

24 November 2009



MACQUARIE EQUINOX LIMITED ARBN 105 989 231 (Equinox) – CLASS F SHARES

EXPLANATORY MEMORANDUM REGARDING LIQUIDITY PROPOSAL

This explanatory memorandum contains important information about your Equinox investment. You should read it in its entirety. This information is not financial product advice and has been prepared without reference to the investment objectives, financial situation or particular needs of any shareholder. This information should not be relied on as the sole basis for any investment decision in respect of Equinox. Independent financial, taxation, legal and other relevant professional advice should be sought before making any investment decision in relation to your shares, including whether to participate in the proposal described in this document.

Macquarie Equinox Limited has appointed Macquarie Investment Management Limited ABN 66 002 867 003 (“the Arranger”) to arrange for the proposal described herein to take place. The Arranger holds Australian financial services licence (AFSL) number 237492.

Dear Shareholder

We are writing to you as a shareholder in Class F of Macquarie Equinox Limited (“Equinox”). As you know, redemption of Class F shares is currently suspended. This letter invites you to elect to participate in a liquidity Proposal. This Proposal enables Class F shareholders to receive a distribution of approximately 65%-75% of the current value of their Equinox Class F investment in or about March 2010 whilst retaining an adjusted level of capital protection at the Capital Protection Date for their investment (“Proposal”). Details of the Proposal are set out in this document.

About Equinox Class F shares

Equinox is a Bermuda-domiciled investment company providing investors with a way to gain exposure to a portfolio of hedge funds, with the benefit of capital protection. Class F shares were issued to investors on 31 March 2005 at an issue price of \$1.00 per share. Capital protection is provided at the Capital Protection Date being 30 September 2012.

Portfolio status of Class F as at 30 September 2009 (estimates):

- Net Asset Value (“NAV”) per Share: \$1.0558
- Capital Protected Amount per Share: \$1.0000
- Proportion of portfolio’s NAV in Illiquid Funds: 13%

Please note that the information above is not an exhaustive description of Class F shares. Please refer to the relevant prospectus relating to the original offer of Class F shares and updates provided at www.macquarie.com.au/equinox.

What are the details of the Proposal?

Given that the redemption of Class F shares is currently suspended, the Proposal has been developed to provide a means for Class F shareholders to receive some liquidity from their Equinox investment, if they wish to do so.

If you elect to participate in the Proposal and the Proposal is implemented:

- **Reclassification of your shares:** You will continue to hold the same number of shares as before. However, your existing Class F shares will be reclassified as a separate class of shares, called Class F1 Shares. The shares held by those shareholders who do not participate will continue to be Class F shares.
- **Initial investment exposure:** The portfolio of assets for Class F shares will be separated so that a pro rata portion for those who elect to participate in the Proposal will form a separate portfolio of assets referable to Class F1. The Class F1 portfolio will be maintained separately from the Class F portfolio. Initially, Class F1 will have exactly the same proportionate exposure to the underlying investment portfolio as Class F. After the distribution (described below) that is to be made from the Class F1 portfolio to release some cash for the Class F1 investors, the composition of Class F1's portfolio will differ from that of Class F as the majority of Class C1's cash will have been paid to investors who participate in the Proposal.
- **Distribution:** The majority of the liquid assets of the Class F1 portfolio will be made available for distribution under the Proposal and will be paid in cash to Class F1 shareholders on a pro-rata basis. The distribution is anticipated to be made in or about March 2010. The amount of the distribution will be based on the Class F1 portfolio's NAV as at 31 January 2010. The amount available to be distributed is currently expected to be between 65% and 75% of the current NAV of your Class F shares, although the final amount of the distribution may be more or less. Please refer to the Appendix for an illustration of the effect of the distribution on an investment in Class F. Although the number of Class F1 shares you hold will not be affected by the distribution, the value of your Class F1 shares can be expected to fall as a result of the distribution.

While we anticipate that the distribution will be paid out of Class F 1's share premium account, it is possible that a relatively small component may be a distribution of profit. If you elect to participate in the Proposal, you will be provided with a statement which confirms the relevant components of the distribution.

As required by the Equinox bye-laws, the holders of Equinox's "Management Shares" will be requested to pass an ordinary resolution authorising the reduction of the share premium account. As your shares are Class F shares, rather than Management Shares, you will not be requested to vote on this resolution. If the resolution is not passed the Proposal will not proceed.

- **Capital protection:** A level of capital protection at the Capital Protection Date (30 September 2012) will remain in place for Class F1 shares. However the Capital Protected Amount will be adjusted downwards by the future value (as at 30 September 2012) of the distribution under the Proposal. The future value of the distribution is calculated by applying the market interest rate to the amount of the distribution for the period from 31 January 2010 to the Capital Protection Date. See "What happens to Capital Protection?" below for more detail.
- **Investment portfolio after the distribution:** Following the distribution, Class F 1's portfolio will comprise investments in component hedge funds that currently have restricted or suspended redemptions ("Illiquid Funds") and cash retained to cover expenses and currency hedging collateral requirements ("Cash Buffer").
- **Risk profile of the post distribution portfolio:** As a large part of Class F1 portfolio's cash will have been distributed to shareholders, the remaining Class F1 portfolio will be more concentrated (as the Illiquid Funds investments remain, but the amount of cash investments has decreased), more illiquid and the returns may be more volatile than before. See "What are the disadvantages of electing to participate in the Proposal?" below for more detail.
- **Potential to re-build exposure to hedge funds:** If you elect to participate in the Proposal, your residual investment in Class F1 will largely comprise exposure to illiquid hedge fund investments, as well as the Cash Buffer. The combination of the high level of illiquidity in the current hedge fund investments (due to redemption restrictions) and the requirements of capital protection will mean that the potential to re-build Class F1 portfolio's exposure to hedge funds at any time prior to the Capital Protection Date will be low.

There is greater potential to re-build exposure to hedge funds prior to the Capital Protection Date for those who do not participate in the Proposal and accordingly continue to hold Class F shares. However, the ability to build this exposure will depend on a number of factors, principally the ability of Equinox to realise hedge fund investments currently subject to redemption restrictions and the direction of Australian interest rates. To the extent that:

- Class F realises the significant majority of the current value of its illiquid hedge fund investments; and
- there is no significant fall in Australian interest rates from current levels;

then it is possible for some hedge fund exposure to be re-built within the Class F portfolio prior to the Capital Protection Date. However, you should note that there is currently no clarity as to whether and when this might occur.

- **Currency hedging:** Currency hedging in respect of non-Australian dollar exposures within the Class F1 portfolio will continue in accordance with the strategy described in the original prospectus.
- **Additional costs:** The following additional costs will apply for investors electing to participate in the Proposal:
 - Implementation of the Proposal and the reclassification of a portion of Class F shares into Class F1 Shares will necessarily result in two smaller portfolios, each requiring separate administration, governance, custody and audit services. Consequently, any fixed fee element of the expenses relating to these services may constitute a greater proportion of the aggregate NAV of both Class F and Class F1 after the implementation of the Proposal than is currently the case for Class F. Distribution of most of the cash within Class F1 will exacerbate this effect further for holders of Class F1 Shares, as fixed fees will be charged across a significantly lower NAV. Depending on the level of participation in the Proposal, such expense increases as a proportion of NAV may be material. Please refer to the table in the section “Are there any additional costs associated with the Proposal?”
 - In addition, as there will be additional administration costs incurred by MQ Capital Pty Ltd, Equinox’s Risk Adviser, in providing services in respect of the new Class F1 share class, there will be an additional expense recovery from Class F 1’s assets only of up to 0.5% per annum. Applicable additional costs will be reflected in the NAVs of Class F1 and Class F shares and will reduce investor returns. See “Are there any additional costs associated with the Proposal?” below for more detail.
- **Macquarie Investment Loan:** If you have invested in Class F shares using a Macquarie Investment Loan and you participate in the Proposal, you will not receive cash directly, as your distribution will be applied to reduce your loan balance, and consequently this will reduce your future loan interest payments. See “Can I participate in the Proposal if I have a Macquarie Investment Loan?” below.¹
- **Macquarie Investment Loan shortfalls:** Your Macquarie Investment Loan (if applicable) will need to be paid down by the future value (as at 30 September 2012) of the distribution under the Proposal. The amount of the Loan required to be paid down will therefore be greater than the amount of the distribution paid under the Proposal. The Loan Shortfall is the difference between the present and future values of the distribution under the Proposal plus any applicable Loan break costs. If you elect to participate in the Proposal, you will be notified separately by Macquarie Bank Limited, your Loan provider, of the Loan Shortfall that needs to be paid for your Loan. The Loan Shortfall will include applicable loan break costs.

Loan Shortfalls need to be paid by investors before participating in the Proposal. If you do not pay the Loan Shortfall by the payment date specified in the notification to you by Macquarie Bank Limited, you will not be able to participate in the Proposal.

See “What are Loan Shortfalls?” and “What Macquarie Investment Loan break costs apply?” below for more detail.

If you do **NOT** wish to participate in the Proposal:

- You will not receive a distribution.
- Your Capital Protection will continue to be calculated as it was before the Proposal.
- You will continue to hold Class F shares, which will continue to be subject to the redemption suspension until further notice.

¹ All information regarding Macquarie Investment Loans is provided by Macquarie Bank Limited, the loan provider.

- Other than a potential increase in costs borne by Class F as a result of fixed expenses increasing as a proportion of Class F NAV, your investment will be unaffected by the implementation of the Proposal for other shareholders.

Why is the Proposal being made?

As described in the “Background” section of the attached covering letter, in light of the fact that there is no certainty regarding when the Equinox redemption suspension can be lifted, the Equinox Board of Directors, with the advice of Equinox’s Risk Adviser (MQ Capital Pty Limited), has structured this Proposal in order to assist Class F shareholders wishing to obtain liquidity from their Equinox investment. A similar Proposal is being made concurrently to shareholders in relation to some of the other Equinox share classes.

What are the advantages of electing to participate in the Proposal?

If the Proposal proceeds, those shareholders wishing to obtain liquidity from their Class F investment will be able to do so in or about March 2010, notwithstanding that share redemptions continue to be suspended, whilst retaining an adjusted level of capital protection at the Capital Protection Date.

Those shareholders whose Class F investment was financed with a Macquarie Investment Loan will reduce their loan balance, and consequently their future loan interest payments.

What are the disadvantages of electing to participate in the Proposal?

Following the distribution, the risk profile of the remaining Class F1 portfolio will be more concentrated (as the Illiquid Funds investments remain, but the amount of cash investments have decreased), more illiquid and the returns may be more volatile than before.

The combination of the high level of illiquidity in Class F 1’s hedge fund investments (due to redemption restrictions) following implementation of the Proposal and the requirements of capital protection will mean that the potential to re-build Class F1 portfolio’s exposure to hedge funds at any time prior to the Capital Protection Date will be low. There will be greater potential to re-build exposure to hedge funds prior to the Capital Protection Date for those who do not elect to participate in the Proposal and accordingly continue to hold Class F shares. However the ability to build this exposure is not guaranteed and there is currently no clarity as to whether and when this might occur.

As there will be additional administration costs incurred by MQ Capital Pty Ltd, Equinox’s Risk Adviser, in providing services in respect of the new Class F1 share class, there will be an additional expense recovery from Class F 1’s assets of up to 0.5% per annum. In addition, implementation of the Proposal and the reclassification of a portion of Class F shares into Class F1 Shares will necessarily result in two smaller portfolios, each requiring separate administration, governance, custody and audit services. Consequently, any fixed fee element of the expenses relating to these services may constitute a greater proportion of the aggregate NAV of both Class F and Class F1 after the implementation of the Proposal than is currently the case for Class F. Distribution of most of the cash within Class F1 will exacerbate this effect further for holders of Class F1 Shares, as fixed fees will be charged across a significantly lower NAV. Depending on the level of participation in the Proposal, such expense increases as a proportion of NAV may be material. Please refer to the table in the section “Are there any additional costs associated with the Proposal?” These costs will be reflected in the NAV of the shares in each class and reduce your returns.

For those shareholders whose Equinox investment was financed with a Macquarie Investment Loan, Loan Shortfalls will need to be paid by investors before participating in the Proposal. The Loan Shortfall will include applicable loan break costs. See “What are Loan Shortfalls?” and “What Macquarie Investment Loan break costs apply?” below.

Are the Equinox Directors recommending that shareholders elect to participate in the Proposal?

The Equinox Directors are not able to make a recommendation, as each shareholder’s individual circumstances may be different. Participation in the Proposal may be advantageous for some shareholders, but disadvantageous for others. Accordingly, shareholders should consider the advantages and disadvantages of the Proposal in light of their own circumstances and consult their professional advisers, before deciding whether to participate in the Proposal.

If I elect to participate in the Proposal, will the Proposal automatically be implemented?

No.

The implementation of the Proposal is conditional on:

- A minimum level of participation. Equinox reserves the right not to proceed with the Proposal for Class F if less than 25% by value of the Shareholders in Class F elect to participate in the Proposal. You will be notified if the Proposal is not going to proceed as a result of insufficient investor support.
- The holders of Equinox's Management Shares passing an ordinary resolution authorising the reduction of the share premium account attributable to Class F1 Shares. This is necessary as all or most of the distribution will be paid out of Class F 1's share premium account.

The Equinox Directors also reserve the right not to implement the Proposal in their sole discretion, if there are any circumstances that affect the viability of the Proposal or their duties to shareholders. This may include the impact of additional expenses that would be incurred by either participating or non-participating investors if the Proposal is implemented.

Will the risk profile of my investment change if I elect to participate in the Proposal?

Concentration and volatility: If you elect to participate in the Proposal your residual investment exposure (after the distribution) will be relatively concentrated among the remaining Illiquid Funds within the Class F1 portfolio. As a result, the performance of your investment will be more sensitive to the performance of a small number of underlying component hedge funds and the value of your investment may be more volatile as a result.

Liquidity: If you elect to participate in the Proposal, following the distribution your investment will largely comprise exposure to Illiquid Funds. There is no certainty as to when these Illiquid Funds will become liquid and consequently there is no certainty as to when you will be able to realise your remaining investment. The prospects for removing Equinox's investor redemption suspension will not be improved as a result of the Proposal and are still dependent on the actions of the Illiquid Funds, over which Equinox has no control.

There is no guarantee that similar liquidity proposals will be extended to investors in the future, whether or not you elect to participate in the Proposal.

How much is available to be distributed as part of the Proposal?

The amount available to be distributed under the Proposal is dependent on the extent to which Class F's current portfolio is exposed to Illiquid Funds and the magnitude of the "Cash Buffer" which needs to be retained. For Class F as at the date of this explanatory memorandum, the amount available to be distributed is expected to be between 65% and 75% of the current NAV of your Class F shares.

Why is a Cash Buffer being retained within Class F1? How much is being retained?

A pre-determined amount of cash ("Cash Buffer") is being retained for the following purposes:

- Cash collateral to enable currency hedging of Class F1's investments that are non-Australian dollar designated to continue; and
- Meeting anticipated fees and expenses over the remaining life of Class F1.

The size of the Cash Buffer retained within Class F1 is expected to be between 10% and 15% of the current NAV of each Class F share that will become a Class F1 share.

Do all shareholders accepting the Proposal directly receive cash?

All investors participating in the Proposal will receive cash, but those investors who have invested in Class F shares using a Macquarie Investment Loan ("Geared Investors") will not directly receive cash. Rather, they will have the distribution amount paid to reduce their outstanding loan balance.²

² All information regarding Macquarie Investment Loans is provided by Macquarie Bank Limited, the loan provider.

What happens to Capital Protection?

For investors who do not participate in the Proposal, Capital Protection will be unaffected.

For investors that elect to participate in the Proposal, if the Proposal proceeds the Capital Protected Amount will be adjusted downwards by the future value of the distribution provided under the Proposal. The future value of the distribution is calculated by applying the market interest rate to the amount of the distribution for the period from 31 January 2010 to the Capital Protection Date.

This adjustment is necessary to reflect the fact that the cash distributed under the Proposal would otherwise have been retained in the Class F portfolio in the form of a term deposit, the future value of which would have gone towards the provision of capital protection at the Capital Protection Date. As this cash is no longer being used for Capital Protection purposes, it is necessary to adjust the level of Capital Protection. The adjustment is commensurate with the anticipated level of growth that would have been achieved by the term deposit had the capital not been distributed.

Please refer to the Appendix for an illustration of the effect of the distribution on capital protection.

What happens to the remaining part of my investment if I accept the Proposal?

If you participate in the Proposal, your residual investment will be predominantly made up of the Illiquid Funds, plus the Cash Buffer. Your Class F1 Shares will continue to be subject to the Equinox redemption suspension until further notice. We will continue to manage Class F1's portfolio with a view to realising the Illiquid Funds as soon as possible. Currency hedging in respect of non-Australian dollar denominated exposures will continue. The combination of high levels of illiquidity in the Class F1 portfolio assets following implementation of the Proposal and the requirements of capital protection will mean that the potential to re-build hedge fund exposure in Class F1 will be low.

Are there any additional costs associated with the Proposal?

Yes.

If you participate in the Proposal, an additional annual expense recovery, which will be capped at 0.5% per annum of your residual investment value, will apply. This represents the additional administration costs incurred by MQ Capital Pty Ltd, Equinox's Risk Adviser, as a result of implementing this Proposal. The more investors that participate in the Proposal, the lower this additional expense recovery for Class F1 will be (on a per share basis).

Implementation of the Proposal and the reclassification of a portion of Class F Shares into Class F1 Shares will necessarily result in two smaller portfolios, each requiring separate administration, governance, custody and audit services. Consequently, any fixed fee element of these expenses for each class may constitute a greater proportion of the aggregate NAV of both Class F and Class F1 after the implementation of the Proposal than is currently the case for Class F. Distribution of most of the cash within Class F1 will exacerbate this effect further for holders of Class F1 Shares, as fixed fees will be charged across a significantly lower NAV.

The extent of the increase as a proportion of NAV will depend on the level of investors electing to participate in the Proposal. The below table shows indicative maximum anticipated increases (as a proportion of NAV after implementation of the Proposal) associated with administrator, custodian, director and audit fees for a range of participation rates. Figures are shown for both Class F1 (i.e. investors participating in the Proposal) and Class F (investors not participating).

Level of investor participation in the Proposal (by Value)	Class F1 - Estimated cost* increase as a proportion of NAV per annum	Class F - Estimated cost* increase as a proportion of NAV per annum
25%	7% increase	0.1% increase
50%	3.2% increase	0.4% increase
75%	1.9% increase	1.4% increase

*Estimated maximum increase in annual costs as a proportion of NAV from external administrator, custodian, auditor and directors' services. Please note, these are estimates only and the actual increases

as a proportion of NAV may be higher or lower. This does not include the Risk Adviser's additional costs described above.

What happens to my investment if I do not take up the Proposal?

You will continue to hold your existing Class F Shares under exactly the same terms. Your exposure to Illiquid Funds will be unchanged. Your Class F Shares will continue to be subject to the Equinox redemption suspension until further notice. We expect that there will be greater potential to re-build more liquid hedge fund exposure for investors who choose not to participate in the Proposal.

We expect that fixed expenses relating to external administration, custody, audit and directors' services will increase (as a proportion of NAV) resulting from a reduction in the Class F NAV when Class F1 is created. Please see "Are there any additional costs associated with the Proposal?" for more details.

Will the Class F1 shares be listed on the Irish Stock Exchange?

No. Class F shares will continue to be listed on the Irish Stock Exchange, but Class F1 Shares will not be listed.

The Class F Shares were originally listed on the Irish Stock Exchange to facilitate a potential distribution of Class F shares in jurisdictions outside Australia. There is no longer an imperative to list Equinox shares and such listing does not provide a secondary market on which the shares can be traded. The absence of such a listing for Class F1 shares should have no bearing on Equinox investors whether or not they choose to participate in the Proposal.

What are the tax implications for Australian residents of participating in the Proposal

- The reclassification of your Class F shares as Class F1 shares should not trigger a capital gains liability. For capital gains tax purposes, your Class F1 shares should have the same cost base and reduced cost base as the Class F shares prior to the reclassification.
- To the extent the distribution represents a return of capital invested in Equinox (ie is debited to share premium account), the distribution of capital should not give rise to an amount of assessable income. Rather, it should result in a reduction in the cost base and reduced cost base of your shares.
- To the extent that a portion of the distribution represents a distribution of profits of Equinox, the distribution will be treated as a dividend. However, the distribution will not be included in your assessable income to the extent it represents an amount on which you have been previously taxed under the FIF rules (this amount is represented by your "FIF attribution surplus", in respect of which you would have maintained records).
- You will be provided with a statement as part of the annual tax reporting process which confirms the amount of the distribution which should be treated as a capital reduction and the amount which should be treated as a dividend (if any).
- If you receive a distribution of profits that is assessable (eg because it exceeds your FIF attribution surplus mentioned above), your FIF income will be reduced by the assessable amount for that period, so that you will not be taxed twice on the value of the assessable portion of the distribution.
- In relation to those investors with a Macquarie Investment Loan, any break cost incurred as a result of the partial repayment of their loan should be deductible to the extent that the cost is incurred for the purpose of reducing any future obligation to meet interest payments on their loan (similarly, any break benefit should be assessable). However, any Loan Shortfall attributable to the difference between the distribution and its future value will not be deductible, as it represents a repayment of principal on the loan.
- The participation in the Proposal should not in itself result in the application of the general anti-avoidance provisions.

This information is of a general nature only and does not constitute tax advice or take into consideration your circumstances and individual needs. Accordingly you should seek professional tax advice which takes into account your specific circumstances as they relate to the Proposal.

What happens if only a small number of investors in Class F elect to participate in the Proposal?

Equinox reserves the right not to proceed with the Proposal for Class F if less than 25% by value of the Shareholders in Class F elect to participate in the Proposal. You will be notified if the Proposal is not going to proceed as a result of insufficient investor support.

THE FOLLOWING INFORMATION REGARDING MACQUARIE INVESTMENT LOANS IS PROVIDED BY MACQUARIE BANK LIMITED, THE PROVIDER OF THE MACQUARIE INVESTMENT LOANS.**Can I participate in the Proposal if I have a Macquarie Investment Loan?**

Your Class F shares and any distributions are security for your Macquarie Investment Loan. Under the terms of your loan you have agreed with Macquarie Bank that you will not deal with the Class F shares or any distributions without Macquarie Bank's approval. Macquarie Bank will approve your election to participate in the Proposal on the basis set out below and, if you make the election, you agree these matters in your Election Form.

- **What happens to Macquarie Investment Loans?**

The distribution will be used to reduce Geared Investors' outstanding Macquarie Investment Loan balances. However, Macquarie Bank requires that the Macquarie Investment Loan balance be reduced by the future value (that is, the value at the Capital Protection Date) of the amount distributed under the Proposal. This is because of the link between Capital Protection and the Macquarie Investment Loans – that is, if Capital Protection is being reduced then the Macquarie Investment Loans need to be reduced in the same proportion, so that Capital Protection at Capital Protection Date of the Class F shares is sufficient to extinguish the Macquarie Investment Loan.

- **What are Loan Shortfalls?**

The Loan Shortfall is the difference between the present and future values of the distribution under the Proposal plus any applicable loan break costs. Geared Investors who wish to participate in the Proposal need to pay Macquarie Bank Limited the Loan Shortfall in advance. The Loan Shortfall for Class F is expected to be between \$0.15 and \$0.20 per Share for Geared Investors with a fixed interest loan paying interest quarterly in arrears. Please note that the magnitude of the shortfall will vary according to the size and the type of loan, and whether you pay interest in advance or arrears. This is because of the different break costs that will apply. Please refer to "What Macquarie Investment Loan break costs apply?" below. You and/or your advisor will also be able to calculate indicative figures by using the Equinox Liquidity Proposal Calculator which can be found at www.macquarie.com.au/equinoxadviser. The exact amount of the your Loan Shortfall will be determined by Macquarie Bank and debited from your nominated bank account in or around March 2010. Macquarie Bank will notify you in writing of the estimated Loan Shortfall amount approximately two weeks before the debit is to be made.

As a result of the reduction in your Macquarie Investment Loan balance, you will pay commensurately reduced interest on an ongoing basis.

Loan Shortfalls need to be paid by investors before participating in the Proposal. If you do not pay the Loan Shortfall by the payment date specified in the notification to you by Macquarie Bank Limited, you will not be able to participate in the Proposal.

For an illustration of the extent of the Loan Shortfall, interest saving, residual loan balance and residual Capital Protection, please refer to the worked example in the Appendix. You and/or your advisor will also be able to calculate indicative figures in relation to your own Equinox investment by using the Equinox Liquidity Proposal Calculator which can be found at www.macquarie.com.au/equinoxadviser.

- **What Macquarie Investment Loan break costs apply?**

If you have a Macquarie Investment Loan with a fixed interest rate, break costs as described in your original Loan Agreement may apply. Break costs represent the cost associated with breaking a fixed rate term loan prior to maturity, and are determined with reference to prevailing market interest rates at the time of early repayment of a portion of your loan. Depending on the movement in interest rates since the initial loan draw down date, the break costs may be in favour of or against the investor. In addition, if you pay interest in advance, pre-paid interest will, to some extent, offset the amount of

break cost. Break costs are included in the Loan Shortfall amount.

Please note that the break cost represents the actual cost of unwinding your loan commitment and is not a fee which is charged by Macquarie Bank Limited.

When will I receive payment, or (for Geared Investors) when will my Macquarie Investment Loan be reduced?

Payment of cash and reduction of Macquarie Investment Loans are anticipated to be made in or around March 2010.

Will there be subsequent liquidity proposals in future?

There is no guarantee that similar liquidity proposals will be extended to investors in the future, whether or not you elect to participate in the Proposal.

What do I need to do now?

Once you have carefully considered the information in the explanatory memorandum and sought any necessary professional advice, if you wish to participate in the Proposal, you need to complete and return the enclosed Election Form to the Arranger by **18 December 2009**. A reply paid envelope is also enclosed. You will also need to enclose your original Equinox share certificate. If your share certificate is lost, please contact Macquarie on 1800 080 033.

The Proposal is being made on a Class by Class basis. Thus, you will need to complete an Election Form for each Equinox Class in which you have invested.

If you do not wish to participate in the Proposal you do not need to return an Election Form.

The Arranger reserves the right to extend the deadline for receipt of Election Forms.

What happens if I don't send a completed Election Form by the deadline?

If you do not respond with a completed Election Form by the deadline of **Friday 18 December 2009 (subject to any extension)**, you will be deemed to have declined to participate in the Proposal.

This information is of a general nature only and does not constitute advice or take into consideration your circumstances and individual needs. Accordingly you should seek professional advice which takes into account your specific circumstances.

Important information

Please note that:

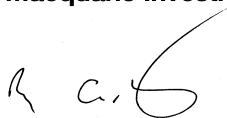
- A valid Election Form cannot be withdrawn once it has been submitted except with the written consent of the Arranger.
- The Arranger reserves the right, in its absolute discretion, to treat an Election Form received as valid despite there being errors in, or omissions from the Election Form. The Arranger may, or may appoint, any other person to insert any missing information or correct any information in your Election Form.
- The information in this document has been prepared for general information purposes only, without taking into account any investor's personal objectives, financial or taxation situation or needs. Before acting on this Proposal, you must consider whether the Proposal is appropriate for you having regard to your own objectives, financial situation and taxation considerations. All investors should obtain financial, legal and taxation advice before making any investment decision.

More information

If you have any questions regarding this information, please contact your financial adviser, contact Macquarie on 1800 080 033 or email structuredinvestments@macquarie.com

Yours faithfully

Macquarie Investment Management Limited (in its capacity as Arranger to Equinox)

A handwritten signature in black ink, appearing to read 'R. C. G.', with a long, sweeping flourish extending from the end of the signature.

Roger Cartwright

Director

Appendix – Worked Example of the Proposal for Equinox Class F

Please see below for indicative metrics for an investor:

- Example 1 – a cash investor with 10,000 shares
- Example 2 - an investor with 10,000 shares and a \$10,000 Macquarie Investment Loan

Both examples use the estimated 30 September 2009 portfolio compositions and valuations by way of example, whereas the actual distribution will be based on compositions and valuations as at 31 January 2010. It is important that you read the notes accompanying the examples. The examples are provided for illustrative purposes only. The actual outcome for an investor participating in the Proposal may be materially different from that shown in the example. Please consult your financial adviser before electing whether or not to participate.

Equinox F - Portfolio Status as at 30 September 2009 (Note 2 below)	
NAV per Share:	\$ 1.0558
Capital Protected Amount per Share:	\$1.0000
Proportion of portfolio NAV in Illiquid Funds:	13%

Example 1 – cash investor with 10,000 Shares		Calculations
Current Status		
Number of Shares:	10,000	
Value of Investment:	\$ 10,558	a
Capital Protected Amount:	\$ 10,000	b
If you elect to participate in the Proposal:		
You will receive a distribution of:	\$ 7,858	c
Future Value of distribution:	\$ 9,227	d
<u>Remaining Investment Details</u>		
Number of Shares :	10,000 (unchanged)	
Remaining investment value:	\$ 2,700	= a - c
New Capital Protected Amount:	\$ 773 (Note 3 below)	= b - d
New NAV/Share:	\$0.2700	
New Capital Protected Amount/Share:	\$0.0773	

Example 2 – investor with \$10,000 Investment Loan		Calculations
Current Status		
Number of Shares:	10,000	
Value of Investment:	\$ 10,558	a
Capital Protected Amount:	\$ 10,000	b
Investment Loan:	\$ 10,000	c
Investment value above Investment Loan:	\$ 558	= a - c
If you elect to participate in the Proposal:		
You will receive a distribution of:	\$ 7,858	d
Future Value of distribution:	\$ 9,227	e
<u>Investment Loan Repayment Details</u>		
Investment Loan Principal unwind required:	\$ 9,227 (Note 5 below)	= e
Investment Loan Principal Shortfall:	\$ 1,369	= e - d
Investment Loan Break Costs:	\$ 182	
Total Loan Shortfall (Principal Shortfall + Break Costs):	\$ 1,551 (Note 6 below)	
<u>Remaining Investment and Loan Details</u>		
Number of Shares :	10,000 (Unchanged)	
Remaining investment value:	\$ 2,700	= a - d
New Capital Protected Amount:	\$ 773 (Note 3 below)	= b - e
New NAV per Share:	\$0.2700	
New Capital Protected Amount per Share:	\$0.0773	
Remaining Loan Balance:	\$ 773	= c - e
Total interest saving to 30 Sept 2012:	\$ 1,965	
Investment value above Investment Loan:	\$ 1,927	

IMPORTANT NOTES RELATING TO THE EXAMPLES

1. The figures in the above examples are indicative only.
2. The above examples use estimated 30 September 2009 portfolio valuations as the basis of calculation. Please note that the Proposal will be based on 31 January 2010 valuations, so the outcome will be different to that shown above and may be materially different.
3. The downward adjustment to the Capital Protected Amount shown in the above example is equal to the future value of the distribution under the Proposal, and therefore is greater than the distribution itself. The future value of the distribution is derived by applying the appropriate market-based discount rate for the relevant future date (i.e. the Capital Protection Date of 30 September 2012).
4. The above example assumes a 10,000 share-holding. The figures in the example should be scaled up or down according to your specific share holding in order to obtain indicative metrics for the Proposal as it pertains to your own investment in Equinox.
5. The total Macquarie Investment Loan repayment requirement is the sum of the Loan Principal unwind and Loan Break costs. The Loan Principal unwind shown in the above example is equal to the downward adjustment to the Capital Protected Amount. Loan break costs (or benefits) are associated with early partially repayment the fixed interest Macquarie Investment Loan. The loan break cost will change. The example provided is indicative only. The actual loan break cost (or benefit) will be determined by prevailing market interest rates on the loan repayment date (expected in March 2010).

6. The total Loan Shortfall is equal to the total Macquarie Investment Loan repayment requirement (see point 5 above) less the distribution. The total Loan Shortfall must be paid to Macquarie Bank before participating in the Proposal. The exact shortfall amount will be communicated separately to Geared Investors electing to participate in the Proposal.
7. You should refer to the Equinox Liquidity Proposal Calculator, which will be available on the Equinox website (<http://www.macquarie.com.au/equinoxadviser>) or through your advisor. The Equinox Liquidity Proposal Calculator enables investors to view indicative metrics for their specific investment in Equinox.
8. The example of the effect of the Proposal on a Macquarie Investment Loan assumes an investment of 10,000 shares and a Macquarie Investment Loan of \$10,000 featuring a fixed interest rate paid quarterly in arrears. There will be a different result for different interest rate terms - please refer to the Equinox Liquidity Proposal Calculator (available on the Equinox Website or through your advisor) for indicative metrics regarding your specific loan terms. A negative break cost occurs when prepaid interest exists at the time the loan is broken. Please consult your original loan documentation to ensure you correctly identify the terms of your Macquarie Investment Loan when using the Equinox Liquidity Proposal Calculator. All information regarding Macquarie Investment Loans is provided by Macquarie Bank Limited, the loan provider.
9. The above examples do not take into account the tax implications of participating in the Proposal. We recommend you obtain professional tax advice to determine the tax treatment applicable in your particular circumstances.

