

3 December 2008



Dear Shareholder

## **MACQUARIE EQUINOX LIMITED SUSPENSION OF REDEMPTIONS**

We are writing to advise you as a shareholder in one or more of the classes of Macquarie Equinox Limited ("Equinox") that on the morning of 28 November 2008, the board of directors of Equinox resolved with immediate effect to suspend redemptions of shares (as well as the calculation of the official net asset value) in all Equinox classes until further notice. The suspension was put in place primarily because several of Equinox's underlying component funds have themselves suspended redemptions or invoked redemption gates until further notice, as a result of the impact of global market conditions on financial markets and the hedge fund industry. As such, while Equinox has experienced few redemption requests, the suspension of redemptions by Equinox was necessary in order to assist in treating all shareholders fairly.

Valid redemption requests for the 31 October 2008 redemption date will be processed in accordance with normal redemption procedures. All other valid redemption requests received for subsequent redemption dates (including for the 28 November 2008 redemption date) will be held and processed at the redemption date that first occurs after the suspension is lifted.

Whilst the calculation of the official net asset value will also be suspended during the suspension period, indicative monthly portfolio performance will continue to be published. While these will only be estimates, they will be provided so that you can continue to get updates on the performance of your Equinox investment.

### **Reasons for suspending redemptions**

Difficult market conditions in recent months have meant that many hedge funds in the industry have experienced significant redemption requests from investors. As a result, many of these funds have been forced to invoke redemption gates and suspensions. Several of the underlying component funds within the Equinox portfolios face the same issues and have therefore decided to invoke gates and in some cases fully suspend redemptions until further notice. This in turn, has made it necessary for Equinox to suspend redemptions.

In addition, a combination of factors has brought about a significant and continuing sell-down of underlying hedge fund investments within the Equinox portfolios.

The liquidity restrictions imposed by certain underlying component funds within the Equinox portfolios, combined with the required rapid sell-down of underlying hedge fund investments, has resulted in the Equinox portfolios being significantly skewed away from their targeted levels of diversification by component fund, strategy and liquidity profile. The Risk Adviser has taken all reasonable actions to sell-down underlying hedge fund investments to address these portfolio skews and meet the portfolios' liquidity requirements.

However, allowing redemptions to be processed in accordance with normal redemption procedures would unfortunately exacerbate these portfolio skews and would prejudice the interests of shareholders as a whole.

In light of the above, on the morning of 28 November 2008, the directors determined that, effective immediately, redemptions will be suspended for all Equinox portfolios until further notice. The situation will be reviewed regularly.

We will continue to manage the Equinox portfolios, in particular the resolution of these liquidity and strategy imbalances within the Equinox portfolios. You will be notified when the directors of Equinox resolve to lift the suspension of redemptions.

### **Reasons for sell-downs of underlying hedge fund investments**

The following factors have brought about a significant and continuing sell-down of underlying hedge fund investments within the Equinox portfolios:

- > Australian interest rates have fallen considerably over the last few months. As a result, the mechanisms employed for capital protection required a sell-down of underlying hedge fund investments.
- > The significant fall in the value of the Australian dollar in recent months has impacted the Equinox portfolios in two respects:
  - > Whilst the net asset value ("NAV") of the Equinox portfolios is denominated in Australian dollars, most underlying assets are denominated in US dollars. The large fall in the value of the Australian dollar caused the ratio of underlying investments to NAV to rapidly rise beyond permitted exposure levels. This required further sell-down of underlying hedge fund investments.
  - > Because the NAV's of the Equinox portfolios are denominated in Australian dollars and most underlying assets are denominated in US dollars, systematically applied currency hedges are in place to attempt to protect the NAV of the portfolios from the currency translation effect of holding non-Australian dollar investments. However, as the value of underlying investments has increased in Australian dollar terms in recent months, this has been offset by losses in the value of the currency hedges in place. Accordingly, additional sell-down of underlying hedge fund investments within the Equinox portfolios has been required to fund these losses.

- > All Equinox portfolios other than Class A shares have a loan facility in place which enables those portfolios to apply leverage of between 10% and 20% of NAV. As a result of a change in the loan provider's lending policies in light of the worsening market conditions, in early October 2008 Equinox received a loan termination notice requiring all loans to be repaid by early January 2009. Accordingly, cash was raised by selling down underlying hedge fund investments to repay the loans in full. Upon receiving the loan termination notice, Equinox immediately sought to source a new loan facility provider however this has been unsuccessful in the current market environment.

### **Update on Performance**

Despite delivering some negative performance in the last few months on the back of the significant challenges in financial markets, the NAV per share for most Equinox classes is still above the issue price per share. Please refer to the Equinox website for more detailed performance information.

### **Fees**

As described above, the sell-down of underlying hedge fund investments is partly required for threshold management purposes in the provision of capital protection. As disclosed in the Equinox prospectuses, for all Equinox classes except for Classes E and F, the Advisory Fee and the trailing Advisory Fee will not be charged on any portion of those portfolios which may be held in cash and term deposits used for threshold management. For Classes E and F, the Risk Advisory Fee and trailing Placement Incentive will not be charged on any portion of those portfolios which may be held in cash and term deposits used for threshold management.

### **Further Information**

We will regularly update our website for investors and their advisers. If you have any questions, please speak to your adviser, call us on 1800 025 513, visit our website [www.macquarie.com.au/equinox](http://www.macquarie.com.au/equinox) or email us at [equinox@macquarie.com](mailto:equinox@macquarie.com).

Yours faithfully



Gervaise Heddle  
Director  
MQ Capital Pty Limited  
(in its capacity as Risk Adviser to Equinox)