

Adelaide Managed Funds

A subsidiary of Adelaide Bank

27 September 2018

UNITHOLDER UPDATE AND WIND UP NOTIFICATION

On 20 September 2017, Adelaide Managed Funds (**AMF**) as Responsible Entity for the Adelaide Managed Funds Asset Backed Yield Trust (**AYT**) notified Unitholders that there was an event of default under the ABL Portfolio Funding Trust 2007-1 (**MIS Trust**) transaction documents and that no further cash flows are likely to be received by AYT in relation to the MIS Trust Class C and D Notes (**Notes**) it holds (**September Notice**).

At the time of the September Notice, no indication had been given by Bendigo and Adelaide Bank Limited (the **Bank**) in its capacity as a seller of loans to the MIS Trust as to its intentions for the MIS Trust, beyond the change in repayment structure effected by the passing of the extraordinary resolution.

Sale of the Notes

Following the issue of the September Notice, AMF engaged with the Bank to understand whether it might be willing to purchase the Notes from AYT.

AMF received an initial offer from the Bank to purchase the Notes ("**Initial Bank Offer**"). In order to consider whether the Initial Bank Offer is at fair value, the Independent Directors of AMF arranged for both a management assessment and a third party assessment as to the likelihood of recovery under the Notes.

The management assessment considered the likelihood of future cash flows being received in relation to the Notes. This assessment considered scenarios for cash flows out to 10 years and concluded that there would be no expected recovery on the Notes.

The third party assessment was conducted by an independent accounting and consultancy firm. The findings of this assessment are set out in a report which has been reviewed by the independent directors of AMF ("**Independent Report**"). The third party review concluded that it is unlikely that there will be any recovery under the Notes and that acceptance of the Initial Bank Offer will likely result in a better return for the Unitholders rather than relying on recoveries from the MIS Trust.

Upon reviewing the available information including the advice received under the Independent Report, the independent directors further negotiated with the Bank before receiving an increased and final offer of \$105,000 ("**Final Bank Offer**"). Given that both management and the independent third party review consistently concluded that there is likely to be no recovery under the Notes, and having regard to the best interests of the Unitholders, the independent directors have resolved to accept the Final Bank Offer.

Wind up of the Trust

Upon the sale of the Notes under the Final Bank Offer, there will be no more assets in AYT. As such, the Directors have also resolved to commence the formal process to wind up AYT.

The constitution of AYT gives AMF the power to terminate on a date determined by AMF and advised to Unitholders not less than 30 days before the proposed date of termination. AMF has determined that the date for termination will be 31 October 2018.

The wind-up process will involve AMF notifying ASIC of the commencement of the wind up, realising the assets of AYT in accordance with the constitution and distributing in full any remaining income and capital of the trust once available. The constitution provides that the realisation must be completed in 180 days if practical. Once this has occurred the net proceeds of realisation plus any other cash that forms the assets of AYT, after making allowance for all liabilities of AYT and meeting the expenses of the termination, will be distributed to Unitholders.

Suspension of the Information Service

As a result of the decision to wind up AYT the suspension of the 'Information Service' provided by Computershare Investor Services will now be permanent.

Historical Performance

Since the launch of the Fund on 31 August 2006 income distributions to unitholders have totalled 75.7 cents per unit and capital payments have totalled 191.0 cents per unit. The total capital raised from the first and second instalments net of instalment costs was 193.1 cents per unit. AMF expects a further distribution upon completion of the windup.

AMF will continue to keep Unitholders informed on the status of wind up. Ongoing Unitholder communications will continue to be made via the AMF website at www.adelaidemanagedfunds.com.au and, where appropriate, by direct correspondence.

For further information, please contact:

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About Adelaide Managed Funds

Adelaide Managed Funds, a wholly owned subsidiary of Bendigo and Adelaide Bank, is the responsible entity of the Adelaide Managed Funds Asset Backed Yield Trust.

For further information about Adelaide Managed Funds and the AYT, please visit:
www.adelaidemanagedfunds.com.au