

Dear Investors

A new economic decade

The start of the new year always seems to bring an air of optimism, and the start of a new decade even more so. While there are some signs of instability in world economies, there are encouraging signs that the recovery is underway at least as far as the Australian economy is concerned.

Australian consumers remain optimistic about the short term outlook, with consumer confidence surging to 69.5 compared to 24.1 six months ago (with 0 being the most pessimistic and 100 the most optimistic)¹.

Unemployment and housing demand are the two stand-out economic indicators with Australia's unemployment rate dropping for the fourth consecutive month to 5.3% in January 2010² and surprisingly staying under 6 per cent throughout the financial crisis. This was well below the 8 per cent peak tipped by economists³ during 2008 and early 2009.

The housing market has once again demonstrated its resilience, with rents predicted to continue to rise in 2010 especially in places like Sydney⁴, while supply in the form of new housing approvals is expected to be weaker in 2010 following the end of the Government's 'first home owners'

boost⁵. Continuing lack of supply together with increasing demand is supporting the continued growth in house prices nationally⁶.

Interest rate update

Clearly the Reserve Bank of Australia (RBA) also took a positive view on a recovery in the Australian economy, increasing interest rates an unprecedented three times in a row in October, November and December 2009. This was largely against the trend of other OECD countries. Entering 2010 however, the RBA has maintained a more cautious stance, keeping rates unchanged at 3.75%⁷. This more cautious move by the RBA has led many commentators to revise their expectations and they are now expecting a much slower rise in interest rates than previously anticipated.

Product update

Meanwhile, we continue to go from strength to strength at Provident Capital. After a successful performance in what can only be described as some of the toughest economic conditions since the Great Depression, we are pleased to also report the Provident Capital First Mortgage Fund has enabled its investors to enjoy a healthy rate of return of 8.65% p.a. since its inception⁸ six months ago.

Not only did the Fund perform above our expectations in such a short period of time, it also received a research rating from PIR (a member of the Aegis Group) of an investment-grade "A" rating, late last year⁹. Again, this was a great achievement for such a young Fund.

A full update on the Fund's distributions and returns since inception is available on page 3 of this newsletter.

Meanwhile our debentures continue to be an ideal solution for those looking for a known, fixed-rate of return with rates of up to 9.00%¹⁰ p.a. Similar to our mortgage funds, we are also proud of the fact that Provident Capital is one of the few remaining debenture issuers that has remained liquid and never missed a payment during the tough economic times of 2009.

*(Continued
overleaf)*



Investor Seminars

I will be presenting a more in-depth update on both the current economic environment and our business in March. This represents a continuation of our highly popular investor information sessions that are held twice a year.

These seminars are a great opportunity for you to understand more about the latest developments at Provident Capital, meet our team and ask any questions you may have about the business in person, so I hope to see many of you there. Full details on dates and locations are enclosed with this newsletter.

In Summary

This year will be an exciting one for our business as we embark on many new developments to further grow the business. This and the lessons learnt from the last year will offer both our business and our investors many exciting opportunities in 2010. My team and I are ready to grasp this year with both hands and deliver another solid and consistent year of returns for all our investors. I look forward to your continued support as we enter this new decade.

Best wishes,



Michael O'Sullivan
Managing Director

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1. "Consumer confidence in Australia rebounds", SMH, 11 January 2010
 2. "Jobless rates drops to 5.5%", SMH 14 January 2010
 3. "Pace of hiring picks up", SMH 09 February 2010
 4. "Tenants warned of steep rent increases", SMH, 13 January 2010
 5. "Last hurrah for building approvals", SMH 04 February 2010
 6. "House prices on the rise but new building approvals dip", SMH, 07 January 2010
 7. As at February 2010
 8. Average annualised rate since inception
 9. Visit www.providentcapital.com.au or call us to obtain a copy of this report.
 10. 5 year investment term, paid on maturity.
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spend spend
spend spend
spend spend
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spend spend

New years solution

earn up to
9.00 %
p.a.*

SAVE

 **Provident Capital**[®]
FOR FINANCE AND INVESTMENT

*See important notes on page 4

Provident Capital First Mortgage Fund

Since its inception in August 2009, the First Mortgage Fund has delivered healthy returns for its investors.

Performance update
(as at January 2010)

Annualised average distribution rate since inception: 8.65% p.a.
Annualised average distribution rate (last 3 months): 10.19% p.a.
Annualised distribution rate for January 2010: 10.19% p.a

| Monthly Distributions | Distribution (p.a.)* |
|-----------------------|----------------------|
| August 2009 | 2.75% |
| September 2009 | 9.33% |
| October 2009 | 9.22% |
| November 2009 | 9.28% |
| December 2009 | 11.11% |
| January 2010 | 10.19% |

* Actual annualised distribution rates

Q&A with... Group National Lending Manager, Steve Sampson



We would like you to take a moment to get to know our Group National Lending Manager, Steve Sampson. Steve joined the Provident Capital Group in 2007 and has many years experience in founding and managing high growth financial services businesses around Australia and has been an Australian winner of the 'Sales Manager of the Year' at the Australian Mortgage Awards. He brings vast knowledge and experience to the lending, sales and marketing areas of Provident Capital.

Q: What is your vision for Provident Capital's lending business?

SS: I would like to see Provident Capital become the pre-eminent non-bank lender in Australia, making available a wide range of products to all borrowers. Our ability to offer solutions that aren't available from traditional lenders means that we have a solution for everyone.

My goal every day is to maintain and improve on Provident Capital's reputation as a trusted brand that is well respected by stakeholders, clients and the community overall.

Q: Can you outline how your role plays a part in delivering returns to our investors?

SS: As I manage the mortgage sales side of the business, I am focused on ensuring that the team is skilled, passionate and actively building third-party referrer and introducer business relationships, so that ultimately we can deliver competitive returns to our investors.

Q: What do you enjoy most in your role?

SS: I enjoy the challenge of delivering our products to the market and building and growing business relationships. I like the fact that Provident Capital is always exploring opportunities to expand which enables us to develop our current

product range and thus produce great returns for our investors.

I also enjoy seeing staff develop by assisting in expanding their skills and knowledge and watching them achieve their goals.

Q: Outside of Provident Capital, what do you enjoy the most?

SS: I cherish family time and love to spend my spare time with my wife and children. I enjoy sport and am currently coaching my son's soccer team and am passionate about surfing and like to unwind by listening to music or jumping into the big blue ocean (with my surfboard for company)!

FIXED TERM DEBENTURE INVESTMENT RATES*

| Term | Interest Payment | Rate | Term | Interest Payment | Rate |
|----------|------------------|----------|---|------------------|----------|
| 30 days | on maturity | 3.75% pa | 3 years | monthly | 8.00% pa |
| 90 days | on maturity | 5.50% pa | | quarterly | 8.00% pa |
| 180 days | on maturity | 6.00% pa | | half yearly | 8.25% pa |
| 270 days | on maturity | 6.25% pa | | annually | 8.45% pa |
| | | | | on maturity | 8.75% pa |
| 1 year | monthly | 7.50% pa | 5 years | monthly | 8.25% pa |
| | quarterly | 7.60% pa | | quarterly | 8.40% pa |
| | half yearly | 7.70% pa | | half yearly | 8.50% pa |
| | on maturity | 7.90% pa | | annually | 8.75% pa |
| | | | | on maturity | 9.00% pa |
| 2 years | monthly | 7.50% pa | To obtain a prospectus call Client Services on 1800 650 422 , Mon to Fri between 8:30am and 5:30pm (AEST). Or visit us at www.providentcapital.com.au | | |
| | quarterly | 7.60% pa | | | |
| | half yearly | 7.75% pa | | | |
| | annually | 7.95% pa | | | |
| | on maturity | 8.10% pa | | | |

Important Notes:

- This newsletter is published as a service to Provident Capital clients and contains information of a general nature only. Any information or advice about financial products has been prepared without taking account of the reader's objectives, financial situation or needs ("circumstances"). Accordingly, before acting on any of this information or advice, the reader should consider its appropriateness having regard to the reader's own circumstances. The reader should obtain a copy of the current prospectus or product disclosure statement for any financial product, and consider it before making any decision about whether to invest in the financial product.
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- None of the financial products issued by Provident Capital is a bank deposit and investors risk losing some or all of their principal investment.
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- Past performance is not necessarily indicative of future performance. Past performance information is not intended to be a forecast.

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