Macquarie Fortress Fund

Interim Investment Update

MACQUARIE

31 July 2007

Macquarie Financial Products Management Limited as responsible entity of the Macquarie Fortress Fund (MFPML) in conjunction with Four Corners Capital Management LLC (as Investment Manager) (Four Corners) wishes to provide an interim investment update in light of the recent volatility in the US credit markets, specifically the US sub-prime mortgage market.

Whilst the Macquarie Fortress Fund has no direct exposure to US sub-prime mortgages, the portfolio continues to be adversely impacted by price volatility in the US credit markets. This price volatility is not related to defaults (of which there have not been any) in the underlying Fortress portfolio of loans, but is being caused by supply/demand imbalances in the senior loan market as a whole that are, in large part, caused by spill-over effects from the sub-prime mortgage market. The Investment Manager continues to have no major concerns about the overall credit quality of senior loans in the portfolio, but is constantly monitoring the situation.

Notwithstanding the fundamental health of the underlying assets in the portfolio, the price of senior loans, market wide and in the portfolio, has declined meaningfully. As at 30 July 2007, the average price of loans in the portfolio of senior loans underlying the Fortress Fund had declined by approximately four percentage points to 96.1 cents, having been at 100 cents as at 29 June 2007. We expect the impact of these loan price declines to result in a deterioration in the NAV for 31 July 2007 of approximately 20-25 cents. This reduction may be partially offset by any net interest income generated by the portfolio during the course of July 2007. The actual net asset value at 31 July 2007 will be quantified and reported by the end of August 2007.

There have been no defaults in the portfolio and there is no reason to believe that the loans in the portfolio will not continue to pay their periodic interest and repay the principal outstanding at par. However, because of the unusual price volatility, we decided it would be prudent to reduce the leverage in the portfolio by selling some loans. The realised losses as a result of these sales have been taken into account when providing the estimate of NAV as at 31 July 2007.

At all times, the portfolio has been in compliance with the leverage facility borrowing covenants. However a continued deterioration in senior loan prices as we have seen in recent days could result in non compliance. Therefore the Investment Manager continues to evaluate a range of options to ensure continuing compliance with the borrowing covenants in the event loan prices weaken further. Should the portfolio cease to comply, the terms of the leverage facility allow the Investment Manager 15 business days to rectify any breach before the leverage facility is declared to be in default. In addition to having the ability to continue to sell loans to avoid breaching the facility, discussions are taking place with selected investors regarding a potential investment in the underlying portfolio of senior secured loans. While there can be no assurance that such an investment will occur, the intention of such investment would be to reduce the portfolio's leverage even further and allow the portfolio to be in a position to take advantage of attractive buying opportunities in the senior loan market.

As there have been no defaults in the portfolio, MFPML believes that the Fund will be able to meet the distribution objective of BBSW plus 4.5% per annum in respect of the quarter ended 31 July 2007. However, this will depend upon the extent of any senior loan sales that are necessary (if any) to ensure continuing compliance with the leverage facility's borrowing covenants as well as the extent of any further market price declines in respect of senior loans in the portfolio. A decision concerning the payment of interest income for the July quarter will be made nearer to the payment date (31 August 2007) based on all of the prevailing circumstances.