



MACCS SUSTAINABLE YIELD TRUST



September 30, 2005
Quarterly Report

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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.

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Statement of Net Assets

As at	Sept. 30, 2005 <i>(Unaudited)</i>	Jan. 28, 2005 <i>(note 1)</i>
	\$	\$
Assets (note 6)		
Investments, at market value (cost - \$37,403,980)	39,506,068	-
Cash and cash equivalents	140,592	10
Interest, dividends and distributions receivable	360,313	-
Other	19,938	-
Total assets	40,026,911	10
Liabilities		
Management and dealers' service fees payable	41,607	-
Accounts payable and accrued liabilities	70,781	-
Trust unit repurchases payable	51,562	-
Loan facility payable (note 6)	4,846,000	-
Interest payable	1,669	-
Distributions payable	194,700	-
Total liabilities	5,206,319	-
Net assets	34,820,592	10
Number of units outstanding (note 5)	3,496,000	1
Net asset value per unit	9.96	10.00

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

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Statement of Operations

(Unaudited)

	July 1, 2005 to Sept. 30, 2005	Jan. 28, 2005 (Date of Inception) to Sept. 30, 2005
	\$	\$
Income		
Interest and other income	437,603	1,143,984
Dividends	48,425	88,670
	486,028	1,232,654
Expenses (note 4)		
Management and dealers' service fees	69,500	161,670
General and administration	54,833	133,863
Interest and bank charges	33,840	75,567
	158,173	371,100
Net investment income	327,855	861,554
Realized and unrealized gain (loss) on investments		
Net realized gain on investments (note 7)	596,080	627,977
Capital gains distributed from income trusts	(2,999)	10,215
Unrealized appreciation on investments	1,665,654	2,102,088
Net realized and unrealized gain (loss) on investments	2,258,735	2,740,280
Increase in net assets from operations	2,586,590	3,601,834
Earnings per unit	0.73	1.02

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Statement of Changes in Net Assets

(Unaudited)

	July 1, 2005	Jan. 28, 2005
	to	(Date of
	Sept. 30, 2005	Inception) to
	Sept. 30, 2005	Sept. 30, 2005
	\$	\$
Increase in net assets from operations	2,586,590	3,601,834
Distributions to unitholders	(587,019)	(1,384,446)
Capital unit transactions (note 5)		
Proceeds from issue	-	35,300,000
Purchase and cancellation of trust units	(314,046)	(314,046)
Issue costs	-	(2,382,750)
	(314,046)	32,603,204
Increase in net assets	1,685,525	34,820,592
Net assets, beginning of period	33,135,067	-
Net assets, end of period	34,820,592	34,820,592

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

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MACCs SUSTAINABLE YIELD TRUST

Statement of Cash Flows

(Unaudited)

	July 1, 2005	Jan. 28, 2005
	to	(Date of
	Sept. 30, 2005	Inception) to
	Sept. 30, 2005	Sept. 30, 2005
OPERATING ACTIVITIES	\$	\$
Results of operations for the period	2,586,590	3,601,834
Items not affecting cash:		
Net realized gain on investments (note 7)	(596,080)	(627,977)
Unrealized appreciation on investments	(1,665,654)	(2,102,088)
	(2,261,734)	(2,730,065)
Net change in non-cash working capital		
Change in other assets and liabilities	(206,901)	(266,194)
Cash flows from operating activities	117,955	605,575
FINANCING ACTIVITIES		
Loan proceeds	1,126,165	4,846,000
Distributions paid to unitholders	(588,587)	(1,189,746)
Net proceeds from issuance of trust units	(262,484)	32,654,766
Cash flows provided by financing activities	275,094	36,311,020
INVESTING ACTIVITIES		
Sales of investments	10,786,607	12,507,454
Purchases of investments	(11,442,591)	(49,283,457)
Cash flow used in investing activities	(655,984)	(36,776,003)
Net increase (decrease) in cash during the period	(262,935)	140,592
Cash and cash equivalents, beginning of period	403,527	-
Cash and cash equivalents, end of the period	140,592	140,592

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Statement of Investments

(Unaudited)

As at September 30, 2005

Number of Units	Description	Adjusted Cost (\$)	Market Value (\$)	% of Net Assets
Power and Pipeline Funds				
132,400	Algonquin Power Income Fund	1,333,092	1,324,000	
58,500	AltaGas Income Trust	1,475,988	1,632,150	
141,700	Atlantic Power Corporation	1,540,873	1,523,275	
125,700	Boralex Power Income Fund	1,363,943	1,407,840	
128,200	Calpine Power Income Fund	1,404,857	1,275,590	
31,900	EPCOR Power L.P.	1,114,750	1,148,081	
110,300	Fort Chicago Energy Partners L.P. Cl. A	1,331,788	1,398,604	
148,900	Inter Pipeline Fund Cl. A	1,427,061	1,489,000	
82,500	Keyera Facilities Income Fund	1,261,330	1,555,950	
99,000	Northland Power Income Fund	1,403,248	1,433,520	
109,100	Pembina Pipeline Income Fund	1,558,068	1,680,140	
135,800	TransAlta Power, L.P.	1,338,675	1,377,012	
		16,553,673	17,245,162	49.6%
Business Funds				
109,300	CML Healthcare Income Fund	1,504,931	1,619,826	
36,600	Fording Canadian Coal Trust	1,517,732	1,814,262	
121,300	Noranda Income Fund Cl. A	1,520,479	1,478,647	
51,100	Superior Plus Income Fund	1,616,581	1,342,908	
102,000	TimberWest Forest Corp.	1,593,330	1,541,220	
118,000	UE Waterheater Income Fund	1,580,584	1,545,800	
		9,333,637	9,342,663	26.8%
Real Estate Investment Trusts				
56,800	Canadian Apartment Properties REIT	819,335	815,080	
38,300	H&R REIT	741,038	795,108	
65,200	InnVest REIT	792,082	829,996	
54,600	O&Y REIT	820,971	881,790	
56,000	Primaris Retail REIT	803,439	898,800	
85,400	Retirement Residences REIT	835,274	751,520	
72,500	Summit REIT	1,533,561	1,653,000	
		6,345,700	6,625,294	19.0%

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Oil and Gas Funds

41,300	Acclaim Energy Trust	704,407	846,650	
31,300	ARC Energy Trust	590,881	754,330	
21,600	Bonavista Energy Trust	668,213	803,520	
14,700	Enerplus Resources Fund	710,534	807,177	
38,300	Pengrowth Energy Trust Cl. B	708,473	788,214	
30,900	Petrofund Energy Trust	548,767	705,138	
20,600	PrimeWest Energy Trust	598,111	749,840	
28,800	Vermilion Energy Trust	641,584	838,080	
		5,170,970	6,292,949	18.1%
TOTAL INVESTMENTS		37,403,980	39,506,068	113.5%
Liabilities less other assets			(4,685,476)	(13.5%)
NET ASSETS, AT MARKET VALUE			34,820,592	100.0%

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

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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 September 30, 2005. The statement of net assets is as at September 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 September 30, 2005 and July 1, 2005 to September 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.

(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.

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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.

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.

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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.

On February 18, 2005 the Trust completed an initial public offering of 3,250,000 units at \$10.00 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 \$10.00 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.

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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.

The Trust has a mandatory market purchase program pursuant to which it is obligated to purchase for cancellation any Units offered in the market if the closing price at which Units are then offered for sale is less than 95% of the net asset value per Unit. The maximum number of Units so purchased in any three month period shall be limited to 1.25% of the Units outstanding at the beginning of such period. During the quarter ended September 30, 2005, the Trust purchased 34,000 Units for an aggregate cost of \$314,046 and an average cost of \$9.24 per Unit.

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 September 30, 2005, the amount of the loan facility outstanding in the Trust was \$4,846,000. This consists of a \$4,000,000 loan with an interest rate of 2.93%, maturing on November 25, 2005 and an \$846,000 loan with an interest rate of 4.50%, 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.

7. NET REALIZED GAIN ON INVESTMENTS

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

Proceeds from sales of investments	\$12,507,454
Investments at cost, beginning of period	-
Investments purchased	49,283,457
	49,283,457
Investments at cost, end of period	37,403,980
Cost of investments sold	11,879,477
Net realized gain on investments	\$ 627,977

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

Proceeds from sales of investments	\$10,786,607
Investments at cost, beginning of period	36,151,916
Investments purchased	11,442,591
	47,594,507
Investments at cost, end of period	37,403,980
Cost of investments sold	10,190,527
Net realized gain on investments	\$ 596,080

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.