Macquarie Fortress Notes

Interim Investment Update

MACQUARIE

31 July 2007

Macquarie Fortress Investments Limited (as trustee for the Macquarie Fortress Australia Notes Trust) (MFIL) in conjunction with Four Corners Capital Management LLC (as Portfolio 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 Fortress Notes 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 in the underlying Fortress portfolio (of which there are none), 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. Four Corners Capital Management LLC (the Investment Manager) continues to have no major concerns about the overall credit quality of senior loans in the portfolio.

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 Notes 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 the price declines in July to result in a further deterioration in 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, as the market value of the portfolio has decreased further it has become necessary to sell selected loans and apply the proceeds to reduce the leverage facility so that the loan to value ratio meets the applicable borrowing covenants. 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.

As at 30 July, the portfolio is 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 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 it will be able to meet its distribution objective of BBSW plus 4.5% per annum in respect of the quarter ending 31 July 2007. However, its ability to meet its income target for the following quarter will depend upon the level of senior loan sales that are necessary to ensure continuing compliance with the leverage facility 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 quarter ending 31 October 2007 will be made nearer the payment date based on all of the prevailing circumstances.