

Adelaide Managed Funds

16 February 2009

Dear AYT Unitholder,

Re: Recommended Proposal from Bendigo and Adelaide Bank

Today we have announced to the ASX a proposal from Bendigo and Adelaide Bank Limited (BEN) to acquire all of the Units in the Adelaide Managed Funds Asset Backed Yield Trust (AYT).

As Independent Directors of Adelaide Managed Funds Limited (AMF), the responsible entity for AYT, we are writing to recommend this proposal to you¹, and to outline the key components of the proposal.

The Proposal

BEN proposes to acquire all of the Units in AYT by way of a trust scheme. Under the proposal, AYT Unitholders will receive:

- An amount of \$1.835 per Unit in mandatory convertible preference shares (CPS) in BEN². The CPS are expected to convert into ordinary shares in BEN after 12 months³; and
- A cash distribution from AYT in April 2009 calculated by reference to any increase in net tangible assets of AYT for the March 2009 quarter (net of AMF's estimated transaction costs to completion). The distribution is currently estimated to be approximately \$0.02 per Unit.

The CPS amount of \$1.835 per Unit represents a premium of 56.8% to the closing price of AYT Units on 13 February 2009.

The Process

The proposal is subject to approval by AYT Unitholders at a meeting likely to be held in April 2009. Further information on the transaction, including the Independent Expert's Report and the recommendations of the Independent Directors, will be included in the scheme book which is expected to be sent to you in April 2009.

More Information

Enclosed with this letter is a copy of the ASX release, which sets out further details in relation to the proposal, the CPS terms and the key terms of the agreement between AMF and BEN.

We will post any further relevant information on our website www.adelaidemanagedfunds.com.au.

On behalf of AMF, we, the Independent Directors, recommend this proposal to you.

Yours sincerely,

**Nancy Fox
Non-Executive Director
Adelaide Managed Funds**

**Stephen Treanor
Non-Executive Director
Adelaide Managed Funds**

¹ The Independent Directors recommend the proposal and intend to vote all AYT Units they own or control in favour of the proposal, in the absence of a superior proposal and subject to an Independent Expert confirming that the proposal is fair and reasonable and in the best interests of AYT Unitholders.

² Based on the \$100 par value of the CPS, and does not reflect the expected or actual trading price of CPS.

³ Conversion will occur at a 2.5% discount to the volume weighted average price of BEN ordinary shares for the 20 Business Days prior to conversion, subject to satisfaction of the Mandatory Conversion Conditions.