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9 May 2008

Allco Hybrid Investment Trust (ASX: AHU) – Investor Update to Security Holders of Allleasing Hybrids (ASX: AHUG)

On behalf of the Board of Allco Managed Investment Funds Limited, we are pleased to provide an investor update for the Allleasing Trust, the underlying investment of the Allleasing Hybrids (ASX:AHUG).

Yours sincerely,



Tom Lennox
Company Secretary

Allco Managed Investment Funds Limited
as Responsible Entity for the Allco Hybrid Investment Trust

For more information, please contact:

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ASX RELEASE

Half year operating performance to 31 December 2007

There was an improvement in the financial results in the six months ended 31 December 2007, compared to the corresponding period last financial year. Highlights are as follows:

- Operating earnings¹ were up 86% driven by a 10% increase in total income and a 10% fall in operating expenses.
- The Loss before income tax declined from \$18.5m for the 6 months to 31 December 2006 to \$7.6m for the same period this financial year, representing a 59% improvement.
- Net interest margin improved 18%, primarily due to the “normalisation” of accounting income associated with its on-balance sheet lease funding. This results in spreading of income over the life of the lease.
- Secondary income increased 18% highlighting our strong asset management capabilities. Secondary income and secondary cash (i.e. before residual value recovery) multiples are being maintained in accordance with historical outcomes, with some asset classes showing increasing returns.
- Operating expenses declined through improved efficiency and cost management. The bulk of our expenses continue to be in people, with approximately half of our employees in sales or sales related roles. Fees to AMIFL, the responsible entity of the Alleasing Trust, reduced by 59% following a change in the fee structure from 1 January 2007.
- New business originations were in line with the corresponding period in the prior financial year. Growth was constrained by competition, particularly from manufacturer aligned financiers, and continued deflation in the costs of IT equipment (which still makes up the bulk of new business originations.).
- In order to ensure that we best leverage our existing customer base, a dedicated “Leasing Services” team was established in the latter part of 2007 to be responsible for all our credit and in term customer and contract management. While the aggregation of customer service functions is still in its early stages, we expect improved customer responsiveness.
- Finance costs reduced by \$3.5m or 15%, primarily as a consequence of replacement of the equity loans in December 2006 with lower cost borrowings as part of the on-going rationalisation of the Alleasing capital structure.

Table 1 – Key results from the profit and loss statement

Profit and Loss Account \$'000	31 Dec 2007	31 Dec 2006	Change
Total income	\$37,477	\$34,211	+10%
Total operating expenses including responsible entity fees	\$24,308	\$27,114	-10%
Earnings before finance costs, taxes, depreciation and FX	\$13,169	\$7,097	+86%
Finance costs	\$20,291	\$23,767	-15%
Losses before taxes	-\$7,584	-\$18,505	+59%

Table 2 – Key results from the balance sheet

Balance Sheet \$'000	31 Dec 2007	31 Dec 2006	Change
Finance lease receivables	\$645,170	\$598,637	+10%
Unguaranteed residual value receivables	\$87,515	\$82,624	+6%
Total assets	\$849,525	\$798,946	+6%
Total liabilities excluding related party debts	\$626,499	\$602,237	+4%
Total liabilities including related party debts	\$960,777	\$907,015	+6%

Debt Position

As noted in the December accounts, Alleasing has several borrowings which fall due on or before 30 June 2008. In particular, a working capital facility drawn to \$36.8m with associated additional guarantees of \$3.6m in a month to month rolling facility. This is secured by a first ranking fixed and floating charge over Alleasing assets (that are not pledged to the in term lease receivables financiers). On 31 March 2008 this senior facility was extended to 30 June 2008 with the intention that the facility will be paid down to \$33.0m by 30 June 2008. At 30 June 2008, the facility will need to be either renegotiated or refinanced.

The \$123m Mezzanine loan payable to AFG is currently accruing interest at 11.5% but with a zero coupon. This facility has a second ranking charge over the assets of Alleasing. This charge ranks ahead of the Preference Units held by HIT on behalf of AHUG security holders. The current maturity date of this facility is 30 June 2008. Negotiations have commenced to consider either (1) the conversion of this debt into equity or (2) an extension to the repayment date of this facility. However, these discussions have been suspended pending further progress on the sale of Alleasing business referred below.

Alleasing Strategic Outlook

The recent deterioration in the global credit markets has impacted many market participants, including Alleasing. This is further exacerbated for Alleasing by the current issues within AFGL and the above noted Alleasing debt position. The current uncertainties will likely result in reduced new business originations in the near term and thus lower net interest margin contribution.

However, secondary income, which is the main source of cash generation for the business, is unlikely to be materially impacted in the near term as this is derived from the management of historical originations.

As part of a broader restructure of Alleasing's corporate debt facilities, Allco Funds Management Limited (AMFL), as the Manager of the Alleasing Trust, is exploring a possible sale of the Alleasing business on behalf of AMIFL as the Responsible Entity of the Alleasing Trust. If a sale is undertaken, it is expected that the consent of the AHUG security holders will be sought and further details will be provided to enable AHUG security holders to make an informed decision.

¹ Operating earnings represent earnings before finance costs, tax, depreciation and Foreign Exchange.

Distributions

The most recent semi-annual distributions made to AHUG security holders were:

Distributions	Amount per security
Paid 18 February 2008 Record date 11 February 2008	\$5.15
Paid 17 August 2007 Record date 10 August 2007	\$4.50

Following the 17 August 2007 distribution payment, the distribution rate was reset to 10.29% i.e. \$5.15. These distributions, post the reset date, will be interest on the AHUG securities and will be income to the holder of the AHUG securities.

2008 Financial Calendar

The financial reporting and distribution dates for the AHUG securities for the remainder of 2008 are:

Estimated July half year distribution announced	31 July 2008
Ex-distribution trading starts	5 August 2008
Record date for half year distribution	11 August 2008
Half year distribution paid	18 August 2008
FY08 Annual financial results and distribution announced	29 August 2008

Further information

The Half Year Financial Report to 31 December 2007 for each of Alleasing and HIT are available in the News section of Allco HIT Limited's website at www.allcohit.com. If you would like a hard copy of one or both of these reports mailed to you, please contact our share registry, Computershare, as follows:

Enquiries within Australia: 1300 738 987

Enquiries outside Australia: 61 3 9415 4635

Web enquiries: web.queries@computershare.com.au

Other enquiries may be directed to allcoinvestors@allco.com.au.

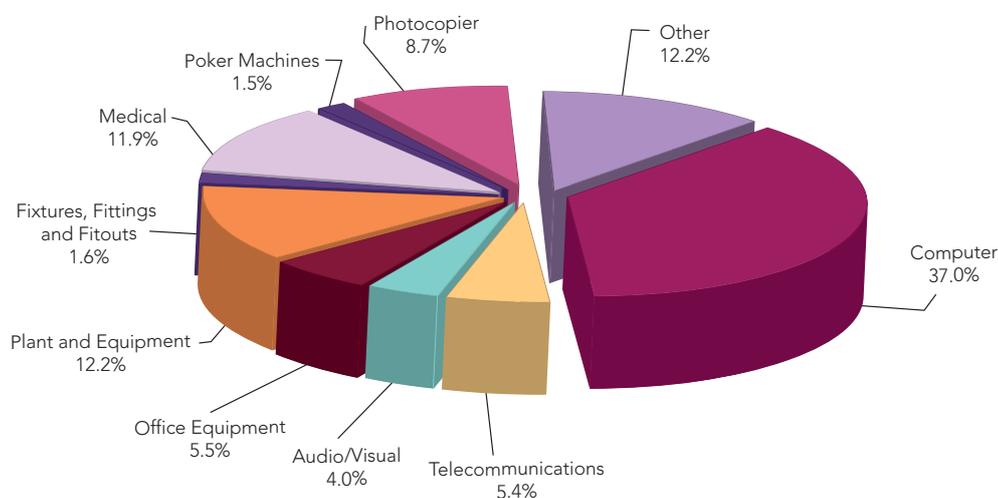
About Alleasing Hybrids

In August 2004, the Allco Hybrid Investment Trust ('HIT') issued \$130 million of listed hybrid securities known as Alleasing Hybrids (AHUG securities) to Australian private investors. \$90.8m of the proceeds from this capital raising were invested in the preference units in Alleasing. HIT exercised its right to reset the term of these hybrids for a further two years on 17 August 2007. From this reset date, distributions are being paid on a semi-annual basis at 10.29% and represent interest on the AHUG securities and will be income to the holder of the AHUG securities. At maturity on 17 August 2009, the AHUG securities are due to be redeemed for cash, or converted into Alleasing equity units (if Alleasing is listed) to the value of \$105 for each \$100 hybrid.

Alleasing Company Profile

Alleasing was formed as a managed investment scheme in November 2003. It was registered with the Australian Securities and Investment Commission in May 2004. The key characteristics of Alleasing are:

- Operates as specialist equipment financier focusing on small ticket leases (i.e. where the unit value of individual assets is less than \$250,000) in the non-motor, non-consumer segments.
- Originates and manages a diverse range of assets, with a focus on high depreciating / obsolescing assets, typically with a useful life of less than 8 years.
- Has a strong asset management focus which leads to substantial secondary income. Alleasing retains the ownership interest in the majority of transactions of the leased assets and derives a return through the appropriate management of rental assets during and at the end of the initial lease term. Secondary income is derived through customers' continued use of the rented equipment beyond the initial term of the contract and/or through proceeds from the sale of the asset once the customer has finished renting the asset.
- Has \$1.3 billion of assets under management at 31 December 2007. The portfolio is well diversified in terms of asset type, maturity profile and customer diversity. Assuming historical secondary income outcomes are maintained, we expect that the gross secondary cash flows from the existing book to be around \$250m. Approximately 68% of lease residuals are attached to lease contracts with an expiry date before 30 June 2011.



- Originates transactions in Australia and New Zealand through multiple channels, including direct, vendor introducers, banking alliances and selected brokers.
- Raises loans to fund customer lease equipment on a fixed term, fixed rate and limited recourse basis, against the customer's committed rental payments, through a panel of banks in Australia and New Zealand.
- Alleasing is not reliant on financing or refinancing via the US or sub-prime debt markets.