



MACCS SUSTAINABLE YIELD TRUST



June 30, 2005
Quarterly Report

June 30, 2005 Quarterly Report

The following information provides an analysis of the operations and financial position of the Trust for the period ended June 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 June 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 June 30, 2005 were selected by the Investment Manager based on the following criteria:

- (i) each income fund was publicly rated by either S&P or DBRS;
- (ii) each income fund had a minimum float capitalization of \$400 million;
- (iii) each income fund had a stability rating of SR-5 or higher (or equivalent); and
- (iv) each income fund had a yield of at least 6.00% per annum;

Investment Portfolio

As at June 30, 2005, the Trust was fully invested and held 40 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 June 30, 2005, the Trust recorded earnings from operations of \$0.29 per unit. For the three months ended June 30, 2005, the Trust recorded earnings from operations of \$0.76 per unit. As at June 30, 2005, the net asset value per unit was \$9.39 and the closing price on the Toronto Stock Exchange was \$9.30.

June 30, 2005 Quarterly Report

Liquidity and Capital Resources

As at June 30, 2005, the Trust had borrowed a total of \$3,719,835 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.

Distributions and Interest Payments

For the period ended June 30, 2005, the Trust paid distributions of \$601,159. The distribution for the month of June of \$196,268, or \$0.0556 per unit, was declared. This distribution was paid on July 15, 2005. The Trust incurred interest and bank charges expense of \$30,701 for the quarter ended June 30, 2005 and \$41,727 from January 28, 2005 to June 30, 2005.

Expenses

For the period ended June 30, 2005, management and dealers' service fees of \$92,170 were incurred, representing an annualized rate of 0.75% of net asset value. For the quarter ended June 30, 2005, the Trust incurred \$63,797 of such expenses. For the period ended June 30, 2005, custody, transfer agent and other expenses amounted to \$79,030. For the quarter ended June 30, 2005, such expenses were \$54,595.

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.

June 30, 2005
Quarterly Report

MACCs SUSTAINABLE YIELD TRUST

Statement of Net Assets

As at	June 30, 2005 <i>(Unaudited)</i>	January 28, 2005 <i>(note 1)</i>
	\$	\$
Assets		
Investments, at market value (cost - \$36,151,916) (note 6)	36,588,350	-
Cash and cash equivalents	403,527	10
Interest, dividends and distributions receivable	308,880	-
Other	17,598	-
Total current assets	37,318,355	10
Liabilities		
Management and dealers' service fees payable	49,859	-
Accounts payable and accrued liabilities	216,909	-
Loan facility payable (note 6)	3,719,835	-
Interest payable	417	-
Distributions payable	196,268	-
Total current liabilities	4,183,288	-
Net assets	33,135,067	10
Number of units outstanding (note 5)	3,530,000	1
Net asset value per unit	9.39	10.00

The accompanying notes are an integral part of these financial statements.

**June 30, 2005
Quarterly Report**

MACCs SUSTAINABLE YIELD TRUST

Statement of Operations

(Unaudited)

	April 1, 2005 to June 30, 2005	Jan. 28, 2005 (Date of Inception) to June 30, 2005
	\$	\$
Income		
Interest and other income	441,984	706,381
Dividends	(32,507)	40,245
	409,477	746,626
Expenses (note 4)		
Management and dealers' service fees	63,797	92,170
General and administration	54,595	79,030
Interest and bank charges	30,701	41,727
	149,093	212,927
Net investment income	260,384	533,699
Realized and unrealized gain on investments		
Net realized gain on investments (note 7)	30,185	31,897
Capital gains distributed from income trusts	8,419	13,214
Unrealized appreciation on investments	2,379,638	436,434
Net realized and unrealized gain on investments	2,418,242	481,545
Increase in net assets from operations	2,678,626	1,015,244
Earnings per unit	0.76	0.29

The accompanying notes are an integral part of these financial statements.

June 30, 2005
Quarterly Report

MACCs SUSTAINABLE YIELD TRUST

Statement of Changes in Net Assets

(Unaudited)

	April 1, 2005 to June 30, 2005	Jan. 28, 2005 (Date of Inception) to June 30, 2005
	\$	\$
Increase in net assets from operations	2,678,626	1,015,244
Distributions to unitholders	(588,804)	(797,427)
Capital unit transactions (note 5)		
Proceeds from issue	-	35,300,000
Issue costs	-	(2,382,750)
	-	32,917,250
Increase in net assets	2,089,822	33,135,067
Net asset, beginning of period	31,045,245	-
Net asset, end of period	33,135,067	33,135,067

The accompanying notes are an integral part of these financial statements.

**June 30, 2005
Quarterly Report**

MACCs SUSTAINABLE YIELD TRUST

Statement of Cash Flows

(Unaudited)

	April 1, 2005 to June 30, 2005	Jan. 28, 2005 (Date of Inception) to June 30, 2005
OPERATING ACTIVITIES	\$	\$
Results of operations for the period	2,678,626	1,015,244
Items not affecting cash:		
Net realized gain on investments (note 7)	(30,185)	(31,897)
Unrealized appreciation on investments	(2,379,638)	(436,434)
	(2,409,823)	(468,331)
Net change in non-cash working capital		
Change in other assets and liabilities	(90,817)	(59,293)
Cash flows from operating activities	177,986	487,620
FINANCING ACTIVITIES		
Loan proceeds	67,835	3,719,835
Distributions paid to unitholders	(601,159)	(601,159)
Net proceeds from issuance of trust units	-	32,917,250
Cash flows provided by (used in) financing activities	(533,324)	36,035,926
INVESTING ACTIVITIES		
Sales of investments	1,270,166	1,720,847
Purchases of investments	(967,425)	(37,840,866)
Cash flow provided by (used in) investing activities	302,741	(36,120,019)
Net increase (decrease) in cash during the period	(52,597)	403,527
Cash and cash equivalents, beginning of period	456,124	-
Cash and cash equivalents, end of the period	403,527	403,527

The accompanying notes are an integral part of these financial statements

June 30, 2005
Quarterly Report

MACCs SUSTAINABLE YIELD TRUST

Statement of Investments

(Unaudited)

As at June 30, 2005

Number of Units	Description	Adjusted Cost (\$)	Market Value (\$)	% of Net Assets
Power and Pipeline Funds				
109,600	Algonquin Power Income Fund	1,111,790	1,134,360	
44,900	AltaGas Income Trust	1,105,781	1,132,827	
100,900	Atlantic Power Corporation	1,127,577	1,089,720	
96,900	Boralex Power Income Fund	1,075,261	1,070,745	
96,100	Calpine Power Income Fund	1,086,381	999,440	
92,800	Fort Chicago Energy Partners L.P. Cl. A	1,098,830	1,207,328	
48,300	Gaz Metropolitan Limited Partnership	1,093,095	1,067,430	
50,800	Great Lakes Hydro Income Fund	1,012,188	993,140	
118,300	Inter Pipeline Fund Cl. A	1,108,386	1,156,974	
71,500	Keyera Facilities Income Fund	1,078,090	1,168,310	
76,700	Northland Power Income Fund	1,103,460	1,124,422	
79,100	Pembina Pipeline Income Fund	1,116,336	1,099,490	
109,500	TransAlta Power, L.P.	1,093,439	1,078,575	
31,900	TransCanada Power, L.P.	1,114,750	1,167,540	
		15,325,364	15,490,301	46.8%

June 30, 2005
Quarterly Report

Business Funds

65,600	Bell Nordiq Income Fund	1,081,828	1,193,920
81,700	CML Healthcare Income Fund	1,114,599	1,131,545
87,300	Noranda Income Fund Cl. A	1,111,880	1,086,885
35,100	Superior Plus Income Fund	1,113,854	1,117,935
70,600	The Consumers' Waterheater Income Fund	1,115,004	1,149,368
70,000	TimberWest Forest Corp.	1,115,209	1,031,100
83,000	UE Waterheater Income Fund	1,113,684	1,137,100
82,100	Westshore Terminals Income Fund	1,091,598	973,706
80,500	Yellow Pages Income Fund	1,113,044	1,200,255

9,970,700 10,021,814 30.2%

Real Estate Investment Trusts

27,600	Calloway REIT	531,284	591,468
36,900	Canadian Apartment Properties REIT	543,393	547,227
28,600	Canadian REIT	541,994	552,266
28,300	H&R REIT	542,044	552,416
45,300	InnVest REIT	550,916	548,130
34,100	O&Y REIT	526,351	511,500
38,000	Primaris Retail REIT	539,919	537,700
53,400	Retirement Residences REIT	544,843	485,406
28,700	RioCan REIT	540,947	574,000
28,000	Summit REIT	533,724	574,280

5,395,415 5,474,393 16.5%

Oil and Gas Funds

40,300	ARC Energy Trust	761,967	803,582
25,200	Bonavista Energy Trust	779,998	782,208
15,800	Enerplus Resources Fund	765,449	739,440
41,700	Pengrowth Energy Trust	784,222	767,280
43,800	Petrofund Energy Trust	798,707	871,650
26,900	PrimeWest Energy Trust	792,087	824,754
34,800	Vermilion Energy Trust	778,007	812,928

5,460,437 5,601,842 16.9%

TOTAL INVESTMENTS

36,151,916 36,588,350 110.4%

Liabilities less other assets

(3,453,283) (10.4%)

NET ASSETS, AT MARKET VALUE

33,135,067 100.0%

The accompanying notes are an integral part of these financial statements.

June 30, 2005 Quarterly Report

1. THE TRUST

MACCs Sustainable Yield Trust (the “Trust”) is a closed-end investment trust established under the laws of the Province of Ontario by a Declaration of Trust dated January 28, 2005 (Date of Inception).

The Manager of the Trust is MACCs Administrator Inc. (the “Manager”).

The statement of investments is as at June 30, 2005. The statement of net assets is as at June 30, 2005 and January 28, 2005 (Date of Inception). The statements of operations, changes in net assets and cash flows are for the periods January 28, 2005 to June 30, 2005 and April 1, 2005 to June 30, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies followed by the Trust in the preparation of its financial statements:

(a) Valuation of Investments

Short-term investments are valued at cost plus accrued interest, which approximates market value.

Investments in publicly traded securities are valued at quoted market value. Investments in securities for which market quotations are not readily available are valued at the last reported recent sales price. If no recent sales price can be ascertained, the value is based on the simple average of the last bid and ask prices quoted by dealers in such securities. Securities for which no such information is readily available are valued at fair value as determined by the Valuation Agent. Listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Valuation Agent and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm’s length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Valuation Agent.

The difference between market value and average cost, as recorded in the accounts, is shown as unrealized appreciation (depreciation) of the investment portfolio.

**June 30, 2005
Quarterly Report**

(b) Investment transactions and income recognition

All investment transactions are accounted for on a trade date basis. Realized gains and losses from investment transactions and unrealized appreciation or depreciation in the value of investments are calculated on an average cost basis.

Interest income and expenses are recognized daily on an accrual basis.

Dividend and distribution income are recognized on the ex-dividend or ex-distribution date.

Distributions from income trusts which are treated as returns of capital for income tax purposes reduce the average cost of the investment in the trust on the Statement of Investments.

Distributions from income trusts which are treated as dividend income, interest income, or capital gains for tax purposes are included as dividend income, interest income, or capital gains distributed from income trusts, as appropriate, in the Statement of Operations.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short term, interest-bearing notes with a term to maturity of less than three months from the date of purchase.

(d) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expense during the reporting period. Actual results could differ from those estimates.

(e) Net asset value per unit

The net asset value per unit is computed by dividing the net assets of the Trust by the total number of units outstanding on the valuation date.

(f) Measurement uncertainty

Allocations of distributions received from income trusts among dividends, interest and other income, capital gains, or return of capital are based on estimates of the categorization of distribution provided by those income trusts. These allocations and the adjusted cost of the related investment may change once final categorizations of the distributions are received from the respective income trusts.

**June 30, 2005
Quarterly Report**

3. TAXATION

The Trust qualifies as a “unit trust” within the meaning of the Income Tax Act (Canada). The Trust is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the year, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the year.

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized capital gains are expected to be distributed to the unitholders.

4. EXPENSES OF THE TRUST

(a) Management fees

The Trust is party to a trust agreement (the “Trust Agreement”) dated January 28, 2005 with the Manager pursuant to which the Manager provides all administrative services required by the Trust. The Investment Manager provides investment advisory and portfolio management services to the Trust.

Pursuant to the Trust Agreement the Manager receives a monthly fee at the annual rate of 0.45% of the net asset value of the Trust, calculated daily and payable monthly in arrears, plus applicable taxes. The Manager is responsible for payment of the investment management fees of the Investment Manager out of its annual management fees.

(b) Other expenses

The Trust is responsible for all other expenses incurred in connection with its operation and administration, such as custody, valuation, transfer agent, reporting, audit and legal fees. Brokerage commissions paid on securities transactions are not considered to be part of total expenses. These commissions are included in the cost of purchasing, or netted out of the proceeds from selling securities. The Trust will pay to the Manager to pay to registered dealers an annual Service Fee equal to 0.30% annually of the net asset value of units held by clients of the sales representatives of such dealers, payable quarterly in arrears.

5. UNITHOLDERS' EQUITY

The Trust is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Trust. On termination or liquidation of the Trust, Unitholders of record will be entitled to receive their pro rata share of all of the assets of the Trust remaining after payment of all debts, liabilities and liquidation expenses.

June 30, 2005 Quarterly Report

On February 18, 2005, the Trust completed an initial public offering of 3,250,000 units at \$10 per unit for total gross cash proceeds of \$32,500,000. On March 3, 2005 an over-allotment option granted to agents was exercised for 280,000 units at \$10 per unit for total gross cash proceeds of \$2,800,000. Total issue costs were \$2,382,750. The Trust's units are listed on the Toronto Stock Exchange under the symbol MYT.UN.

Units may be surrendered for redemption on an annual basis 15 business days prior to the second last business day of July in any year, commencing July 2006. Unitholders will receive a redemption price per Unit equal to 100% of the net asset value per Unit of the Trust determined as of the Redemption Date less any costs of funding such redemption.

6. LOAN FACILITY

The Trust will from time to time enter into leverage and borrowing transactions, which cannot exceed 20% of the total assets of the Trust at the time such transactions are entered into.

As at June 30, 2005, the amount of the loan facility outstanding in the Trust was \$3,719,835. This consists of a \$3,700,000 loan with an interest rate of 2.72%, maturing on August 26, 2005 and a \$19,835 loan with an interest rate of 4.25%, with no fixed maturity.

The trust has entered into a general security agreement providing the lender with a first charge on the assets of the Trust as security for indebtedness arising out of the credit facility.

**June 30, 2005
Quarterly Report**

7. NET REALIZED GAIN ON INVESTMENTS

For the period from January 28, 2005 to June 30, 2005, the realized gain on investments for MACCs Sustainable Yield Trust was as follows:

Proceeds from sales of investments	\$ 1,720,847
Investments at cost, beginning of period	-
Investments purchased	37,840,866
	37,840,866
Investments at cost, end of period	36,151,916
Cost of investments sold	1,688,950
Net realized gain on investments	\$ 31,897

For the period April 1, 2005 to June 30, 2005, the realized gain on investments for MACCs Sustainable Yield Trust was as follows:

Proceeds from sales of investments	\$ 1,270,166
Investments at cost, beginning of period	36,424,472
Investments purchased	967,425
	37,391,897
Investments at cost, end of period	36,151,916
Cost of investments sold	1,239,981
Net realized gain on investments	\$ 30,185

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Trust's investment activities expose it to various types of risk associated with the financial instruments in which it invests directly. In addition to the risks of investing in the income trust market generally, the Trust is also subject to other risks, including interest rate risk as the Trust invests in interest-bearing securities. The income of the Trust may be affected by changes to interest rates relevant to particular securities or as a result of the Trust being unable to secure similar returns on the sale of securities.

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