



ADELAIDE MANAGED FUNDS
ASSET BACKED YIELD TRUST

August 2010

Adelaide Managed Funds

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1. OVERVIEW OF THE FUND

OVERVIEW OF THE FUND

Description

- > ASX listed (ASX: AYT) with issued capital of \$173 million
- > NTA per Unit equal to \$1.63 as at 31 July 2010
- > Capital return of \$0.16 per Unit paid on 19 July 2010

Unique Investment

- > Portfolio of investments not generally publicly available
- > Invests in predominantly high yielding assets
- > Investments backed by pools of loan and lease assets
- > No outstanding liabilities or funding commitments

FY10 Performance

- > Annualised cash yield for investors of BBSW + 3.82%
- > Total Unitholder distributions of 15.35 cents per Unit
- > Impairment provision outstanding against MIS investment of \$15.8 million as at 30 June 2010
- > All other investments performing to or above expectations

Proposed Strategy

- > Board and Management unanimously recommend the implementation of an orderly wind down of the Fund by returning capital to Unitholders as the Fund's assets mature
- > Unitholders to vote on the proposed strategy at an Extraordinary General Meeting to be held 17 September 2010

FY10 FINANCIAL PERFORMANCE

- > Investment income decreased by 19.1% to \$16.5 million compared to the previous comparable period (pcp)
- > The decline in investment income was primarily due to lower interest rates, with average 30-day BBSW down 20.1% versus pcp
- > Unitholders received total distributions of 15.35 cents per Unit during FY10

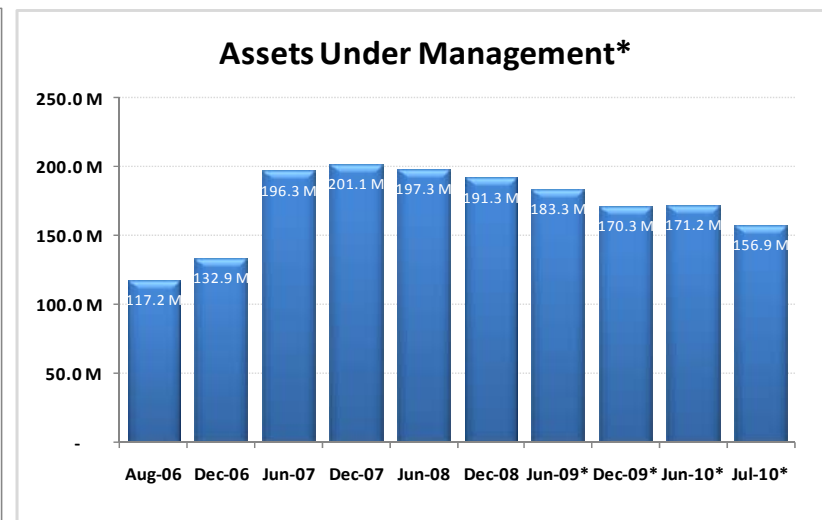
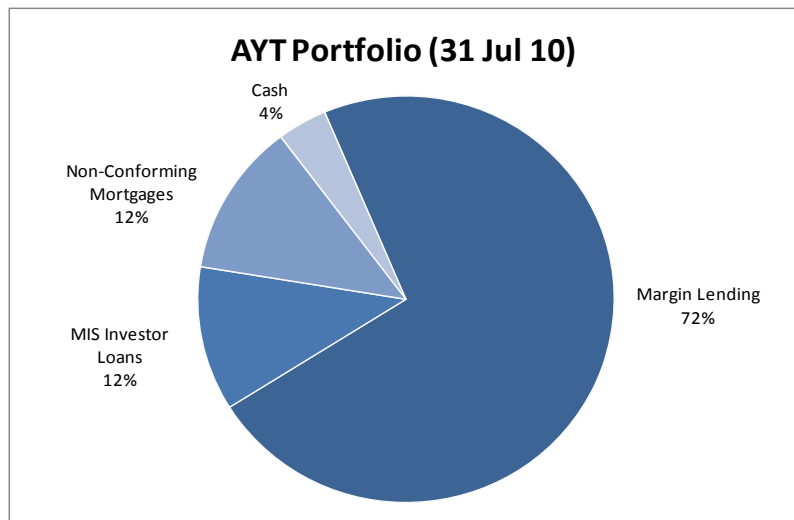
	Change from pcp	FY10 (\$m)	FY09 (\$m)
Investment Income	(19.1%)	16.5	20.4
Operating Expenses ¹	4.8%	(2.2)	(2.1)
Distributable Income	(12.6%)	14.3	16.4
Unitholder Distribution (cents per Unit)	(10.5%)	15.4	17.2
Average 30-day BBSW	(20.1%)	3.86%	4.87%
Weighted Average Investment Margin	(1.0%)	5.80%	5.84%

¹ Excludes impairment provision

2. INVESTMENT PORTFOLIO UPDATE

PORTFOLIO OVERVIEW

- > Medical Equipment Financing Program investment fully repaid in June 2010
- > Capital return of \$0.16 paid to Unitholders in July 2010
- > 51% of assets were rated (or shadow rated) investment grade as at 31 July 2010 (30 June 2010: 51%)
- > Assets under management (including cash) total \$157 million as at 31 July 2010



* includes impairment provision and cash balances

PORTFOLIO PERFORMANCE UPDATE

- > Margin lending remains the Fund's standout asset class and its loss buffer multiple remains more than 20 times current losses
- > Non-Conforming Mortgage investments are well supported by funded subordination and have a substantial buffer against losses
- > Continued high degree of Management focus on impaired MIS investment

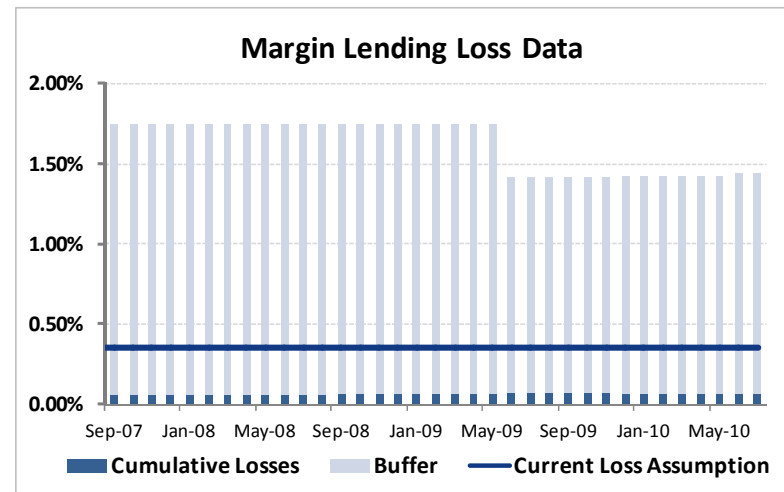
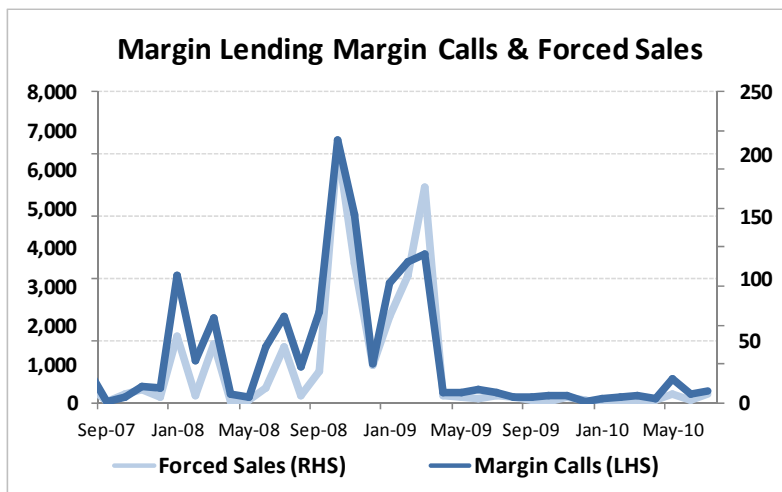
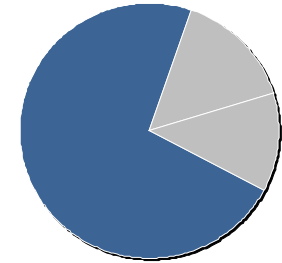
Investment	Actual Losses Recorded to 31 Jul 2010	Current Loss Assumptions	Losses where Fund Investment is Impacted	Loss Buffer Multiple (Current)	Loss Buffer Multiple (Previous)
Margin Lending	0.07%	0.35%	> 1.44%	20.6 x	20.3 x
Non-Conforming Mortgages	0.28%	0.74%	> 2.55%	9.1 x	7.6 x
MIS Investor Loans ¹	24.57%	28.24%	> 4.82%	0.0 x	0.0 x

¹ Impairment provision of \$15.7 million outstanding as at 31 July 2010

MARGIN LENDING

- > Investment continues to perform very well
- > During FY10 there was an average of just 200 margin calls valued at \$6.5 million (<0.5% of the portfolio), per month. There has been an average of 3 forced sales per month and the portfolio recorded no losses
- > Volumes of margin calls and forced sales well down on record numbers reached in FY09 as market stabilises

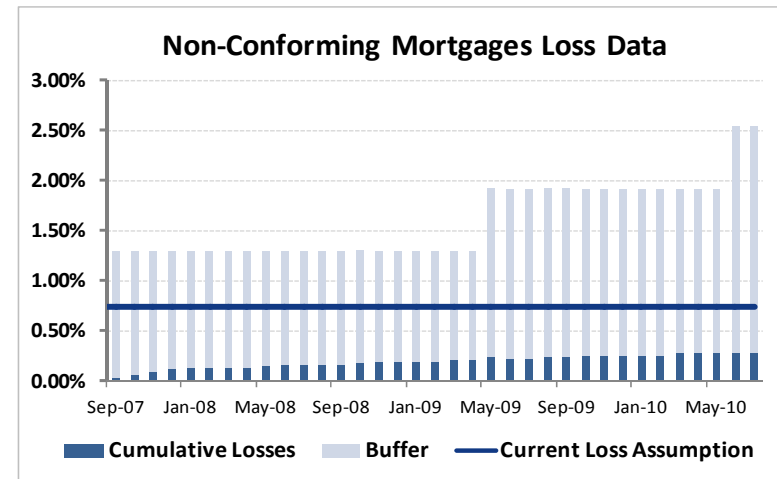
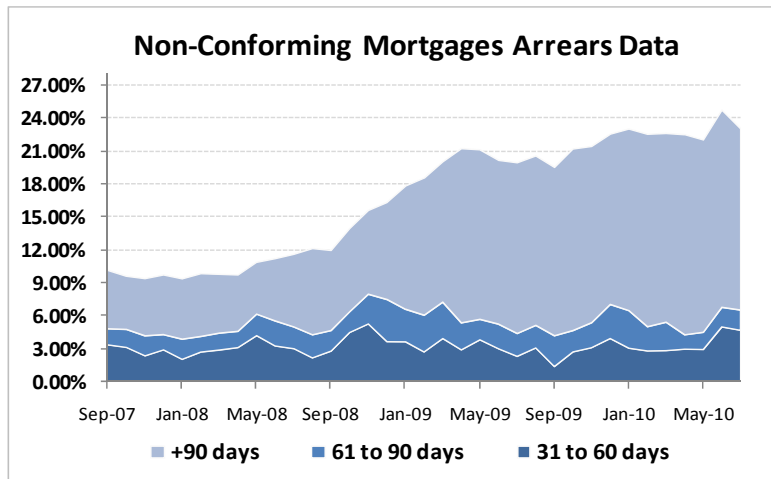
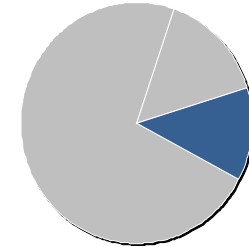
Margin Lending (73%)



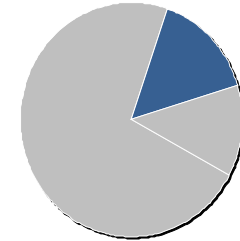
NON-CONFORMING MORTGAGES

- > Investment continues to perform well despite high arrears
- > The continued high level of +90 day arrears reflects ongoing financial hardship cases however we note that these borrowers are still meeting payment arrangements and losses have not increased
- > Cumulative losses remain substantially less than forecast and need to increase by more than 9 times before the Fund's investment is impacted

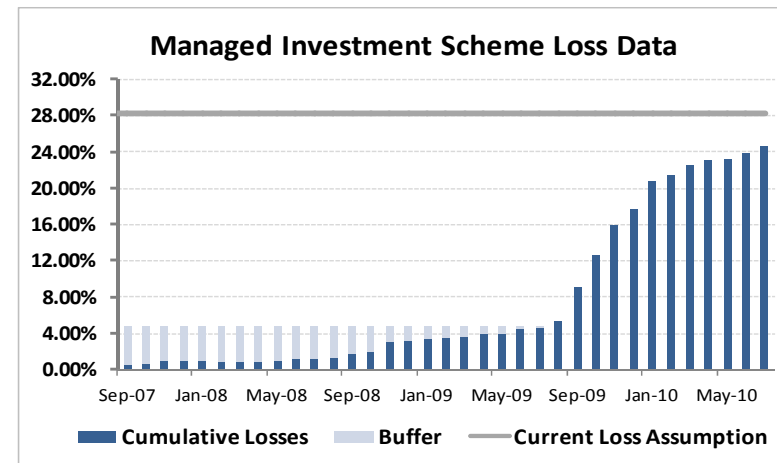
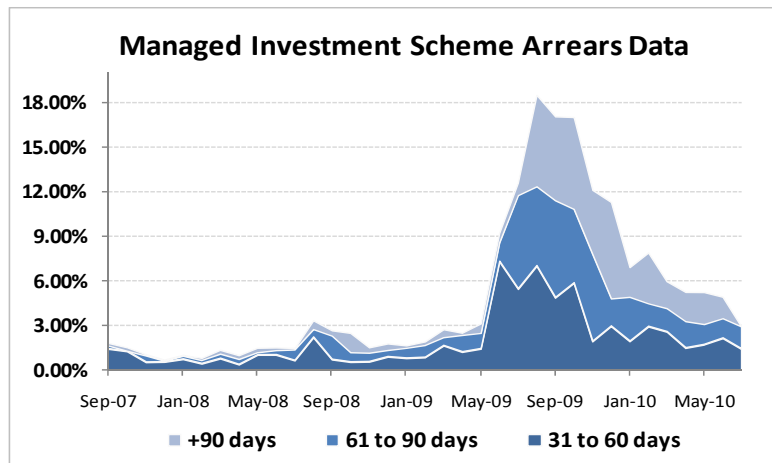
Non-Conforming Mortgages (12%)



MANAGED INVESTMENT SCHEMES



- > All receivables are investor loans offered to borrowers to facilitate their investment in various Great Southern MIS
- > All loans secured by plantations and have full recourse to borrower
- > Total impairment provision of \$15.7 million recognised as at 31 July 2010, reflecting AMF's current best estimate of loss
- > Continued high degree of focus from Management and AMF continues to work to achieve maximum recoveries for Unitholders



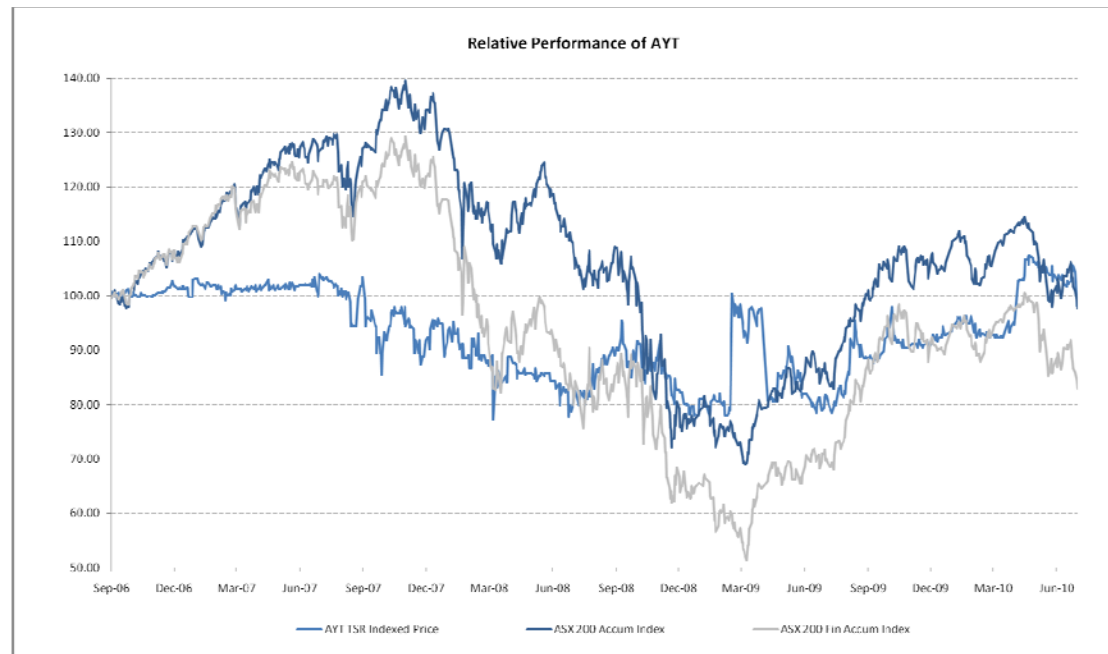
3. PROPOSED STRATEGY

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- > During FY10, Management and Board completed a comprehensive strategic review of the Fund, taking into consideration:
 - > Unit trading price discount to NTA;
 - > Current market conditions;
 - > Unitholder feedback; and
 - > The Fund's original value proposition
- > Management and Board resolved that an orderly return of capital and gradual winding down of the Fund is in the best interests of Unitholders, subject to:
 - > No superior proposals being forthcoming; or
 - > A favourable change in market conditions
- > Explanatory Memorandum and Notice of Meeting issued on 24 August 2010
- > Unitholders will vote on this proposed strategy at an Extraordinary General Meeting to be held on 17 September 2010

TOTAL SHAREHOLDER RETURN

- > For Unitholders who invested at listing, the Fund has provided stable, regular distributions despite the Unit trading price discount to NTA
- > On a Total Shareholder Return (TSR) basis, the Fund has returned 10.1% since listing to 31 July 2010



- > In contrast to the Explanatory Memorandum, this TSR calculation includes the capital return paid in July and cumulative income distributions since listing

4. EXTRAORDINARY GENERAL MEETING

EXTRAORDINARY GENERAL MEETING

- > To be held in Adelaide at 10:00am on 17 September 2010
- > Vote in person or by proxy
- > Unitholders will be asked to vote by way of a poll on the following resolutions:
 - > General approval to implement the proposed strategy (ordinary resolution);
 - > Approval to delist the Fund after the majority of capital has been returned to Unitholders (ordinary resolution); and
 - > Approval to amend the Fund's Constitution to give AMF the power to terminate the Fund (special resolution).

THE BOARD UNANIMOUSLY RECOMMENDS THAT UNITHOLDERS VOTE IN FAVOUR OF THE RESOLUTIONS TO APPROVE THE PROPOSAL, SUBJECT TO NO SUPERIOR PROPOSAL BEING RECEIVED AND NO FAVOURABLE CHANGE IN MARKET CONDITIONS.

5. KEY DATES

KEY DATES

Date	Event
24 August 2010	Explanatory Memorandum and Notice of Meeting issued to Unitholders.
15 September 2010	Proxy forms must be received by 10:00am (CST).
15 September 2010	All Unitholders on the register at 7:00pm (EST) are eligible to vote at the Extraordinary General Meeting.
17 September 2010	Extraordinary General Meeting to be held at 10:00am (CST)

APPENDIX I

Additional Details on the Investment Portfolio

ADDITIONAL DETAILS ON THE INVESTMENT PORTFOLIO

Name	Asset category	Face Value (\$M) ¹	% of Portfolio	Margin over BBSW (%)	Funded Subordination (%)	Excess Spread ²	Total Support ³ (\$M)
Lighthouse No. 4 Trust	Margin Lending	75.0	45.2%	1.25%	3.97%	1.44%	70.1
Lighthouse No. 4 Trust	Margin Lending	50.1	30.2%	12.50%	0.00%	1.44%	20.0
Q10 Trust E Note	Mortgage Portfolio	10.0	6.0%	3.75%	6.90%	2.55%	30.1
Q10 Trust F Note	Mortgage Portfolio	11.0	6.6%	6.00%	0.00%	2.55%	19.1
MIS Program 1 C Note	MIS Investor Loans	13.6	8.2%	4.50%	13.25%	0.00%	6.2
MIS Program 1 D Note	MIS Investor Loans	6.2	3.7%	12.50%	0.00%	0.00%	0.0

¹ Does not include impairment provisions – impairment provision of \$15.7 million outstanding against MIS investment as at 31 July 2010

² Cumulative over the life of the program, noting that only the Q10 Program “traps” excess spread

³ Funded subordination and cumulative excess spread based upon investment as at 31 July 2010

ADDITIONAL DETAILS ON THE INVESTMENT PORTFOLIO

Name	Asset Category	Face Value (\$M) ¹	Forecast Maturity	Mechanism
Lighthouse No. 4 Trust	Margin Lending	75.0	1.3 years	Program maturity on 30 September 2010. Subordinated Notes are to be repaid within 13 months of this date but only if the Senior Notes have been repaid or the repayment can be funded by the issue of new Subordinated Notes.
Lighthouse No. 4 Trust	Margin Lending	50.1		
Q10 Trust E Note	Mortgage Portfolio	10.0	1.3 years	Program called on 16 June 2011 or at 5% of initial pool balance. Call at the discretion of the Trust Manager (NAML).
Q10 Trust F Note	Mortgage Portfolio	11.0		
MIS Program 1 C Note	MIS Investor Loans	13.6	1.8 years	Program called at 10% of initial pool balance. Call at the discretion of the Trust Manager (AB Management).
MIS Program 1 D Note	MIS Investor Loans	6.2		

¹ Does not include impairment provisions – impairment provision of \$15.7 million outstanding against MIS investment as at 31 July 2010

APPENDIX II

Full Year Financial Results

PROFIT AND LOSS STATEMENT

	FY10 A\$M	FY09 A\$M
Investment Income	16.51	20.41
Total Revenue	16.51	20.41
Operating Expenses	(2.19)	(2.13)
Impairment Provision	(12.32)	(4.34)
Proposal Assessment Costs	-	(1.61)
Earnings Before Interest and Taxation (EBIT)	2.00	12.34
Net Interest Expense	(0.01)	(0.32)
Profit Before Tax	1.99	12.02
Adjustment for: Impairment Provision	12.32	4.34
Distributable Income	14.31	16.36
Distributable Income (cents per Unit)	15.35c	17.13c

* Rounding differences may occur

CASHFLOW STATEMENT

	FY10 A\$M	FY09 A\$M
Cash Flows from Operating Activities		
Interest Received	16.73	20.87
Interest Paid	(0.01)	(0.23)
Management Fee Paid	(1.92)	(2.15)
Other	(0.27)	(1.73)
Net Cash Flows from Operating Activities	14.52	16.76
Cash Flows from Financing Activities		
Unit Buyback	-	(6.88)
Distributions to Unitholders	(15.08)	(18.25)
Net Borrowings	-	(1.25)
Net Cash Flows used in Financing Activities	(15.08)	(26.38)
Cash Flows from Investing Activities		
Investments Repaid/(Acquired)	16.14	8.13
Net Cash provided by Financing Activities	16.14	8.13
Net Increase in Cash and Cash Equivalents	15.58	(1.49)

* Rounding differences may occur