



OAKLAND
INVESTMENTS

Thursday 12 April 2006

Dear Shareholder,

**RE: Oakland Investments (Aus) Limited (Oakland)
Company Report
January to March 2007**

Well it is great to be back and to be frank; I am somewhat surprised to be writing my first Company report for the year. It only seemed like yesterday that we were returning from the Christmas break. For those of you that I did not see at the February Extraordinary General Meeting, I hope that the Christmas break was refreshing and that 2007 has started well for you.

While the last quarter may have flown, it has certainly been a productive period for Oakland. With less than three months to go until the end of second year of audited reporting, I am pleased to write that the Company is in the best position it has ever been in.

Some of the more notable achievements for the Company over the last quarter include:

- Funds Under Management grew to just over \$25,000,000 excluding the Westpac Facility;
- The Westpac Bank Bill Facility was unanimously approved at the recent Oakland EGM and will be implemented as of 1 May, 2007;
- Total returns to Shareholders for the quarter was greater than last quarter and included attractive profit share allocations;
- The ratio of first to second mortgages across the Oakland Loan Book reached its highest point since inception, at 92% first mortgages;
- Fund utilisation increased significantly from last quarter, whilst the average Loan-to-Value Ratio of Oakland's Loan Book remained a very acceptable 62%.
- Oakland's origination business expanded to its most significant level since inception; and
- Oakland achieved its most profitable quarter as a company to date.

So why has Oakland had such a strong quarter as far as performance is concerned? Firstly, it is prudent to mention that not every quarter will yield record breaking results and the last quarter of 2006 was testament to this. As I have stated in previous reports and at company meetings, this business does not grow in a straight line, meaning that there will continue to be fluctuations in the results achieved on a quarterly basis. It is the Director's responsibility to limit the scale of these fluctuations and their impact on Oakland's Shareholders.

So while attractive profit share allocations have been paid this quarter in addition to coupon rate returns, this may not always be the case.

Moving along, the success of the last quarter is primarily a function of sustained momentum. There is a noticeable commitment within Oakland's culture that I am pleased to boast is nothing short of admirable. This commitment extends to every facet of the Company, resulting in a team of talented people who are constantly probing and challenging every element of the Company's fundamental business practises. Consequently, we continue to get better at what we do.

This appetite for growth is only matched by our awareness of our own potential frailties. And by remaining humble in our approach to sustainable long-term objectives for this Company, we are confident that we will rise to meet all challenges as they are presented.

This brings me to some concerns raised by a small number of our Shareholders recently regarding the recent FINCORP collapse. Although a tragedy for the 8,000 odd Shareholders involved, it is by no means a surprise from our point of view. I am also of the opinion that this will not be the last collapse of its kind in the immediate future.



It is our opinion that companies that do not sufficiently disclose what it is they actually are doing with the money entrusted to them (so that any person investing in such a scheme can adequately comprehend what it is they are getting involved in) will continue to meet with a similar fate. But most importantly, it is a lack of humility and respect from Directors and management that leads to such financial devastation for such companies.

The business of managing other people's money is as serious as it gets from our perspective; and while we do not profess for one second that we will not continue to make our own mistakes, I am a strong supporter of the philosophy, "what you appreciate and respect grows".

Rest assured, we will not rest on our laurels, even momentarily. I can confirm for those who do not understand the mechanics of the FINCORP model, that it is very distant from Oakland's business and the majority of risk encountered by FINCORP is not present in Oakland's Investment Strategy.

In summarising my thoughts on what it is that we have done well in the last quarter, it is clearly evident that Oakland's consistency is a result of a sustained commitment to doing the "little" things well.

On a specific note, there have been team member additions to our origination business during this last quarter which have proved very successful, including the appointment of Dan Robinson as the Managing Director of Oakland Finance (the origination arm of Oakland). Further to this, a new Accounts Manager and Investment Relations Officer (through Oakland's relationship with Redwood Capital Group Ltd) has also paved the way for more efficient and extensive reporting, coupled with even greater Investor support.

So how did the final numbers look for Shareholders during this most recent reporting period? For the 1 January to 31 March 2007 quarter, Oakland was able to declare quarterly dividend and distribution returns to Shareholders, consisting of:

- **2.47% for A Class Shareholders;**
- **2.99% for B Class Shareholders and**
- **3.71% for C1 Class Shareholders**

Lending Review

Whilst fund utilisation increased significantly in the last half of this quarter, it was a slow start to the year as far as loan approvals were concerned. Historically, the Christmas period, up to and including the Australia Day weekend is very quiet with respect to loan submissions and this year proved to be no exception.

However, as a result of an excellent finish to the quarter in regards to loan submissions and approvals, it is pleasing to report that fund utilisation increased significantly in this recent quarter to 88%, as opposed to 68% last quarter. Increased fund utilisation invariably results in increased revenue for the Company. This is evident when viewing the returns paid to Investors this quarter.

This increase in fund utilisation can be directly correlated, as has been highlighted in previous reports, to the significant amount of time, energy and resources that have been injected into the origination area of the business in the last 3 to 6 months. The results of this sustained input are definitely proving fruitful for the business.

As funds under management has continued to grow, the emphasis on increasing the flow of quality funding proposals made to Oakland has also increased. At this point, the Directors are very satisfied with the origination processes within the business, whilst remaining acutely aware of what is required in order to ensure sound growth in this area of the business continues.



The ratio of first to second mortgages as a snapshot of Oakland's Loan Book increased to 92% this quarter; the best it has ever been. This figure is continually satisfying to report. Whilst second mortgages are a genuine component of Oakland's business and can present exciting income opportunities, it is a credit to Oakland's origination team that they have been able to consistently present sufficient quality first mortgage submissions.

This ratio of first to second mortgages has ensured that Oakland has been able to consistently produce attractive returns for its Shareholders, whilst simultaneously maintaining a commitment to preservation of Shareholder capital. Whilst the management team will always aim to maintain a high proportion of first mortgages within the Oakland Loan Book, maintaining such a ratio must continually be balanced with Company performance expectations.

In summary, it may not always be possible to maintain the exceptional returns Oakland has provided to its Shareholders thus far, whilst maintaining the overall level of security currently sought by the Oakland Investment Committee. Given this, the Directors are confident that second mortgage investment opportunities will remain a balanced part of Oakland's Loan Book.

The average Loan-to-Value-Ratio (LVR) for the Oakland Loan Book was again, well below the required maximum of 75% LVR required by Oakland under its Lloyds of London Loan Insurance Policy and Oakland's Investment Criteria Model. At 62.98%, it is very acceptable. As we have commented on LVR's in previous reports, the only light I wish to shed in this report regarding this topic is to emphasise that the Investment Committee will continue to strive for an average LVR, such as that achieved by Oakland to date.

This quarter again saw an increase in average loan size. Oakland's ability as a mortgage finance specialist to be able to consistently provide funding solutions to borrowers requesting advances in excess of \$1,000,000, has seen Oakland further strengthen its hold in a lending niche that it is fast becoming a leader in. As there are few companies that can adequately service such requests, the quality of loan submissions and approvals for deals in excess of \$1 Million dollars is exceptional, with relatively low LVR's and sound security opportunities being presented consistently.

Finally, it is important to note that Oakland is currently managing approximately \$7.5M worth of defaults, representing approximately 35% of Oakland's current loans advanced. Of the eight defaulting loans that make up the \$7.5M, exit strategies are currently in place for six of these and Oakland expects to recover all initial loan capital and some default interest on all these loans within the next six weeks.

There are two defaulting loans at present, comprising a total of \$850,000 in loan capital which do not have clearly defined exit strategies. One of these loans for \$460,000 should be resolved (including the majority of outstanding default interest), prior to the end of this financial year. The other loan for \$390,000 has a partial exit strategy which should return \$220,000 of this loan capital back to Oakland within the next two weeks. The remaining loan capital is expected to be repaid with some default interest, by mid May 2007.

In summary, there are no current defaulting loans which appear to pose any current threat to capital loss for Oakland. I should also note that Oakland recovered in excess of \$4.8M in defaulting loans in this most recent quarter and most significantly, their recovery contributed to substantial revenue for Oakland as a consequence of the additional default interest.

The Directors are comfortable with the level of defaults being managed at present and expect that it will always manage somewhere between 25-50% of its Loan Book in default. This is primarily a function of the aggressive nature in which Oakland manages its loans and less importantly, a function of the type of situations that Oakland lends into.

Please see the current summary of key Oakland Loan Book statistics below as compared to the previous quarter.



Table 1 – Lending Summary Oct–Dec 2006

Utilization Rate (Mortgage to Cash Ratio)	Ratio 1st to 2nd Mortgages	Average Loan Size	Average Loan to Value Ratio
68%	84% First Mortgages	\$881,270	60.82%

Table 2 – Lending Summary Jan-Mar 2007

Utilization Rate (Mortgage to Cash Ratio)	Ratio 1st to 2nd Mortgages	Average Loan Size	Average Loan to Value Ratio
88%	92% First Mortgages	\$1,115,289	62.98%

In previous reports, we have often provided a brief opinion of how we view the market, purely from a point of interest. For this report however, I will only comment that the Directors of Oakland view the current property market as relatively 'flat'. However, there appears to be some indication of growth in certain areas of the Sydney market, whilst many outer Western Sydney suburbs are clearly still struggling.

Melbourne seems less divided than its northern nemesis, with signs that the market is in an upward trend again. Additionally, the South East Qld market continues to show evidence of respectable growth, albeit at a manageable pace. Please note, it has been the continual aim of the management team to ensure Oakland functions well in all stages of the Real Estate cycle, and at present, we do not foresee any immediate challenges to Oakland's Investment Strategy resulting from current market conditions.

As has commonly been the situation, the Directors of Oakland are satisfied, but not complacent, with the results of the last quarter. As opportunities for growth continue to be explored by the Directors, there is also recognition that there is much work left to be done on the current Investment Strategy.

The Directors view the next six months as a critical period in continuing to refine and further evolve the current Oakland model, ensuring sustainability for many years to come. As we continue to encourage, please contact Head Office on 1300 303 684 should you have any questions about information contained in this report, or for any questions you may have in general.

On this note, I should emphasise that Redwood Capital Group Ltd recently employed Jonathan Drury as our Investor Relations Officer. He will be in touch with all current Oakland Investors over the course of the next quarter in a bid to gain feedback from the Shareholder body as to what they feel we may be able to do better.

Finally, please be aware that you will be receiving communication from Andy Bogatie, an Authorised Representative of Redwood Capital Group Ltd, in the coming weeks, regarding the closure of fund raising under the current Oakland Prospectus, which is scheduled to cap out on the 6th June this year.

I look forward to writing to you again soon.

Regards,

Brook Monahan
Managing Director
Oakland Investments (Aus) Limited