

MAX TRUST UNITHOLDER UPDATE

ISSUE 2

Three months to 30
September 2010

ARSN: 115 268 669

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1. INTRODUCTION

The following Scheme Unitholder update (“Update”) provides a summary of the performance of the Scheme’s portfolio and management of the outstanding Notes and Hedges for the quarter ending 30th September 2010.

For background to the Scheme and a summary of the Note restructure please refer Update Issue 1 for the period ended 30 June 2010.

2. SUMMARY OF THE PASS THROUGH NOTES

Class	Note Balance	Note Balance Δ	Deferred Margin Balance	Deferred Margin Δ	Benchmark	Stated Margin	Deferred Margin
Class A1	99,798,992	(7,428,189)	16,037,361	1,608,196	BBSW	2.15%	6.00%
Class A2	291,383,917	(21,688,143)	14,644,441	1,565,154	BBSW	0.75%	2.00%
Total	391,182,909	(29,116,332)	30,681,802	3,173,350			

A payment date for the Pass Through Notes occurred on the 20th of September 2010. On this payment date, all senior expenses were paid, interest due on the Pass Through Notes and a principal repayment of A\$29,116,332.

3. SCHEME PORTFOLIO SUMMARY

The credit risk to Noteholders and Unitholders is linked to the underlying Scheme portfolio. A summary of the Scheme portfolio as at 30 September 2010 is provided below.

Asset Type	Total # Exposures	Face Value AUD 30 Sept 2010 ¹	Face Value AUD 30 June 2010	Face Value AUD Δ
RMBS	17	124,354,355	133,938,261	(9,583,906)
Max Realty	5	27,456,123	27,678,345	(222,222)
CMBS	3	34,238,846	34,317,272	(78,426)
Financials & Industrials	16	181,241,506	210,389,149	(29,147,643)
CDO	7	60,567,500	77,727,500	(17,160,000)
Aircraft	13	60,824,029	63,524,637	(2,700,608)
Total Securities	61	488,682,359	547,575,164	(58,892,805)
Liquidity Reserve Balance	1	13,045,147	13,045,148	(1)
Expenses Reserve Balance	1	1,003,298	1,003,420	(122)
Bank Accounts Balance	4	29,940,383	5,107,823	24,832,560
Total Cash Balance		43,988,828	19,156,391	24,832,437
Total Asset Balance		532,671,187	566,731,555	(34,060,368)

1. Face Value is defined as the AUD outstanding principal balance with the foreign currency denominated assets converted at their swap rate, except for Paragon which has been converted at the month end AUD / EUR spot rate.

Portfolio face value movement reconciliation for the period:

Description	Amount
Face value 30 June 2010	547,575,164
Principal Repayments	(53,062,550)
CDO Principal Writedowns	(5,660,000)
FX Movement (PARGN 12X B1B)	(170,255)
Face value 30 September 2010	488,682,359

Pass Through Note face value movement reconciliation for the period:

Description	Amount
Face value 30 June 2010	420,299,241
Principal Repayments	(28,121,765)
Excess Interest	(994,567)
Face value 30 September 2010	391,182,909

A description of each asset class and a detailed list of the securities (including those assets which are on the Investment Manager's Credit Watch List) and whether the relevant asset has an interest rate, currency or is basis hedged, is provided below.

RESIDENTIAL MORTGAGE BACKED SECURITIES

The Scheme's holding in residential mortgage backed securities ("RMBS") was reduced by \$9.58m during the period. The movement was due to amortisation received and the movement in AUD / EUR foreign exchanges rates in relation to PARGN 12X B1B which is currently unhedged. The RMBS securities comprise underlying prime and non-conforming mortgages.

The RMBS assets held by the Scheme as at 30 September 2010 are tabled below.

Asset Name	Currency	AUD Face Value ¹	AUD Face Value Δ	WAL ²	Legal Maturity	Credit Watch List ³	Hedged ⁴
APLLO 2007-1E 1A	AUD	1,901,842	(122,983)	2.67	9-Aug-38	No	N/A
SWAN 2007-1E A2	AUD	2,249,258	(156,033)	2.78	12-Jun-38	No	N/A
PROGS 2006-1 A	AUD	3,650,537	(268,443)	1.21	10-Mar-37	No	N/A
REDS 2006-1E A2	AUD	5,343,379	(319,455)	2.59	17-Nov-37	No	N/A
SMHL 2005-2 A	AUD	4,371,184	(417,407)	3.08	12-Aug-36	No	N/A
TORR 2005-2 A	AUD	1,119,857	(85,114)	1.68	13-Jul-37	No	N/A
TORR 2005-3E A2	AUD	4,649,987	(410,519)	0.91	15-Oct-36	No	N/A
WBT 2005-1 D	AUD	1,401,261	(68,106)	1.73	16-Nov-36	No	N/A
PARGN 12X B1B	EUR	7,021,486	(1,256,090)	9.00	15-Nov-38	No	No

MOB NCM-03 B	AUD	7,844,232	(2,492,393)	2.11	14-Oct-50	No	N/A
MOB NCM-03 C	AUD	7,650,000	-	2.10	14-Oct-50	No	N/A
MOB NCM-04 C	AUD	19,530,347	(3,269,653)	2.18	16-Nov-51	No	N/A
MOB NCM-04 D	AUD	18,900,000	-	2.15	16-Nov-51	No	N/A
NCM-04 CLASS M	AUD	380,845	(42,894)	2.13		No	N/A
PEPAU 7 A3	AUD	3,340,140	(674,816)	1.66	15-Dec-48	No	N/A
SPPNZ 2007-1 MZ	NZD	5,000,000	-	3.25	14-Oct-41	Yes	Yes
Mobius AMT M1	AUD	30,000,000	-	1.02		No	N/A
Total	AUD	124,354,355	(9,583,906)				

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2. "WAL" or "Weighted Average Life" represents the average number of years that each dollar of principal remains outstanding. Pass through securities use assumptions which may change from time to time and several securities are calculated using the "Call Date" instead of their "Legal Maturity".
3. The "Credit Watch List" is a list of securities compiled by the Investment Manager which have a greater likelihood of impairment. The list is constantly being evaluated and we make reference to the disclaimer on page 2.
4. This field indicates whether the individual security is hedged or not or is not required to be hedged under the terms of the Max Trust Hedging Policy (i.e. underlying security is AUD denominated and floating rate).

There was no change in the RMBS securities included on the Credit Watch list in the period. Threadneedle participated in an Investor call with Bluestone Group, the Servicer for SPPNZ 2007-1 MZ. The main points communicated being collateral losses starting to track down and Arrears levels and Properties in Possession decreasing. The Scheme has a EUR5m exposure to the PARGN 12X B1B. The cross currency swap hedging the currency exposure of this position terminated at the expected soft bullet date in August 2010. After performing a cost benefit analysis it was recommended not to replace the hedge.

MAX REALTY

The Scheme's holding in Gosford Loan Notes was reduced by \$222k during the period. The movement was due to amortisation received on the Class A Notes.

The Gosford Loan Notes held by the Scheme as at 30 September 2010 are tabled below.

Asset Name	Currency	AUD Face Value ¹	AUD Face Value Δ	WAL ²	Legal Maturity	Credit Watch List ³	Hedged ⁴
Gosford A	AUD	13,187,466	(222,222)	1.86	9-Jan-14	No	Yes
Gosford B	AUD	2,955,224	-	1.86	9-Jan-14	No	Yes
Gosford C	AUD	4,432,836	-	1.86	9-Jan-14	No	Yes
Gosford D	AUD	5,417,910	-	1.86	9-Jan-14	No	Yes
Gosford E	AUD	1,462,687	-	1.86	9-Jan-14	No	Yes
Total	AUD	27,456,123	(222,222)				

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COMMERCIAL MORTGAGE BACKED SECURITIES

The Scheme's holding in Commercial Mortgage Backed Securities ("CMBS") was reduced by \$78k during the period. The movement was due to amortisation received on the Fountain Plaza Notes.

The CMBS assets held by the Scheme as at 30 September 2010 are tabled below.

Asset Name	Currency	AUD Face Value ¹	AUD Face Value Δ	WAL ²	Legal Maturity	Credit Watch List ³	Hedged ⁴
CSCS 2006-1 E	AUD	8,628,816	-	2.75	20-Jun-13	Yes	N/A
FPST 1 1	AUD	15,610,030	(78,426)	10.69	1-Sep-25	No	Yes
Rock & Rubble	AUD	10,000,000	-	3.32	15-Aug-15	No	N/A
Total	AUD	34,238,846	(78,426)				

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FINANCIAL & INDUSTRIAL SECURITIES

The Scheme's holding in Financial and Industrial Securities was reduced by \$29.15m during the period. Both the Westfield and Coca - Cola positions matured during the period with The Scheme repaid in full. The Macquarie Subordinated Debt USD position was called and fully repaid at 100% by Macquarie Bank Limited on the securities call date in September.

The positions held by the Scheme as at 30 September 2010 are tabled below.

Asset Name	Currency	AUD Face Value ¹	AUD Face Value Δ	WAL ²	Legal Maturity	Credit Watch List ³	Hedged ⁴
ASSGEN5.479 02/49	EUR	16,843,536	-	6.39	Perp/Call	No	Yes
BAC 0 12/16/10	AUD	15,000,000	-	0.24	16-Dec-10	No	Yes
BAC6.085 10/06/10	AUD	10,000,000	-	0.04	6-Oct-10	No	Yes
HANRUE5 06/29/49	EUR	9,824,596	-	4.70	Perp/Call	No	Yes
MQGAU 0 09/18/15	USD	-	(13,647,643)				
MQGAU 0 12/06/16	EUR	6,582,719	-	1.21	6-Dec-16	No	Yes
MS 0 03/01/13	AUD	13,000,000	-	2.45	1-Mar-13	No	N/A
MS 0 08/08/12	AUD	7,000,000	-	1.88	8-Aug-12	No	N/A
NAB 0 12/29/49	EUR	8,287,500	-	6.03	Perp/Call	No	Yes
NAB III 01/49	AUD	11,000,000	-	6.03	Perp/Call	No	N/A
SCHREI 5.252 05/49	EUR	16,703,155	-	5.68	Perp/Call	No	Yes
SLMA 0 12/15/10	AUD	10,000,000	-	0.24	15-Dec-10	No	Yes
CFXAU 5.075 08/14	AUD	20,000,000	-	1.92	21-Aug-14	No	Yes

COCA 0 08/10/10	AUD	-	(5,500,000)				
GPTAU 0 11/07/10	AUD	10,000,000	-	0.13	7-Nov-10	No	Yes
TABAU 6 1/2 10/11	AUD	10,000,000	-	1.06	13-Oct-11	No	Yes
TCLAU 0 09/15/11	AUD	12,000,000	-	0.99	15-Sep-11	No	Yes
WDCAU 5 1/2 07/10	AUD	-	(10,000,000)				
WOWAU 0 03/14/11	AUD	5,000,000	-	0.48	14-Mar-11	No	N/A
Total	AUD	181,241,506	(29,147,643)				

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The cross currency swap hedging the currency exposure of the Macquarie USD position terminated in September 2010 and the Interest rate swap hedging the Westfield position also terminated as expected in July 2010.

COLLATERALISED DEBT OBLIGATIONS (CDO)

The Scheme's holding in CDO's was reduced by \$17.16m during the period. The Mica and Bishopgate CDO's reached their respective maturity dates in September 2010 with the Scheme being repaid in full. The Scheme's exposure to the CDO Eden 2006-1 was fully written down and the Eden 2006-3 position incurred a partial write down. Both Eden 2006-1 and Eden 2006-3 were impaired and expected to be written down.

The positions held by the Scheme as at 30 September 2010 are tabled below.

Asset Name	Currency	AUD Face Value ¹	AUD Face Value Δ	WAL ²	Legal Maturity	Credit Watch List ³	Hedged ⁴
Belo Plc	USD	6,613,750	-	1.04	6-Oct-11	No	Yes
Belo Plc	USD	6,613,750	-	1.04	24-Oct-11	No	Yes
Silver Bell	AUD	10,000,000	-	6.26	21-Dec-16	Yes	N/A
Silver Lake	AUD	15,000,000	-	6.50	20-Mar-17	Yes	N/A
HERALD 0 12/20/10	AUD	5,000,000	-	0.25	20-Dec-10	No	N/A
Eden 2006-3 04/07/13	AUD	9,340,000	(660,000)	2.55	7-Apr-13	Yes	Yes
Eden 2006-1 04/07/11	AUD	-	(5,000,000)				Yes
Mica 2005-3 09/22/10	AUD	-	(6,500,000)				
Rainbow - 7 10/11/10	EUR	8,000,000	-	0.06	11-Oct-10	No	Yes
Bishopgate 2005-6X A	AUD	-	(5,000,000)				
Total	AUD	60,567,500	(17,160,000)				

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CDO face value movement reconciliation for the period:

Description	Amount
Face value 30 June 2010	77,727,500
Principal Repayments	(11,500,000)
CDO Principal Writedowns	(5,660,000)
Face value 30 September 2010	60,567,500

The Basis swap hedging the Mica CDO position was terminated as expected in September 2010.

AIRCRAFT

The Scheme's holding in Aircraft securities was reduced by \$2.7m during the period. The movement was due to amortisation received during the period.

The positions held by the Scheme as at 30 September 2010 are tabled below.

Asset Name	Currency	AUD Value ¹	Face Value Δ	WAL ²	Legal Maturity	Credit Watch List ³	Hedged ⁴
AERCO 2X A4	USD	1,196,643	(453,237)	0.66	15-Jul-25	No	Yes
AMR 7.858 10/01/11	USD	6,863,418	-	1.03	1-Oct-11	No	Yes
CAL 6.545 02/02/19	USD	3,258,683	(58)	5.66	2-Feb-19	No	Yes
CAL 7.256 03/15/20	USD	3,964,709	-	5.83	15-Mar-20	No	Yes
LIFT 1 A3	USD	5,249,109	(758,926)	4.83	15-Jul-16	Yes	Yes
NWA 7.575 03/01/19	USD	9,603,552	(644,463)	5.41	1-Mar-19	No	Yes
Qantas VQS	AUD	362,316	(45,765)	0.96	13-Jul-12	No	Yes
Qantas VQP	AUD	530,638	(27,724)	2.17	14-Nov-14	No	Yes
Qantas VQR	AUD	649,467	(22,108)	3.15	15-Jul-16	No	Yes
Qantas VQQ Snr	AUD	16,419,627	(684,969)	2.67	13-Nov-15	No	Yes
Qantas VQI	AUD	528,470	(34,780)	1.76	14-Jan-14	No	Yes
Qantas VQG	USD	11,610,963	-	5.65	20-May-16	No	Yes
Qantas VQJ	AUD	586,434	(28,578)	2.31	15-Jan-15	No	Yes
Total	AUD	60,824,029	(2,700,608)				

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4. WEIGHTED AVERAGE LIFE (“WAL”) OF THE SCHEME PORTFOLIO

In the tables above, we have provided a base case WAL for each asset. While many assets do not have scheduled principal repayment dates but rather are pass through securities with many assumptions needed to be made in order to estimate the securities expected WAL's, these calculations are important for Unitholders. The slower the prepayment speed of the portfolio, the longer it will take for principal to be passed through to Noteholders, therefore the larger the impact of negative yield on the cash flows including the repayment of the deferred margins on the Notes. The deferred margin will be paid ahead of distributions to Unitholders.

On an aggregated basis the WAL of the portfolio reduced during the period broadly reflecting the time decay of each asset.

5. ASSET HEDGING

The Scheme's hedging policy is that each asset in the portfolio must be hedged if it:

- is fixed rate;
- is denominated in a currency other than Australian dollars; or
- has payment dates less frequent than quarterly payment dates,

In these cases, the Scheme has swapped the cashflows of the asset into quarterly, Australian dollar, floating rate (referenced to 3 month BBSW) cashflows; and the term of the swap has been matched to the expected maturity of the asset.

The term of the swaps were executed to the expected maturity of the underlying asset. The Scheme holds several hedges that have a termination date shorter than the expected final maturity of the asset. This will expose the portfolio to partially hedged positions and potential swap break costs. Only for the purpose of cashflow modelling for the credit rating of the PT Notes, a notional swap loss reserve has been established.

The hedges that terminated during the period are tabled below.

Asset Hedged	Asset Repaid	Hedge Type	Swap Loss Reserve	Hedge Terminated	Date	Unhedged Asset Exposure
WDCAU 5 1/2 07/10	Yes	Interest rate swap	No	Yes	15 July 2010	No
PARGN 12X B1B	No	Cross currency swap	Yes	Yes	16 August 2010	Yes
MQGAU 0 09/18/15	Yes	Cross currency swap	Yes	Yes	20 Sept 2010	No
MICA 2005-3	Yes	Basis swap	No	Yes	22 Sept 2010	No