

# **EXPLANATORY MEMORANDUM AND NOTICE OF EXTRAORDINARY GENERAL MEETING**

Extraordinary General Meeting of the Unitholders  
of the Adelaide Managed Funds Asset Backed Yield Trust

Friday, 17 September 2010 at 10:00am (CST)  
to be held at the David Spence Room, Adelaide Town Hall  
128 King William Street, Adelaide SA 5000

Adelaide Managed Funds

Adelaide Managed Funds Limited  
(ABN 81 062 274 533) (AFSL 240517)  
as Responsible Entity for the  
Adelaide Managed Funds Asset Backed Yield Trust (ARSN 120 038 002)

# Contents

	<b>Page</b>
Letter from the Chairman	3
Section 1 - Overview of the Proposal	4
Section 2 - Actions Required by Unitholders	8
Section 3 - Description of Resolutions	9
Section 4 - Background and Reasons for the Proposal	11
Section 5 - Detailed Description of the Proposal	20
Section 6 - Taxation Considerations	23
Section 7 - Glossary and Interpretation	28
Appendix 1 - Supplemental Deed	30
Appendix 2 - Notice of Meeting	36
Corporate Directory	39

## Key Dates

Last time and date by which proxy forms for the Unitholders' Meeting must be received	10:00am (CST) on 15 September 2010
Time and date for determining eligibility to vote at the Unitholders' Meeting	7:00pm (EST) on 15 September 2010
Unitholders' Meeting – to be held at the David Spence Room, Adelaide Town Hall, 128 King William Street, Adelaide SA 5000	10:00am (CST) on 17 September 2010

## Letter from the Chairman

24 August 2010

Dear Unitholder,

The Adelaide Managed Funds Asset Backed Yield Trust (the "Fund") listed on the ASX in August 2006 with a mandate to invest in high yielding assets backed by underlying portfolios of loans, leases and receivables. Since that time, the Fund has invested within its mandate and achieved its objective of providing Unitholders with access to unique assets generating stable returns.

With a substantial amount of these assets likely to be repaid within the coming 6 to 18 months and the ongoing disparity between the Unit price and the Fund's Net Tangible Asset backing, your Board and Management conducted a comprehensive strategic review of the Fund, giving consideration to the Fund's original value proposition, current market conditions and Unitholder feedback.

Following the completion of this review, Adelaide Managed Funds, as Responsible Entity for the Fund ("AMF"), announced on 6 April 2010 that it intends to implement an orderly wind down of the Fund by returning capital to Unitholders as the Fund's assets mature.

AMF also intends to delist the Fund, but not before capital is returned to Unitholders relating to the maturity (or other realisation) of the notes in the Lighthouse No. 4 Trust held by the Fund. Ultimately, AMF proposes to terminate and wind-up the Fund (this together with the wind down strategy and proposed delisting, the "Proposal").

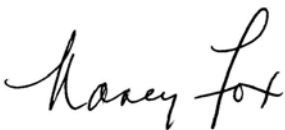
The Board unanimously recommends that Unitholders vote in favour of the resolutions to approve this Proposal, subject to no superior proposals and no favourable change in market conditions.

The Board is of the view that the Proposal is in the best interests of Unitholders for a number of reasons, which are set out in full in this Explanatory Memorandum. In particular, the Proposal will provide Unitholders with the opportunity to exit an investment in the Fund, whose original value proposition is unlikely to be maintained, in circumstances in which the value they receive over time is expected to be higher than recent Unit prices.

The Unitholders' Meeting to consider approving the Proposal will be held at 10:00am (CST) on 17 September 2010 at the David Spence Room, Adelaide Town Hall, 128 King William Street, Adelaide SA 5000. It is important that you cast your vote, either by attending the Unitholders' Meeting, or by completing and returning the proxy form accompanying this document as soon as possible, and in any event so that it is received by the Fund's registry no later than 10:00am (CST) on 15 September 2010.

This document contains important information on the Proposal and its implementation. I encourage you to read this document carefully and in its entirety. If you have any questions, please contact the Unitholder information line on 1800 224 124 within Australia or +61 8 8300 6000 outside Australia. Alternatively, contact your financial, taxation, legal or professional adviser.

Yours sincerely,



Nancy Fox

Chairman  
Adelaide Managed Funds

# Section 1 - Overview of the Proposal

## 1.1 The Proposal

AMF intends to implement the Proposal (subject to no superior proposals and no favourable change in market conditions). This includes doing the following:

- returning capital to Unitholders upon the maturity (or other realisation) of the Lighthouse No. 4 Trust Notes (the “Material Capital Return”);
- returning capital derived from the maturity (or other realisation) of the other assets of the Fund;
- delisting the Fund; and
- ultimately, terminating and winding up the Fund.

Termination and delisting of the Fund will not occur before the Material Capital Return has been made (expected to be October 2011). Once termination has occurred, AMF will be under an obligation to realise the remaining assets of the Fund as soon as is practicable.

Once the assets of the Fund have been realised, AMF expects to make a final distribution to Unitholders (representing the total value of any income and capital amounts remaining within the Fund) and the Fund will be deregistered.

AMF is seeking general Unitholder approval to implement the Proposal (“Resolution 1”).

In order to implement the Proposal in full, AMF is also seeking Unitholder approval to:

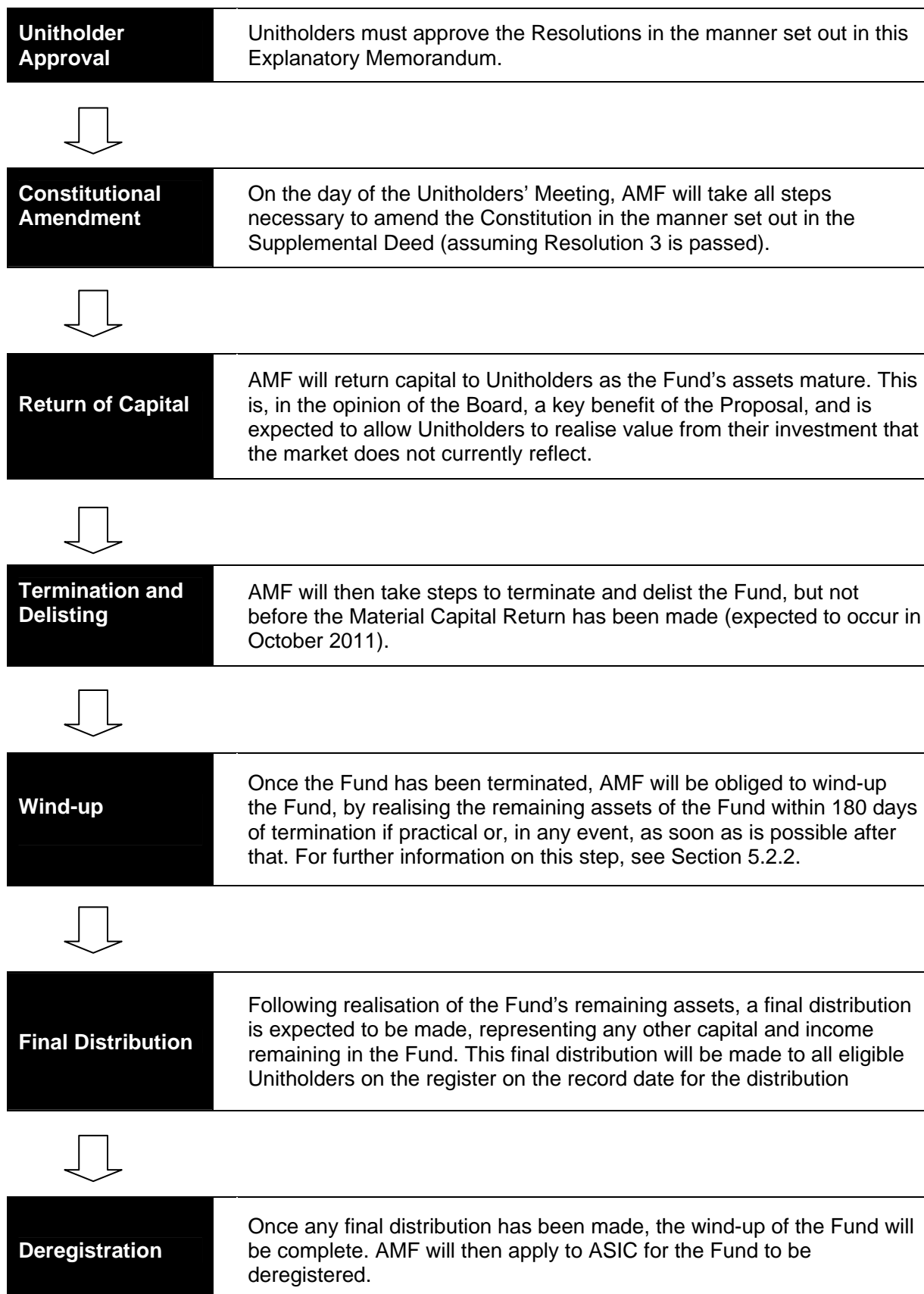
- delist the Fund, at its election, but not before the Material Capital Return has been made (this is necessary as the ASX approved the delisting, subject only to Unitholder approval) (“Resolution 2”); and
- amend the Constitution to give it the power to terminate the Fund at a time it specifies, upon the giving of at least 30 days notice (this gives AMF the flexibility to terminate the Fund, when it determines that it is in the best interests of Unitholders to do so) (“Resolution 3”).

Further detail on the resolutions, including the interrelationship between each of them, is set out in Section 3.

Your decision regarding how to vote on the Proposal should be made only after consultation with your financial, legal, taxation or other professional adviser based on your own investment objectives, financial situation, taxation position and particular needs.

## 1.2 Steps to Implement the Proposal

The steps required to implement the Proposal are as follows:



## 1.3 Boards' Recommendation

The Board has considered the potential advantages and disadvantages of the Proposal. The Board believes that the Proposal is in the best interests of Unitholders and unanimously recommend that Unitholders vote in favour of the Proposal.

The benefits and disadvantages of the Proposal set out in this Explanatory Memorandum, are the source of the Boards' recommendation.

If a superior proposal is forthcoming or a favourable change in market conditions occurs, then the Board will withdraw its recommendation or, if either circumstance occurs after the Proposal has been approved by Unitholders at the Unitholders' Meeting, the Proposal will not proceed. Either circumstance will need to result in a demonstrably better outcome for Unitholders than under the current Proposal for this to occur.

## 1.4 Benefits of the Proposal

The Board believes there are a number of key benefits of the Proposal to Unitholders, including:

- the amount of capital returned to Unitholders over time is likely to be higher than recent Unit prices and is expected to allow Unitholders to realise value from their investment that the market does not currently reflect;
- the Proposal ultimately provides Unitholders with an exit mechanism from their investment, not subject to the historical constraints caused by low trading volume;
- implementation of the Proposal will remove the reinvestment risk that Unitholders will be exposed to as the Fund's assets mature;
- no brokerage or stamp duty is payable by Unitholders under the Proposal; and
- upon delisting of the Fund, the Fund will not incur any of the costs associated with remaining a listed entity.

Further information in relation to the benefits of the Proposal is set out in Section 4.6.

## 1.5 Disadvantages Associated with the Proposal

Although the Proposal is recommended by the Board, there may be factors which lead Unitholders to vote against the Proposal, including:

- eventual loss of the opportunity to invest in the Fund following its termination and wind-up;
- the timing of capital returns made may not suit the individual circumstances of some Unitholders;
- a loss of liquidity in the period following delisting; and
- the taxation implications of the Proposal may not suit the individual circumstances of some Unitholders.

Further information in relation to the disadvantages of the Proposal is set out in Section 4.7.

**After considering these potential disadvantages, the Board has formed the view that the benefits of the Proposal outweigh any potential disadvantages of the Proposal.**

## **1.6 Consequences if the Proposal does not Proceed**

If the Proposal is not approved by Unitholders, Unitholders will retain their Units and the Fund will continue as a stand-alone entity and remain listed on the ASX. The rights of Unitholders will remain unchanged. AMF will reassess the Fund's business plan and strategy to determine how best to maximise value for Unitholders with the Fund remaining as an ASX listed entity.

In the absence of any alternative proposal, the difficulties in maintaining the Fund on an 'as-is' basis, outlined in Section 4.5.1, are expected to continue.

AMF will have incurred costs of approximately \$150,000 in connection with the Proposal. These costs will still be borne by the Fund without the benefit of any of the potential advantages of the Proposal if it does not proceed.

## **1.7 Entitlement to Vote**

All Unitholders on the Fund's register at 7:00pm (EST) on Wednesday, 15 September 2010 are entitled to vote at the Unitholders' Meeting, subject to the relevant voting restrictions. For further details on how to vote, please refer to Section 2.

## **1.8 Tax Considerations for Unitholders**

A general summary of the Australian tax treatment of the Proposal for Unitholders who are Australian tax residents is set out in Section 6.

## **1.9 How to Obtain Further Information**

For further information, you should:

- contact your financial, taxation, legal or other professional adviser;
- call the Unitholder information line on 1800 224 124 (free call from within Australia) or +61 8 8300 6000 (from outside Australia); or
- contact AMF at the following email address:  
**enquiries@adelaidemanagedfunds.com.au**

## Section 2 - Actions Required by Unitholders

### Step 1 Read the Entire Document Carefully

This is an important document. You should read it in its entirety and consult your professional adviser if you have any queries.

### Step 2 Vote on the Resolutions

You may vote in person or by proxy.

If you wish to **vote in person**, you should attend the Unitholders' Meeting at the David Spence Room, Adelaide Town Hall, 128 King William Street, Adelaide SA 5000, at 10:00am (CST) on Friday, 17 September 2010.

If you wish to **vote by proxy**, you must complete and return the attached proxy form so that it is received no later than 10:00am (CST) on Wednesday, 15 September 2010.

Completed proxy forms may be lodged using the reply paid envelope or delivered:

#### **In person at either:**

- The Unit Registry - Computershare Investor Services Pty Limited, Level 5, 115 Grenfell Street, Adelaide SA 5000 Australia; or
- AMF's Registered Office – The Bendigo Centre, 22-24 Bath Lane, Bendigo VIC 3550 Australia.

#### **By mail to either:**

- The Unit Registry - Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria, 3001; or
- AMF's Registered Office – The Bendigo Centre, PO Box 480, Bendigo VIC 3552 Australia.

#### **By fax to either:**

- The Unit Registry - 1800 783 447 (free from within Australia) and +61 3 9473 2555 (from outside Australia); or
- AMF's Registered Office - +61 3 5485 7624.

Refer to the enclosed proxy form for more information about how to complete a proxy form.

Further information on voting is set out in the Notice of Meeting in Appendix 2.



## Section 3 - Description of Resolutions

### 3.1 Purpose of the Unitholders' Meeting

The purpose of the Unitholders' Meeting is to consider and, if thought fit, pass resolutions that are necessary to implement the Proposal. Each Resolution, and an associated explanation, is set out below.

Each of Resolutions 1 and 2, both ordinary resolutions to be decided on a poll, will not be passed unless more than 50% of the votes cast on the resolution, in person or by proxy, are cast in favour of the resolution.

Resolution 3, a special resolution to be decided on a poll, will not be passed unless more than 75% of the votes cast on the resolution, in person or by proxy, are cast in favour of the resolution.

### 3.2 Resolution 1 - Ordinary Resolution

***“That the Proposal (as described in the Explanatory Memorandum) be approved for all purposes. This Resolution will only become effective on the approval of Resolution 3 and the amendment of the Constitution of the Fund, pursuant to that Resolution.”***

Resolution 1 seeks general approval of the Proposal. The Board is under no legal obligation to seek this approval. However, they have determined to do so in any event, so as to give Unitholders the ability to approve what they see to be a significant change to the Fund's operations.

### 3.3 Resolution 2 - Ordinary Resolution

***“That Unitholders approve the delisting of the Fund, at the election of AMF, but not before the Material Capital Return (as that term is defined in the Explanatory Memorandum) has been made.”***

As described in AMF's announcement to the market on 23 June 2010, AMF is considering delisting the Fund some time after the Material Capital Return has been made.

The ASX has approved the delisting of the Fund at the election of AMF, but not before the Material Capital Return has been made, under ASX Listing Rule 17.11, subject only to the condition that Unitholders approve the delisting.

### 3.4 Resolution 3 - Special Resolution

***“That, subject to Resolution 1 being passed, for the purposes of section 601GC(1)(a) of the Corporations Act:***

- (a) the Constitution of the Fund be amended in the manner set out in the Supplemental Deed (set out at Appendix 1 to the Explanatory Memorandum); and***
- (b) AMF be authorised to execute and lodge with ASIC a copy of the Supplemental Deed.”***

Under Resolution 3, if passed, the Constitution of the Fund will be amended in the manner set out in the Supplemental Deed (attached as Appendix 1) so as to give AMF

the power to terminate the Fund, on a date determined by AMF upon the giving of at least 30 days notice. This gives AMF the flexibility, in implementing the Proposal, to wind-up the Fund at a time that is beneficial to all Unitholders.

### 3.5 Entitlement to Attend and Vote at the Unitholders' Meeting

All registered Unitholders as at the record date for voting entitlement (which is 7:00pm (EST) on Wednesday, 15 September 2010) are entitled to attend and vote at the Unitholders' Meeting, either in person or by proxy, unless excluded from voting.

AMF and its associates are not entitled to vote any Units they hold on the Resolutions.

### 3.6 Interrelationship Between Resolutions

If Resolutions 1 and 3 are passed but Resolution 2 is not passed, AMF still intends to return capital to Unitholders as the Fund's assets mature (including making the Material Capital Return) and to terminate and wind-up the Fund. However, it will not delist the Fund prior to the wind-up being finalised.

If either of Resolutions 1 or 3 is not passed, then the Proposal will not be implemented.

If Resolution 3 is passed, AMF will amend the Constitution in the manner set out in the Supplemental Deed, but only if Resolution 1 is also passed and only for the purposes of implementing the Proposal.

These interrelationships are summarised in the table below.

Resolution	Approved?	Outcome
Resolution 1	Yes	AMF will return capital to Unitholders, including making the Material Capital Return, and ultimately terminate and wind up the Fund, so long as Resolution 3 is also passed.
	No	The Proposal will not be implemented.
Resolution 2	Yes	Delisting will occur if Resolution 1 and Resolution 3 have been passed, but not before the Material Capital Return has been made.
	No	Delisting will not occur prior to the wind-up being finalised. However, if Resolutions 1 and 3 are passed, AMF will return capital to Unitholders and terminate and wind up the Fund.
Resolution 3	Yes	The Constitution will be amended to enable the Fund to be terminated and ultimately wound up at a time appointed by AMF, only if Resolution 1 is passed and only for the purposes of implementing the Proposal.
	No	The Proposal will not be implemented.

**The Board recommends that you vote in favour of all 3 Resolutions to enable the Proposal to be fully implemented.**

## Section 4 - Background and Reasons for the Proposal

### 4.1 The Fund's Value Proposition and Investment Mandate

The Fund's value proposition at the time of listing was that it would provide Unitholders with:

- exposure to assets not generally publicly available;
- strong expected future investment flow given the Fund's unique access to the asset origination capabilities of Bendigo and Adelaide Bank (previously Adelaide Bank) (the "Bank");
- stable returns expected to average between 4.00% and 4.50% above 30-day BBSW; and
- a liquid investment providing Unitholders with an efficient entry and exit mechanism.

With this proposition in mind, the Fund was listed with an investment mandate to invest in high yielding assets backed by underlying portfolios of loans, leases and other receivables. The Fund also, where appropriate, holds a small amount of cash and other suitably liquid instruments. The Fund does not actively trade its assets and generally holds them to maturity.

Under the Fund's mandate, assets can be unrated or below investment grade and represent the subordinated positions of securitisation transactions. Assets can also represent the residual income or 'first loss' positions in such transactions.

All potential investments are assessed by considering the forecast yield against any potential for non-payment of interest or loss of principal.

### 4.2 Current Portfolio and Maturity Profile

The Fund has invested within its mandate since listing. The table below provides a summary of the Fund's asset portfolio (along with the forecast maturity dates of each asset) as at 30 June 2010:

#### Current Portfolio

Name	Face Value (\$M)	% of Portfolio	Margin over BBSW (%)
Lighthouse No. 4 Trust Senior	75.0	45.1%	1.25%
Lighthouse No. 4 Trust Junior	50.1	30.2%	12.50%
Q10 Trust E Note	10.0	6.0%	3.75%
Q10 Trust F Note	11.0	6.6%	6.00%
MIS Program 1 C Note	13.8 <sup>1</sup>	8.3%	4.50%
MIS Program 1 D Note	6.3 <sup>1</sup>	3.8%	12.50%

<sup>1</sup> Face values do not include impairment provisions. See Section 5.2 for more detail.

## Maturity Profile

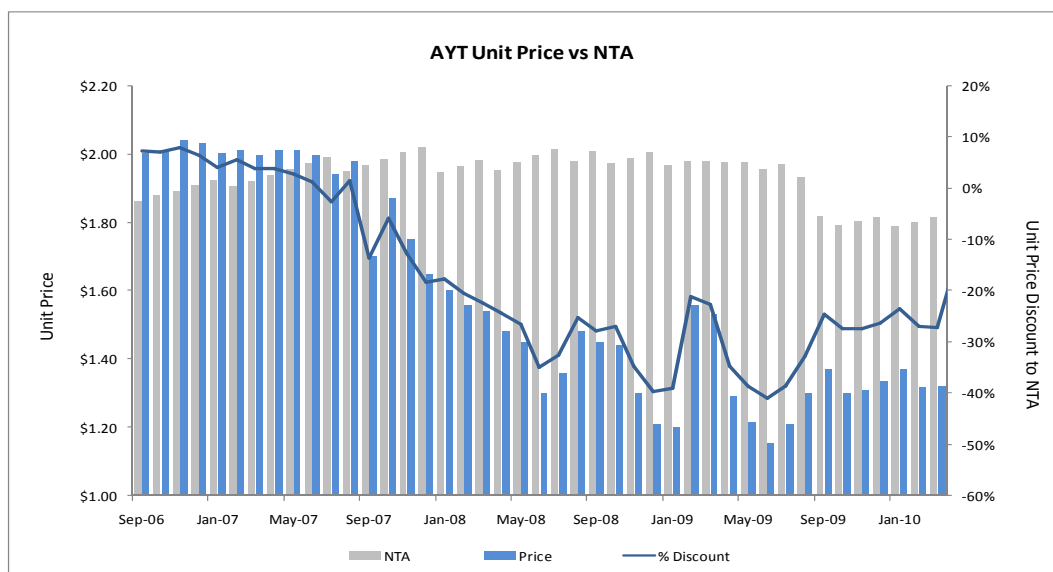
Name	Exposure	Forecast Maturity	Repayment Mechanism
Lighthouse No. 4 Trust Senior	Margin loans	October 2011	Program maturity on 30 September 2010. The Lighthouse No.4 Trust Notes are to be repaid within 13 months of this date but only if the Senior Notes in the trust have been repaid or the repayment can be funded by the issue of new Subordinated Notes.
Lighthouse No. 4 Trust Junior			
Q10 Trust E Note	Non-conforming residential mortgages	October 2011	Program called at 5% of initial pool balance. Call at the discretion of the manager of the trust.
Q10 Trust F Note			
MIS Program 1 C Note	Agricultural MIS investor loans	May 2012	Program called at 10% of initial pool balance. Call at the discretion of the manager of the trust.
MIS Program 1 D Note			

Given the nature of the repayment mechanisms set out in the table above, the exact repayment dates of the Fund's assets are subject to some uncertainty. The behaviour of the underlying borrower may impact timing as may the actions of the trust manager of the relevant trust in exercising or not exercising the program's call option(s). Accordingly, there can be no assurance that any of the forecast maturity dates will be achieved.

## 4.3 Performance of the Fund since Listing

For the first 10 months after listing, the Fund's Unit price traded at around the level of the Fund's Net Tangible Asset ("NTA") backing. However, since June 2007, the Unit price has not reflected the value of the Fund's underlying assets and has only recently recovered some ground following the initial announcement informing the market of the Proposal in April 2010.

The chart below compares the Unit price with the Fund's NTA backing on a monthly basis since listing.

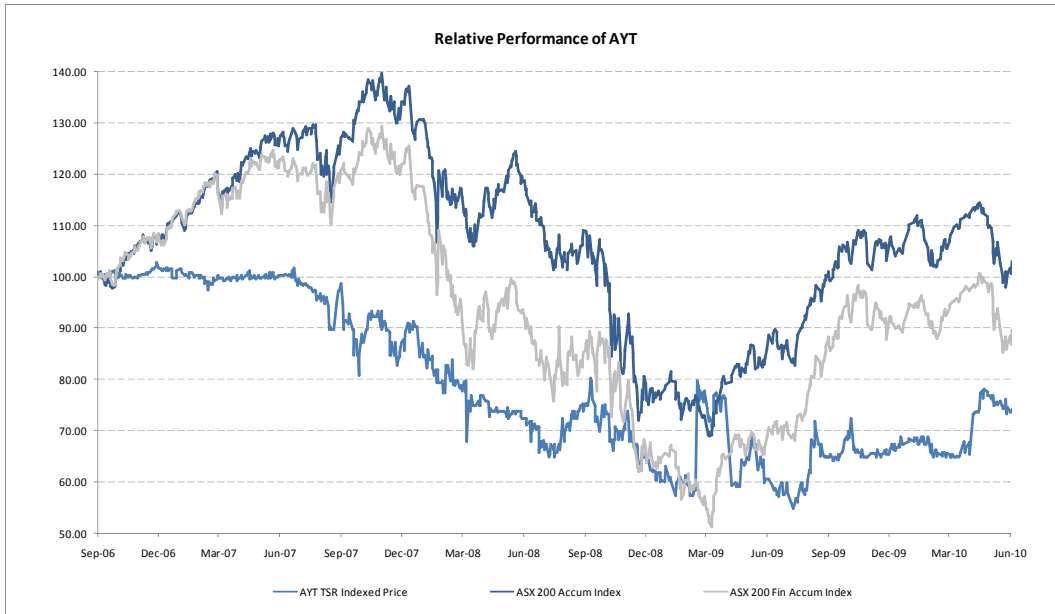


Source: Bloomberg

The performance of the Fund's Unit price has been reflective of a number of factors, including:

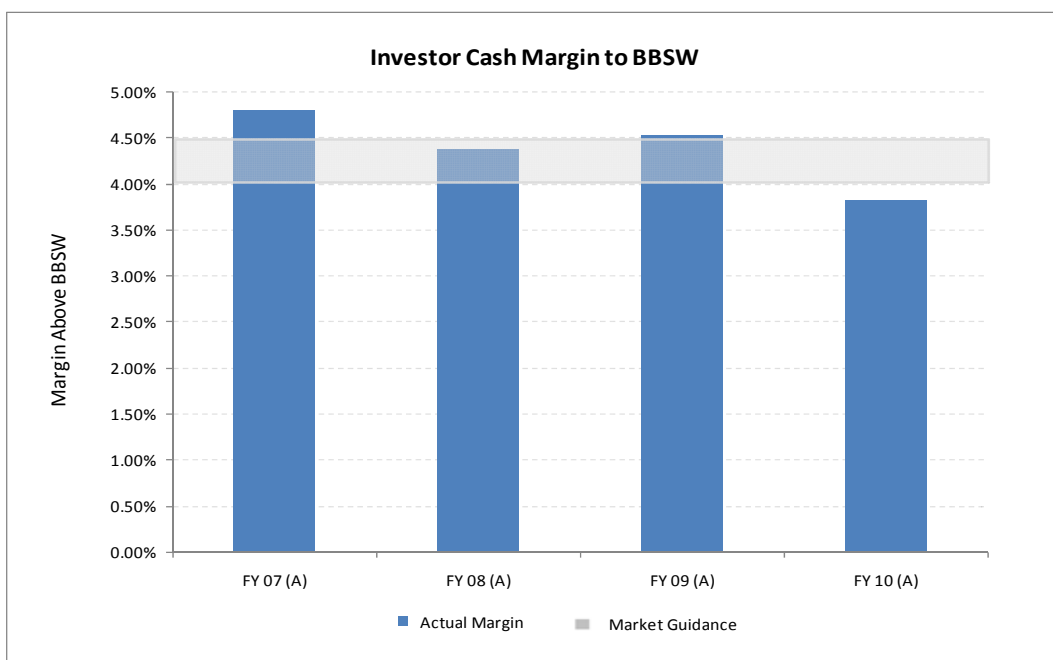
- negative market perceptions of 'high yield' trusts;
- general market conditions;
- low levels of liquidity; and
- impairment of the MIS Notes.

The chart below details the Fund's Unit price performance (on a total shareholder return basis) relative to the S&P/ASX 200 Accumulation Index and the S&P/ASX 200 Financials Accumulation Index, since listing.



Source: Bloomberg

Despite the Fund's Unit price performance, since listing, the Fund has generated stable returns for Unitholders. The chart below details the annual yield the Fund has delivered to Unitholders versus market guidance, on a fully paid basis.



## 4.4 Board and Management Initiatives

In response to the persistent gap between the Fund's Unit price and its NTA backing, the Board and Management undertook a number of initiatives in an effort to enhance value for Unitholders. These initiatives included:

- implementation of 2 on-market Unit buy-backs;
- increasing the frequency of distributions from semi-annual to quarterly;
- commissioning research on the Fund and focusing on increasing analyst and broker coverage;
- improving corporate governance through the enhancement of formal protocols and a Board sub-committee framework to protect Unitholders and manage any related party conflicts of interest;
- deleveraging the Fund's balance sheet to eliminate refinance risk for Unitholders;
- committing to the regular provision of information about the Fund to ensure transparency; and
- consideration and recommendation of the proposed trust scheme with the Bank in 2009 (that did not proceed because necessary APRA approvals were not forthcoming).

## 4.5 Formulating the Proposal

Disappointingly, despite the implementation of these Board and Management initiatives, the Units in the Fund have continued to trade at a discount to NTA. The Board and Management subsequently conducted a comprehensive strategic review of the Fund in March 2010. In conducting this review, the following factors were also taken into consideration:

- the expected maturity profile of the Fund's assets;
- the Fund's original value proposition;
- current market conditions; and
- Unitholder feedback.

A number of alternative strategies were considered by the Board as part of the review process, including:

- the Proposal;
- continuing to run the Fund on an 'as is' basis;
- selling all or some of the Fund's assets;
- internalising management of the Fund and separating AMF and the Fund from the Bank; and
- sourcing third party purchasers for 100% of the Units in the Fund.

Following the completion of the strategic review, the Board unanimously concluded that, subject to Unitholder approval, no superior proposals and no favourable change in market conditions, the Proposal is in the best interests of Unitholders.

In particular, the Board concluded the following in relation to the alternative strategies they considered:

#### **4.5.1 Continuing to run the Fund on an 'as is' basis is not, in the opinion of the Board, a viable alternative.**

The Fund's original value proposition is unlikely to be able to be maintained in the medium to long term. Specifically:

- **Exposure to assets not generally publicly available;**

As set out in Section 4.2, a large proportion of the Fund's assets (87.9% by value) are expected to mature by October 2011.

Given the quantum of assets maturing and the level of due diligence that is customary and prudent in assessing asset backed securities, finding sufficient suitable replacement assets is unrealistic in the assessment of the Board. This is especially the case, given that the Fund's access to further assets is limited (see below).

- **Strong expected future investment flow given the Fund's unique access to the Bank's asset origination capabilities;**

Limited or no expected future investment flow is now expected through the Bank. The Bank's Portfolio Funding business (now known as Alliance Partners), through which the majority of the Fund's existing portfolio was sourced, experienced a significant decline in origination volume following the onset of the global financial crisis and has since changed its strategic direction.

Given market dynamics and the priorities and initiatives set out in Section 4.4, AMF has not, since the Bank's change in strategic direction, developed either an ongoing relationship with any other third party originators, or independent asset origination capabilities.

- **Stable returns expected to average between 4.00% and 4.50% above 30-day BBSW;**

The Fund has maintained yield guidance to Unitholders since listing of between 4.00% and 4.50% above average 30 day BBSW (on a fully paid basis). However, the global financial crisis and its aftermath have had a significant impact on the spreads of assets in securitisation markets, such that that the required rate of return that investors are seeking for Units in the Fund has increased substantially.

The 30 day Volume Weighted Average Price ("VWAP") for Units in the Fund as at 1 April 2010 (the last trading day before AMF initially announced the Proposal) was \$1.31. When compared to cash distributions that investors received for the 2010 financial year, this implies that investors now require a rate of return of approximately 7.48% above average 30 day BBSW (as at 1 April 2010).

To achieve the current implied required rate of return, the Fund would therefore need to source sufficient suitable assets in securities paying a high enough yield to generate this return.

Given the issues faced by AMF in sourcing new assets as noted above achieving this target in an acceptable time frame is unrealistic in the assessment of the Board.

- **A liquid investment providing Unitholders with an efficient entry and exit mechanism.**

Units in the Fund have been very thinly traded since listing. As at 30 June 2010, the average number of Units traded per day since listing is just 127,215 Units, or 0.1% of Units originally issued. Trading volumes are not expected to increase materially in the foreseeable future.

#### **4.5.2 Selling all or some of the Fund's assets is not a viable alternative in the opinion of the Board.**

Most of the Fund's investments are illiquid. As a result of this illiquidity, the Fund's ability to sell its portfolio in a timely fashion and to receive a fair price for those assets is likely to be limited.

To illustrate, under Australian Accounting Standards, the Fund is required to disclose, on an annual basis, the fair value of its investments. For the purposes of this disclosure, the calculation undertaken assumes that the Fund is required to liquidate its entire portfolio of investments immediately, under current market conditions. The audited fair value of the Fund's investments as at 30 June 2010 was \$98,385,283, or \$1.05 per Unit. The NTA backing of the Fund as at the same date was \$152,193,235, or \$1.62 per Unit. The NTA backing of the Fund represents a 54.2% premium to the fair value of the Fund as at 30 June 2010.

#### **4.5.3 Internalising management of the Fund and separating AMF and the Fund from the Bank is also not a viable alternative in the opinion of the Board.**

The internalisation of management of the Fund and the separation of AMF and the Fund from the Bank would involve the Fund compensating the Bank for its loss of future fee income and the transfer of the ownership of AMF.

However, given the issues facing the Fund, set out in Section 4.5.1, the Fund is not sufficiently sustainable to warrant internalisation.

#### **4.5.4 Sourcing third party purchasers for 100% of the Units in the Fund is not a viable alternative in the opinion of the Board.**

In February 2009, the Bank proposed to acquire all of the Units in the Fund by way of a trust scheme. The Board considered this proposed trust scheme and recommended it to Unitholders, however the necessary APRA approvals required by the Bank for it to proceed were not forthcoming.

No alternative third party purchasers expressed interest in acquiring the Units in the Fund whilst the trust scheme was progressing and the Board has not been formally approached since it was withdrawn. The Board believes that the likelihood of any approach is low. However, they will assess any alternative proposals received to determine if they would result in a demonstrably better outcome for Unitholders than the Proposal.



## 4.6 Reasons to Vote in Favour of the Proposal

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. Reasons to vote in favour of the Proposal include:

- **The Board's recommendation;**

The Board has determined that the Proposal is in the best interests of Unitholders and unanimously recommends that Unitholders vote in favour of the Proposal, in the absence of a superior proposal or a favourable change in market conditions.

- **The amount of capital returned to Unitholders over time is likely to be higher than recent Unit prices and will ultimately allow Unitholders to realise value from their investment that the market does not currently reflect;**

As highlighted in Section 4.3, Units in the Fund have traded at a significant discount to their NTA backing for a considerable amount of time.

As at 30 June 2010, the NTA backing of the Fund was equal to \$1.62 per Unit. Assuming that the Fund's assets continue to perform in line with expectations, the Board expects to return in the order of this amount of capital to Unitholders in cash, over time, as the assets mature.

The 30 day VWAP for Units in the Fund as at 1 April 2010 (the day before AMF initially announced the Proposal) was \$1.31. This represents a 19.1% discount to the Fund's NTA backing as at 30 June 2010 (adjusting for the \$0.16 per Unit capital return paid on 19 July 2010).

- **The Proposal ultimately provides Unitholders with an exit mechanism from their investment, not subject to the historical constraints caused by low trading volume;**

As set out in Section 4.5.1, Units in the Fund have been very thinly traded since listing. This has at times proved problematic for Unitholders wishing to exit their investment.

Implementation of the Proposal will ultimately provide Unitholders with an exit mechanism from their investment, not subject to the historical constraints caused by low trading volume.

- **Implementation of the Proposal will remove the reinvestment risk that Unitholders will be exposed to when the Fund's assets mature;**

Given AMF's limited asset generation capabilities at present, there is a risk that AMF may not be able to source sufficient suitable assets for the Fund in a timely manner following the maturity of its existing assets. Implementation of the Proposal will remove this risk.

- **No brokerage or stamp duty is payable by Unitholders under the Proposal;**

No brokerage or stamp duty will be paid by Unitholders on the receipt of their capital returns under the Proposal.

- **Cost of listing;**

The Fund incurs ongoing costs associated with its ASX listing. If the Proposal were fully implemented, the Fund would save these costs and increase returns payable to Unitholders.

Further, the Fund currently generates significant income through its investment in the Lighthouse No. 4 Trust. Once the Material Capital Return is made, the Fund will generate significantly less income. Delisting the Fund after the Material Capital Return has been made will assist in ensuring that the Fund is sustainable whilst the termination/wind-up of the Fund is finalised.

- **Risks**

At the time of listing, AMF informed Unitholders that there were a number of risks associated with investing in the Fund (which were set in Section 5 of the Fund's Product Disclosure Statement dated 27 July 2006) including:

- risks associated with holding sub-investment grade and unrated exposures;
- problems with future investment opportunities;
- credit risk associated with the Fund;
- servicer underperformance;
- liquidity of assets;
- lack of diversification; and
- macro-economic and industry factors.

As a result of the global financial crisis and other market factors, a number of these risks have transpired and remain. The Proposal seeks to provide Unitholders with an opportunity to exit their investment so that they do not continue to be subject to the same exposures.

## **4.7 Reasons Not to Vote in Favour of the Proposal**

Although the Proposal is recommended by the Board, there may be factors which may lead Unitholders to vote against the Proposal, some of which are:

- **Eventual loss of the opportunity to invest in the Fund following its wind-up and termination;**

Many investors who own Units in the Fund do so to access an instrument which provides them with exposure to asset classes which are not generally available to retail investors. Some investors may wish to retain or increase their exposure to these assets.

However, for the reasons set out at Section 4.5.1, it will be difficult for AMF to source sufficient assets to give current investors an appreciable exposure to assets within the Fund's investment mandate, in the medium to long term.

- **The timing of capital returns made may not suit the individual circumstances of some Unitholders;**

If the Proposal is implemented, AMF will return capital to Unitholders as efficiently as possible as the Fund's underlying assets mature. The exact repayment dates of the Fund's assets are subject to some uncertainty, and the timing of some or all of the capital returns made may not suit the individual circumstances of some Unitholders.

- **Following delisting there may not be an opportunity for Unitholders to exit their investment in the Fund until the final distribution is made; and**

Delisting the Fund will mean that Units will no longer be freely tradeable on the ASX and Unitholders may be unable to transfer their Units. AMF will not be offering a redemption facility or making a market in the unlisted Units in the period between delisting and deregistration.

- **The potential tax implications of the Proposal may not suit the individual circumstances of some Unitholders.**

Should the Proposal be implemented, Unitholders will receive capital distributions (in cash) over time as the Fund's underlying assets mature or are realised. Eventually the Fund may be delisted and terminated. This may result in certain tax events for Australian Unitholders.

A general summary of the potential Australian income tax consequences for Unitholders who are Australian tax residents is set out in Section 6. The tax treatment may vary depending on the nature and characteristics of each Australian Unitholder and their specific circumstances. Accordingly, Australian Unitholders should seek professional tax advice in relation to their particular circumstances.

The impact of the Proposal on foreign Unitholders may differ to the tax treatment for Australian residents. Foreign Unitholders should also seek their own professional tax advice on the tax treatment of the Proposal in their jurisdiction.

After delisting, transfers of Units may attract stamp duty liability. AMF believes that a liability of that type (if any) would be minimal given the expected maturity profile of assets set out in Section 4.2

## 4.8 Boards' Recommendation

**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.**

**In making this recommendation the Board has in particular considered:**

- the reasons why Unitholders should vote in favour of the Proposal, set out in Section 4.6; and
- the reasons why Unitholders may not vote in favour of the Proposal, set out in Section 4.7.

In summary, the Board considers that the benefits of the Proposal outweigh the potential disadvantages of the Proposal.

## Section 5 - Detailed Description of the Proposal

### 5.1 Implementation Steps

If Unitholders approve all 3 Resolutions at the Unitholders' Meeting, then the following are the key steps to implement the Proposal<sup>2</sup>:

- on the day of the Unitholders' Meeting, taking all steps necessary to give effect to the amendment to the Constitution of the Fund in the manner set out in the Supplemental Deed (including lodging with ASIC, an office copy of the modification of the Constitution under section 601GC(2) of the Corporations Act);
- AMF will then return capital to Unitholders as the Fund's assets mature or are otherwise realised. Information on the forecast maturity dates of the assets within the Fund's portfolio are set out in Section 4.2 of this Explanatory Memorandum. See also Section 5.2;
- once the Material Capital Return has been made, AMF would:
  - provide notice to Unitholders that the Fund will be terminated on and from a specified date; and
  - determine to delist the Fund;
- the Fund will then be delisted. It will remain unlisted, whilst AMF seeks to implement the wind-up of the Fund;
- under the Fund's Constitution, AMF is obliged to realise the remaining assets of the Fund within 180 days of termination if practical or, in any event, as soon as possible after that. The Board will determine how best to realise the Fund's remaining assets after terminating the Fund. As set out at Section 5.2, the Board anticipates that the only remaining asset in the Fund at the time of termination will be the MIS Notes. They expect that realisation (or other disposal) of the MIS Notes will occur by May 2012;
- once all the Fund's last assets that can practicably be realised have been realised, a final distribution, representing any capital and income remaining in the Fund (net of actual and anticipated expenses), is expected to be made to Unitholders on the register on the record date for the distribution; and
- once the final distribution has been made, the wind-up of the Fund will be complete. AMF will then apply to ASIC for deregistration of the Fund.

<sup>2</sup> In the event that only Resolutions 1 and 3 are approved, the same steps will be implemented with the exception of delisting.

## **5.2 The Fund During Implementation**

### **5.2.1 Capital Returns**

Under the Proposal, the Fund will make returns of capital as its assets mature or are otherwise realised. The table in Section 4.2 sets out the expected maturity profile of the Fund's assets. If assets mature in line with expectations, then AMF anticipates that it will receive proceeds of maturity of approximately \$156.1 million in respect of the Lighthouse No. 4 Trust Notes and the Q10 Trust E and F Notes, by October 2011. The net proceeds of that realisation will be returned to Unitholders as efficiently as possible, with termination of the Fund expected to occur shortly thereafter.

### **5.2.2 Realisation of Assets**

Under the Proposal, once the Fund has been terminated, AMF will be under an obligation to realise the remaining assets of the Fund.

Given the expected maturity profile of the Fund's assets set out at Section 4.2, the Board anticipates that the only remaining asset of the Fund at the time of termination will be the MIS Notes.

The Board will need to determine how best to realise the Fund's remaining assets after terminating the Fund. This may include seeking to sell the MIS Notes or retaining the notes until maturity (expected to be May 2012).

The decision on how best to realise the MIS Notes will be driven by such factors as the prevailing market conditions and the likelihood of principal and interest outstanding on the MIS Notes being repaid. As at 30 June 2010, an impairment of \$15.8 million is outstanding against the MIS Notes (face value \$20.1 million) held by the Fund. This impairment (representing 78.6% of face value) reflects management's best estimate of future losses expected to be incurred on the MIS Notes as at 30 June 2010.

Regarding all of the Fund's assets, there can be no assurance either:

- that the Fund's assets will mature in accordance with the forecast maturity dates set out in Section 4.2; or
- as to the principal amount that will be repaid on the maturity of any of the Fund's assets (including whether an amount equal to the carrying value of the MIS Notes will ultimately be realised by the Fund, either on maturity of the MIS Notes or on their sale to a third party).

### **5.2.3 The Fund Post-Delisting**

If all Resolutions are passed, the Fund will be delisted (but not before the Material Capital Return is made) pending the finalisation of the wind-up of the Fund. As a result, Units in the Fund will no longer trade on the ASX and there will not be an active market for the Units.

AMF will not be creating a market for Units in the period between delisting and deregistration of the Fund. In addition, AMF does not intend to accept any redemption requests from Unitholders.

Accordingly, the only way for Unitholders to realise their investment in the Fund prior to final wind-up will be to transfer the Units off-market to a purchaser willing to purchase Units.

#### **5.2.4 Administration of the Fund**

During the period that the Proposal is being implemented (including during the period after termination and/or delisting) the Fund will continue to be administered by AMF as it has been administered to date. This will include the payment of quarterly income distributions (to the extent there is any “Distributable Income” earned by the Fund, as defined in the Constitution) and the payment of quarterly management fees to AMF.

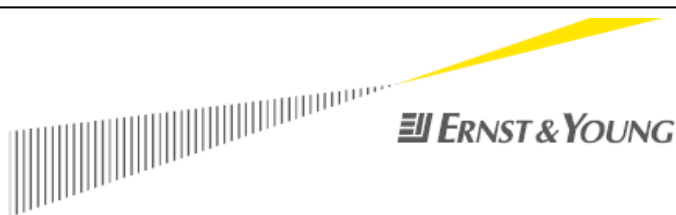
#### **5.3 Proposed Amendments to the Constitution**

At present under the Constitution, AMF can only wind-up the Fund in a limited set of circumstances (including where Unitholders approve, as an extraordinary resolution, the winding up of the Fund).

The Board has determined that, in order to give them flexibility to implement the Proposal, it is in the best interests of Unitholders to amend the Constitution to give AMF the power to terminate and wind-up the Fund at a time appointed by them.

Under the amendment, AMF will be given the power to nominate a time, by notice in writing to Unitholders of at least 30 days, at which the Fund will terminate.

## Section 6 - Taxation Considerations



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11 August 2010

The Board of Directors  
Adelaide Managed Funds Limited as Responsible Entity for the Asset  
Backed Yield Trust  
Level 3, 169 Pirie street  
Adelaide SA 5000

### **AMF Asset Backed Yield Trust Proposed Wind-up of Fund - Income Tax Considerations**

Dear Directors

We are pleased to provide our opinion in relation to the likely income tax consequences of returning capital to Unitholders of the AMF Asset Backed Yield Trust (the Fund) as the Fund's underlying assets mature, the Fund delists and is ultimately wound up, and the potential tax impact for Unitholders in the event that approval is granted by Unitholders to wind up the Fund.

#### **6.1 Scope of our opinion**

This opinion is based on the facts and circumstances set out in the Explanatory Memorandum (EM).

Please note all references to 'you' or 'your' refers to the Unitholders of the Fund to whom this letter is expressed to apply.

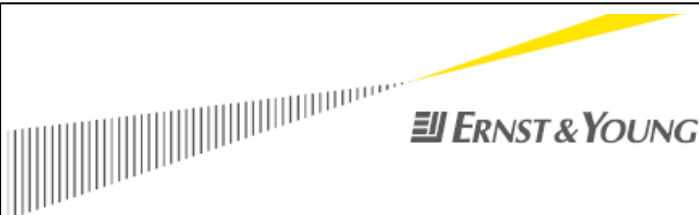
The scope of our opinion extends to the consideration of the following income tax issues in relation to the Proposal, as set out in the EM:

- ▶ The likely income tax outcomes for typical Unitholders in relation to returning capital to you in the course of winding up the Fund as the Fund's assets mature or are realised, and
- ▶ The income tax impact and classification of cash distributions to the extent they are more or less than tax distributions and the tax impact they may have on typical Unitholders

Terms used in this letter are based on the definitions set out in the EM, the *Income Tax Assessment Act 1997* (ITAA97) or the *Income Tax Assessment Act 1936* (ITAA36) as appropriate. All legislative references are to the ITAA97 or ITAA36, unless otherwise stated.

The letter is concerned only with the general income tax consequences for Australian resident investors (individuals, complying superannuation funds and companies) who hold the Units on capital account, and is not intended to provide an exhaustive or definitive statement of the possible taxation consequences for investors.

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The information contained in this letter does not apply to investors that:

- ▶ Hold Units as trading stock in the course of the carrying on of a business
- ▶ Hold Units for the purpose of resale at a profit
- ▶ Are Managed Investment Trusts
- ▶ Are not residents of Australia for income tax purposes, or
- ▶ Are exempt from Australian income tax

## 6.2 Tax implications of wind-up for Unitholders

For the purpose of our opinion, we have assumed that all assets will mature or be realised for their face value, with the exception of the MIS notes, which we have assumed will be realised for values equal to their 30 June 2010 book value. For the purposes of our opinion, we have assumed that should the Fund be ultimately wound up, all Units would be cancelled in the year ending 30 June 2012.

The proposed distributions and returns of capital may have different tax outcomes for different categories of investors. The tax outcomes for different Unitholders will vary according to your tax profile, as well as the character of your Units (that is, whether or not you hold the Units on revenue account), and the price at which you acquired the Units. However, the likely tax outcomes for typical Unitholders who hold their Units on capital account are detailed below.

### 6.2.1 Distributions

The Fund will continue to calculate and pay distributions to you as normal, until the assets of the Fund mature or are realised. The process of calculating and distributing taxable income of the Fund is not expected to be impacted by any decision to wind-up the Fund or make returns of capital.

Your taxable income from Fund distributions paid to you may vary from the actual cash distributions you receive. In relation to each distribution, you should include in your taxable income your share of the net taxable income of the Fund. Your distribution statement will confirm your amount of taxable income. To the extent a cash distribution exceeds the amount of taxable income, the excess should be treated as a 'tax deferred distribution' (see further below). If a cash distribution is less than your share of taxable income, you should still include the full amount of the taxable distribution in your tax return as taxable income.

The actual amount of distributions and taxable income from the Fund are expected to reduce over time, as the Fund's assets mature or are realised and capital is returned to Unitholders.

If the income distributed by the Fund is higher than the taxable income in any income year, Capital Gains Tax (CGT) Event E4 may arise for you, as Unitholders. This excess of income distributed over your share of the taxable income of the Fund will be disclosed as a 'tax deferred distribution'. This tax deferred distribution should reduce the cost base of each Unit held by you. Once the cost base is reduced to nil, a capital gain equal to the excess should arise to you.



### **6.2.2 Returns of Capital**

AMF will return capital to the Unitholders as the Fund's assets mature or are realised. As at 30 June 2010, the forecast maturity date of each of the Fund's assets is outlined in Section 4.2 of the EM.

Returns of capital may have different tax outcomes for different categories of investors, depending on their initial unit purchase price and whether they hold the Units on revenue or capital account.

For investors who hold Units in the Fund on capital account and not on revenue account, any return of capital made to you during the course of the winding up of the Fund should not be included in your taxable income. However, each return of capital may give rise to Capital Gains Tax (CGT) Event E4. The amount of each return of capital should reduce the cost base of each Unit held by you. Once the cost base is reduced to nil, a capital gain equal to the excess should arise to you in the year that the relevant return of capital is paid. Once your CGT cost base is reduced to nil, any further returns of capital after that time should generate a capital gain.

### **6.2.3 Delisting**

Once the majority of the Fund's assets mature or are realised, and are distributed by way of returns of capital, AMF intends to delist the Fund, such that units are no longer tradeable on the ASX. The delisting of the Fund is not itself a taxing event and should not give rise to any income tax consequences for Unitholders.

### **6.2.4 Final Distribution**

Once all of the assets of the Fund have been realised, AMF intends to make a final distribution to Unitholders. Any final distribution may be comprised of a return of capital and/or an income distribution.

The same tax treatment as detailed in section 6.2.1 should apply to any final income distribution, which may include a share of the taxable income of the Fund. A final income distribution could also include a tax-deferred component, which should be treated as detailed in section 6.2.1.

Similarly, any return of capital component of any final distribution should be treated as detailed in section 6.2.2.

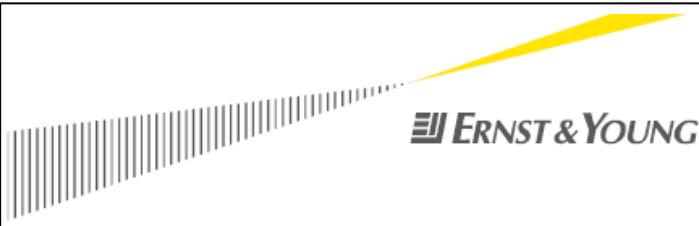
A capital gain is most likely to occur for investors who hold their Units on capital account, and who acquired shares on market at a price less than the total of the tax-deferred amounts, the return of capital amounts and any capital distribution on winding-up.

### **6.2.5 Deregistration**

As stated in Section 1.2 of the EM, AMF intends to deregister the Fund after any final distribution. At this time the Units in the Fund will be cancelled.

For investors who hold Units in the Fund on capital account, winding up the Fund by way of unit cancellation should give rise to Capital Gains Tax (CGT) Event C2. The cancellation of Units may give rise to a capital loss for Unitholders.

After applying all previous tax deferred distributions and returns of capital (including any final distribution) to reduce your cost base, you may still have some remaining reduced cost base on cancellation of the Units. In this instance, you should realise a capital loss on cancellation of the Units, equal to any remaining reduced cost base.



For example, for those investors who purchased Units for a price that exceeds the total of the tax-deferred amounts, the return of capital amounts and the return of capital component of any final distribution, a capital loss should arise.

Unitholders must use their reduced cost base in calculating any capital loss. Any capital loss may generally be utilised against any current year capital gains, or in certain cases, carried forward to offset your capital gains in future income years. It may not be used to reduce your income tax payable in respect of income distributions from the Fund or other assessable income.

**6.2.6 CGT Discount**

Individuals, trusts or superannuation funds who hold their Units on capital account may be entitled to reduce any capital gain by applying a CGT discount. The CGT discount should apply to eligible Unitholders who have held their Units for more than 12 months as at the date of the relevant CGT event. Provided the eligibility requirements are met, the CGT discount should be available for capital gains arising from tax-deferred distributions, from returns of capital, and from any final distribution.

For eligible individuals and trusts, the CGT discount can reduce the taxable capital gain by 50%. For eligible superannuation funds, the CGT discount can reduce the taxable capital gain by 33.3%. Unitholders should consider their particular circumstances and obtain advice on whether they are eligible for the CGT discount.

**6.2.7 Timing of Tax Events**

The timing of the above tax events will be dictated by the timing of distributions, returns of capital and ultimately, any final distribution and the winding up of the Fund. You should refer to the table in Section 4.2 of the EM which sets out, as at 30 June 2010, the expected maturity or realisation profile of the Fund's assets. The wind-up of the Fund means that you may not have control over when these events occur. It is possible that some Unitholders may be disadvantaged by this. For example, a capital gain may arise when you do not have other capital losses in that year to off-set the gain, or the gain may arise before you have held the Units for 12 months so that the CGT discount is not available.

**6.2.8 Sale on market**

Unitholders may still choose to sell their Units on market, at least up until the time the Fund is delisted. The income tax consequences for Unitholders of selling Units whilst the Fund is listed should not differ regardless of whether or not the Proposal is implemented.

**6.3 Disclaimer**

Our advice is general in nature and the individual circumstances of each Unitholder may affect the taxation implications of the investment of that Unitholder. Unitholders should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances. We disclaim all liability to any Unitholder or other party for all costs, loss, damage and liability that the Unitholder or other party may suffer or incur arising from or relating to or in any way connected with the contents of our opinion or the provision of our opinion to the Unitholder or other party or the reliance on our opinion by the Unitholder or other party.

The views expressed within this opinion are based on the facts and law in existence as of the date of the opinion. Changes in facts or law may occur in the future that could impact the tax consequences for Unitholders.

\* \* \* \* \*



Neither the undersigned nor any of the partners of Ernst & Young have any interest in the promotion of the Proposal. This opinion does not constitute an endorsement of the Proposal or recommendation by Ernst & Young of any participation in the Proposal by any Unitholder.

Ernst & Young has given its consent to the inclusion of this letter in the EM. However, it gives no assurance or guarantee in respect of the performance of the Fund and its consent should not be taken as an endorsement or as a recommendation.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sean van der Linden', with a horizontal line extending to the right.

Sean van der Linden  
Partner

## Section 7 - Glossary and Interpretation

### 7.1 Glossary

**AMF** means Adelaide Managed Funds Limited (ABN 81 062 274 533), as responsible entity for the Fund.

**APRA** means the Australian Prudential Regulation Authority.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

**ASX Listing Rules** means the official listing rules of ASX.

**Australian Accounting Standards** means the accounting standards as developed and issued by the Australian Accounting Standards Board.

**Bank** has the meaning it is given in Section 4.1.

**BBSW** means the Australian Financial Markets Association's bank-bill reference rate, published daily on AAP Reuters page BBSW.

**Board** means the board of Directors of AMF.

**Constitution** means the trust deed dated 25 May 2006 constituting the Fund, as amended from time to time.

**Corporations Act** means the Corporations Act 2001 (Cth) as amended from time to time.

**Explanatory Memorandum** means this explanatory memorandum.

**Fund** means Adelaide Managed Funds Asset Backed Yield Trust (ARSN 120 038 002).

**Lighthouse No. 4 Trust Notes** means the Senior Subordinated and Junior Subordinated Notes in the Lighthouse No. 4 Trust.

**Material Capital Return** means the return of capital, representing the repayment of the Lighthouse 4 Notes.

**MIS Notes** means the Class C and D Notes in the MIS Program 1 securitisation trust.

**Notice of Meeting** means the notice of meeting issued by AMF for the purpose of convening the Unitholders' Meeting, a copy of which is contained in Appendix 2 of this Explanatory Memorandum.

**NTA** has the meaning it is given in Section 4.3.

**Proposal** means the proposal described in this Explanatory Memorandum.

**Resolutions** means Resolutions 1, 2 and 3 set out in the Notice of Meeting.

**Supplemental Deed** means the Supplemental Deed Poll attached as Appendix 1.

**Unit** means a unit in the Fund.

**Unitholder** means a person who holds one or more Units in the Fund.

**Unitholders' Meeting** means the meeting of Unitholders in connection with the Proposal and any adjournment of the meeting.

## **7.2 Interpretation**

- (a) Unless otherwise stated, any reference to time in this Explanatory Memorandum is a reference to time in Adelaide, South Australia.
- (b) Unless otherwise stated references to "\$" or "dollars" is a reference to Australian dollars.
- (c) Any reference to an "associate" of AMF in this Explanatory Memorandum means an "associate" as defined in Part 1.2, Division 2 of the Corporations Act (other than in section 12).

## Appendix 1 - Supplemental Deed

MALLESONS STEPHEN JAQUES

# Supplemental Deed Poll - Adelaide Managed Funds Asset Backed Yield Trust

Dated

Adelaide Managed Funds Limited (ABN 81 062 274 533) ("**Manager**")

**Mallesons Stephen Jaques**

Level 61  
Governor Phillip Tower  
1 Farrer Place  
Sydney NSW 2000  
Australia  
T +61 2 9296 2000  
F +61 2 9296 3999  
DX 113 Sydney  
[www.mallesons.com](http://www.mallesons.com)

# Supplemental Deed Poll - Adelaide Managed Funds Asset Backed Yield Trust

## Contents

<b>Details</b>	<b>1</b>
<b>General terms</b>	<b>2</b>
<b>1 Interpretation</b>	<b>2</b>
1.1 Definitions	2
1.2 Deed supplemental to Constitution	2
1.3 Headings	2
<b>2 Modifications to the Constitution</b>	<b>2</b>
<b>3 No redeclaration etc</b>	<b>2</b>
<b>4 Governing law</b>	<b>2</b>
<b>Schedule 1 - Amendments</b>	<b>3</b>
<b>Signing page</b>	<b>4</b>

## Supplemental Deed Poll - Adelaide Managed Funds Asset Backed Yield Trust Details

<b>Parties</b>	<b>Manager, as described above</b>	
	Name	<b>Adelaide Managed Funds Limited</b>
	ABN	81 062 274 533
	Address	Level 5, 169 Pirie Street Adelaide SA 5001
	Capacity	Responsible entity of the Fund
<b>Recitals</b>	<b>A</b>	The Manager is the responsible entity of the Fund.
	<b>B</b>	Under s601GC(1)(a) and clause 24.1 of the Constitution, whilst the Fund is a registered scheme, the Constitution may be amended by, amongst other things, a special resolution of the Members of the Fund.
	<b>C</b>	The Members approved the amendments set out in this deed on 17 September 2010 (" <b>Approval</b> ").
	<b>D</b>	The Manager has executed this deed to give effect to the Approval.
<b>Governing law</b>	New South Wales	
<b>Date of agreement</b>	See Signing page	



# Supplemental Deed Poll - Adelaide Managed Funds Asset Backed Yield Trust

## General terms

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### 1 Interpretation

#### 1.1 Definitions

In this deed, these words and phrases have the following meanings unless the contrary intention appears:

**Constitution** means the deed dated 25 May 2006 under which the Fund is governed as amended from time to time.

**Effective Date** means the date that a copy of this deed is lodged with the Australian Securities and Investments Commission.

**Fund** means the registered managed investment scheme currently named Adelaide Managed Funds Asset Backed Yield Trust (ARSN 120 038 002).

#### 1.2 Deed supplemental to Constitution

This deed is supplemental to the Constitution.

#### 1.3 Headings

Headings are inserted for convenience only and do not affect the interpretation of this deed.

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### 2 Modifications to the Constitution

The Constitution is modified from the Effective Date in the manner set out in Schedule 1 of this deed.

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### 3 No redeclaration etc

The Manager declares that it is not, by this deed:

- (a) redeclaring the Trust; or
- (b) causing the transfer, vesting or accruing of property in any person.

---

### 4 Governing law

This deed is governed by the laws in force in the place specified in the Details. Each person affected by it must submit to the non-exclusive jurisdiction of the courts of that place and the courts of appeal from them.

**EXECUTED** as a deed poll.

# Supplemental Deed Poll - Adelaide Managed Funds Asset Backed Yield Trust

## Schedule 1 - Amendments

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### 1 Amendment

Following amendments:

- Omit clause 22.2 and replace with the following:

*“The Fund terminates on the earliest of:*

*(a) while the Fund is a Registered Scheme:*

*(i) a date which the Members determine by extraordinary resolution (as defined in the Corporations Act); or*

*(ii) a date determined by the Manager and advised to Members by notice in writing not less than 30 days before the proposed date of termination;*

*(b) a date determined by the Manager under clause 24.4;*

*(c) while the Fund is not a Registered Scheme, a date determined by the Manager and specified in a notice to Members sent at least 1 month before the proposed termination, unless all Members consent to shorter notice; and*

*(d) the date on which the Fund terminates in accordance with any other provision of this constitution, or by law.”*

- Insert, at the end of sub-paragraph (d) of the amended clause 22.2, footnote 49 with the following text:

*“See Part 5C.9 on winding up”.*

**Supplemental Deed Poll - Adelaide Managed  
Funds Asset Backed Yield Trust**  
Signing page

**DATED:** \_\_\_\_\_

**EXECUTED** by **ADELAIDE** )  
**MANAGED FUNDS LIMITED** in )  
its capacity as responsible entity of )  
the Adelaide Managed Funds Asset )  
Backed Yield Trust in accordance )  
with section 127(1) of the )  
Corporations Act 2001 (Cwlth) by )  
authority of its directors: )

..... )  
Signature of director )

..... )  
Signature of director/company )  
secretary )

..... )  
Name of director (block letters) )

..... )  
Name of director/company secretary )

## Appendix 2 - Notice of Meeting

### NOTICE OF EXTRAORDINARY GENERAL MEETING OF THE UNITHOLDERS OF ADELAIDE MANAGED FUNDS ASSET BACKED YIELD TRUST (ARSN 120 038 002)

Notice is given that a meeting of Unitholders of the Adelaide Managed Funds Asset Backed Yield Trust ("Fund") will be held at the David Spence Room, Adelaide Town Hall, 128 King William Street, Adelaide SA 5000, on Friday, 17 September 2010 at 10:00am (CST) ("Unitholders' Meeting").

Please refer to the accompanying Explanatory Memorandum, of which this Notice of Meeting forms part, for further information about the items of business.

#### Quorum

The quorum for the Unitholders' Meeting is at least two Unitholders present in person or by proxy together holding or representing at least 10% of all Units on issue. If a quorum is not present within 15 minutes after the scheduled time for the meeting, the Unitholders' Meeting will be adjourned to a place and time determined by AMF.

## AGENDA

#### Resolution 1: Approval of the Proposal

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That the Proposal (as described in the Explanatory Memorandum) be approved for all purposes. This Resolution will only become effective on the approval of Resolution 3 and the amendment of the Constitution of the Fund, pursuant to that Resolution."*

#### Resolution 2: Delisting

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

*"That Unitholders approve the delisting of the Fund, at the election of AMF, but not before the Material Capital Return (as that term is defined in the Explanatory Memorandum) has been made."*

#### Resolution 3: Constitution Amendment

To consider and, if thought fit, pass the following resolution as a special resolution:

*"That, subject to Resolution 1 being passed, for the purposes of section 601GC(1)(a) of the Corporations Act:*

- (a) the Constitution of the Fund be amended in the manner set out in the Supplemental Deed (set out at Appendix 1 to the Explanatory Memorandum); and*
- (b) AMF be authorised to execute and lodge with ASIC a copy of the Supplemental Deed."*

## **INFORMATION FOR UNITHOLDERS**

### **Majority Required**

Each of Resolutions 1 and 2 will not be passed unless more than 50% of the votes cast on the resolutions, person or by proxy, are cast in favour of the resolutions.

Resolution 3 will not be passed unless at least 75% of the votes cast on the resolution, in person or by proxy, are cast in favour of the resolution.

### **Voting Exclusion Statement**

AMF and its associates (including the Chairman) are not permitted to vote on Resolutions 1, 2 or 3 in accordance with section 253E of the Corporations Act 2001 (Cwlth) ("Corporations Act").

A person who is not entitled to vote on Resolutions 1, 2 or 3 solely as a result of s 253E of the Corporations Act may vote on a resolution as proxy for another person entitled to vote on the resolution if the proxy's appointment specifies the way in which they are to vote on the resolution.

### **Eligibility to Vote**

AMF has determined that for the purpose of voting at the Unitholders' Meeting, Units will be taken to be held by the persons who are the registered holders of those Units at 7:00pm (EST) on Wednesday, 15 September 2010. Accordingly, transactions registered after that time will be disregarded in determining entitlement to attend and vote at the Unitholders' Meeting.

### **Voting**

Each of the resolutions is to be decided on a poll. On a poll, each Unitholder has one vote for each dollar of the value of the Units held. The value of a Unit will be equal to the last sale price of the Units on the ASX on Thursday, 16 September 2010, being the last day of trading immediately prior to the Unitholders' Meeting.

### **Jointly Held Units**

If your Units are jointly held, only one of the joint holders is entitled to vote. If both joint holders are present at the Unitholders' Meeting, only the vote of the person named first in the register counts.

### **Meeting Attendance**

If you propose to attend the Unitholders' Meeting, please bring the attached proxy form with you. This will assist in registering your attendance.

Unless you are appointing a proxy, you will not need to complete the proxy form.

### **Proxies**

If you do not plan to attend the Unitholders' Meeting, you are entitled to appoint a proxy to attend and vote on your behalf and you are encouraged to do so. You can appoint a proxy by completing and returning the enclosed proxy form.

Proxy forms must be received by no later than 10:00am (CST) on Wednesday 15 September 2010.

A proxy need not be a Unitholder of the Fund. The proxy form must specify the proxy's name or the name of the office held by the proxy. To be valid, the form appointing the proxy may be

lodged in one of the ways described in the proxy form accompanying this Notice of Meeting or in the Explanatory Memorandum. You can simply return the form in the reply paid envelope enclosed with the Explanatory Memorandum. Alternatively, you can personally deliver the proxy form to the Fund's Unit registry, Computershare Investor Services Pty Limited at Level 5, 115 Grenfell Street, Adelaide, South Australia, 5000 or fax it on 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia).

A Unitholder entitled to attend and vote at the Unitholders' Meeting is entitled to appoint no more than two proxies. If two proxies are appointed, each proxy may be appointed to represent a specified number or portion of your votes. If no such number is specified, each proxy may exercise half your votes. If you wish to appoint two proxies please refer to the back of the proxy form for instructions.

If you appoint the Chairman as your proxy by completing and returning the enclosed proxy form but do not specifically direct her how to vote on a particular resolution, you will be deemed to have directed her to vote in favour of that resolution in the absence of a superior proposal.

### **Corporate Unitholders**

To vote at the Unitholders' Meeting (other than by proxy), a corporation that is a Unitholder must appoint a person to act as its representative. The appointment must comply with section 253B of the Corporations Act. The representative must bring to the Unitholders' Meeting evidence of his or her appointment including any authority under which it is signed.

### **Enquiries**

Unitholders seeking further information on the Proposal should contact the Unitholder information line on 1800 224 124 within in Australia or +61 8 8300 6000 outside Australia between 9:00am and 5:00pm, Monday to Friday.

### **By Order of the Board**

David Oataway  
Company Secretary  
Adelaide Managed Funds Limited  
The Bendigo Centre  
22-24 Bath Lane  
Bendigo VIC 3550

24 August 2010



