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Dear Adviser,

MACQUARIE ALMOND INVESTMENT 2011

Macquarie Alternative Assets Management Limited ("MAAML") has enclosed a research report on the Macquarie Almond Investment 2011 offer prepared by Adviser Edge Research Limited ("Adviser Edge") and commissioned by MAAML.

The report reflects the observations and conclusions of Adviser Edge about the Macquarie Almond Investment 2011 offer. The report was prepared in part based on information provided by the relevant entities in the Macquarie group as well as Adviser Edge's own expertise and other information and expertise accessed by Adviser Edge. The report is not the work of, nor does it necessarily reflect the views of, MAAML or any other member of the Macquarie group. No company in the Macquarie group nor any of their respective officers or employees makes any warranty in relation to, or accepts any responsibility or liability arising in relation to, the content of the report.

The report has been prepared for the use of licensed financial advisers. It has not been prepared for the use of individual investors and advisers and brokers should not pass on extracts or conclusions from such information to their clients.

An invitation to apply for interests in the Macquarie Almond Investment 2011 offer is made by MAAML in the Product Disclosure Statement ("PDS") dated 28 April 2011. The PDS is available at www.macquarie.com.au/almondadviser, at No. 1 Martin Place, Sydney or by phoning 1800 080 033. In deciding whether to acquire or continue to hold an investment in the Macquarie Almond Investment 2011, any potential investor should obtain the PDS and consider its contents.

Kind regards
Macquarie Alternative Assets Management Limited

This information is provided for the use of licensed financial advisers only. In no circumstances is it to be used by a person for the purposes of making a decision about a financial product or class of financial products.

This is general advice only and does not take account of any investor's objectives, financial situation or needs. Before acting on this general advice, an investor should therefore consider the appropriateness of this general advice having regard to their particular situation. We recommend investors obtain financial, legal and taxation advice before making any financial investment decision.

Adviser Edge

Macquarie Almond Investment 2011

INDEPENDENT ASSESSMENT

This report has been prepared for financial advisers only

24 May 2011

Scope
Adviser Edge independent assessments are conducted by Barik Pty Ltd trading as Adviser Edge Investment Research (Adviser Edge) which has developed a key industry sector review process that follows a methodology developed specifically for this asset class.

Key Principles
The underlying principles of the assessment process are to:

- identify the long term commercial potential of the project;
- evaluate project management's capabilities, previous performance in the specific industry and the stability of the organisation;
- evaluate identified markets (domestic and international – existence, stability and growth potential);
- benchmark key performance assumptions and variables against industry and other MIS projects;
- weigh up the relevant risks of the project against projected returns;
- assess project structure and ownership;
- compare and substantiate project fees and expenses;
- determine if the project is structured in such a way as to protect investor's interests; and
- allow an opinion to be formed regarding the investment quality of the project.

Site Assessment
Adviser Edge conducts a detailed site inspection of the project, meets with all levels of project management and inspects the project's infrastructure and market accessibility.

The site assessment considers the following areas:

- suitability of the project site for the purpose intended;
- performance of previous project stages located within close proximity to the proposed site;
- management skills, qualifications, capabilities and experience; and
- associated project risks and their management.

Star Rating
Projects are awarded a star rating out of a possible five stars and placed on the Adviser Edge web site www.adviseredge.com.au

The Adviser Edge web site provides a service to subscribers, allowing them to view the final assessment reviews. Only subscribers are permitted access to download completed assessment reviews.

Star ratings applied to 2009/10 projects are independent of previous year's star ratings.

Licensed Investment Adviser
Barik Pty Ltd trading as Adviser Edge Investment Research is licensed as an Australian Financial Services Licensee, Licence No. 236783, pursuant to section 913B of the Corporations Act 2001. The licence authorises Barik Ptd Ltd, trading as Adviser Edge Investment Research to carry on a financial services business to:

- provide general financial product advice only, for the following classes of financial products:
  - interests in managed investment schemes excluding investor directed portfolio services limited to:
    - primary production schemes to wholesale clients.

Privacy Policy
Adviser Edge collects only a limited amount of personal information from its clients. Our privacy policy can be viewed at www.adviseredge.com.au This will enable you to understand your rights, our obligations and what Adviser Edge does with any information that it collects about you.

General Financial Product Advice
This advice will not take into account your, or your clients, objectives, financial situation or needs and will not be provided in respect of any other financial products. Accordingly, it is up to you and your clients to consider whether specific financial products are suitable for your objectives, financial situation or needs.

Reproduction

Disclosure
Adviser Edge (or any associated persons) does not have any material interest in the financial products (or product issuer advised upon) that are subject to this report. This assessment has been undertaken by Adviser Edge on an independent basis and does not constitute an investment recommendation. It is designed to provide investment advisers with a third party view of the quality of this project, as an investment option.

Adviser Edge charges a standard and fixed fee for the third party review of MIS projects. This fee has been paid under the normal commercial terms of Adviser Edge. Adviser Edge (or any associated persons) has not or does not expect to receive any further benefit or compensation as a consequence of writing this report.

Report Date
24 May 2011

Adviser Edge Rating

Low Medium High

Recommended Client Risk Tolerance

Project Details	
Project Name	Macquarie Almond Investment 2011
Product	Almonds
Responsible Entity/Project Manager	Macquarie Alternative Assets Management Ltd
Orchard Manager	Macquarie Agricultural Services Pty Ltd
Investment Details	
Investment Term	22 years
Unit Size	0.25ha
Application Fee	$8,100 (ex. GST)
Fee Structure	Ongoing annual fees
Minimum Investment	One almond lot
Close Date for FY2011	15 June 2011
Investor Finance	Available
ATO Product Ruling	PR 2011/7
Investor Returns	
Potential Investment Returns (p.a.)	3.1% to 13.9% (pre-tax) 3.8% to 14.6% (post-tax)

Key Points:

Strengths of Project

- A significant proportion of the Project is comprised of established almond trees, eliminating much of the development risk and reducing the time until the orchard becomes cash flow positive.
- The investment structure provides a reasonable level of investor security.
- Previous Projects established by MAAML have performed well.

Weaknesses of Project

- The Project is reliant on MacFARM to provide water for the duration of the Project.
- The fixed and deferred management fees are considered to be high.
- If harvest revenues are insufficient to cover ongoing fees and costs, investors may be required to pay these out of their own funds.

Other considerations

- The investment is considered to be illiquid, with no liquid secondary market currently established.

Investor suitability

As a general note, investment in agribusiness should represent a balance between the various potential risks and the forecast returns. This Project is suitable for investors with a risk-tolerant profile and long-term investment horizon, and as part of a diversified portfolio.

An investment of this nature will not deliver factory-like returns. There will be volatility and potentially underperformance, which will be balanced by periods when seasonal conditions and strong markets combine to allow the investment to exceed expectations. Consequently, the risk profile of the investor needs to be considered when providing advice.

Investment Specifications	
Target subscription	880 Interests (220ha)
Location	Robinvale, Victoria
Unit size	0.25ha (one Interest)
Number of trees per Interest	81
Minimum application	One Interest
Project asset ownership	N/A
Liquidity	Illiquid – no established secondary market
Insurance	Optional

Macquarie Alternative Assets Management Limited (MAAML) is offering investors the opportunity to participate in the Australian almond industry through the offer of up to 1,100 interests in the Macquarie Almond Investment 2011. Each 0.25ha interest will consist of a fully established almond orchard on a property located in the Sunraysia region of north-west Victoria, as well as new plantings, depending on the number of applications.

The almond trees to be incorporated in the Project are part of a 313.5ha orchard that was planted in 2008, of which 135.25ha is to be incorporated into this year's Project, and a 40ha orchard planted in 2009. These orchards have been successfully established and appropriately managed by the Project's Operations Manager, Macquarie Agricultural Services Pty Ltd (MAS), over the past three/two years. Depending on the level of applications, there is also 50ha available for new plantings.

All almond sale proceeds from the Project will be aggregated under a pooling arrangement for the benefit of contributing growers, and investors are expected to receive proceeds from the progressive sale of harvested almonds, net of any outstanding fees. Due to the fact that trees to be included in the Project are already two and three years old, the first commercial harvest of the orchard is anticipated to occur in Project year one (FY2012). As a result, investors can expect to receive harvest proceeds in each year of the Project's 22 year term (note that proceeds may be used to offset fees).

The underlying assets of the Project, including the land, established trees, irrigation infrastructure and water licenses, are owned by Macquarie Farm Assets and Resources Management Ltd (MacFARM). Investors will pay an annual Licence Fee to the RE under the Project constitution, with the RE to pay a lease fee to MacFARM under the head lease. The lease fee payable under the head lease is equal to the total amount of fixed licence fees payable by investors, plus $1/ha p.a. MAAML has confirmed that the head lease is entered into in MAAML's capacity as Responsible Entity. This corresponding payment between the investor and the head lease holder helps to provide added security to the investors' right over the Interest.

Key Points

- The Project incorporates an established orchard utilising two and three-year-old trees.
- The fee structure incorporates both fixed and variable fees.
- Investors are reliant on the ability of the asset holder, MacFARM, to progressively purchase sufficient water rights.
- If required, temporary water may be purchased on the growers' behalf to meet orchard demands.

Investors in the Project will be exposed to counterparty risk of MacFARM, in regards to the company's commitment to purchase the required permanent and temporary water licenses to satisfy the orchard's requirements. MacFARM, as landlord, has indicated that it intends to acquire up to 12.5ML/ha of permanent or temporary water licences, which will be provided for the benefit of the Project. However, under the Constitution, MacFARM is only required to acquire up to a maximum of 12.5ML/ha. If additional water is required beyond what is provided by MacFARM, this cost will be passed on to investors.

MacFARM currently owns a substantial amount of high security permanent water licences for use on the almond projects. However, while investors have an identifiable lease over the Project orchard, they do not have an identifiable right to the associated water licenses, exposing them to the insolvency risk of MacFARM.

In years of reduced allocations, additional temporary water may need to be purchased to satisfy the trees' requirements. If additional temporary water is required, this additional cost will be passed on to investors.

The Project's fee structure, whereby all ongoing operating costs are paid by investors from Project year three onwards, helps to reduce investors' exposure to the ongoing solvency of the RE and the orchard manager. However, investors remain dependent on MacFARM's commitment to supply water to the Project.

Project structure and agreements

When investors are accepted into the Project, they will be bound by a number of legal agreements that outline the rights and responsibilities of each party involved in the investment scheme. These agreements are outlined in the Project's Product Disclosure Statement (PDS). It is recommended that each potential investor and their adviser read and understand the Project agreements so as to ensure that the Project is suitable for the investor's objectives.

Fee Schedule

The fees outlined in the following tables relate to an investment made on or before 15 June 2011.

Initial cost to the investor

Schedule of initial fees (Ex. GST)	
Payment Type	
RE fee	$100
Licence fee	$40
Fixed management fee	$7,960
Total application fee	**$8,100**

The application fee is comprised of an RE fee, a licence fee and a management fee. The management fee comprises the majority of the application fee, which covers the management costs for the period since the establishment of the trees until 30 June 2011.

The RE fee is a fee charged and payable to the RE for taking on the role of RE of the Project, and to cover the general expenses incurred through operating the Project. The licensing fee of $40 (excluding GST) is provision for access to the orchard assets, which include irrigation infrastructure (pipes, pumps, dams etc.), use of water entitlements, the almond trees themselves, and other fixed assets required to grow the almonds.

Investors are required to pay ongoing RE fees, licence fees, and operating fees, as well as management fees, which include a fixed component in the first two financial years following application.

The operating fee covers the actual operating costs of managing the almond lot in each financial year. This includes consideration for ongoing orchard management, irrigation and water delivery costs, harvesting, and hulling, shelling and transport cots.

For each financial year following 30 June 2013, MAAML will estimate the operating costs of managing the almond trees. MAAML has the right to deduct the operating costs from the net sale proceeds, and this is expected to occur where possible. In the event that net sale proceeds are insufficient, investors will be required to supplement the shortfall amount. MAAML has estimated annual operating costs for FY2014 to be approximately $2,694 per almond lot (including GST).

Investors will pay an annual licence fee of $500 (excluding GST) in Project Years one to three (FY2012 – FY2014), which increases to $1,100 (excluding GST) in FY2015.

Management fees for FY2012 and FY2013 consist of a fixed annual management fee, a deferred management fee equal to 5% (excluding GST) of gross proceeds, and a fixed RE fee of $100 per Interest. Following FY2013, management fees are deferred and deducted from gross proceeds. Investors will be charged a fixed RE fee throughout the life of the Project, which increases in line with CPI.

Unusual operating expenses

The Project structure provides for any unusual operating expenses that may be incurred by the RE to be recovered from investors. The most likely instance in which this fee would be charged would be if additional temporary water is purchased as a result of insufficient water allocations for permanent water licenses associated with the Project. These expenses will be included as part of the annual contribution payment to be recovered from investors.

Fee Analysis

With any horticultural investment, establishment fees are generally dictated by the actual development cost incurred in establishing and managing the orchard, other administration costs such as corporate overheads, marketing and PDS development expenses, and the profit margin taken by the key counterparties.

Ongoing cost to the investor

Schedule of ongoing fees (Ex. GST) (Per Interest)				
Year	RE FEE	Licence Fee	Management Fee	Farm Operating Costs
FY2012	$100	$500	$3,000 plus 5.00% of gross proceeds	
FY2013	$100	$500	$2,500 plus 5.00% of gross proceeds	
FY2014	$100	$500	5.00% of gross proceeds	Estimated operating costs adjusted for the difference between the estimated and actual costs incurred during the previous year.
FY2015	$100	$1,100	9.00% of gross proceeds	
FY2016 onwards	Previous year's fee indexed to CPI	Previous year's fee indexed to CPI		

Note: All ongoing fees, except for deferred fees, are invoiced on 31 October each year.
Gross proceeds are defined as the total proceeds received from the sale of the almonds attributable to an allotment

The Project's application fee of $8,100 (excluding GST) has decreased by $354.45 (excluding GST) from Macquarie's previous offering, being equal to the rent, fixed management, and RE fee charged to investors in the Macquarie Almond Investment 2009 – Late Growers in FY2010. Investors in the Project are paying for up to three years' tree growth through the application fee.

Adviser Edge believes that the application fee of $32,400/ha takes into account the costs involved in establishing and managing a two year old and three-year-old almond orchard, when both orchard management, water and lease costs are taken into consideration.

Adviser Edge views the presence of the RE fee as important, as this should provide adequate remuneration for a replacement RE in the unlikely event that this is required. Similarly, the presence of the deferred management fee is important in providing an incentive for the manager to achieve positive Project outcomes, especially given that there is no performance fee present in the fee structure.

Adviser Edge would have preferred the deferred management fee to have been charged as a percentage of net rather than gross proceeds, in order to reduce investor exposure to over-runs in operating costs. While the quantum of the deferred management fee is considered to be reasonably high, the removal of the performance fee justifies this increase.

While the removal of the performance incentive fee is accounted for through an increase in the size of the deferred fee, the incentive for Macquarie to achieve the best outcomes for the Project has been reduced as a consequence.

The licence fee is a combined charge for the lease of both the land and the right to the water entitlements. The stepped increases in the licence fee in FY2012 and FY2015 are designed to reflect the forecast higher level of capital expenditure that will have to be committed to the orchard as the almond trees approach maturity. In particular, this reflects the increased expenditure on water licences as the water requirements of the orchard increase.

MAAML has advised that the operating costs associated with running the orchard will be charged to investors at the cost price charged by MAS. MAS charges a profit margin of 10% on management activities conducted on the orchard, which is considered to be reasonable.

As investors will be exposed to actual orchard operating costs through the operating fee from Project year three (FY2014) onwards, the ability of MAAML and MAS to monitor and control orchard operating costs over the Project term will have a direct impact on Project profitability.

Risk apportionment

Risk apportionment refers to the level of risk that the Project Manager/RE shares with investors as a consequence of the Project's fee structure. When ongoing Project fees are deferred and linked to harvest proceeds, the level of risk sharing between investors and the Project manager is more evenly aligned.

The fee structure for the Project provides incentive for both MAAML and MAS to achieve the best outcomes for the Project through the deferred management fee. Although the quantum of the deferred fee has increased, providing greater risk alignment between the manager and investors, the removal of the performance fee reduces the incentive for the manager to perform, as it will receive the management fees regardless of performance.

Additional Information

Joint venture arrangements

Under the Project structure there is an option for investors to participate as a Joint Venture Grower in the Project. Under this option, the first Joint Venture Grower is responsible for 100% of the application payment, 45% of the deferred management fee, and 45% of the costs payable in relation to the Project in from FY2015 onwards. The second Joint Venture Grower is responsible for 100% of the ongoing fees (RE fee, fixed management fee and licence fee) from Project years one to four, as well as all other amounts not payable by the First Joint Venturer. The first Joint Venture Grower will be entitled to 45% of the net harvest proceeds, with the second Joint Venture Grower entitled to 55%.

It is advised that investors seek appropriate professional advice in relation to the financial and taxation implications associated with becoming a Joint Venture Grower.

Taxation advice

The Project has been issued a product ruling PR 2011/7, which provides certainty in relation to the taxation consequences of investing in the Project.

Adviser Edge does not conduct detailed analysis on the implications of the Project's Product Ruling, and it is advised that investors seek appropriate professional advice in relation to the full financial and taxation implications of their investment.

Orchard insurance

MAAML retains the right to arrange insurances in relation to the Project. MAAML has commented that it intends to insure the Project orchard against fire and other insurable risks where the cost is deemed to be economically justifiable. The cost of such insurance will be borne by MAAML out of its fee revenue.

MAAML has advised Adviser Edge that crop insurance against hail, frost and fire damage has been sourced for all past projects, and is expected to be taken in the coming years. Investors also have the option to insure their annual almond crop at their own discretion.

Although the Margooya orchard has experienced tree losses from the recent flooding event, MAAML has indicated that it does not intend to insure the trees for flood damage.

Adviser Edge believes that the use of insurance to protect against insurable production risks, whenever economically feasible, should be part of a comprehensive Project risk management strategy.

Finance

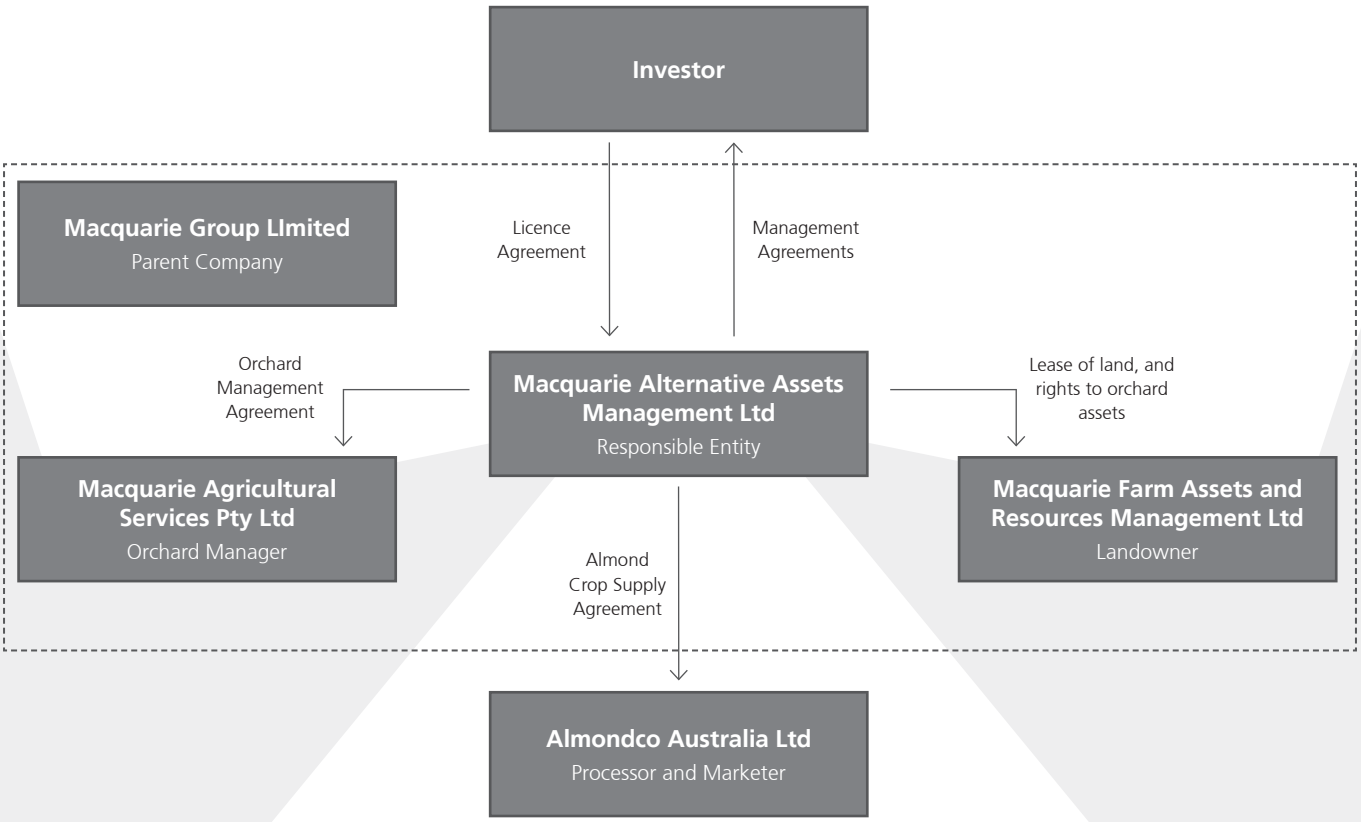
Finance is available from Macquarie Bank Ltd to approved applicants. Basic loan details are provided below, and interested investors should contact Macquarie Bank Ltd for full loan terms and conditions, including associated fees and charges.

Finance Options

Finance Provider	Term	Interest Rate*	Repayment Option
Macquarie Bank Ltd	1 year	Interest free	12 equal monthly principal instalments
Macquarie Bank Ltd	5 years	10.99% p.a.	Monthly instalments of principal and interest
Macquarie Bank Ltd	7 years	12.99% p.a.	Monthly instalments of principal and interest

* Indicative rate only.

Key Counterparties



Macquarie Group Limited (Parent Company)

Macquarie Group Limited (Macquarie Group) (ASX: MQG) is a Sydney-based global provider of banking, financial advisory, investment, and funds management services. The group was founded in 1969 and now operates in over 70 office locations in 28 countries, employing more than 15,500 staff worldwide.

On 13 November 2007, Macquarie was restructured following shareholder approval for the creation of Macquarie Group Limited, a non-operating holding company and the ultimate listed parent for the Macquarie Group. Macquarie Group Limited consists of businesses across a range of investment, commercial and selected retail financial services. Prior to the restructure, Macquarie Bank Limited (MBL) was the listed parent of the Macquarie Group. MBL is now a subsidiary of Macquarie Group Limited and remains regulated by the Australian Prudential Regulation Authority (APRA) as an Authorised Deposit-Taking Institution (ADI). Macquarie Group Limited is licensed by APRA as the non-operating holding company of an ADI.

Unless otherwise stated, throughout this report Macquarie will be used when referring to the parent company or any underlying subsidiary.

Board of Directors

The Macquarie Group Board of Directors is comprised of nine members, seven of whom are independent. The Chairman of the Board, Kevin McCann is classified as non-executive and independent. Mr McCann replaces long-serving Chairman David Clarke, who held the role since the formation of Macquarie in 1985. Mr Clarke passed away in April 2011.

The structure, skill balance and experience of the board members are appropriate to the nature and extent of company operations.

Corporate governance

The approach taken by Macquarie in terms of corporate governance is aimed at delivering outcomes through four key steps:

Key Points

- The Project will rely on the management capabilities of a number of Macquarie Group companies.
- Although there is no cross guarantee between the subsidiaries and the parent company, Macquarie could provide these companies with a capital injection if required. However, it is not obligated to do so.
- The operational manager, MAS, has strong experience in the region's almond industry.
- The marketer, Almondco, is one of Australia's leading almond processors and marketers.

- Reviewing developments in corporate governance
- Taking into account corporate governance obligations (APRA and ASX guidelines)
- Developing a sound corporate governance framework
- Ongoing monitoring of the governance framework and processes

The main elements of Macquarie's governance system follow the ASX Principles of Corporate Governance closely and appear to be consistent with all but one of the ASX recommendations as already outlined in relation to the board composition.

Adviser Edge has reviewed the corporate governance practices in place at Macquarie, and believes that they are broadly in line with its publicly traded peers.

Financial performance – Macquarie Group Ltd

Key Financial Data – Year Ended 31 March		
Financial Profitability	2011	2010
Revenue ($m)	7,644	6,638
Net profit ($m)	956	1,050
Profit margin (%)	12.5	15.8
ROE (%)	8.8	10.1
Market Measures	2011	2010
EPS (basic/cents)	282.5	320.2
P/E ratio*	13.0	14.8
DPS (cents)	186.0	186.0
Dividend yield (%)*	5.1	3.9
Dividend payout ratio (%)	67.3	60.4
Franking (%)	0	0
Capital Adequacy	2011	2010
Tier 1 Capital Ratio (%)	10.7	11.5
Total Capital Ratio	12.4	13.3
Equity to Assets	7.6	8.0

Source: Macquarie Group Limited. Directors' report for the year ended 31 March 2011; consolidated financial statements.
Past performance should not be used as a guide for future performance.

Adviser Edge has reviewed the financial statements of Macquarie for FY2011. Although Macquarie experienced a subdued first half to FY2011, improved market conditions in the second half enabled full-year revenue to grow by 15% over the year.

Although revenue for the year was approximately $1 billion higher than FY2010, net profit after tax fell by around 9%. While the appreciating Australian dollar and a higher effective tax rate contributed to this outcome, a substantial increase of around $1 billion in expenses , of which approximately $790 million related to staff expenses, had a greater effect on the underlying result.

In line with the fall in net profit, Macquarie's return on equity for FY2011 was 8.8%, down from 10.1% in FY2010. However, the company's balance sheet remained relatively stable with a limited number of asset revaluations, which have plagued its results in recent years.

In terms of its capital position, Macquarie's total capital ratio was reported at 12.4%, significantly above the minimum of 8% required by APRA. Of this 8%, a minimum of 4% is required to be in the form of Tier 1 Capital. Macquarie has recorded a Tier 1 Capital ratio of 10.7% for FY2011, which is also significantly above APRA's requirement. Although both capital adequacy ratios have fallen in FY2011 compared to those reported for FY2010, it is significant to note that Macquarie holds $3 billion in excess of the minimum regulatory capital requirements as at 31 March 2011.

While the health of the overall global economy is expected to stabilise further into FY2012, other external factors such as an increase in merger and acquisition activity and an increase in exchange volumes are expected to positively influence Macquarie into FY2012.

Macquarie Alternative Assets Management Ltd (Responsible Entity)

Macquarie Alternative Assets Management Ltd (MAAML), a wholly owned subsidiary of Macquarie Bank Limited, is the Responsible Entity (RE) for the Project. MAAML has significant experience acting as the RE in a number of forestry and almond projects since 2003.

Although MAAML reports year-end as at 31 March, Adviser Edge has analysed the FY2010 reports as opposed to FY2011, which have not yet been finalised.

MAAML is a wholly owned subsidiary of Macquarie Bank Limited (MBL) and as such the company has no cash balances. MAAML typically remits a payment of cash to MBL each year out of surplus cash in the form of a dividend or internal group service charge. In FY2010, MAAML paid MBL an internal group service charge of $2 million. When adjusted for this internal charge, MAAML posted an adjusted net profit for the financial year ending 31 March 2010 of $0.67 million.

MAAML does not employ any external financial leverage, and the main credit risks to MAAML are its long-term obligations in relation to existing MIS forestry and almond projects. MAAML maintains financial provisions for these projects, and these are monitored regularly.

MAAML had a net asset position of $13.45 million as at 31 March 2010. This is an increase of approximately $3.68 million on the previous financial year, which can be attributed to a reduction of a similar magnitude in loans from MBL. MAAML is required to maintain a minimum of $5 million in adjusted net assets under it AFSL obligations. The company does not carry any external debt. It is noted that income from agricultural managed investment scheme sales represent a significant proportion of MAAML's operating income. However, as the company sets aside financial provisions for its obligations under existing projects, the company does not rely on new agricultural managed investment scheme sales to be able to perform its obligations under existing managed investment schemes. In addition to this, it is noted that the parent company of MAAML, the Macquarie Group, generated less than 1% of its total FY2011 revenues from MIS sales, and is not reliant on MIS sales.

Adviser Edge believes that MAAML is in a sound financial position enabling it to fulfil its obligations as RE.

Board of Directors – Macquarie Alternative Assets Management Ltd			
Director	Credentials	Industry	MIS
Anthony Abraham – Executive Director	★	★	★
Peter Lucas – Executive Director	★	★	★
Antony Clubb – Executive Director	★	★	★

The MAAML board members possess a wide range of capabilities in the areas of finance, law, and administration. Simone Mosse has recently resigned from Macquarie, and as such she is no longer a director of MAAML. She has been replaced on the board of MAAML by Antony Clubb, an associate director of MBL who is primarily responsible for the development and management of structured capital products in the Investment Lending division. Adviser Edge believes that the directors of MAAML are suitably experienced and credentialed to provide effective leadership and management of the company, and to fulfil the company's role as Responsible Entity of the Project. However, Adviser Edge would prefer to see the addition of a number of non-executive directors, in line with good corporate governance principles.

Compliance Committee

Macquarie has established a Compliance Committee for the Project, as required under the Corporations Act. The Compliance Committee is required to monitor the extent to which the RE complies with the Project Compliance Plan, and to report any breaches to the directors of the RE and, if necessary, ASIC.

The Compliance Committee is comprised of two external members, Chartered Accountant Brendan Howell, and James McNally, as well as one representative of the RE, Joe Flex, who has recently replaced Simone Mosse.

The oversight of the Compliance Committee will be critical to achieving sound corporate governance for the Project, given the relationship between the Responsible Entities and the contracted parties, namely Macquarie Agricultural Services Pty Ltd, which all share a number of common directors.

The Compliance Committee put in place to monitor the Project consists of members with extensive experience in accountancy and compliance.

Macquarie Farm Assets and Resources Management Ltd (Landowner)

A wholly owned subsidiary of Macquarie Bank Limited (MBL), Macquarie Farm Assets and Resources Management Limited (MacFARM) is the owner of the land, almond trees and water entitlements to be utilised under the Project. These assets are leased to MAAML, which then sub-leases them to investors.

MacFARM will purchase permanent and temporary water licences for the benefit of Project investors. As investors have no identifiable right to the water licences, they will be reliant on the ongoing solvency of MacFARM throughout the life of the Project to supply water.

As MacFARM is not a disclosing entity, Macquarie was unable to provide Adviser Edge with the company's financials. However, Macquarie has advised that MacFARM is currently solvent, and its solvency is reviewed regularly as prescribed by Australian accounting standards. While there are no specific cross guarantees between the companies, as MacFARM is a wholly owned subsidiary of MBL, MBL could provide it with a capital injection should it be required, although it is under no obligation to do so.

Adviser Edge notes that MacFARM is a wholly owned subsidiary of MBL, which is an APRA related entity, and that as such, 1:1 regulatory capital is required to be held against intangible assets (including water licences).

Given that MacFARM is a wholly owned subsidiary of MBL, Adviser Edge is comfortable with the ability of MacFARM to provide water licences over the life of the Project.

Macquarie Agricultural Services Pty Ltd (Orchard Manager)

Formerly known as Macquarie Horticultural Services Pty Ltd, Macquarie Agricultural Services Pty Ltd (MAS) was established in 2005 to supply orchard management services to MAAML's almond-related MIS offers. MAS is a wholly owned subsidiary of Macquarie Group, and currently manages the existing almond orchard, of approximately 1,000ha, established under previous MIS projects offered by Macquarie between 2006 and 2010.

Key Operational Personnel – Macquarie Agricultural Services Pty Ltd			
Key Personnel	Credentials	Industry	MIS
Chris Greig – General Manager	★	★	★
Wayne Hazel – Operations Manager	★	★	★

Chris Greig was appointed as General Manager of MAS in 2005. Mr Greig is regarded as highly qualified, with over 35 years' experience in various horticultural industries, including 15 years in senior management roles with Select Harvests Limited (Select). Between the years 1977 and 1990, Chris was closely involved in the development of the vertically integrated almond operations of Kyndalyn Park Almonds, which later became Select. Following a period in the wine industry with BRL Hardy and Nepenthe Wines, Mr Greig returned to Select as General Manager between 2000 and 2002. In this role he managed Select's 1,600ha orchard estate, and oversaw the development of a further 2,000ha of orchards in the Robinvale region as part of Australia's first MIS almond offerings.

Operations Manager Wayne Hazel possesses over 10 years' experience in the almond industry. Mr Hazel worked with Chris Greig at Kyndalyn Park Almonds for a period between 1978 and 1990, holding the position of Farm Manager for six years. Prior to joining MAS in 2006, Mr Hazel managed a range of different rural businesses involved in transport, cereal growing, and farm spraying. Mr Hazel brings further almond industry and farm management experience to MAS.

The Orchard Manager has extensive experience in managing large scale almond developments in the region in which the Project orchard is located.

Almondco Australia Limited (Processing and marketing)

MAAML has entered into a long-term Supply Agreement with Almondco Australia Pty Ltd (Almondco) for the processing and marketing of the almonds produced by the Project. Almondco is principally a wholesale almond processor and marketer that specialises in value-added processing of shelled almonds.

Almondco was established as a cooperative in 1944, and became an unlisted public company in 1994.

In 1995, Almondco commissioned a modern almond food processing plant at Renmark in South Australia, with the cracking and hulling of almonds contracted to regional facilities. Almondco currently processes approximately 9,000 tonnes annually, representing approximately 30% of Australia's almond harvest. The processing plant has achieved ISO 9001:2000 accreditation with SGS International Certification Services Pty Ltd, which provides independent certification of Almondco's quality management.

As a supplier to many of Australia's major food manufacturers, Almondco has a predominantly domestic market focus but anticipates a growing export presence, having secured a significant expansion in supply in coming years. Almondco has previously dealt with over 70 international customers, with major clients in the United Kingdom, Western Europe, India, Japan, the Middle East, and New Zealand.

Adviser Edge believes that Almondco has the appropriate facilities in place and is well positioned in the market to achieve the best outcomes for growers, through the processing and marketing of the almonds produced from the Project.

Independent Experts

Independent Expert	
Company	Responsible Person
Scholefield Robinson Horticultural Services Pty Ltd	Dr Peter Scholefield

Macquarie has engaged the highly regarded horticulture consulting firm Scholefield Robinson Horticultural Services Pty Ltd (SRHS) to provide an independent horticultural assessment for the offer. SRHS has also been engaged on an ongoing basis to provide horticultural assistance to MAS, while also conducting performance monitoring and reporting to MAS and MAAML.

Adviser Edge conducted an inspection of Macquarie's almond property, Margooya, on 14 April 2011. The visit provided the opportunity to evaluate the performance of existing almond orchards established between 2006 and 2009, and inspect the infrastructure associated with the Project while also discussing the various management strategies employed. Accompanying Adviser Edge was General Manager – Horticulture for Macquarie Agriculture Services, Chris Greig, who is also the Orchard Manager of Margooya, and Frank Barillaro from Macquarie Agricultural Funds Management.

All orchards appeared to be in good condition, with the trees planted in 2008 and 2009 being no exception. In 2008 and 2009, the water applied to these trees was around 35% to 40% lower than outlined in the water budget in the PDS, as a result of increased water efficiency and restricted water availability. However, in keeping with the focus on water use efficiency coupled with the recent return to full irrigation allocations, the trees appear to have achieved growth rates equivalent to those of trees consuming water in line with the original budget.

The site visit coincided with harvesting, with the harvest of the pollinators yet to be completed, while harvest of the Nonpareil variety had already concluded. At the time of the site visit, harvest had been temporarily interrupted due to rain, with almonds unable to be harvested until their moisture content had reduced to around 6%. Harvest management is integral to a successful harvest, with the onset of wet conditions having the ability to significantly damage the crop. If a rainfall event occurs following shaking, the almonds need to be left on the orchard floor until such time that they fall below the moisture threshold. As it can take days for the almonds to dry, increasing the likelihood of them being damaged, Macquarie indicated that they will not shake any trees if rainfall is anticipated to occur, to reduce the risk of almonds having to be left on the orchard floor for sustained periods of time.

Key Points

- The Project incorporates two and three-year-old almond trees, which appeared to be in good condition during the site visit.
- MAS has proven itself to be a successful manager of almond orchards under previous MIS offerings.
- The Project is reliant on irrigation water sourced from the Murray-Darling Irrigation System, which has recently seen a return to full allocations.
- Unseasonable summer rains and associated flooding affected the orchards in recent months, with losses averaging 3%. This is around the industry average.

Weed control has obviously been a focus of MAS, and Adviser Edge was suitably impressed with the state of the orchard. In reference to the 2009 plantings, ryegrass that was planted in between the rows to prevent erosion over the first two years of establishment had recently been sprayed with roundup in order to clean up the orchard floor, with the focus now turning to preparing the orchard for its first nut set and harvest next year. MAS will also conduct a relatively intensive pruning regime this winter to encourage strong bud growth, which in turn increases nut set.

During the inspection Adviser Edge noted sporadic but severe damage to almond trees throughout the properties as a consequence of extended waterlogging in early 2011. Extremely heavy rainfall led to areas on the orchard being inundated for several days. The stonefruit rootstock used for almonds exhibited susceptibility to waterlogging, although the fact that only 3% of the total orchard area was affected and the low probability of similar events occurring needs to be taken into consideration.

MAS intends to replace any dead trees resulting from the waterlogging with established trees in order to reduce the time impact of the damage.

The site visit also provided an opportunity to inspect a trial plot of Monterey almond trees, which Macquarie established in 2008. This is a relatively new variety in the Australian almond market. The trial has been very successful, with the trees exhibiting high levels of growth and vigour in comparison to the standard varieties grown throughout the Margooya orchard. Adviser Edge was suitably impressed with the Monterey trees, and they appeared to be carrying a substantial fruit load in preparation for their impending harvest. As a result of the successful trial, it is likely that this variety will be incorporated as a pollinator if any new plantings are to occur under the Project. Issues associated with marketing this variety were discussed, as these may limit the scope of plantings.

Overall, the orchards appeared to be in good condition, with strong growth displayed across the various age classes.

Site background

The Macquarie Almond Investment 2011 will incorporate almond orchards established in 2008 and 2009, at the Margooya property. Additionally, new plantings may occur on the same property depending on the number of applications.

Margooya is located approximately 20km south-east of Robinvale, and 13km from the Murray River, in the Sunraysia district of north-west Victoria. The property is located adjacent to the Caernarvon property, on which MAAML developed 695ha of almond orchards during 2006 and 2007. Margooya is 1,683ha in total, with approximately 350ha planted in 2008 and 2009, and a further 200ha suitable for orchard development in the future.

The property is slightly undulating, providing adequate drainage, and is therefore considered to be suitable for horticultural development, as almond trees require uniform soil with good drainage and loamy top soils. Although there are some risks associated with the low-lying areas of the site, such as poor drainage and frost risk, these 'danger' areas have been identified through a combination of soil surveys and general examination, and have been excluded from planting. The independent expert, SRHS, has also stated that there appears to be suitable cold air drainage across the property to reduce frost risk.

Although many low-lying areas were excluded from planting, the orchard still experienced tree losses due to flooding as a result of the unprecedented heavy rainfall in early 2011. However, these losses were not significant, estimated at approximately 3% across the entire orchard, which is broadly in line with what was experienced by other large scale almond growers.

Region and climate

The Sunraysia region in north-west Victoria is a long established and well recognised horticultural zone, and is historically known for citrus, grape and stone fruit production. The region is well serviced by supporting infrastructure and labour. The region is considered to have a highly suitable climate for almond production, a crop that enjoys a Mediterranean-style climate with warm, dry summers and relatively mild winters.

The average climate conditions experienced in the region are considered to be appropriate for the key production stages of flowering, pollination, nut set and harvest. Moderate average wind speeds and sufficient clear days are experienced during flowering in October, which is important for successful crop outcomes.

The region has good levels of sunlight intensity, reportedly increasing the growing season by an extra thirty days in comparison to the domestic industry's biggest competitor, California.

The performance of Macquarie's and other managers' existing almond orchards in the region so far suggests that the climate is ideal for almond production.

Frost events are of most concern for almond production between bud burst in August and nut set in October, and are particularly threatening in low-lying depressions where cold air accumulates. For this reason, high risk areas on the properties have been excluded from planting. Although the Project orchard is located in an area on the property that is considered to be the least prone to frost, frost is a particular problem in the Robinvale region and it is expected that there will be years during the life of the Project where yields are reduced as a result of frost. Other climatic risks identified by SRHS in the region include excessive heat, hail, and storms involving strong winds. In addition to this, the reliance on bees for pollination exposes the Project to the risk that windy weather or cool days may affect bee movement, and hence pollination results. This is outside of the control of the manager.

Irrigation water provisions

As with the majority of horticulture operations in the region, irrigation water will be used to supplement annual rainfall throughout the year. MAS has estimated the water budget for mature almond trees to be up to 12.5ML/ha/year. The independent expert SRHS has determined that this application is in line with that of other almond orchards in the Robinvale region.

The orchard will be irrigated through a fully automated drip irrigation system with integrated fertigation capabilities. It also contains a series of soil moisture probes which continually monitor the level of moisture in the soil, allowing managers to match application with the plants' requirements. The specially designed system has the ability to irrigate the Nonpareil and the pollinators separately, providing added water-use efficiency while also aiding tree growth and health during harvest.

Based on the estimated annual mature water budget of 12.5ML/ha, approximately 2,750ML will be required annually for the 220ha of orchard on Margooyah when all the incorporated trees reach maturity. The asset holder, MacFARM, currently owns 3,517ML in High Reliability water shares associated with the Margooya property, representing approximately 9.91ML/ha at full allocation for the 350ha of almonds on Margooya. This is significantly higher than the budgeted weighted average water requirement for FY2011 of 7.71ML/ha.

The following table (p15) presents the full water budget for the life of the Project, as outlined in the Independent Expert report.

MAAML Water Budget (ML/ha)	
Age of Trees	Full Water
1	3.0
2	5.5
3	8.0
4	10.0
5 onwards	12.5

Murray-Darling Basin system update

For much of the past decade drought has plagued south-eastern Australia, with water security now a primary issue in the majority of irrigation districts within the Murray-Darling Basin. While ongoing water security within the Basin is still a significant political issue, conditions across the Murray-Darling Basin significantly improved throughout the course of 2010 and early 2011, with above average rainfall experienced in the majority of districts and main catchment areas. Although the improvement in water availability has led to higher allocations and lower prices for temporary water, the federal government's water buy-back scheme continues to exert pressure on all irrigation systems through increased demand for water shares and artificially inflated prices.

There are two main types of water shares issued on the Murray system. High reliability water shares (HRWS) and low reliability water shares (LRWS) are classed according to the frequency with which full allocations are expected to be available. The main difference is that LRWS are only allocated once HRWS have reached full allocation (100%).

The irrigation season generally runs between 15 August and 15 May each season, with allocations starting at low levels. Additional allocation announcements are made throughout the season. Allocations depend on a range of factors centred around water availability, with inflows into the catchments and resulting storage levels the main criteria. As a result, allocations rely heavily on rainfall in the catchment areas between July and September, which are typically the highest yielding months of the year.

HRWS holders on the Murray irrigation system have historically received 100% allocations, with the 2006-07 irrigation season being the first year where final allocations fell below this level, at 95%. Due to the drought and the significant drop in resulting inflows, the 2007-08 and 2008-09 irrigation seasons saw HRWS holders receive final allocations of only 43% and 35% respectively. However, HRWS holders on the Murray system welcomed a return to 100% allocations at the end of the 2009-10 season, signalling an improvement in conditions and water availability.

Above average rainfall over the Murray-Darling Basin catchments in the second half of 2010 and the unprecedented summer rainfall at the beginning of 2011 has resulted in inflows above those experienced in recent years, with the two main storages supplying the Murray system, the Hume Dam and the Dartmouth Dam at 93.38% and 63.3% of capacity respectively on 17 May 2011. This is in stark comparison to the level of water in storage in the 2009-10 season, with the two dams at only 18.0% and 32.0% of capacity respectively at the same time last year. In terms of the major supply for the Goulburn system, the Lake Eildon storage is currently at 84.1%, compared to 24.5% this time last year.

The significant improvement in water availability meant that 100% allocations for HRWS holders on the Murray system were announced at a more traditional time, in mid-October 2010, allowing irrigators to utilise their entitlements in the critical summer months. In addition to this, the fact that the main storages still contain a significant amount of water coming into the typically high-yielding winter months means that full allocations are likely for the 2011-12 season, with high allocations in the 2012-13 season also increasing in likelihood. However, it is very difficult to make accurate predictions about future allocations.

Nursery supply and almond varieties

The established almond orchard contains three different almond varieties: Nonpareil, Carmel, and Price. Although Nonpareil nuts are considered to be superior, the variety is not self-pollinating and therefore requires pollinator varieties to be planted in a one-to-one ratio. The pollinating varieties also produce nuts, but generally not of an equivalent market value to the Nonpareil. Carmel and Price are the pollinators used in the established Project orchard, with slightly more Carmel planted than Price. These varieties were chosen for their complementary pollination and harvest cycles and their relative market appeal.

Established Orchard Composition	
Variety	Percentage of area
Nonpareil	50%
Carmel	33%
Price	17%

Any new plantings established under the Project will include the same varieties, with Nonpareil to account for approximately 50%, Carmel approximately 33%, and the remainder to consist of pollinators which will predominantly include Price, but may also include the newer varieties of Monterey and Winters. The Independent Expert has noted that the mix of pollinator varieties is considered to be sound, with good levels of production and marketability.

In the event that new plantings are established, MAAML has advised that planting stock will be sourced from two suppliers: Growtek Pty Ltd, located at Koraleigh in New South Wales, and

Tolley's Nurseries at Tol Tol in Victoria. Budwood will be grafted onto predominantly Nemaguard peach budwood.

Orchard development and ongoing management
Prior to planting, contour trenching of the site took place to improve drainage, along with the filling and grooming of soil in certain areas. Ripping of the planting lines is then carried out to break up a concreted sand layer, with fertilisers including cow manure, superphosphate and gypsum applied to the planting area before being cultivated into the soil. In some areas, soil was mounded along the planting lines in order to increase the soil depth.

The trees for the 2008 plantings were sourced from the Chalmers and Growtek nurseries, while the 2009 plantings were sourced from Tolley's Nursery. All trees were established on Almond Board of Australia (ABA) approved Nemaguard rootstock, with the budwood also coming from an ABA certified source. These trees were inspected by SRHS, and were noted to be of a good quality. The trees were planted in rows 7m apart, with the trees planted at 4.4m intervals. This equates to a planting density of approximately 324 trees per hectare. Although this planting density is slightly higher than traditional almond plantings, SRHS noted that it is consistent with modern orchard design principles.

Following establishment, in the first year of growth after planting the almond trees were 'trained' to grow in a particular way through manipulative pruning techniques that encourage particular growth patterns. The preferred growth pattern is for the limbs to grow at a 45 degree angle, essentially creating a vase shaped space in the centre of the tree that allows sufficient light to penetrate the majority of the limbs.

A combination of nutrients have been applied to the trees via fertigation through the irrigation system since planting, and SRHS stated in its final establishment report in 2009 that the appearance of the trees planted in 2008 suggests that nutrient supply has been well managed since planting. With the Mallee soils providing little nutrient supply, the almond trees require the provision of all the macronutrients (N, P, K, S, Ca), as well as several micronutrients. These nutrients are normally applied in a number of combinations and mixtures.

The drought conditions experienced in the Sunraysia region restricted the availability of irrigation water in the early years of establishment for the 2008 and 2009 plantings, which are incorporated into the Project. The restricted water availability resulted in high costs for both permanent and temporary water and ultimately restricted the application of water to the trees. The reduction in water application did not cause significant reductions in yield and did not adversely affect the trees' growth. SRHS believes that although this application rate may be viable in exceptional circumstances, it is most likely not sustainable over successive seasons and the recent improvement in seasonal conditions has been highly beneficial to these trees.

Some Carmel trees in the Sunraysia region exhibited patchy blooms and bare areas on shoots through the hot and dry seasons experienced between 2007 and 2009. MAAML has advised that only a small percentage of Macquarie's total plantings have displayed these symptoms, having a minimal effect on orchard development.

Yields for established Nonpareil have not been affected to the extent experienced by other producers, with yields broadly in line with expectations.

Overall, the developed orchard that is to be utilised under the Project has been well established and appears to be in very good health.

Any new trees established under the Project will undergo a similar development process, although there are likely to be no restrictions on the availability of irrigation water, which is considered to be highly beneficial.

Project infrastructure
MAAML and MAS have placed a particular focus on the development of quality infrastructure on the Margooya property, and Adviser Edge was suitably impressed with the range of developments. In addition to infrastructure already developed specifically for the Project, the Project orchard will benefit from shared infrastructure servicing existing orchards managed by MAS. This includes the use of water infrastructure and the irrigation computer network, buildings and machinery.

Since developing its first orchard in 2006, Macquarie has developed a large amount of infrastructure, including a network of hard based roads (already built to meet full production requirements), a number of purpose-built almond storage sites, machinery sheds, and the appropriate water infrastructure. A second dam with a capacity of 500ML was constructed in 2010 on the Margooya property, meaning that the Margooya orchards now have an independent water supply with a separate pipeline from The Murray River, which is also able to be connected to the dam on the adjoining Caernarvon orchard. The construction of a new office complex is nearing completion, which will be an excellent resource for operations management.

Harvesting
The harvesting of the Project orchard will be conducted by MAS. Harvesting generally begins in mid-February with the Nonpareil variety, and continues through until April, with the Carmel variety generally maturing the latest. Rainfall and water-logging have delayed harvesting in 2011. However, this is expected to be an isolated occurrence.

Harvesting of the almond orchard is completely mechanical. Prior to harvest, the orchard floor is cleared and levelled (if necessary) to provide for easy collection of the nuts. Trees are mechanically shaken to remove the nuts from the trees.

The nuts are then swept into the centre of the inter-row before being collected by the almond harvester. In the event of rain causing the nuts to become wet, the almonds must be left on the ground to dry prior to being picked up by the harvester, to avoid them going bad or combusting. A moisture level of approximately 6% is considered to be appropriate throughout the industry.

The harvesting machinery utilised by MAS is highly advanced, with only several orchards around the world employing these particular machines. The mechanical shakers are fitted with a sensor that detects the trunk of the tree, allowing the shakers to more accurately target the tree and grasp it in the right position. This minimises the damage caused to trees during shaking, which is otherwise relatively common. This reflects the commitment of MAAML and MAS to productivity and to being at the forefront of the industry.

Once harvested, the almonds will be road freighted to a cracking and hulling plant owned by Simarloo Pty Ltd in Loxton, South Australia, before to being transported to Almondco's final processing and packaging operations at Renmark, South Australia.

A recent addition to the harvesting machinery is the ability to collect yield data as the harvester travels across the property. The collection of this data linked into a GPS mapping system will allow MAS to produce a number of yield maps, from which MAS will be able to draw a number of conclusions including the identification of certain areas requiring attention. After several seasons of collecting this data, the integration of variable rate technologies in regards to the application of fertilisers and the like will become possible, increasing productivity through the more efficient use of inputs.

An efficient harvest is highly desirable, as delays increase the risk of the almonds being damaged due to rainfall. Adviser Edge was suitably impressed with the harvesting capacity of the orchard in terms of machinery, enabling it to perform an efficient harvest. MAS needs to continue to be cognisant of the requirement to have excess harvesting equipment throughout the orchard's lifecycle.

Market Overview	
Product type	Almonds
Primary use	Food or food ingredient
Key target market	Domestic and export
Major competitors	Select Harvest Ltd, Riverland Almonds Pty Ltd and foreign exporters (particularly Californian)
Product sales agreements	Crop supply agreement with Almondco to process and market almonds produced as part of the Project

Marketing strategy

MAAML has entered into a Supply Agreement with Almondco Australia Pty Ltd (Almondco) for the term of the Project. Under the agreement, MAAML is to deliver dry, cleaned and hulled almonds to Almondco's processing facilities in Renmark, South Australia. Almondco will in turn process, market and sell the almonds within 18 months of receipt of the almonds. As a result, investors are liable for the transport, and cracking and hulling costs incurred prior to delivery of the almonds to Almondco.

Project almonds will be graded and sorted by Almondco with reference to variety, size, colour and quality, with prices to vary accordingly. Almonds are then likely to be pooled with those of other Almondco suppliers and may undergo value-adding processing such as roasting, blanching, slicing or flavouring. The almonds will then be marketed through domestic and export wholesale distribution channels. Almondco will deduct a processing and marketing cost from sales receipts, as well as any other reasonably incurred expenses and capital expenditure contributions. Proceeds from the sale of the almonds will be pooled and investors will receive a pro-rata share of the pooled proceeds based on their level of investment in relation to the overall Project.

Almondco targets both the domestic and export markets, with approximately 80% of its output currently sold into the domestic market. This figure has decreased in recent years, and is expected to continue falling as Almondco increases its presence in export markets in order to service recent growth in its contracted supply base.

Adviser Edge has reviewed the marketing strategy employed by MAAML and believes that it provides a secure avenue to market by industry standards, as well as allowing the Project access to Almondco's experience in processing almonds, and its established distribution channels. Almondco's company structure, whereby its suppliers are also shareholders in the company, also acts to align company objectives with those of its suppliers.

Key Points

- Almondco is responsible for processing and marketing the almonds produced as part of the Project.
- Global almond production is dominated by California, although Australian processors and handlers are expected to play a greater role in export markets in coming years as recent plantings approach maturity.

Almond market overview

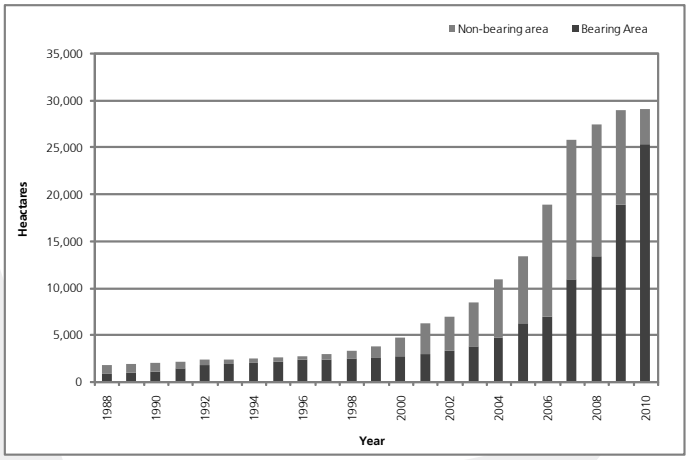
Californian growers and processors dominate the global almond industry, with Californian almonds accounting for approximately 80% of world production in 2010. (ABC, 2010) The dominance of the Californian industry on world markets means that the global almond price is set in US dollars. This effectively exposes other producers around the world to fluctuations in the respective currency against the US dollar. Prices are generally quoted for a base quality and size of almonds, Nonpareil Select Sheller Run (SSR) 23/25.

The Australian almond industry currently accounts for around 3.5% of world production, and relies on high average quality of production, counter-seasonal trade patterns, and proximity to Asian markets to develop and sustain domestic and export markets. While Australia has historically been considered as a niche producer of almonds, the growth currently experienced by the industry is expected to put Australia in more direct competition with the United States.

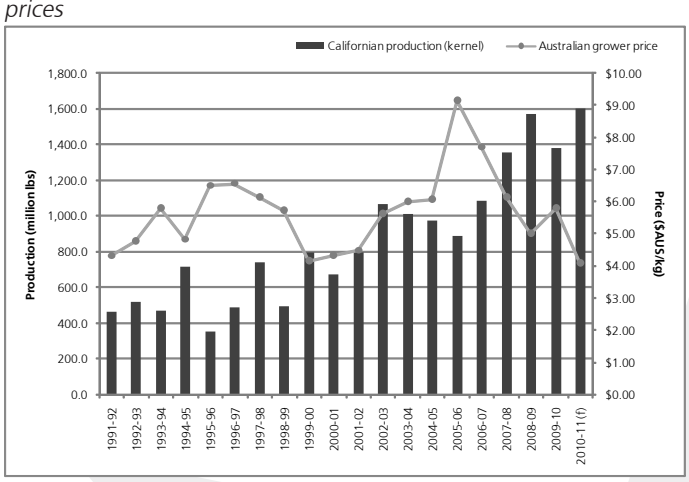
The industry's rapid expansion means that it is one of the fastest growing horticulture sectors in Australia, and on a percentage basis Australia is the fastest growing almond industry in the world. (ABA, 2008)

Australia's almond estate grew significantly in the six years to 2008, with plantings of over 20,000ha completed during this period. The level of new almond plantings peaked in 2007 when a record 6,874ha was established. The growth in new plantings decreased significantly in 2009 due to the collapse of two of the largest MIS promoters, Timbercorp Limited and Great Southern Limited, which led to lower MIS sales across the industry. Concern over water security also contributed to a decrease in almond plantings.

Australian almond estate



Californian almond production and average Australian grower prices



As a result of the increased levels of plantings in recent years, Australian production has risen by around 50% in the last two years, with a further 126% increase anticipated to occur by 2016 as young non-bearing plantings begin to reach maturity. (ABA, 2011)

The United States industry has also experienced significant growth in new almond plantings. Californian production has increased by over 100% since 2000, with production totalling approximately 638,000 tonnes in 2009. (ABA, 2009) Although planting activity has declined from the highs experienced during 2006 and 2007, non-bearing acres still represent an estimated 11% of the total 810,000 acre Californian almond estate in 2009. (USDA, 2010)

In the southern hemisphere, Chile is a significant supplier of kernel to Europe and South America, and of in-shell almonds to India. The Chilean industry is relatively unproductive by world standards and its development may be constrained by competition for suitable land from other horticultural crops.

Besides California, southern Europe is the next most important almond-producing region, with Spain, Turkey and Greece being the major suppliers. Spain is currently the world's second largest producer of almonds, accounting for around 10% of global production in 2009-10. (USDA, 2010) Production in these regions is generally less advanced, with a limited proportion of orchard area under irrigation, and the bearing area is fragmented into much smaller average farm sizes with typically lower planting densities.

Global almond prices tend to be set by the level of Californian production, and as a result the AUD/USD exchange rate has a significant impact on the price received by Australian producers. Australian producers are price takers as opposed to price makers. Subsequently, Australian prices have a tendency to cycle in line with changes in Californian supply and can vary considerably from year to year.

The domestic market has traditionally been the largest market for Australian almonds. However, exports to more than 40 countries now account for around 60% of almond sales each year on average, with the majority exported as shelled almonds. The major importers of Australian almonds include the United Arab Emirates, New Zealand, Germany, the United Kingdom and Spain, with India recently emerging as Australia's largest single export market.

The domestic almond market has also grown, with Australian almond consumption continually increasing. Importantly for local producers, around 90% of almonds sold in Australia are produced domestically.

Almond demand is considered to be price inelastic in the major international import markets, implying that world almond prices are sensitive to imbalances in supply. This characteristic of almond markets provides some explanation for the cyclical nature of historical prices, particularly given the lag between planting and the commencement of production. Consequently, it is important to continue to stimulate global consumption growth in order to mitigate the effects of any imbalances in supply and resulting price fluctuations.

It is important to note that Australia is recognised as being a producer of high quality almonds. Almond quality is largely determined by the variety, size, colour and condition of the kernel. Prices are generally higher for varieties with strong market acceptance and good processing attributes, such as Nonpareil, which currently accounts for over 50% of Australian plantings.

Almond market outlook

World almond consumption has more than doubled over the past decade, with demand growing at an average rate of 9% p.a. since 2000. It is expected that the global demand for almonds will exceed available supply within five years. This increase in global demand is reflected by the fact that California has experienced a record level of exports for a third consecutive year.

As global demand continues to increase, at the same time it is anticipated that Australia will overtake Spain as the world's second largest almond producer by 2015.

Australian producers are expected to find themselves in greater competition with other major producers as world production continues to expand. For this reason, local producers and processing companies will need to continue to increase market share in key export markets, particularly as Australian production increases. It is thought that the Australian industry can mitigate the effects of production growth and increased competition by continuing to produce almonds of higher than average quality. The development of a generic brand for locally produced almonds, Australian Fresh, by the ABA and Horticulture Australia Ltd, will allow Australian produce to be distinguished from Californian almonds in particular. This will assist the industry in capitalising on counter-seasonal and quality advantages. The extent to which product differentiation can be achieved in almonds is yet to be fully determined, and is potentially limited by the fact that many consumers hold a homogenous view of the product.

A considerable expansion in world almond supply into the next decade has the potential to result in a cyclical global supply imbalance, which would ultimately result in lower prices. However, the continued growth in world demand has the potential to mitigate this, with demand anticipated to outstrip supply in the coming years. The uncertainty surrounding future levels of world demand and the relevant exchange rates make it difficult to accurately predict future levels of Australian almond prices.

The following section provides an analysis of the potential investment returns for the Project. Please note that this analysis is based on estimated performance assumptions, which may change over the Project term. Investors need to be aware of the way in which these assumptions may influence investment returns, and should seek additional professional advice to determine whether or not this investment is suitable for their own risk and return objectives.

Adviser Edge Returns Modelling

	Pre-Tax	Post-Tax[3]
Adviser Edge Base Case[1]	9.45%	10.13%
IRR Range[2]	3.1%–13.9%	3.8%–14.6%
Median Return	9.1%	9.7%
Percentage of results that are break-even or better	86.91%	87.96%
Percentage of results with an IRR of 10% or better	43.89%	48.49%

[1] The Adviser Edge Base Case return reflects the base return using static investment modelling, based on the key performance assumptions outlined below.
[2] The IRR range represents the range of results that occur within the 20th and 80th percentile in the simulated model. The range is based on Adviser Edge's modelling of potential outcomes for the Project using Monte Carlo simulations. These are subject to a number of limitations, which are discussed further below. Accordingly, the range is provided as a guide only. Investors should seek additional professional advice regarding the impact of changes in key variables on Project returns given their individual financial circumstances. The analysis does not consider investor finance arrangements.
[3] The analysis assumes a 46.5% marginal tax rate, that investors are registered for GST, and that all GST is rebated in the year paid.

Scenario testing

In reviewing the Project, Adviser Edge has undertaken scenario testing of potential returns from the Project using Monte Carlo simulations. These have been based on variations of key assumptions relating to price, yield, quality, and the potential for the MIS manager to default or a disaster event to occur, and the relative impact of these events to returns. Investors should be aware of the limitations associated with scenario testing. The model used incorporates a number of subjective judgements made by Adviser Edge, which may not be empirically verifiable, and does not include all the variables that affect returns. Accordingly, the predictive capability of financial modelling is limited. Nonetheless, Adviser Edge believes that the use of such modelling practices provides an improved insight into the risk/return profile of a particular investment, when compared with static investment modelling techniques.

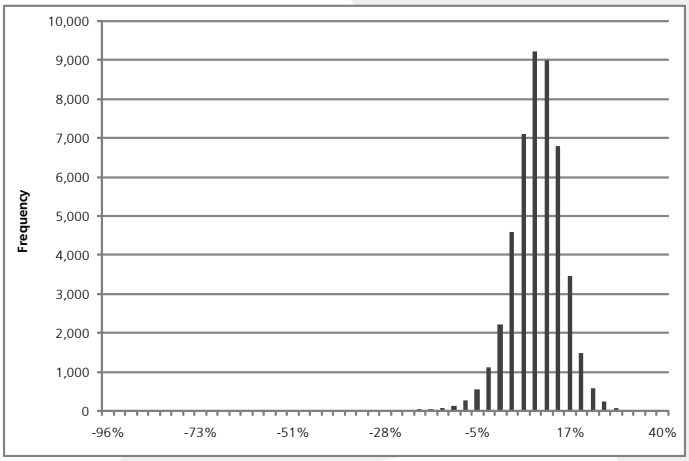
Returns modelling undertaken by Adviser Edge suggests that the Project displays a median internal rate of return of 9.1% on a pre-tax basis, with higher post-tax internal rates of return based on an investor's individual circumstances. Ignoring the risk of manager insolvency or a natural disaster event, mean returns were 5.04% on a pre-tax basis compared to a median return of 9.90%

Key Points

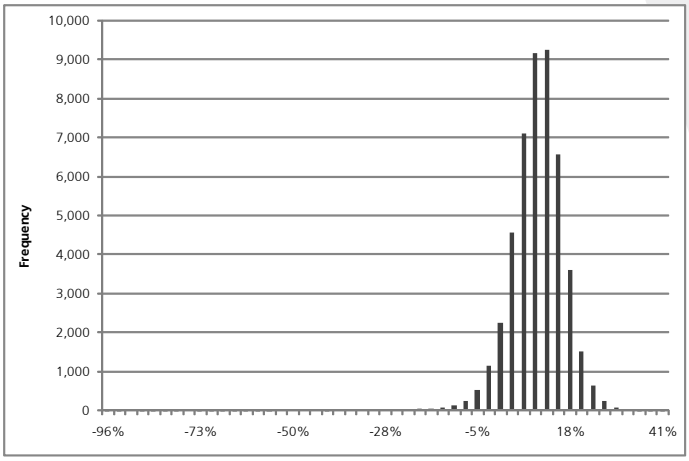
- Orchard productivity will be contingent upon the ability of MAAML to provide access to the full water budget over the Project term.
- The standard of orchard management provided by MAS will have a significant influence on orchard productivity and yield consistency over the investment term.
- Prices are expected to be largely dependent on the size of Californian production as well as the AUD/USD exchange rate.

before tax. However, after implying a subjective risk of insolvency and natural disaster on modelled returns and the consequent impact of such an event, the pre-tax mean return falls to 2.16% compared to a median return of 9.1%, reflecting the skewed nature of modelled returns when such an event is included. This is caused by the low probability of an insolvency or natural disaster event occurring, and the potentially high impact of such an event. The following graph illustrates the distribution of returns that resulted from Adviser Edge's analysis.

Pre-tax investor returns



Post-tax investor returns



Key Investment Analysis Performance Assumptions

The estimated Project returns provided by Adviser Edge have been calculated using various performance assumptions. The key assumptions adopted by MAAML and Adviser Edge are presented in the following section. These assumptions have been determined from information provided in the PDS, directly by MAAML, from the independent experts report, and from independent research performed by Adviser Edge.

Performance Assumptions	Adviser Edge	MAAML
Average almond yield (kg/ha)		
Age 3	440	440
Age 4	1,520	1,520
Age 5	2,320	2,320
Age 6	3,300	3,300
Age 7 onwards	3,460	3,460
Average almond price ($US/kg)	$6.22	N/A
Long-term AUD/USD exchange rate	0.86	NA
Processing and marketing ($/kg)	$1.15	NA
Farm Operating Costs (FY2012)	$1,257	$1,323*
Indexation	2.9%	2.5%

* Note that MAAML estimates for Farm Operating Costs include the costs of hulling, shelling and transport, which Adviser Edge has modelled separately.

Almond yield

The independent expert, SRHS, believes that the yield estimates provided by MAAML are reasonable and achievable in the context of the Project. Actual Project yields are likely to vary around the estimated average yields due to climatic variation, isolated weather events, and the variable bearing nature of almond trees.

The site inspection provided Adviser Edge with the opportunity to assess the performance of the trees in terms of growth rates, tree height and canopy cover. Adviser Edge was satisfied with the state of the trees, and the progress of the 2008 trees at their first harvest. The trees appear to be on track to meet MAAML's yield targets.

The fact that the almond trees to be utilised under the Project are already established provides greater certainty around the yield estimates provided, with the risk exposure in relation to successful orchard establishment effectively removed. As the state of the established trees can be assessed and their condition known, there is greater accuracy associated with the yield estimates. Therefore, actual harvest yields in Project year one should be comparable to the estimated yields, with only a small period of time between assessment and harvest.

The most significant factor affecting orchard productivity and yield consistency is likely to be orchard management. The experience and capabilities of MAS, and its ability to manage the irrigation requirements of the orchard, is expected to benefit investors. In its independent expert horticultural report, SRHS has stated that the management to date of the 2008 plantings to be included in the Project has been in line with industry best practice.

Flowering is a key stage in the annual growth cycle of an almond tree, and commences in August. The pollination of almonds occurs over a relatively short (two to three week) period and is reliant on the use of compatible pollinator varieties as well as honeybees as an intermediary. MAS will prune almond trees in winter to promote the growth of new fruiting wood and to open up the tree to aid pollination and increase light penetration.

The rapid expansion of the Australian almond industry, combined with recent restrictions on beekeeper access to state national forests, has the potential to place strain on the future supply of bees for pollination purposes. If the supply of bees is not carefully managed at an industry level in coming years to exclude disease threats and to cater for increased plantings, a significant rise in pollination costs and possible decline in almond yields may result. The recent slowing of Australia's almond industry expansion is expected to reduce the strain on bee supplies.

Water availability and management will be crucial to MAAML's ability to achieve target yields. Horticulture Australia Limited (HAL) and the Almond Board of Australia (ABA) have recently completed the ninth and final year of the Almond Nutrition and Irrigation Optimisation Trial located at Berri, South Australia. The trials have generated yields 13% higher on average than the industry benchmark of 3.5 tonnes of kernel per hectare (t/ha) between 2004 and 2009, when applying a pulse irrigation technique to a similar mature water budget (around 11.5ML/ha) and an intensive nutrient program. Yields in the 2008 season were well below average (2.8t/ha and 3.1t/ha for Nonpareil and Carmel varieties respectively) due to heavy winter tree pruning and what was deemed an 'off-year' in the trees' biennial cycle. However, yields for the 2009-10 season were an improvement, with the average yield across all varieties and treatments greater than 4.6 tonnes per hectare. Orchard yields in excess of 4t/ha has been achieved in trials where the water budget was between 10-12.5ML/ha, depending on the season.

The mature yield estimates provided by MAAML are consistent with peers, and lie within the bounds observed in modern almond orchards that are managed using the latest infrastructure and production practices. MAS conforms to these practices in all its operations. However, long-term productivity will be largely dependent on access to the full water budget over the Project term.

Adviser Edge has adopted the same yield estimates as those used by MAAML for investor cash flow modelling purposes.

Adviser Edge believes that MAAML's PDS target yields are achievable, as demonstrated by the yields achieved to date in commercial orchards in the region, and those achieved in the HAL Optimisation Trials.

Yield estimates reflect long-term averages, and it is expected that there will be variability around these yields from year to year. It should be noted that these yields are based on access to the full water budget at maturity. Lower water allocations may result in lower mature yields, and Adviser Edge has considered this potential downside risk to yield estimates when determining indicative IRR ranges.

While Macquarie's yields to date on earlier projects have been marginally below initial forecasts, the strong growth achieved on the trees to be included in the Project suggests that early yield estimates should be achievable.

Adviser Edge has adopted MAAML's yield estimates for cash flow modelling purposes.

Past performance

Since 2006, MAAML has established four almond projects encompassing approximately 832ha of almond orchards. All of these projects are located in the same region as the orchard to be utilised for the Project, near Robinvale in north-west Victoria. Trees planted under the 2006 almond Project produced their first commercial harvest in April 2009. This harvest yielded 404kg/ha, down 8% on the initial PDS forecast. This was a result of an early infestation of army beetles and low quality planting stock, which resulted in high seedling mortality rates. With the 2007 Project containing a proportion of trees planted in 2006, its first commercial harvest occurred at the same time with similar results. Final yields were down 18.5% on original PDS estimates (176kg/ha) for similar reasons as those under the 2006 Project. However, Adviser Edge notes that the overall nut sizes produced from Macquarie's 2009 harvest were substantially larger than the average nut sizes produced by other growers supplying the 2009 Almondco crop pool. This should allow the Macquarie almond growers to receive a significantly higher price premium for their produce than the average crop pool. In addition to this, MAS was able to contain operating costs of running the orchard, such that operating costs charged to investors were approximately 10% below original forecasts. Both of these factors have been able to offset the lower than expected yields.

The 2008 Project orchard underwent its first harvest in March/April 2011, with a PDS target of 440kg/ha. Plantings that occurred during the same period will be utilised under the Project. A report released by SRHS in September 2009 reported that the trees within the 2008 Project orchard were performing well with a good strike rate to date, as a result of good overall management. The 2009 Project incorporated established trees remaining from the 2008 Project, with these trees also expected to be harvested in 2011. While yields for this year's harvest are yet to be finalised, it is anticipated that the Nonpareil variety will yield slightly below expectations due to the irregular flowering experienced across the industry. By contrast, early indications are that the pollinator varieties have yielded very well. As a result, MAS expects yields to match PDS forecasts, or fall slightly short. This is expected to be the case for previous projects as well.

Overall, the performance of MAAML's past projects has been relatively sound considering the low water allocations experienced in recent years as a result of drought. While the Project yields have slightly underperformed relative to PDS estimates, Adviser Edge does not view this as necessarily reflecting poor management on MAS' behalf, with all orchards expected to reach mature yields as forecast in the respective PDS'. Adviser Edge notes that MAS has been able to operate the orchard below budget, which has benefited investors.

Almond quality

It is generally accepted that Australia produces a high average quality almond. Almond quality is largely determined by the variety, size, colour, and condition of the kernel. Prices are generally higher for varieties with strong market acceptance and good processing attributes, such as Nonpareil, and for kernels without any apparent damage, deformities or discolouration.

In years of below average quality, the marketability of almonds may be reduced or processing costs may increase, lowering the net return to investors. Rain prior to harvest can increase the moisture content of the kernel, which may consequently require kiln drying prior to preliminary processing. Tree yields can also affect almond quality via the kernel size, with kernel size tending to be smaller when tree yields are high. Price differentials between kernel sizes can be significant in years where the Californian crop has a high percentage of small sizes and larger sizes are relatively rare.

Australian almonds are generally recognised for their high average quality, associated with generally good growing conditions and the relative lack of pest and disease pressures present in the local industry. As such, Adviser Edge sees no reason to suggest that almonds produced from the Project orchard should not also achieve a high average level of quality. Some annual variation in this parameter can be expected, as demonstrated by the below average kernel size achieved across the industry from the drought-affected 2008 harvest.

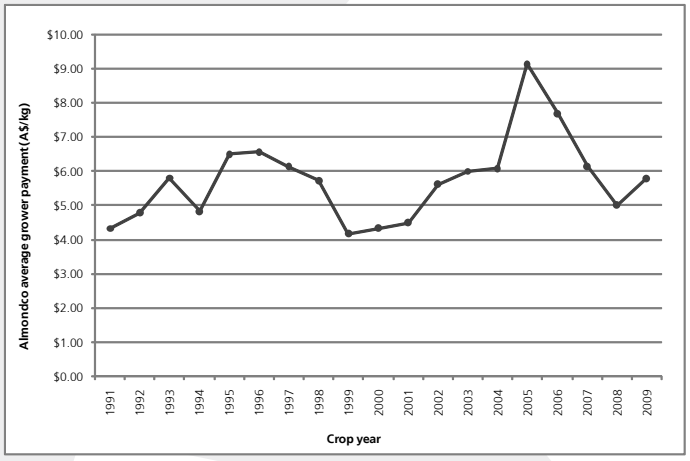
Almond price

MAAML has estimated a net grower price of $6.20/kg of kernel in 2011 for investor cash flow modelling purposes. This price has been indexed annually over the life of the Project in line with MAAML's long-term inflation assumption of 2.50% p.a.

This price is net of processing and marketing costs charged by Almondco, but excludes hulling and cracking costs and transport costs.

Almond prices achieved by Australian growers are dependent on a number of variables, most notably California's annual marketable almond production, and the AUD/USD exchange rate. As can be observed in the following chart, Australian almond prices can vary considerably from year-to-year, and have a tendency to cycle in line with trends in these variables. The following chart shows the history of average grower returns paid to suppliers by Almondco over the past 19 years. These prices are net of final processing and marketing costs, but not cracking and hulling costs, and are therefore comparable to MAAML's price estimate. The figures represent seasonal average selling prices across all quality grades and varieties marketed in each year. By adding estimated final processing and marketing costs, an approximate wholesale market price can be determined. As a guide, Adviser Edge has estimated final processing and marketing costs (including cracking and hulling costs and levies) to be $1.50/kg in Project year zero (FY2011).

Almondco grower payments (A$/kg)



Record prices were achieved by Australian growers for the high quality 2005 crop, following a sustained period of consumption growth and a short crop in California. More recently, prices have retreated somewhat from their elevated level in 2005 in response to some market resistance to high price levels and large crops in California. Prices for the 2009 crop (sold over the 2009-10 marketing year) improved slightly on the 2008 crop, despite the appreciation in the AUD/USD exchange rate.

Although an expansion in global almond supply over the next decade has the potential to result in a cyclical expansion in global inventory levels, growth in global almond consumption is expected to continue at a greater rate, offsetting any increased supply. Other factors mitigating a potential supply imbalance for domestic producers are the high average quality of Australian almonds, and downward movements in the AUD/USD exchange rate.

Significant difficulty is inherent in predicting simultaneous movements in the world almond price and AUD/USD exchange rate over the 30-year investment term, and investors should be aware of the potential for these factors to lead to significant price volatility.

The recent appreciation of the Australian dollar relative to the United States dollar has resulted in a marked fall in the price of almonds in Australia. As a result, Adviser Edge has based its analysis on a base price denominated in USD, and applied varying exchange rates and appropriate conversion factors to determine a wholesale price denominated in AUD.

Adviser Edge has adopted a long-term base almond price of US$2.82/lb of kernel, based on average historical prices for the varieties to be planted in the Project. This long-term estimate compares to the recent trading price of the Nonpareil Supreme 23-25, which was trading at approximately US$2.15/lb in March 2011.

To convert the base US price to an Australian wholesale price, Adviser Edge has adopted a short-term AUD/USD exchange rate estimate of 0.94-1.02, with a longer-term forecast AUD/USD exchange rate of 0.98. Given the inherent uncertainty involved in forecasting exchange rates, Adviser Edge has adopted a range of variables for investment modelling purposes.

After considering historical price trends and exchange rate forecasts, Adviser Edge has adopted an almond price of $6.10 in the short-term, and a long-term price of $7.23. Variations in the exchange rate and the base almond price have been incorporated into the investment modelling process.

The price estimates adopted by Adviser Edge are above recent average Almondco grower payments, but are believed to be appropriate given the long-term nature of the Project, and the movement towards an export-dominated market for almonds produced in Australia.

Adviser Edge has indexed the base almond price at the long-term forecast inflation rate of 2.9% p.a. Sensitivity analysis conducted around this assumption reflects the potential for changes in the price inflation to affect investment returns.

Processing and marketing costs

Adviser Edge has assumed processing and marketing costs charged by Almondco of $1.15/kg of kernel, which will be partly dependent on the level of value-adding conducted by Almondco. Adviser Edge has assumed hulling and cracking costs, as charged by Simarloo, of $0.27/kg of kernel, and transport costs of $0.20/kg, in order to determine the net price paid to Growers. Statutory levies and grading charges of $0.08/kg of kernel have also been taken into account.

Estimated operating costs

Investors will be exposed to the actual costs of operating the Project orchard from Project year three (FY2014) onwards through the Operating Fee. From Project year three onwards, at the beginning of each financial year, MAAML will make an estimate of the operating costs of the orchard for the year, which will then be payable by investors. The table below presents preliminary estimates of operating costs provided to Adviser Edge by MAAML. These estimated operating costs have been discounted to present values and exclude freight costs and processing and marketing fees.

Estimated Operating Costs (excluding GST)		
Tree Age	Cost per interest	Cost per hectare
Age 3	$1,258	$5,031
Age 4	$1,741	$6,964
Age 5	$2,021	$8,084
Age 6	$2,151	$8,605
Age 7 onwards	$2,221	$8,885

Source: MAAML, 2011.

The fee structure also provides for unusual operating expenses, which include the costs associated with purchasing additional temporary water in the event that additional water is required during times of reduced allocations. It is expected that this would increase the overall operating costs charged to the investor.

In past projects MAS has, on occasions, been able to effectively manage the orchards at operating costs that are at least 10% less than the original operating cost estimates. This cost reduction has enabled a partial offset to the lower than expected harvest yields in the earlier projects.

Adviser Edge believes that MAAML's estimated operating costs are reasonable. However, in years of reduced allocations or when additional water is required, the costs associated with the purchase of temporary water will be passed on to investors, increasing the total outlay required by investors for that particular year.

Adviser Edge has adopted Macquarie's farm operating cost estimate over the life of the Project. It should be noted that Adviser Edge has excluded the ex-farm costs from the estimates used in the model, including transport, hulling and cracking costs, which have been modelled separately, as outlined above.

Adviser Edge believes that the operational cost estimates are in line with industry standards. Ongoing operational costs are likely to be heavily affected by fertiliser and herbicide costs, yields (increased harvesting costs), and any requirements to purchase additional temporary water. To reflect this expected variability, Adviser Edge has included a range of cost estimates when modelling investment returns.

Other assumptions

As well as assessing the key variables of yield and price, Adviser Edge has incorporated the potential insolvency of the Responsible Entity and its expected impact on the Project into the investment modelling, as well as the potential for devastation of the Project trees, and the potential for additional water costs.

In assessing the likelihood of an insolvency event, Adviser Edge has taken into account MAAML's balance sheet, its access to capital, and its ability to generate, and certainty with respect to, future cash flow. Adviser Edge has applied a relatively low default rate in its investment modelling, due to the view that it is possible for MAAML to be supported by the wider Macquarie Group.

The Project is structured in such a way that, in the event of the Responsible Entity's insolvency, it is likely that a replacement RE could be appointed and the Project could continue. However, this is dependent on investors purchasing water for the remainder of the Project, due to the lack of identifiable right to the permanent water licences owned by MacFARM. This may result in the Project being commercially unviable. Adviser Edge has incorporated the potential for this to occur into its investment modelling.

However, Adviser Edge has also incorporated a very low probability that the Responsible Entity becomes insolvent and investors receive only a small proportion of the revenue from the sale of the assets in return for forfeiting their leases.

To reflect an unforeseen natural disaster, or a disease or pest event which eliminates ongoing production, Adviser Edge has incorporated a small probability of the Project being wound up early, with no ongoing return to investors.

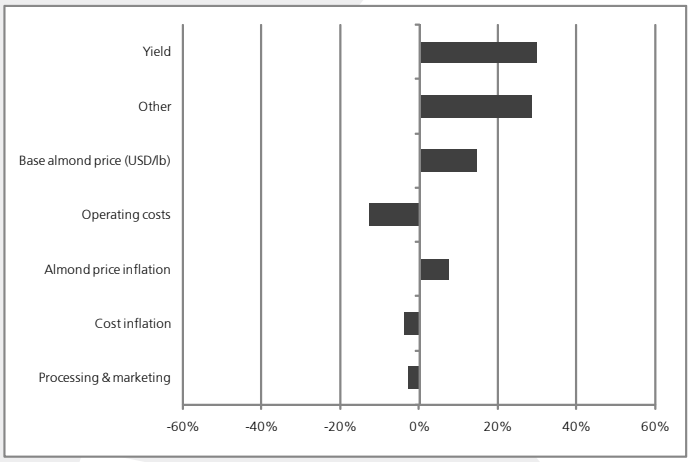
It is difficult to estimate the probability and impact of these assumptions with regards to investment returns due to the limited information available to verify the underlying assumptions. However, Adviser Edge believes that by including its judgment on the potential impact of these events, investment returns modelling will be more reliable than less sophisticated assessments.

Sensitivities

The ability for the Project to achieve key assumptions is a function of both the inherent volatility of the underlying activity as well as the assumption risk, which is the accuracy of the initial estimate. Accordingly, the volatility used in Adviser Edge's modelling depends on the quality of the data supporting the assumptions, and an assessment of the expected volatility of the underlying activity during the course of the Project.

Yield Low — High	There is expected to be seasonal variation in the average yields achieved from the Project. However there is a reasonable level of information available to support the long-term average yield estimates. It is expected that seasonal water allocations will have a significant bearing on whether the Project achieves budgeted yields.
Price Low — High	Data supporting underlying almond prices is robust, with market data readily available for both domestic and international markets. Almond prices are likely to cycle in line with global production and the AUD/USD exchange rate. The impact of increased supply from Australian producers is unknown, and the price estimates used in the modelling process are largely reliant on exchange rate forecasts. The recent appreciation in the AUD/USD exchange rate has shown how volatile the domestic price can be.
Costs Low — High	Variations in the Project orchard's operating costs are directly borne by investors. MAAML has demonstrated an ability to manage operating costs in line with or below budgets. Increased water costs, due to low allocations, are likely to have the biggest impact on operating costs invoiced to investors.

IRR sensitivity



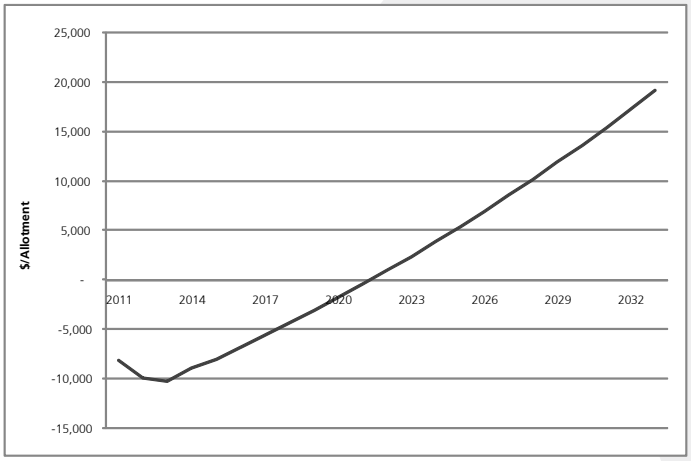
The table above is the resulting sensitivity of investment returns to the various assumptions used in Adviser Edge's financial model. This table indicates that variations in the annual almond yield accounted for 30% of the variance in modelled returns. Variations in orchard operating costs and almond yields also have a large impact on the variance in modelled returns.

Pre-tax Cash Flow per Unit

The Macquarie Almond Investment 2011 aims to generate investor returns through the growth and sale of almonds. The Project has a term of 22 years, with returns forecast to begin in Project year one (FY2012), with the sale of the almonds from the first commercial harvest. The Project is forecast to turn cash flow positive in Project year three (FY2014).

Indicative cumulative pre-tax cash flows for the Project are presented in the following chart. These cash flows have been calculated using the performance assumptions adopted by Adviser Edge.

Estimated cumulative pre-tax cash flow per unit



Post-Tax Potential

The post-tax returns earned by an investor will depend on the investor's marginal tax rate when harvest returns are received. The post-tax IRR range provided by Adviser Edge assumes that the investor maintains the same marginal tax rate of 46.5% throughout the investment term.

However, it should be assumed that an investor's tax status will change over the life of the Project. A change in tax status may result from a change in circumstance for the investor, or a change

in tax policy administered by the Australian government. It is important that investors are aware of how these may affect the Project's post-tax performance.

Adviser Edge recommends that investors consult with qualified specialists who understand how changes to an investor's tax status may affect investment returns.

Investors in the Macquarie Almond Investment 2011 will be subject to risks associated with long-term horticulture investments. All potential investors should carefully consider the risks outlined in the Project PDS and the specific risks outlined in the Adviser Edge research report.

Management risks
MIS management encompasses not only the operational capabilities of Project counterparties but also the corporate abilities of MAAML to monitor operational performance and meet the regulatory and statutory responsibilities required of it as RE of the Project. For all MIS projects there is a risk that if the financial position, corporate governance practices, or proficiency of management deteriorates, asset condition, project outcomes and/or regulatory outcomes may be temporarily or permanently compromised.

The fee structure of the Project helps mitigate the manager risk to a degree. However, the lack of an identifiable water right means that investors are reliant on MAAML meeting its obligations with respect to water.

Structure and fee risks
As Project management fees are fixed in Project year one, and the trees are already two years old, investors are well protected from unexpected overruns in early orchard management costs. Beyond this period, increases in the price of production inputs such as fertilisers, diesel oil, bees and labour at a rate above that of almond sales revenue over the Project term may lead to a disproportionate increase in Project fees relative to Project revenues. The ability of MAS to control orchard operating costs without a corresponding fall in orchard productivity will influence project profitability over the Project term.

At this point in time, Adviser Edge is satisfied with the past ability of MAAML and MAS to maintain operating costs and orchard productivity within a reasonable range, particularly given recent performance during a period of high input costs.

Site selection risk
There is a risk that the nature of the site selected for the Project may have an adverse affect on estimated Project outcomes. The suitability of a site for a particular agricultural activity is an important determinant of its productivity and profitability. Soil, climate, water, proximity to labour supply and input suppliers, supporting infrastructure and markets are all factors that influence site suitability.

Commercial almond production in north-west Victoria is established and operations are well supported by regional resources. The Project site is not expected to present any elevated risk other than those risks already known within the region, provided that proposed management protocols are adhered to.

This risk has been reduced by the fact that the trees utilised under the Project are well established, with the site also housing almond orchards successfully developed in 2006 and in subsequent years.

Performance risks
The following risks have been highlighted for their potential to most greatly reduce investment returns. Investors should expect production and market volatility to affect returns over the term of their investment.

Yield and quality
Almond production is exposed to inherent risks that may affect both yield and quality, including site suitability, seasonal climatic conditions, irrigation water availability, pest and disease outbreaks, bee related pollination issues, the availability of key production inputs, and the quality of management practices.

Market forces
World almond markets have previously displayed a tendency to cycle in line with fluctuations in supply and demand, and some market volatility is expected to persist into the future.

AUD/USD Exchange rate
Fluctuations in the value of the Australian dollar relative to the United States dollar over the life of the Project would be expected to affect almond sales receipts. Almondco has indicated that it engages in some currency hedging to reduce exposure to exchange rate fluctuations.

Orchard operating costs
Inflation in the price of production inputs such as fertilisers, diesel oil, materials and labour at a rate above that of almond sales revenue over the Project term would be expected to lead to a disproportionate increase in production costs relative to Project revenues. The ability of MAAML and MAS to control production costs and maximise orchard productivity will influence project profitability over the Project term. It is noted that, to date, MAS has been able to control production costs so that they remain in line with or below budget.

Marketing risks
As with any MIS project, there is a risk that the market for the Project resources will encounter a significant downturn at the time of harvest. This may be due to factors such as competition, regulation and/or market preferences. The effect of reduced demand may affect prices, which could potentially reduce investors' returns.

There is a risk that the almond crop supply agreement between MAAML and Almondco may be dissolved or become untenable. MAAML will need to maintain a close association with Almondco to ensure that investors' interests are continually best served and that reporting standards and payment terms are strictly adhered to.

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