

Ascend Escalation Fund

Quarterly Update | March 2008

Welcome to the first Quarterly Update for the Ascend Escalation Fund. We have seen extraordinary volatility in the financial markets since August 2007 and we believe this volatility will continue for some time. Our cover story below, "Bailout of global banks" looks at transparency issues in large capitalised companies and the search for real fundamental value. At Ascend, we invest in companies with real fundamental value, large or small, at periods prior to exhibiting significant growth.

Bailout of global banks – some points to consider

Bear Stearns, the fifth largest US investment bank, had its share price slashed from \$US158 in April 2007 to US\$2 by March 2008. This sell off triggered more falls on Wall Street which reverberated throughout markets worldwide as fears that the massive unwinding of Bear Stearns could cause a financial calamity. The US Federal Reserve Board (FED) and JP Morgan proposed short term financing to assist Bear Stearns.

On the basis of the Bear Stearn's fallout, an 85 year old institution is now being sold off. Some points to consider when valuing companies:

Point 1: Determine the 'true' fundamental value of a company

This is easier said than done. In relation to Bear Stearns, there appeared to be no prior warning to the significant exposure it had to the sub prime mortgage market. In fact, on the basis of looking at its very 'healthy' balance sheet in terms of assets and liabilities, there was no reason to believe that it was subject to any kind of future credit crisis. The auditors appeared to 'sign off' too.

Prior to the recent sell off, Bear Stearns was valued by analysts as a \$US3.6 billion business (\$US31 a share). Over one weekend however, the market tortured the share because of Bear Stearns exposure to the sub prime mortgage market. The company's value was assessed at \$US236 million (or \$2 a share). A week later, JP Morgan's buy offer at \$US2 a share was reassessed and increased to \$US10 a share.

Investment analysts are realising that traditional methods of examining a "blue chip" company's balance sheet and its 'underlying fundamentals' can no longer be relied upon solely to determine a company's "value". This is because the 'true' state of a company's financial affairs can be, hiding in 'creative accounting' holes, or more blatantly, not properly disclosed or shown. Transparency of all factors affecting a company's market value is also an issue.

This is not only a problem for investment analysts but a much wider problem for authorities, such as the US Federal Reserve and Governments who are struggling to know the extent of the sub prime mortgage problem and associated issues and subsequently how to manage the consequences.

Point 2: Adopt a 'growth' approach to investing

Determining 'true' fundamental value can be difficult. It is important to focus on those companies which have a significant capital growth advantage.

At Ascend, we are looking to place our investors' funds in those companies demonstrating transparent fundamental value uncomplicated by market anomalies (eg 'financial engineering'). The Ascend team is committed to seeking investment opportunities which have not yet been realised by the general market. On the following pages, we have included a summary on each of the Ascend Specialist Funds and how they have outperformed in the current volatile market due to our focussed growth approach.

Point 3: Stick to your planned investment strategy

History shows that in times of economic recession, share markets will sell off. For long term investors, especially those building their superannuation, the market sell off will create investment opportunities. Investors can take advantage of the sell off and buy shares indirectly through managed funds such as the Ascend Funds with a dedicated Fund Manager managing the portfolio constantly. Thus risk to the investor is lessened through constant active management and diversification across a number of companies.

History also shows that share markets bounce back strongly. The Australian share market has sold off 25% since its peak in October 2007, which is gut wrenching for investors. Whilst share market volatility is likely to continue, the Ascend Funds continue to look for good buying opportunities in growth companies that exhibit reliable earnings and capital growth forecasts.

The Ascend team would be delighted to speak with you about the growth investment opportunities we are seeking on behalf of investors in the Ascend Specialist Funds.

Ascend Seed Capital Fund

Fund Statistics

Unit Price:	\$1.0344
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Fund Performance

Fund:	+3.44%
Benchmark:	-16.12%
Outperformance:	+19.56%

Fund Asset Allocation

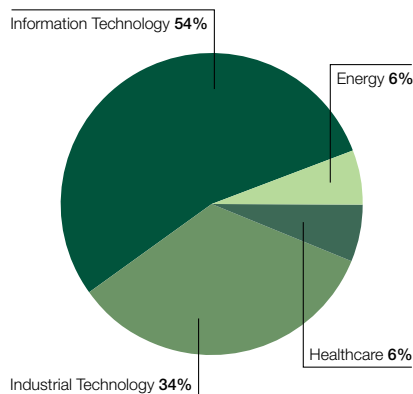
As at 31 March, 2008

Equities:	99%
Cash:	1%

Of the Equities component:

Australian securities:	100%
International securities:	0%

Fund Sector Allocation



Despite share markets around the world having one of the worst performing quarters since 1987, the Fund completed its first full quarter of operations by significantly outperforming the benchmark, and more importantly providing a positive return of 3.44%.

Over the quarter, market indices such as the US Dow Jones achieved a return of -7.55%, the UK FTSE was -11.69% and similarly the ASX All Ords (which is not immune to the vagaries of overseas markets!) achieved a return of -15.75%. The Australian share market continued to be spooked by fears of a US recession as large US financial institutions announced losses in regards to their sub-prime lending businesses. In addition, inflation fears and the prospect for further interest rate rises by the Reserve Bank, have further weakened the local share market. This coupled with failing margin loan repayments has seen many Australian companies sold off to a level under their true fundamental value, due to lack of transparency issues as noted in the cover story. In particular the banking and listed property sectors were most affected.

Fund Strategy

The investment strategy for the Fund is to identify opportunities in start up companies with significant growth potential which are generally not available to the market. Given the negative market volatility as described above, we held unitholders' funds in cash and looked for opportunities to invest into well researched securities with significant capital growth potential. Investments in unlisted securities offer dual benefits in times of market negativity. Firstly, through transparent fundamental research, analysts can determine whether an unlisted company has future capital growth potential which has not yet been realised by the market and secondly, by their unlisted nature, such companies are not subject to the short term volatility (which has very little to do with the fundamental value of the company).

The Fund is currently invested mostly in unlisted securities with the most recently purchased security being Service Seeking Pty Ltd. This is a website based company which allows individuals to post online advertisements for work to be completed. Service providers including contractors, professionals, tradespeople bid online for particular jobs. Service Seeking has attracted a large amount of publicity across both television and print media.

Fund Outlook

The Fund will continue its investment strategy of investing in companies at the early development stage with significant growth potential which is not available to the general market. We are currently researching a number of such company opportunities that have the ability to achieve high growth potential as a result of their specific management skills, proven technology and/ or particular market niche. With regards to listed securities, we will apply consistent investment criteria as we do to unlisted securities however, in times of share market negativity, we will take into account market timing with respect to purchasing shares. In terms of a general outlook for the Australian share market, we expect there will be continued market vulnerability in line with weakening US economic data and earnings downgrades despite underlying strength in the Australian economy.

Ascend China Growth Fund

Fund Statistics

Unit Price:	1.0201
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Fund Performance

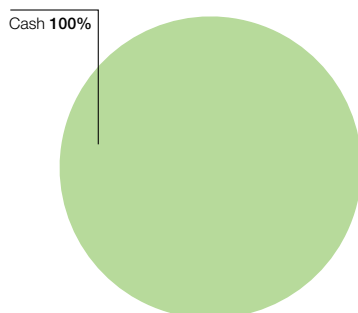
Fund:	+2.01%
Benchmark:	-22.05%
Outperformance:	24.06%

Fund Asset Allocation

As at 31 March, 2008

Equities:	0%
Cash:	100%

Fund Sector Allocation



The Fund achieved a marginal positive return for the March 2008 quarter and as a result, significantly outperformed the benchmark. The performance of the Asian share markets were negatively impacted by the falls in the US share market.

Fund Strategy

The Fund remained 100% invested in cash throughout the quarter due to significant uncertainty surrounding world markets and the flow through effect on Asian markets. The Ascend Investment Committee remained cautious about China's ability to continue growing at record pace.

Fund Outlook

Due to the continued market turbulence and declining market values in China, we have decided to re-evaluate the position of the Ascend China Growth Fund as part of the Ascend Escalation Fund. Ascend Asset Management will cease to accept any further applications for the Ascend China Growth Fund from 31 March 2008. We believe any opportunities which arise in the Asia Pacific region can be considered for investment on behalf of the Ascend Seed Capital Fund and/or the Ascend Small Resources Fund. Ascend may however decide to open the Ascend China Growth Fund again at a later date when market conditions are more certain and favourable.

Ascend Small Resources Fund

**Sub Investment Manager:
Martin Place Securities Pty Ltd**

Fund Statistics

Unit Price: **\$0.9923**

Fund Performance

Fund: **-0.77%**
Benchmark: **-6.74%**
Outperformance: **+5.97%**

Fund Asset Allocation

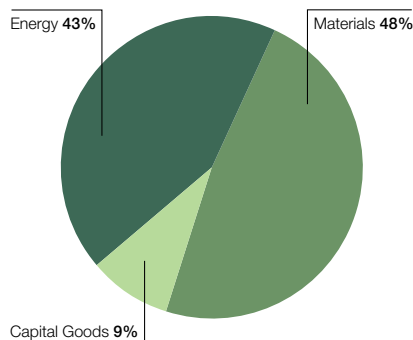
As at 31 March, 2008

Equities: **99%**
Cash: **1%**

Of the Equities component:

Australian securities: **100%**
International securities: **0%**

Fund Sector Allocation



The world has seen extraordinary volatility over the past 9 months resulting from the fallout from the sub prime asset crisis. World markets responded with sharp falls into January 2008, with the financial sector being the hardest hit. The subsequent bailout of major global investment banks by central banks has eased the downside pressures and the resources market should spring back over the next few months.

The sub prime crisis is an historic event and from Martin Place Securities' perspective, ends the two and a half decade period of disinflation and falling interest rates. The beginning of the inflationary trends began some years ago and can now be seen in record high oil, coal and other energy prices and in food prices that are so high that riots have broken out in many countries. This new inflationary trend underpins a strong gold price and the remarkable event of a major top in US bond prices after a 27 year bull market.

The result of all these factors will be very good for gold, the Australian dollar and the Australian Resources Sector.

Fund Strategy

The Fund has a broad spread of quality Australian small cap resource and energy companies that have been purchased during the recent lows and should place the Fund in a strong position. The Fund is also looking to acquire some holdings in large cap resource companies with new capital inflows.

Fund Outlook

As in every bull market, the leading large caps are leading the market upward after a significant correction. Mid caps are following and small caps are next. However, individual small caps are starting to show some life and Martin Place Securities expects to see a very strong market for the remainder of 2008 and beyond.