

LM Currency Protected Australian Income Fund ARSN 110 247 875

Portfolio Update 30 April 2009

Closed for new investment

From 3 March 2009, the LM Currency Protected Australian Income Fund is closed for new investment. Please refer to the note below, and the SPDS dated 3 March 2009 for full details. For LM's new income offering, please refer to the LM Australian Income Fund - Currency Protected.

Specialist Australian Income Funds Manager Servicing Global Markets



It is important that investors read the warning statements in footnotes 1 to 6 on page 2 as well as the product disclosure statement and any supplementary product disclosure statement (SPDS) for complete details of the fund.

LM CURRENCY PROTECTED AUSTRALIAN INCOME FUND AT A GLANCE¹

- > Inception date: August 2004
- > Management costs for the year ended 30 April 2009: 1.30% of net assets of the fund
- > Unit price volatility: zero since inception^{1,5}

UNDERLYING INVESTMENT: LM FIRST MORTGAGE INCOME FUND

- > 2.76% cash : 97.24% registered first mortgages
- > Average loan to valuation ratio (LVR): 73.56%
- > Total number of loans in the LM First Mortgage Income Fund: 55
- > Average loan size in the LM First Mortgage Income Fund: AUD\$11m

Note: No applications are being accepted from new investors. LM will, however, still accept reinvestment of existing investor distributions and may accept applications for investment from existing investors in the fund.

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About the LM Currency Protected Australian Income Fund

The LM Currency Protected Australian Income Fund invests solely in the LM First Mortgage Income Fund and cash. Its yield is earned through its investment in the LM First Mortgage Income Fund, the assets of which are Australian registered first mortgage securities and interest bearing cash investments.

Asset Allocation Guidelines	Value (\$)	Actual (%)	Targeted Range Min (%)	Targeted Range Max (%)
LM First Mortgage Income Fund Investment	128,371,000	95.28	70.00	100.00
Cash	6,363,875	4.72	0.00	30.00

Investment Objective

To outperform cash rates on a range of different currencies by providing a competitive return^{1,2,3}.

Distribution Rates

The fund offers investors a choice of 1, 3, 6 and 12 month investment terms across a range of currencies^{1,2,4}.

Please access www.LMaustralia.com for details and conditions of the most recent distribution rates paid by the fund^{1,2,6}.

Minimum Investment Term⁴ 1 month

Minimum Investment Amount AUD\$1,000

Management Costs

Total management costs including management fees and expenses for the year ended 30 April 2009 was 1.30% of net assets of the fund (GST inclusive)¹.

Consolidated Assets

Consolidated assets of the LM First Mortgage Income Fund, the LM Wholesale First Mortgage Income Fund, the LM Currency Protected Australian Income Fund and the LM Institutional Currency Protected Australian Income Fund are \$626,240,246.

The LM Currency Protected Australian Income Fund does not have any mortgages in its own right. The portfolio diversification of the underlying assets of the LM First Mortgage Income Fund have been included in this portfolio update to provide details of the ultimate underlying investments of the fund.

As at 30 April 2009, the fund held about 95.28% of the total interests in the LM First Mortgage Income Fund.

Warning Statements/Footnotes:

¹ Past performance is not a reliable indicator of future performance.

² Interest distribution rates are variable, and will depend on income earned and expenses paid by the fund from time to time, commission payable to advisers, and on the type of investment chosen. Fund performance is not guaranteed and returns could be lower than expected and there is a possibility that an investor could suffer a loss and may lose some or all of their principal investment. Investment in the fund is not a bank deposit.

³ This investment objective is derived from the return of the underlying investments of the fund, which have outperformed cash rates since inception. The risks associated with an investment in the fund are different to cash.

⁴ In order to protect all investments, as per the product disclosure statement, LM may delay withdrawals from the fund by up to 365 days or suspend withdrawals. Investors will also only have limited rights to withdraw if the fund does not satisfy the statutory liquidity test in the Corporations Act (see page 25 of the product disclosure statement for the fund under the heading "Withdrawal from the Fund" for details of this statutory test). Consequently, there could be a risk an investor will not be paid their withdrawal proceeds within a reasonable period after the end of a fixed term investment.

⁵ The unit price may vary and may decrease depending on the performance and value of the assets of the fund. See page 13 of the PDS for the LM First Mortgage Income Fund under the heading "Unit Pricing" for further details.

⁶ While the line of credit is repaid, the fund is unable to acquire any new assets. Investor income is therefore dependant on the performance of existing assets of the fund. Whilst the fund's cash flow is directed in priority to repay the line of credit, it is likely that investor distributions may change more frequently than has been the case in the history of the fund.

This product is issued by LM Investment Management Ltd (LM) ABN 68 077 208 461 Responsible Entity and AFSL No. 220281. Investors must have read and considered the current product disclosure statement and any supplementary product disclosure statement before deciding whether to acquire or continue to hold an investment in the fund. These are available at www.LMaustralia.com. LM requests that investors consult their financial adviser or intermediary prior to making an investment decision.

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LM FIRST MORTGAGE INCOME FUND INFORMATION

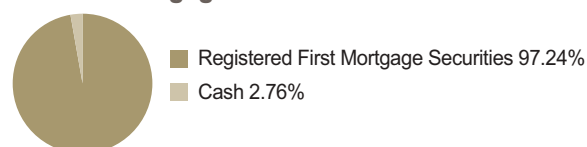
Assets of the LM First Mortgage Income Fund

- > A diversified portfolio of Australian registered first mortgages over commercial, residential, industrial, retail and vacant land; and
- > Interest bearing cash investments.

Investment Approach

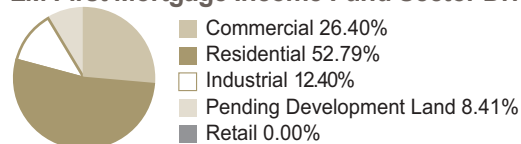
LM's investment approach is based on responsible lending policies with a focus on short to medium term fixed rate first mortgages that are diversified by sector, geographic location, and size. One of the tools LM employs to enhance income into the fund is to balance the assets of the mortgage portfolio between commercial loans and selected development loans.

LM First Mortgage Income Fund Asset Allocation



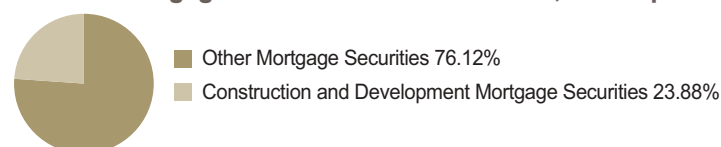
Asset Allocation Guidelines	No. of Loans	Value (\$)	Actual (%)	Targeted Range Min (%)	Targeted Range Max (%)
Registered First Mortgage Securities	55	608,940,932	97.24	70.00	97.50
Cash	N/A	17,299,314	2.76	2.50	30.00

LM First Mortgage Income Fund Sector Diversification



Sector Guidelines	No. of Loans	Value (\$)	Actual (%)	Targeted Range Min (%)	Targeted Range Max (%)
Commercial	16	160,753,003	26.40	15.00	50.00
Residential	27	321,476,406	52.79	20.00	55.00
Industrial	3	75,509,219	12.40	0.00	25.00
Pending Development Land	9	51,202,303	8.41	0.00	40.00
Retail	0	0	0.00	0.00	20.00

LM First Mortgage Income Fund Construction, Development and Other Mortgage Securities



Construction, Development and Other Guidelines	No. of Loans	Value (\$)	Actual (%)	Targeted Range Min (%)	Targeted Range Max (%)
Construction and Development Mortgage Securities	11	145,397,143	23.88	20.00	50.00
Other Mortgage Securities*	44	463,543,789	76.12	50.00	80.00

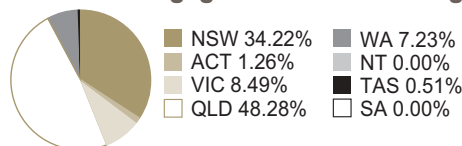
* Other Mortgage Securities includes pending development land, completed developments and income generating commercial loans.

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LM First Mortgage Income Fund Geographic Diversification



Geographic Guidelines	No. of Loans	Value (\$)	Actual (%)	Targeted Range Min (%)	Targeted Range Max (%)
New South Wales	20	208,386,258	34.22	30.00	55.00
Victoria	8	51,686,539	8.49	8.00	30.00
Queensland	21	294,026,834	48.28	15.00	45.00
South Australia	0	0	0.00	0.00	7.50
Australian Capital Territory	1	7,669,177	1.26	0.00	17.50
Western Australia	4	44,041,595	7.23	0.00	17.50
Northern Territory	0	0	0.00	0.00	12.50
Tasmania	1	3,130,530	0.51	0.00	7.50

LM First Mortgage Income Fund Portfolio Details as at 30 April 2009

Mortgage Portfolio Details	Actual
Total value of mortgage securities	\$608,940,932
Number of mortgages	55
% of mortgages with fixed interest rates	100.00%
Average loan to valuation ratio	73.56%
Total value of loans with interest built into the facility and/or capitalised	\$513,008,646
Number of loans with interest built into the facility and/or capitalised	41
Total value of undrawn loan commitments over next 24 months (progressive loan draws)	\$12,000,000
Number of loans with undrawn loan commitments over next 24 months (progressive loan draws)	8
Average monthly undrawn loan commitments	\$2,500,000

The average LVR of the LM First Mortgage Income Fund currently sits at 73.56%, which is slightly higher than the historical averages we have seen during the eleven year history of the fund.

As Manager of the fund, we must ensure that the valuations of the security property over which the fund holds registered first mortgages remain current at all times and are updated regularly. As an integral part of the lending guidelines for the fund, this valuation policy is written into the fund compliance plan. This policy is also checked through the independent audit requirements of the fund.

The increase in the LVR reflects current general property and market values within Australia which have softened due to general economic conditions. A key difference between a direct property investment and an investment in this fund is that any general softening in values does not necessarily affect the unit price, it pushes the LVR up. In addition, as we manage the exit of loans to repay the bank's line of credit loan facility, capitalisation of interest and other costs increase the LVR across our portfolio.

One of the strengths of the LM First Mortgage Income Fund has been the historically conservative LVR which has provided a buffer to protect the assets of the fund.^{1, 2, 4}

While the line of credit is repaid, the fund is unable to acquire any new assets. Investor income is therefore dependant on the performance of existing assets of the fund. There will be some variations to investor distributions as LM manages repayment of the line of credit to the CBA, and as further reductions occur on the official cash rates across international currencies.

As at 30 April 2009, the percentage of mortgage loans in the fund where interest payments were built into the loan facilities was 84.25% of the mortgage portfolio.

As at 30 April 2009 there were 34 borrowers. 8.76% of total loan monies was lent to the fund's largest borrower and 53.04% of total loan monies was lent to the fund's ten largest borrowers. The fund does not have one single borrower that exceeds 10.00% of the fund's assets.

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Loan to Valuation Ratio (LVR)

LVR	No. of Loans	Value (\$)	Actual (%)
< 50.00%	7	44,420,466	7.29
50.01% - 60.00%	6	62,783,025	10.31
60.01% - 70.00%	10	33,140,084	5.44
70.01% - 80.00%	15	194,561,827	31.95
80.01% - 90.00%	8	151,241,552	24.84
90.01% - 100.00%	9	122,793,976	20.17
> 100.00%	0	0	0.00

LM First Mortgage Income Fund Mortgage Securities by Maturity Profile as at 30 April 2009

Period Maturing	No. of Loans	Value (\$)	Actual (%)
0 - 12 months	48	544,000,958	89.34
13 - 24 months	7	64,939,974	10.66
25 - 36 months	0	0	0.00
37 - 48 months	0	0	0.00
49 - 60 months	0	0	0.00

LM First Mortgage Income Fund Mortgage Securities by Interest Rate Profile as at 30 April 2009

Interest Rate	No. of Loans	Value (\$)	Actual (%)
= or < 7.00%	1	3,971,171	0.65
7.01% - 7.50%	0	0	0.00
7.51% - 8.00%	1	11,500,876	1.89
8.01% - 8.50%	1	14,232,731	2.34
8.51% - 9.00%	0	0	0.00
9.01% - 9.50%	5	47,659,277	7.83
9.51% - 10.00%	2	24,672,836	4.05
10.01% - 10.50%	4	75,448,371	12.39
10.51% - 11.00%	16	187,228,747	30.75
11.01% - 11.50%	14	109,563,487	17.99
11.51% - 12.00%	6	81,041,726	13.31
12.01% - 12.50%	2	10,238,575	1.68
12.51% - 13.00%	0	0	0.00
13.01% - 13.50%	3	43,383,136	7.12

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LM First Mortgage Income Fund Loans in Arrears at 30 April 2009

Period	No. of Loans	Value (\$)	Actual (%)
30 - 60 days	12	181,059,125	28.91
60 - 90 days	2	3,371,427	0.54
90 days and over	11	135,698,892	21.67

The Manager uses the terms “arrears” and “default” interchangeably. As at 30 April 2009, only those loans in arrears were past their maturity date. LM calculates its loan arrears statistic in accordance with the IFSA Standard No.18, ‘Best Practice Guidance for Disclosure in the Mortgage Trust Sector’.

LM implements a formalised arrears management process in relation to arrears loans.

LM’s arrears committee drives the exit strategies required on each of the arrears loans.

In order to meet the CBA’s loan repayment program, as the loans in the portfolio reach maturity, most are required to be repaid. The fund is generally unable to extend loan terms as it might under normal circumstances. As a result, during this period the arrears statistic will increase.

The arrears loans are at various stages of their controlled programs including receipt of offers to purchase, sales contracts, appointment of marketing agents, appointment of receivers, organised refinances, sales negotiations and negotiations for tenancy/leasing until market conditions become more favourable.

ASIC Benchmarks (as at 3 March 2009)

No changes have been made to ASIC benchmarks as contained in the current fund PDS, First SPDS and Second SPDS.

Investors will be updated on the status of the fund's performance against the ASIC benchmarks and on material changes by way of this portfolio update.