I do not wish to withdraw from my Colonial First State Bricks and Mortar Fund

No action is required from you. Please file this letter for your records. Your account statement will be issued to you in January 2009.

I wish to take up this offer to withdraw from my Colonial First State Bricks and Mortar Fund

You now have the opportunity to make a withdrawal request. The window to make a withdrawal request is **open from Wednesday 3 December 2008 up to 3.00pm (Sydney time) Wednesday 31 December 2008**. If you wish to take up this withdrawal offer then your correctly completed form (enclosed) must be received by us

before 3.00pm (Sydney time) on Wednesday 31 December 2008. Please read the attached form carefully, complete it and return to us using the reply paid envelope provided.

How will I be paid?

Your withdrawal payment will automatically be paid into your pre-nominated bank account or otherwise sent by cheque to the above address. If you wish to invest this money in another Colonial First State Fund, please talk to your financial adviser.

When is the next withdrawal opportunity?

We intend writing to you again in February 2009, to outline details of the next withdrawal offer.

Further information

If there is anything you would like to discuss please contact your financial adviser or call us on 13 13 36, Monday to Friday, 8am to 7pm, Sydney time.

Yours sincerely

Nigel McCammon

General Manager, Client Services

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