



MACQUARIE EQUINOX PARTICIPATING SHARES

December 2011 Quarterly Report

Equinox redemption suspension is still in place

The realisation of the illiquid underlying investments is progressing steadily. However, due to the unpredictability of the frequency and size of the redemption proceeds from the illiquid component funds, we are still unable to provide any guidance as to when the redemption suspension can be lifted.

Market commentary

As 2011 came to a close, the ongoing European sovereign debt crisis which had dominated the markets for much of the year, continued to weigh heavily on the global economy. Pressure mounted on European officials to find a solution to the worsening crisis as economic sentiment across the region continued to deteriorate. Globally, countries such as Japan, Hong Kong and China witnessed a dramatic decline in exports as consumer confidence in key markets including the EU remained weak. On the surface, US GDP returns for the quarter were up on the previous quarter; however, it became evident that any sustainable growth remained vulnerable to European instability. In an attempt to provide temporary relief to banks across the Euro region, the European Central Bank (ECB) implemented a number of measures, including granting €489bn in three year loans. With over 500 European banks availing of the low cost loans, the stronger than expected demand highlighted the intensity of the crisis as the global markets braced itself for a volatile close, to what had been for most markets a challenging year.

Greece, one of the first countries within the euro zone to face extreme economic difficulties, received an €8bn instalment of its 2010 €110bn bailout package during the period. The payment, which was initially suspended by EU leaders, was approved in early December subsequent to Greece implementing tougher austerity measures in their 2012 budget. As initial fears of a Greek default subsided, both Spain and Portugal also required assistance from the ECB in order to sustain their fluctuating sovereign bond yields. In a summit held in early December, aimed at tackling the worsening crisis, it was evident that the implementation of tougher austerity measures across the entire region was just one of the steps required for any long term solution to be found. Post the quarter end, the downgrading in January by S&P of the ratings of nine European countries

including France and Portugal (the latter to junk status), intensified the pressure on European leaders to act quickly to ensure the survival of the EU.

At the close of the quarter, GDP growth figures in the US showed an annual increase of 2.8 per cent. The growth, which was attributable to inventory restocking ahead of the holiday season and improved consumer expenditure, led to the strengthening of the US dollar against many of the major currencies. Although unemployment levels dropped during the period, many remained cautious as to the level of optimism attributed to the growth figures in light of the ongoing issues within Europe.

Equinox Class A & A1

Having reached Capital Protection maturity at March 31 2011, the ongoing realisation of the remaining illiquid portfolio continues. The performance of both Class A and A1 was down for the quarter, due in part to negative returns on all three illiquid holdings within the portfolios. Distributions were received from each of the illiquid component funds during the period reducing the overall illiquidity levels. Further to this, Drake Global Opportunities, one of the illiquid holdings in both Classes announced an additional seven per cent distribution to be paid during the first quarter of 2012.

Equinox Class B & B1

Both Equinox Class B and B1 matured on October 31 2011. In November investors received a cash payment equivalent in value to the Capital Protected amount. Any remaining value held in the fund post maturity continues to be monitored, with a view to returning cash to investors once the remaining illiquid positions are fully realised. Performance for both Classes was down for the quarter as a result of negative returns from each of the underlying component funds. The overall illiquidity levels in both Classes were reduced during the quarter as a consequence of distributions received from each of the underlying component funds.

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Equinox Class C & C1

The Capital Protection of Equinox Class C and C1 matured on December 31 2011. In January investors received a cash payment equivalent in value to the available liquidity in the portfolio, net of a small portion of cash to cover ongoing operational expenses and fund any potential losses arising from the foreign exchange hedging. Any remaining value held in the fund post maturity continues to be monitored with a view to returning cash to investors once the remaining illiquid positions are fully realised. Despite performance volatility in some of the other Equinox classes, Class C achieved a positive return for the quarter. Distributions were received from MARSA Cayman, Drake Global Opportunities and Selectinvest Arbitrage Fund Ltd.

Equinox Class E & E1

As a result of distributions received from each of the five remaining illiquid funds, the liquidity of Class E and E1 improved during the quarter. The Capital Protection for Class E and E1 matures on May 31 2011. Further information relating to the maturity and any associated action will be provided in the second quarter of 2012.

Equinox Class F & F1

Although Class F1 was down, the performance of Class F was up for the quarter leading to a year to date return of 4.04%. Distributions were received from each of the underlying illiquid funds which further improved the liquidity levels as at 31 December 2011.

Performance and exposure to illiquid investments

Equinox Portfolio	Macquarie Equinox Limited Class A	Macquarie Equinox Limited Class A1	Macquarie Equinox Limited Class B	Macquarie Equinox Limited Class B1	Macquarie Equinox Limited Class C	Macquarie Equinox Limited Class C1	Macquarie Equinox Limited Class E	Macquarie Equinox Limited Class E1	Macquarie Equinox Limited Class F	Macquarie Equinox Limited Class F1
Unit prices as at 31 Dec 2011*	\$0.9817	\$0.2394	\$1.1605	\$0.4704	\$1.0970	\$0.3120	\$0.9432	\$0.2892	\$1.1350	\$0.2164
% NAV in illiquid investments as at 31 Dec 2011**	47.99%	45.51%	68.73%	58.63%	4.69%	19.43%	2.94%	12.62%	3.09%	16.05%
One month return	-1.62%	-3.62%	-0.39%	-0.95%	-0.09%	-2.16%	0.22%	-0.41%	0.34%	-1.05%
Three month return	-7.05%	-9.97%	-2.29%	-5.02%	-0.15%	-3.91%	0.42%	-1.30%	0.51%	-2.21%
Six month return	-8.82%	-13.67%	-1.57%	-4.80%	0.56%	-4.41%	1.36%	-2.07%	1.77%	-4.25%
One year return	-13.95%	-22.73%	-0.96%	-6.40%	2.44%	-3.95%	3.38%	-2.07%	4.04%	-5.16%
Total return since inception	6.09%	-24.35%	26.25%	-5.75%	17.86%	-4.07%	0.76%	-3.54%	20.00%	-6.64%
Annualised return since inception ¹	0.73%	-14.74%	3.09%	-3.33%	2.21%	-2.35%	0.11%	-2.04%	2.70%	-3.85%
Equinox total return index	106.09	91.52	126.25	117.78	117.86	107.43	100.76	91.22	120.00	105.36
Current capital protected levels ²	Matured	Matured	Matured	Matured	\$1.1060	\$0.3116	\$1.0000	\$0.3354	\$1.0000	\$0.0324
Component funds										
Canyon Value Realization Fund					X	X	X	X		
Drake Global Opportunities Fund	X	X	X	X	X	X	X	X	X	X
Irongate Global Strategy Fund Ltd***	X	X	X	X						
MQ Absolute Return Strategies - Asia	X	X	X	X	X	X	X	X	X	X
Selectinvest Arbitrage/Relative value Ltd					X	X	X	X	X	X
Harbinger Capital Partners					X	X				

* Performance and Unit Price figures are estimates and hence indicative only. For latest performance updates please visit macquarie.com.au/equinox.

** These percentages represent the approximate proportion of each portfolio invested in illiquid underlying funds.

*** Please note due to a delay in Irongate striking final NAV'S only the most recent final prices available are used to value the fund NAV

¹ An accumulation index of the Nominal Share Price or the Equinox Portfolio NAV adjusted for the effect of Cash Dividends.

² Capital protection, Cash Dividend and Profit Lock-ins in respect of classes C, E and F of the Company are subject to the terms of the Capital Protection Agreement as described in the prospectus for the relevant share class. Profit Lock-ins and Cash Dividends are at the discretion of the Macquarie Equinox.

Past performance is not a reliable indicator of future performance.

Illiquid Funds update

Although the portfolios still remain illiquid, overall liquidity levels improved during the quarter following distributions received from several of the underlying component funds. The following update provides a brief overview of the illiquid funds and the liquidity progress made during the fourth quarter of 2011.

MARSA: As a result of distributions received and the closure of some of the underlying holdings within its portfolio, the Asian fund of funds, made a 20 per cent distribution payment in December. Post the distribution, the fund remains exposed to five illiquid funds spread across three individual fund managers. The fund continues to unwind this remaining illiquid fund exposure with a view to terminating the remaining side pocket once all the positions are fully realised.

Irongate Global Strategy Fund Limited: Irongate announced in late October their plans to make a further distribution via a compulsory redemption of shares from the fund. The distribution, which represented approximately 23% of the August 31 2011 net asset value of Irongate Global Strategy, was paid in November. The Fund's remaining hedge fund portfolio is comprised of funds that have suspended redemptions, are in an orderly liquidation, have gated pending redemptions, or are in some other state (eg, side pocket) which makes the liquidity of the fund position uncertain. We will continue to actively monitor the ongoing performance of Irongate, including any realisations to ensure that we are kept informed of any further developments within the fund in a timely manner.

Canyon Value Realisation Fund: During the period, Canyon made two distributions in October and December as a result of the unwinding by the fund manager of a portion of the remaining assets within the fund. As previously reported, Canyon has returned to investors in excess of 100 per cent of the original redemption proceeds due to the appreciation in the funds assets since becoming illiquid.

Harbinger Capital Partners Offshore Fund Ltd: The fund made no further distributions during the period. The last distribution received was in August 2011 as a result of the sale of one of the funds private equity assets. At this point the fund manager has no short term distribution projections due to the composition of the fund's assets, being mostly concentrated in private equity

(Class PE) and Lehman trade claims (Class L). Although the fund manager is actively seeking exit strategies, there is currently no imminent liquidity timeline with regards to the realisation of the private equity investments. The manager is of the belief that there is long term value in these remaining investments and is therefore not considering a fire sale alternative.

Select Invest Arbitrage/Relative Value Ltd: During the period the fund made a 12 per cent distribution payment in line with the projected distribution forecasts originally provided by the fund manager. The distribution which was paid in October was the first and only distribution paid by Selectinvest during the year due to the limited potential exit strategies associated with the funds remaining investments. We continue to monitor the progress of the realisation of this fund.

Drake Global Opportunities Fund: As a result of the maturity of one of the underlying bond positions within the Drake portfolio, the fund made a 32 per cent distribution in late November. In a recent communication from the fund manager, the fund has confirmed its intention to distribute a further seven per cent in the first quarter of 2012. In the same communication, the fund manager also confirmed their ongoing commitment in seeking feasible exit strategies for the timely realisation of the entire fund.

IMPORTANT INFORMATION

The information relating to the participating shares ("Shares") in Macquarie Equinox Limited ARBN 105 989 231 ("Company") has been prepared by Macquarie Investment Management Limited ABN 66 002 867 003 in its capacity as the arranger of the Company. The offer of Shares was made under the relevant Prospectus relating to that class of Shares and is now closed.

The information provided is general advice only and does not take account of your objectives, financial situation or needs. Each investor should consider the appropriateness of this advice having regard to these matters and read the relevant Prospectus. The Prospectus for each class is available on 1800 025 513. Past performance is not a reliable indicator of future performance.

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For further information, including monthly performance figures and interest rates for borrowers, please contact the Macquarie Client Service Team, see below.



1800 080 033



macquarie.com.au/equinox



structuredinvestments@macquarie.com