

**KAPLAN FUNDS MANAGEMENT
PTY LIMITED**

(ABN 98 079 218 643)

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KIL to participate in major logistics alliance

We attach announcement of investment in major logistics alliance for release to the market.

Yours Faithfully,



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KFM DIVERSIFIED INFRASTRUCTURE AND LOGISTICS FUND TO INVEST IN MAJOR LOGISTICS ALLIANCE

The KFM Diversified Infrastructure and Logistics Fund (ASX: KIL) will join a Consortium that is acquiring major interests in a number of logistics businesses currently owned by DP World Australia Limited, formerly P&O Ports Limited.

The KFM fund announced in January that it had been offered the opportunity to participate in the Consortium but would review the investments to ensure they were within the Fund's investment mandate. KFM has now formally notified the Consortium members of the Fund's intention to participate, subject to completion of the necessary investment documentation.

KFM currently expects that KIL's total initial investment in the interests being acquired from DP World will be in the range of \$50-\$60m.

As previously advised, the Consortium has entered into agreements to acquire the following interests from DP World.

- A 75% interest in P&O Automotive and General Stevedoring (P&O AGS). P&O AGS operates at a large number of ports throughout Australia undertaking automotive stevedoring activities and general stevedoring for general cargo such as bulk, timber and steel; and
- A 50% interest in P&O Trans Australia (POTA). POTA operates a landside port service logistics business, servicing import and export marine container services.

In addition to these investments, the Consortium has also finalised the terms of the acquisition of the following interests from DP World:

- An effective 24.5% interest in Australian Amalgamated Terminals Pty Ltd ("AAT") via a 49% interest in P&O Wharf Management Pty Ltd ("POWM"). DP World will retain a 51% interest in POWM. AAT provides berth and port facilities to general stevedores at Fisherman Island in Brisbane, Glebe Island in Sydney, Webb Dock West in Melbourne, Bell Bay in Tasmania and Outer Harbour in Adelaide, and is currently constructing facilities in Port Kembla.
- An effective 25% interest in Northern Shipping and Stevedoring Pty Limited ("NSS") via a 50% interest in Oversea & General Stevedoring Co Pty Ltd. NSS operates stevedoring operations in Northern Queensland mainly in the port of Townsville, but also in smaller ports such as Cairns and Mackay.

It is expected that all the transactions currently being negotiated will be completed by 30 April 2007.

Mr Chris Corrigan, who is non executive chairman of P&O AGS and POTA, said "We are pleased that our relationship with our partner, DP World, continues to strengthen and we have been able to extend this relationship into additional investment opportunities for the Consortium. The collective investments that the Consortium will be undertaking will provide a very strong base for our future growth in the facilitation of our clients' import-export businesses".

The Consortium has agreed to issue DP World with put options over its residual interests in P&O AGS and POTA, and DP World has agreed to issue the Consortium with a call option to acquire an additional 25% interest in POTA. The put and call options are exercisable based on agreed timeframes and valuation parameters, including a minimum guaranteed valuation in certain circumstances. At the present time, DP World intends to remain a partner in the businesses. However, should either the put or call options be exercised in the future, KIL will be required to provide additional funding.

Notification of changes to the Fund's Investment mandate.

To provide additional flexibility to increase the Fund's exposure to particular attractive assets while the portfolio is being established (including the DP World alliance), KFM has received approval from the Responsible Entity to amend the Fund's investment mandate to increase the maximum amount of any single investment.

As outlined in the Fund's product disclosure statement of 24 November 2006 (PDS), the Fund's investment guidelines permit gearing of the Fund of up to 35% of the gross asset value of the Fund and restrict each single investment to 20% of the gross asset value of the Fund at the time of investment. The revised investment mandate enables the Fund to invest up to 20% of the Fund's **maximum** potential gross asset value (assuming the Fund is fully geared) at the time of investment in any single investment, rather than the **actual** gross asset value at the time of investment.

As the Fund does not presently have any borrowings, this change will enable the Fund to invest approximately \$62 million in any single investment rather than the limit of \$40 million that would apply under the current structure. Until the Fund starts to use borrowings, based on the current gross asset value of the Fund, this change will have the effect of increasing the Fund's maximum exposure to any single investment from 20% of the Fund's gross asset value to approximately 31% of the Fund's gross asset value.

KFM intends to start using leverage once the proceeds raised in the initial public offering are fully invested. Once this occurs and the Fund utilises the maximum borrowing capacity of 35% of its gross asset value, the maximum single investment limit will remain at approximately \$62m and the single investment exposure will reduce to 20% of the Fund's gross asset value which is consistent with the limits set out in the PDS.

In accordance with the PDS, KFM has agreed this change with the Responsible Entity, and it will be effective one month from the date of this announcement.

KFM has commenced building the Fund's portfolio of listed infrastructure and utilities securities and is continuing to actively review other listed and unlisted investment opportunities that may be suitable for the Fund.

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