

## Corporate Governance Statement

### The Trust Company (RE Services) Limited In its capacity as the responsible entity for

#### Max Trust ARSN115 268 669

#### General

The directors of The Trust Company (RE Services) Limited (formerly Permanent Investment Management Limited) (“**the Responsible Entity**”) as Responsible Entity of Max Trust ARSN 115 268 669 (“**MXQ**” or “**the Scheme**”) consider that good quality corporate governance practices provide the framework for effective systems and business operations to deliver utmost value to MXQ’s unitholders and other stakeholders. The Responsible Entity’s role is to act in the best interests of the unitholders of MXQ.

The Trust Company (RE Services) Limited is wholly owned by The Trust Company Limited (“**The Trust Company**”). The operations of MXQ are governed by the:

- Trust Deed and the Constitution;
- Corporations Act 2001;
- ASX Listing Rules ;
- Compliance Plan;
- Relevant services agreements; and
- General law.

The Responsible Entity is responsible for MXQ’s overall operation and administrative functions including the:

- preparation of financial statements, notices and reports; and
- monitoring of MXQ’s service providers including registry, management and custody.

#### Structure

MXQ has invested in money market securities, debt securities and investment grade loans in addition to interest rate and foreign currency derivatives. It provides investors with a fixed interest style return through exposure to investments in mortgage loans and other debt-based securities.

On 23 December 2008, MXQ announced the successful negotiation of the Note Restructure Agreement that contained terms to allow the extension of the debt facilities with a view to allowing MXQ to hold assets to maturity rather than sell them into a very volatile and turbulent market. On 22 June 2009 MXQ announced to the market that it had effected a restructure of its debt on 19 June 2009. Under the terms of the Note Restructure Agreement:

- The Scheme undertakes not to dispose of assets at less than certain specified percentages of par value and unless certain other conditions are met and the approval of the noteholders is obtained.
- The Scheme undertakes not to pay any cash distributions to the Scheme unitholders until all amounts owing to noteholders have been paid in full. The Scheme will retain the ability to make distributions to unitholders by issuing new units to unitholders in accordance with its constitution.

Following the Note Restructure, the Scheme became a static, triggerless investment vehicle holding a range of debt securities with a hold to maturity strategy. Subject to meeting certain criteria, assets may be sold prior to maturity, but no new investments will be made.

Threadneedle International Ltd (**“the Investment Manager”**) will manage and conduct surveillance on the asset portfolio and report to the Responsible Entity and noteholders on a regular basis.

Pursuant to the Investment Management Agreement between the Responsible Entity and the Investment Manager, the Investment Manager, is responsible for the performance of certain management services for the Responsible Entity in respect of the Scheme including:

- Asset Surveillance
- Monitoring of existing asset hedges of the Scheme portfolio
- Execution any Sale of Assets in accordance with the restriction outlined in restructure documents
- Monthly NTA calculations
- Monthly Reporting to Noteholders, Creditors and Responsible Entity
- Providing payment directions to the Cashflow and Systems Manager ("CSM") in relation to assets, liabilities and hedge payments
- Maintaining the Note Restructure Cashflow Model

## **ASX Corporate Governance Principles**

As a listed entity and a managed investment scheme, MXQ is also required to comply with the ASX Listing Rules and provide a statement in MXQ's annual report disclosing the extent to which the Responsible Entity has followed the Corporate Governance Principles and Recommendations. Below, The Responsible Entity addresses each of the eight principles for the period 25 June 2009 to 30 June 2010. Prior to this date the Responsible Entity was Allco Managed Investment Funds Limited (**“the Former Responsible Entity”**). This corporate governance statement is current as at 14 July 2010.

### **Principle 1**

#### **Lay solid foundations for management and oversight**

##### **Role of the board and management**

The structure and role of the boards of the Responsible Entity and of any of the relevant appointed Service Providers are designed to provide maximum value to investors in terms of ensuring appropriate oversight of their relevant activities.

The Responsible Entity has a constitution which sets out, amongst other things, the appointment and removal procedures for directors, board meeting requirements and remuneration policies. Internal procedures have been developed for:

- monitoring business risk;
- appropriate oversight of business units;
- compliance with regulatory requirements, scheme compliance plan and constitution; and
- monitoring of third party service providers.

The Responsible Entity's directors, along with management, have the role of ensuring that the Responsible Entity complies with its obligations as Responsible Entity of MXQ. The board (**“Board”**) meets monthly to consider client activities of the Responsible Entity and any relevant compliance matters. The Responsible Entity's management elevates relevant compliance matters to its Audit, Risk & Compliance Committee (**ARCC**).

The Responsible Entity is accountable to unitholders. In addition, The Responsible Entity is responsible for MXQ's overall operation, its regulatory and compliance obligations, and its administrative functions. The Responsible Entity regularly reviews and monitors the performance of MXQ's affairs and activities so that they are conducted in the best interest of unitholders.

These functions include:

- maintaining high ethical and business standards;
- ensuring the preparation, review and approval of annual and half yearly financial statements, preparation of notices and reports to unitholders, ASX and other regulators;
- consultation with the Investment Manager;
- monitoring and responsibility for certain specialist external service providers to assist the Responsible Entity from time to time in the proper, efficient and timely delivery of services;
- compliance with a constitution that sets out amongst other things the appointment and removal procedures for the director's, meeting rules and requirements and disclosure procedure;
- maintaining internal procedures for monitoring business risk and ensuring appropriate oversight of MXQ's compliance plan and constitution;
- empowering management of the Responsible Entity to report compliance matters relating to MXQ to the Board and ARCC;
- The Trust Company as the parent of the Responsible Entity, providing executive directors, responsible managers and company secretarial functions for the Responsible Entity. Those directors along with internal management have the ongoing task of ensuring the Responsible Entity complies with its obligations as Responsible Entity of MXQ; and
- ensuring all available relevant information in connection with the MXQ is discussed at meetings of the Board.

## **Principle 2**

### **Structure the board to add value**

Both the Responsible Entity and the Investment Manager add value through being completely independent of each other with no common directors and no related party interests between the two entities. This ensures no conflicts of interest when discretionary decisions are required of either entity.

The Responsible Entity currently has four executive directors which meet monthly to consider the operational activities, financial performance of the Responsible Entity business. The directors are provided by the Responsible Entity's parent company, the Trust Company Limited. The procedures for selecting a Chairman, powers of the Board, appointment, removal and remuneration of Directors, Board meeting requirements and other related matters are set out in the Responsible Entity's constitution.

New director's are fully briefed on the terms and conditions of their appointment by The Trust Company executives and undertake an induction program to familiarize themselves with the Responsible Entity and its business operations.

As each Director of the Responsible Entity is an executive of The Trust Company, the ARCC is comprised of a majority of external members (non The Trust Company executives) and has been established to meet the requirements of Chapter 5C of the Corporations Act. In addition, the independence of the external members meets the requirements of section 601JA(2) of the Corporations Act. The Trust Company has structured itself so that the Responsible Entity's role as responsible entity of MXQ adds real value through its focus on compliance with the regulatory requirements and its overarching responsibility to act in the best interests of unitholders.

## **Principle 3**

### **Promote ethical and responsible decision-making**

The Responsible Entity is committed to maintaining the highest standards of integrity with respect to its role as the Responsible Entity and seeks to ensure all its activities in regard to MXQ are undertaken with efficiency, honesty and fairness. The Responsible Entity has various policies and procedures in addition to a Code of Conduct and Share Trading Policy that applies to all directors and employees without exception. All codes and policies are designed to promote integrity, responsibility, accountability and adherence to

relevant legislation. They apply to the directors and officers of the Responsible Entity as a member of the The Trust Company group and Responsible Entity of MXQ.

**Principle 4**  
**Safeguard integrity in financial reporting**

The Responsible Entity has engaged service providers to assist in the preparation of the half year and annual financial statements for MXQ. These financial statements are audited by an external auditor whose report is provided to the Responsible Entity Board. The current auditor is PricewaterhouseCoopers.

The Responsible Entity meets with the service providers, the Investment Manager and the external auditor to discuss the audit plan and scope prior to each financial year end. The audit report is tabled for the Board's consideration and approval.

The Responsible Entity reviews the financial statements and provides formal statements to the Board confirming that MXQ's financial reports present a true and fair view, in all material aspects, of the MXQ's financial condition, and that operational results are in accordance with MXQ's constitution and relevant accounting standards. In addition, it confirms that the statements are founded on a sound system of risk management and internal compliance and control which implements policies adopted by the Board.

**Principle 5**  
**Make timely and balanced disclosure**

The Responsible Entity has continuous disclosure procedures to ensure MXQ's compliance with ASX Listing Rules and the Corporations Act. Service providers to MXQ under outsourcing arrangements are required to adhere to the ASX listing rules in terms of continuous disclosure requirements and must report to the Responsible Entity instances where a disclosure obligation is required. The Responsible Entity has procedures in place to monitor the compliance of service providers with these requirements. The Company Secretary of the Responsible Entity is responsible for disclosures to the ASX in relation to the continuous disclosure obligations of MXQ.

**Principle 6**  
**Respect the rights of unitholders**

The Responsible Entity is committed to providing timely and accurate information concerning the MXQ to its unitholders. MXQ's compliance plan and constitution further set out the Responsible Entity's obligations and the rights of unitholders in this regard.

The Annual Report of MXQ comprising the financial statements is sent to unitholders each year. The Annual Report includes the ASX Listing Rule disclosure requirements and although registered schemes are not required to hold meetings of unitholders, the constitution of MXQ provides for such meetings if and when required.

Under the Investment Management Agreement the Investment Manager is required to ensure any actions or decisions it makes does not breach the terms of MXQ's constitution or any relevant law or transaction document in relation to MXQ which could adversely affect rights of unitholders.

**Principle 7**  
**Recognise and manage risk**

Under the Investment Management Agreement the Investment Manager is required to:

- ensure that it regularly and adequately trains its representatives and agents so that they have the necessary competencies to deliver the services required
- establish and maintain adequate risk management systems
- use its best endeavours to ensure that it complies with any legislative requirements directly applicable to the Investment Manager and its activities
- notify the Responsible Entity in writing immediately regarding any event which may trigger the

enhanced disclosure provisions of the Corporations Act.

The Responsible Entity values the importance of robust risk management systems and, with its parent the Trust Company, has established an ARCC to support the compliance obligations of the MXQ with respect to its corporate governance and risk responsibilities.

The ARCC is comprised of a majority of external members skilled in the areas of audit, risk and compliance. The ARCC is responsible for the oversight of risk management and internal control systems for the Responsible Entity. It reviews internal and external audit processes and monitors the Responsible Entity's compliance with laws and regulations. The ARCC meets regularly with the the Trust Company's Executive Team, senior management and external advisers, and reports directly to the The Trust Company and Responsible Entity Boards.

The Responsible Entity has a formal risk management program in place which has been adopted from its parent entity, The Trust Company. It is based on Standards Australia AS/NZS4360:2004-Risk Management Standard and includes policies and procedures to identify and address material financial and non-financial risks.

The Trust Company also maintains an independent internal audit function which reports directly to ARCC and the Responsible Entity's Board if necessary.

**Principle 8**  
**Remunerate fairly and responsibly**

Remuneration policies are in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve the performance of The Trust Company and its controlled entities. As The Trust Company is the parent of the Responsible Entity it provides executive directors and internal management for the Responsible Entity. Directors and internal management of the Responsible Entity are remunerated by The Trust Company and not by MXQ.

The Responsible Entity's fees are set out in the constitution for MXQ. Both the Responsible Entity and the Investment Manager monitor all fees and expenses paid from MXQ to ensure they are allowable under MXQ documentation.