

September 30, 2005 Quarterly Report

The following information provides an analysis of the operations and financial position of the Trust for the period ended September 30, 2005. The Trust was established January 28, 2005 and commenced operations on February 18, 2005. The following information should be read in conjunction with the attached financial statements and accompanying notes thereto for the period ended September 30, 2005.

The Trust

MACCs Sustainable Yield Trust (the “Trust”) is a closed-end investment trust. The Trust commenced operations on February 18, 2005 when it issued 3,250,000 units at \$10.00 per unit. On March 3, 2005, the Trust issued an additional 280,000 units through the exercise of an over allotment option. In total, the Trust raised gross proceeds of \$35,300,000. The units are listed on the Toronto Stock Exchange under the symbol MYT.UN. The Manager of the Trust is MACCs Administrator Inc. and the Investment Manager is YMG Capital Management Inc.

Investment Objectives and Strategy

The investment objectives of the Trust are to maintain an SR-1 Stability Rating from S&P on the units and to provide unitholders with monthly distributions. In order to achieve its investment objectives, the Trust has invested the net proceeds from the issuance of the units, together with borrowings, in a diversified portfolio of income funds, constructed by the Investment Manager based on criteria which it believes are reflective of the requirements for achieving an SR-1 Stability Rating from S&P. The income funds which comprised the portfolio as at September 30, 2005 were selected by the Investment Manager based on the following criteria:

- each income fund was publicly rated by either S&P or DBRS;
- each income fund had a minimum float capitalization of \$400 million;
- each income fund had a stability rating of SR-5 or higher (or equivalent); and
- each income fund had a yield of at least 6.50% per annum;

Investment Portfolio

As at September 30, 2005, the Trust was fully invested and held 33 income funds in its portfolio, which provided diversification both by issuer and industry concentration. The breakdown and a detailed listing of the security holdings of the Trust are provided in the Statement of Investments included herein.

Net Asset Value

For the period ended September 30, 2005, the Trust recorded earnings from operations of \$1.02 per unit. For the three months ended September 30, 2005, the Trust recorded earnings from operations of \$0.73 per unit. As at September 30, 2005, the net asset value per unit was \$9.96 and the closing price on the Toronto Stock Exchange was \$8.90.

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Liquidity and Capital Resources

As at September 30, 2005, the Trust had borrowed a total of \$4,846,000 under its credit facility in the form of bankers' acceptances and prime rate borrowings. These borrowings were used to invest in additional income funds to enhance the overall yield of the Trust. During the quarter, the Trust purchased 34,000 of its units for an aggregate cost of \$314,046 and an average cost of \$9.24 per unit.

Distributions and Interest Payments

For the period ended September 30, 2005, the Trust paid distributions of \$1,189,746. The distribution for the month of September of \$194,700, or \$0.0556 per unit, was declared. This distribution was paid on October 14, 2005. The Trust incurred interest and bank charges expense of \$33,840 for the quarter ended September 30, 2005 and \$75,567 from January 28, 2005 to September 30, 2005.

Expenses

For the period ended September 30, 2005, management and dealers' service fees of \$161,670 were incurred, representing an annualized rate of 0.75% of net asset value. For the quarter ended September 30, 2005, the Trust incurred \$69,500 of such expenses. For the period ended September 30, 2005, custody, transfer agent and other expenses amounted to \$133,863. For the quarter ended September 30, 2005, such expenses were \$54,833.

Risk Analysis

There are risks associated with an investment in units of the Trust. A complete list of the Trust's risk factors is available in its final prospectus, a copy of which can be obtained from the Trust or at the SEDAR website at www.sedar.com.