

**MACCs Sustainable Yield Trust**  
**June 30, 2007**  
**Semi-Annual Report**

**Statement of Investments**

As at June 30, 2007

Number of Units	Description	Coupon Rate (%)	Maturity Date	Adjusted Cost (\$)	Market Value (\$)	% of Net Assets
<b>Short Term Investments</b>						
108,000	Canada Treasury Bills	4.29%	23-Aug-07	107,208	107,295	
645,000	Canada Treasury Bills	4.35%	20-Sep-07	638,669	638,682	
				<b>745,877</b>	<b>745,977</b>	<b>3.0</b>
<b>Power and Pipeline Funds</b>						
87,100	Algonquin Power Income Fund			808,389	762,125	
23,700	AltaGas Income Trust			661,348	600,321	
78,200	Atlantic Power Corp.			842,257	840,650	
73,100	Boralex Power Income Fund			716,209	731,000	
50,000	Enbridge Income Fund			563,338	566,500	
65,500	Epcor Power LP			1,830,558	1,716,100	
68,200	Fort Chicago Energy Partners LP			755,287	712,690	
20,800	GAZ Metro LP			344,032	350,688	
13,600	Great Lakes Hydro Income Fund			259,916	277,984	
41,400	Innergex Power Income Fund			579,932	512,946	
87,700	Inter Pipeline Fund			797,088	815,610	
42,000	Keyera Facilities Income Fund			683,794	773,220	
69,000	Northland Power Income Fund			934,554	912,870	
40,500	Pembina Pipeline Income Fund			563,262	643,545	
93,900	Transalta Power LP			788,000	738,993	
				<b>11,127,964</b>	<b>10,955,242</b>	<b>43.5</b>
<b>Business Funds</b>						
39,000	Arctic Glacier Income Fund			510,900	521,820	
36,452	Bell Aliant Regional Communications Income Fund			1,161,088	1,142,770	
98,300	CanWest MediaWorks Income Fund			755,688	880,768	
45,900	CML Healthcare Income Fund			632,131	695,844	
54,900	Consumers' Waterheater Income Fund			843,839	908,595	
25,000	Fording Canadian Coal Trust			950,016	869,500	
75,600	Noranda Income Fund, Class A			875,373	852,012	
47,800	Primary Energy Recycling Corp.			479,908	331,254	
30,800	Royal Utilities Income Fund Trust			355,432	380,380	
60,000	Superior Plus Income Fund			710,359	931,800	
75,400	Teranet Income Fund			739,507	749,476	
28,300	Timberwest Forest Corp.			442,071	507,985	
49,800	Yellow Pages Income Fund			662,328	691,224	
				<b>9,118,640</b>	<b>9,463,428</b>	<b>37.6</b>
<b>Real Estate Investment Trust</b>						
10,000	Canadian Apartment Properties Real Estate Investment Trust			149,722	194,200	
98,300	Chartwell Seniors Housing Real Estate Investment Trust			1,353,047	1,468,602	
19,100	H&R Real Estate Investment Trust			403,295	438,154	
44,400	InnVest Real Estate Investment Trust			518,927	543,456	
18,700	Primaris Retail Real Estate Investment Trust			243,061	358,292	
				<b>2,668,052</b>	<b>3,002,704</b>	<b>11.9</b>
<b>Oil and Gas Funds</b>						
27,300	ARC Energy Trust			624,980	591,045	
18,400	Bonavista Energy Trust			597,701	559,729	
39,700	Canetic Resources Trust			869,387	684,428	
15,000	Enerplus Resources Fund			743,424	751,050	
25,000	Harvest Energy Trust			673,790	822,000	
41,600	Pengrowth Energy Trust			846,483	843,232	
				<b>4,355,765</b>	<b>4,251,484</b>	<b>16.9</b>
<b>Transaction costs (note 3)</b>				<b>(23,324)</b>		
<b>TOTAL INVESTMENTS</b>				<b>27,992,974</b>	<b>28,418,835</b>	<b>112.9</b>
<b>Other assets, net of liabilities</b>					<b>(3,246,014)</b>	<b>(12.9)</b>
<b>NET ASSETS, AT MARKET VALUE</b>					<b>25,172,821</b>	<b>100.0</b>

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

**MACCs Sustainable Yield Trust**  
**June 30, 2007 Semi-Annual Report**  
**Statements of Net Assets**  
*(Unaudited)*

<b>As at</b>	<b>June 30, 2007</b>	<b>December 31, 2006</b>
	\$	\$
<b>Assets</b> (note 6)		
Investments, at market value (note 3)	<b>28,418,835</b>	25,462,566
Cash	<b>66,246</b>	46,900
Interest, dividends and distributions receivable	<b>259,870</b>	237,839
<b>Total assets</b>	<b>28,744,951</b>	25,747,305
<b>Liabilities</b>		
Management and dealers' service fees payable (note 5)	<b>27,982</b>	33,517
Due to brokers	-	159,300
Accounts payable and accrued liabilities	<b>114,218</b>	146,930
Loan facility payable (note 7)	<b>3,284,460</b>	3,188,789
Distributions payable	<b>145,470</b>	139,602
<b>Total liabilities</b>	<b>3,572,130</b>	3,668,138
<b>Net assets</b>	<b>25,172,821</b>	22,079,167
<b>Number of units outstanding</b> (note 6)	<b>2,616,369</b>	2,507,469
<b>Net assets per unit</b>	<b>\$9.62</b>	\$8.81

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**Approved on behalf of the Trust by its Manager, MACCs Administrator Inc.**



Conor Bill  
**Director**



Peter Chodos  
**Director**

**MACCs Sustainable Yield Trust**  
**June 30, 2007 Semi-Annual Report**  
**Statements of Operations**  
*(Unaudited)*

	Period from Jan. 1, 2007 to Jun. 30, 2007	Period from Jan. 1, 2006 to Jun. 30, 2006
	\$	\$
<b>Revenue</b>		
Interest	1,248,044	1,064,783
Dividends	105,968	189,787
	<b>1,354,012</b>	<b>1,254,570</b>
<b>Expenses</b>		
Management fees (note 5)	56,510	84,784
Dealers' service fees (note 5)	37,115	50,617
Legal fees	34,085	204,959
Interest and bank charges (note 7)	60,157	111,292
Administration fees	39,812	70,244
Audit fees	34,616	13,389
Securityholder reporting costs	7,480	7,439
Transfer agency fees	-	6,943
Custodial fees	879	9,917
Other	31,424	6,447
	<b>302,078</b>	<b>566,031</b>
<b>Net investment income</b>	<b>1,051,934</b>	<b>688,539</b>
<b>Realized and unrealized gain (loss) on investments and transaction costs</b>		
Net realized gain on investments	965,586	2,042,745
Capital gains distributed from income trusts	-	97,258
Transaction costs (note 3)	(19,917)	-
Change in unrealized appreciation (depreciation) on investments	1,077,096	(2,888,385)
<b>Net realized and unrealized gain (loss) on investments and transaction costs</b>	<b>2,022,765</b>	<b>(748,382)</b>
<b>Increase (decrease) in net assets from operations</b>	<b>3,074,699</b>	<b>(59,843)</b>
<b>Increase (decrease) in net assets from operations per unit</b>	<b>\$ 1.19</b>	<b>\$ (0.02)</b>

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

**MACCs Sustainable Yield Trust**  
**June 30, 2007 Semi-Annual Report**  
**Statements of Changes in Net Assets**  
*(Unaudited)*

	Period from Jan. 1, 2007 to Jun. 30, 2007	Period from Jan. 1, 2006 to Jun. 30, 2006
	\$	\$
<b>Increase (decrease) in net assets from operations</b>	<b>3,074,699</b>	<b>(59,843)</b>
<b>Distributions to unitholders:</b>		
From capital gains	(406,106)	(455,920)
From dividends	(68,060)	(189,787)
From income (excluding dividends)	(166,119)	(498,752)
Return of capital	(226,722)	-
	<b>(867,007)</b>	<b>(1,144,459)</b>
<b>Capital unit transactions (note 6)</b>		
Proceeds from issuance of units	1,038,528	-
Purchase and cancellation of units	(97,319)	(140,513)
	<b>941,209</b>	<b>(140,513)</b>
<b>Net increase (decrease) in net assets during the period</b>	<b>3,148,901</b>	<b>(1,344,815)</b>
<b>Net assets, beginning of period (notes 3 and 12)</b>	<b>22,023,920</b>	<b>33,942,130</b>
<b>Net assets, end of period</b>	<b>25,172,821</b>	<b>32,597,315</b>

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**MACCs Sustainable Yield Trust**  
**June 30, 2007 Semi-Annual Report**  
**Statements of Cash Flows**  
*(Unaudited)*

	<b>Period from Jan. 1, 2007 to Jun. 30, 2007</b>	Period from Jan. 1, 2006 to Jun. 30, 2006
<b>OPERATING ACTIVITIES</b>	<b>\$</b>	<b>\$</b>
Increase (decrease) in net assets from operations	<b>3,074,699</b>	(59,843)
Add (deduct) items not affecting cash:		
Net realized gain on investments	<b>(975,864)</b>	(2,042,745)
Change in unrealized appreciation (depreciation) on investments	<b>(1,077,096)</b>	2,888,385
	<b>(2,052,960)</b>	845,640
Net change in non-cash working capital balances related to operations	<b>(231,198)</b>	222,686
<b>Cash provided by operating activities</b>	<b>790,541</b>	1,008,483
 <b>FINANCING ACTIVITIES</b>		
Proceeds from loan facility	<b>95,671</b>	5,111,835
Repayment of loan facility	-	(4,900,000)
Distributions paid to unitholders	<b>(861,139)</b>	(1,196,851)
Net proceeds from issuance of units	<b>1,038,528</b>	-
Purchase and cancellation of units	<b>(97,319)</b>	(140,513)
<b>Cash provided by (used in) financing activities</b>	<b>175,741</b>	(1,125,529)
 <b>INVESTING ACTIVITIES</b>		
Proceeds on sale of investments	<b>13,485,786</b>	13,098,895
Purchase of investments	<b>(14,432,722)</b>	(12,935,924)
<b>Cash provided by (used in) investing activities</b>	<b>(946,936)</b>	162,971
 <b>Net increase in cash during the period</b>	<b>19,346</b>	45,925
Cash, beginning of period	<b>46,900</b>	46,505
<b>Cash, end of the period</b>	<b>66,246</b>	92,430

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

# MACCs Sustainable Yield Trust

## Notes to Financial Statements

2007 Semi-Annual Report (Unaudited)

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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 Trust commenced operations on February 18, 2005.

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been 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 the bid price obtained from recognized securities dealers.

Investments in publicly traded securities are valued at quoted bid prices. Securities for which no such information is readily available or determined to be unreliable by the Manager are valued at an amount that is fair and reasonable in the relevant circumstances.

The difference between market value and average cost, excluding transaction costs, is shown as unrealized appreciation (depreciation) on investments.

#### *(b) Investment transactions and revenue 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, excluding transaction costs.

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 return of capital for income tax purposes reduce the average cost of the investments 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) Use of 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

# MACCs Sustainable Yield Trust

## Notes to Financial Statements

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### *(d) Net assets per unit*

The net assets per unit is computed by dividing the net assets of the Trust by the total number of units outstanding on the valuation date. The increase (decrease) in net assets from operations per unit for the period is based on the average number of units outstanding during the period.

### *(e) 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. ADOPTION OF NEW ACCOUNTING STANDARDS**

On April 1, 2005, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 3855, “Financial Instruments – Recognition and Measurement” of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006. Additionally, Section 14.2 of National Instrument 81-106 (“NI 81-106”), issued by the Canadian Securities Administrators in 2005, requires the daily net asset value of an investment fund to be calculated in accordance with Canadian GAAP. The adoption of Section 3855 would result in the use of different valuation techniques of certain investments.

Canadian securities regulatory authorities have granted relief to investment funds from complying on an interim basis with Section 3855, for the purposes of calculating and reporting of net asset value (other than for financial reporting purposes) for up to a one year period ending September 30, 2007. This is to permit further review of the suitability of this new pronouncement for the purpose of calculating purchase and redemption price (the “Transactional NAV”) of an investment fund. Depending on the outcome of such review, the method by which net asset value is calculated as governed by Section 3855 may result in a change to the Transactional NAV of an investment fund on the date of such change.

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional NAV and the net asset value calculated in accordance with Section 3855 (the “GAAP NAV”) of an investment fund is required in the notes to the financial statements for financial reporting periods in the one year period ending September 30, 2007. Refer to Note 12 for such reconciliation for the period ended June 30, 2007.

In accordance with its transitional provisions, Section 3855 has been adopted, effective January 1, 2007, retroactively without restatement of prior periods.

Section 3855 prescribes specific guidance for establishing fair values under GAAP, including the use of bid prices for long positions and ask prices for short positions for investments quoted in active markets. Where active markets do not exist, fair values are established using a fair valuation technique. Prior to the adoption of Section 3855, fair values were based on last traded or closing prices or based on management's best estimate where market quotations were not reliable or available. Accordingly, the opening net assets in the Statements of Changes in Net Assets have been adjusted to reflect the use of bid pricing (see Note 12).

Section 3855 also requires that transaction costs incurred on portfolio transactions be recognized immediately in net income and presented as a separate expense item in the financial statements. Prior to the

# MACCs Sustainable Yield Trust

## Notes to Financial Statements

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adoption of Section 3855, transaction costs were included in the average cost of investments or as a reduction in the proceeds on the sale of investments. Transaction costs were recognized immediately in net assets and results of operations, but were not presented as a separate line item. There was no impact to the net assets or results of operations as a result of this change in accounting policy.

#### 4. TAXATION

The Trust qualifies as a “mutual fund 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 period, 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 period.

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

#### 5. 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 and payable monthly in arrears, plus applicable taxes. The Manager is responsible for payment of the investment management fees of the Investment Manager from 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. 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.

#### 6. 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 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

# MACCs Sustainable Yield Trust

## Notes to Financial Statements

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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. From January 1, 2007 to June 30, 2007, the Trust purchased 11,300 units for an aggregate cost of \$97,319 at an average cost of \$8.61 per unit.

On August 24, 2006, the Trust filed a final prospectus relating to a warrant offering of units available to all unitholders. One warrant was issued for each unit of the Trust held on September 8, 2006, the record date. Each warrant entitled the holder thereof to purchase one unit of the Trust at an exercise price of \$8.64 on or before February 15, 2007, the expiry date. As of the expiry date, 622,248 warrants had been exercised for aggregate proceeds of \$5,376,222. During the period from January 1, 2007 to February 15, 2007, 120,200 warrants were exercised for aggregate proceeds of \$1,038,528.

### 7. LOAN FACILITY

Pursuant to an agreement with a Canadian chartered bank, the Trust maintains a 364-day renewable revolving loan facility for a maximum amount calculated with reference to total assets and certain collateral but not to exceed \$15,000,000. The loan facility is collateralized by a first-ranking pledge and security agreement over all present and future assets of the Trust. The Trust has the option of borrowing at the prime rate of interest (June 30, 2007 – 6.25%) or at the bankers' acceptance rate plus a fixed percentage. The loan facility is used by the Trust for the purchase of additional investments and for general Trust purposes. The minimum and maximum amount borrowed was \$3,188,789 and \$3,284,460 respectively, during the period from January 1, 2007 to June 30, 2007.

### 8. BROKER COMMISSIONS AND SOFT DOLLAR CONTRACTS

Soft dollar contracts are arrangements under which products or services other than execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction by the adviser of client broker transactions to the broker-dealer. Commissions paid or payable to investment dealers and brokers in connection with portfolio transactions for the period ended June 30, 2007 were \$19,917 (2006 – \$28,113).

### 9. 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.

# MACCs Sustainable Yield Trust

## Notes to Financial Statements

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### 10. SUBSEQUENT EVENT

#### *(a) Retraction*

On July 10, 2007, the Trust received notices from unitholders to redeem 1,473,923 units at the Net Asset Value per Unit calculated for such purpose as of July 31, 2007. The redemption price is \$9.489 per unit and \$13,986,055 in the aggregate. The redemption will be funded by selling securities held by the Trust.

#### *(b) Warrant prospectus*

On August 10, 2007, the Trust filed a final prospectus relating to a warrant offering of units available to all unitholders. One warrant was issued for each unit of the Trust held on August 27, 2007. Each warrant entitles the holder thereof to purchase one unit of the Trust at an exercised price of \$8.00 on or before December 13, 2007.

### 11. RECONCILIATION OF TRANSACTIONAL NAV AND GAAP NAV

In accordance with the decision made by the Canadian securities regulatory authorities, a reconciliation between the Transactional NAV and the GAAP NAV of an investment fund is required for financial reporting periods in the one year period ending September 30, 2007 (see note 2). For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold short) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining Transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques, rather than the use of valuation techniques by virtue of general practice in the investment funds industry. These changes account for the difference between Transactional NAV and GAAP NAV.

The impact of the adoption of Section 3855 on the net asset value of the Funds is as follows:

	Net Asset Value			Net Asset Value Per Share		Opening Net Asset Section 3855 Adjustment
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	GAAP NAV	
As at June 30, 2007	\$ 25,288,843	\$ 116,022	\$ 25,172,821	\$ 9.67	\$ 9.62	\$ (63,286)