KILGOUR ADVISORY GROUP

PORTFOLIO MANAGER REPORT

UWO LIQUIDATING TRUST
QUARTER ENDING 30 SEPTEMBER 2011

Preamble

The University of Western Ontario Liquidating Trust ('UWO LT') holds a portfolio of Asset Backed Notes ('AB Notes') that resulted from the restructuring of Non-Bank Asset Backed Commercial Paper ('ABCP') that was completed in January 2009. Kilgour Advisory Group (KAG) is a specialist risk management firm retained by UWO LT to provide portfolio valuation, risk management and reporting, and market liaison. KAG reports quarterly with commentary on credit markets, description of the margin triggers and reference indices, discussion of events affecting UWO LT's holdings, summary of secondary markets, and valuation of the portfolio.

Credit Markets

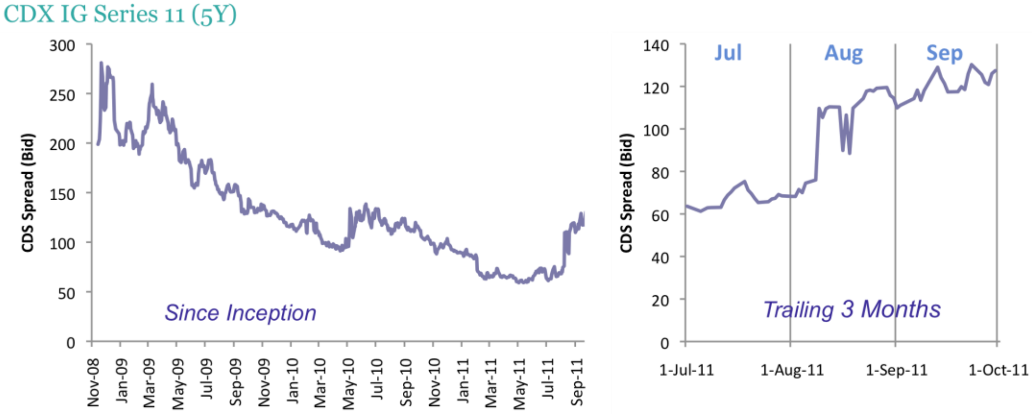
North American credit markets worsened considerably in a reversal of the tightening trend of the preceding twelve months. Credit markets matched the broad performance of global financial markets as they reacted to events in North America and abroad. The US debt ceiling standoff and subsequent credit rating downgrade by Standard & Poor's marked the start of the downturn. The apparent prolongation of the period of slow economic recovery and threat of a double-dip recession further dampened markets. And the events in Europe have increased fears of contagion spreading from the likely impending default of Greece, to other sovereign bond issuers, to European and other financial institutions holding those debts, and ultimately to the ongoing viability of the EU and European common currency. Not surprisingly, markets reacted very negatively to these developments.

To counterbalance, it is notable that corporate balance sheets are generally strong – especially in Canada – and that there has not yet been an increase in corporate defaults. Notwithstanding the dire view taken by some, the consensus most-likely outcome is a prolonged period of slow economic recovery.

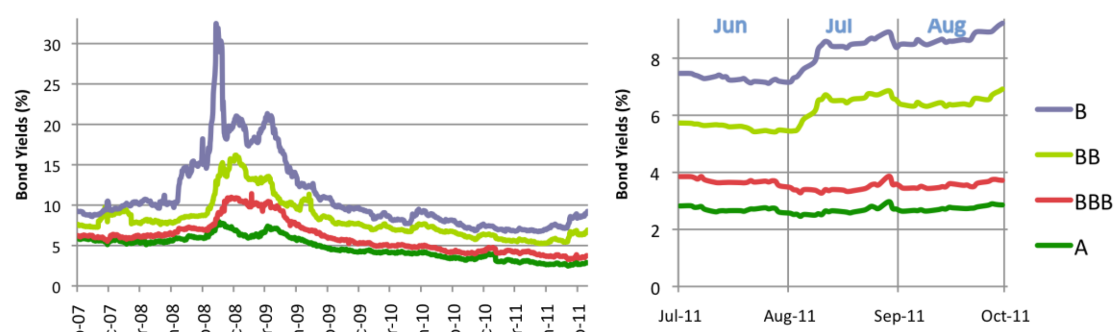
The trend within the credit default indices demonstrates the pricing developments described above. Spreads widened somewhat in July and this widening accelerated from the US debt ceiling deadline in early August through to the end of September (see top right chart). From a longer-term perspective, spreads ended Q3 at levels last seen in September 2010 (see top left chart).

Bond yields generally matched the widening seen in the CDS market although there was some divergence between the High Yield (e.g. B and BB) bonds versus the Investment Grade (e.g. BBB, A) bonds (see lower right chart). The reasons for the relative outperformance of the Investment Grade cohorts are likely the aforementioned balance sheet strength of those companies as well as a flight-to-quality effect as investors exited lower rated bonds in exchange for better rated ones. In a historical context, bond yields also tested levels last seen in September 2010 (see lower left chart).

CDX IG Series 11 (5Y)



S&P Bond Cohorts



Source: Advantage Data

Risk Assessment

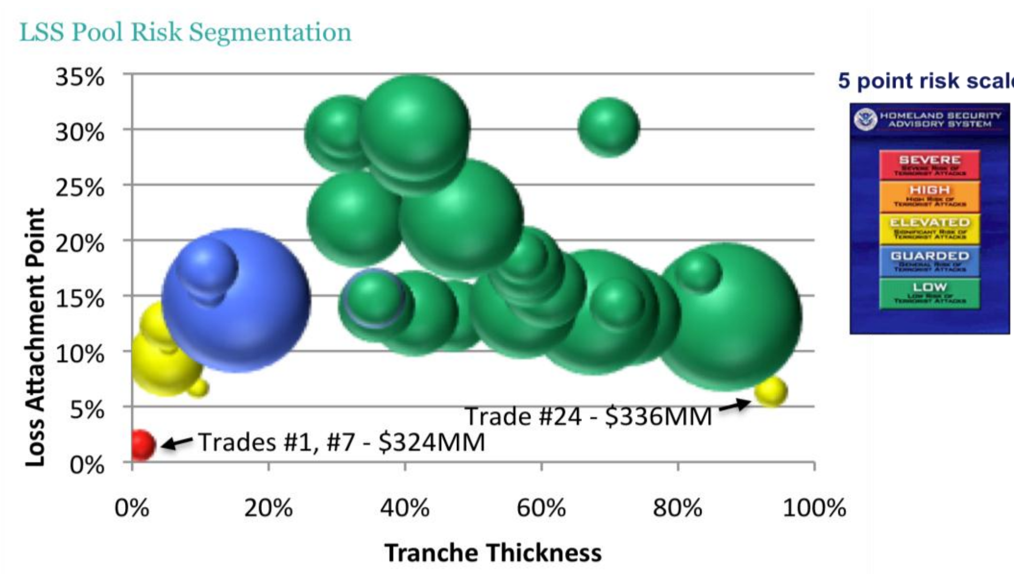
KAG uses a risk assessment framework that tracks credit risk, margin trigger risk, collateral risk, and structuring risk.

Credit Risk

The assessment of credit risk focuses on the potential for losses within the portfolio of Leveraged Super Senior ('LSS') credit default swaps that underlie the MAV2 Pool.[1] The deterioration in the broad credit markets shows at a high level that credit risk in the Pool has somewhat increased and this is negative to the value of the MAV2 Pooled notes.

In addition to considering the general state of the credit markets, it is necessary to consider the risk of each individual LSS deal when assessing overall credit risk. And for the LSS deals that are closest to incurring losses, the MAV2 Pooled notes are exposed to the idiosyncratic risk of the individual corporate names in those portfolios.

The LSS risk segmentation is used to classify each portfolio of credit default swaps by relative risk. This enables us to isolate and focus on the most-immediate risk within the diverse pool. As seen below, Trades 1 and 7 continue to be the only 'Severe' risk trades and there are no 'High' risk trades. There are some 'Elevated' risk trades and Trade #24 has been added to the watchlist for reasons explained below. Otherwise, the bulk of the exposures are of benign 'Guarded' or 'Low' risk status.



[1] When the original non-bank asset-backed commercial paper was restructured, all eligible LSS trades and their collateral were pooled. Currently, there are 69 LSS trades with a total notional value at risk of $73 Bn; these are collateralized by the $9.8 Bn of assets in the collateral pool.

Trades #1 and #7[2] are the most immediate source of credit risk for the MAV2 Pooled notes. The highest risk corporate reference entities in Trades #1 & #7 are listed in table at right. There were four credits for which it would cost more than 20% of notional to insure against credit losses for one year. Although there has been some deterioration in other corporate reference entities, the outcome of Trades #1 and #7 still largely hinges on the performance of MBIA Insurance Corp. This position is overweight within the portfolio and represents 2.45% of the portfolio (see 'Pctg of Notional' column). Thus, a default of MBIA Insurance alone could cause Trade #1 and #7 to lose money; otherwise, it would take two or three defaults before there are losses. However, the fact that the maturity date of Trade #1 and #7 is in less than nine months makes multiple credit events less likely.

Trade #1 and #7 – Highest Risk Credits
1-year Credit Default Swap prices

Reference Entity	1 Yr CDS Spread (bps) 20-Oct-11	Pctg of Notional	Sector (Blackrock)
Hovnanian Enterprises Inc.	2,910	0.49%	Home Construction
MBIA Insurance Corp.	2,361	2.45%	Property & Casualty
Residential Capital Corp.	2,215	0.49%	Property & Casualty
Hellenic Telecom Organization SA	2,167	1.22%	Wirelines
Radian Group Inc.	1,975	1.22%	Property & Casualty
MGIC Investment Corp.	1,249	1.22%	Property & Casualty
Clear Channel Communications Inc.	1,006	1.35%	Media Non Cable
Beazer Homes USA Inc.	925	0.92%	Home Construction
Meritage Homes Corp.	787	0.61%	Home Construction
First Data Corp.	731	0.61%	Technology
Boyd Gaming Corp.	676	0.31%	Gaming
International Lease Finance Corp.	672	1.45%	Non Captive Diversified
ArvinMeritor Inc.	615	0.52%	Automotive
KB Home	533	0.61%	Home Construction
Financial Security Assurance Hldg LTD	531	1.84%	Property & Casualty
MGM Mirage	517	0.49%	Gaming
Morgan Stanley	511	1.45%	Banking
Wachovia Corp.	488	1.84%	Banking
American Axle & Manufacturing Inc.	482	0.52%	Automotive
Merrill Lynch & Co. Inc	478	1.22%	Banking
R R Donnelley & Sons Co.	477	0.61%	Media Non Cable
Bank of America Corp.	434	0.49%	Banking
Noble Group LTD	406	0.92%	Other Industry
Weighted Average	1,068	22.87%	

Source: Advantage Data

In MBIA's lawsuit alleging that banks fraudulently insured non-compliant mortgages, there was a ruling in favour of MBIA to allow its suit against Credit Suisse to continue. A similar suit against Countrywide being heard in NY Supreme Court and a rumoured $5Bn settlement with Bank of America was not substantiated. The banks' counter-suit that MBIA acted improperly when it divided into separate legal entities appears to be losing steam. It is uncertain whether these legal battles will be resolved prior to the maturity date of the key trades of 20 Jun 2012.

The credit default swap spread on MBIA Insurance widened considerably in step with broader credit markets (see chart at top of page 5). Subsequent to month-end, the CDS tightened somewhat as credit markets moderated somewhat and as positive day-to-day news emerged related to the status of its legal wrangling.

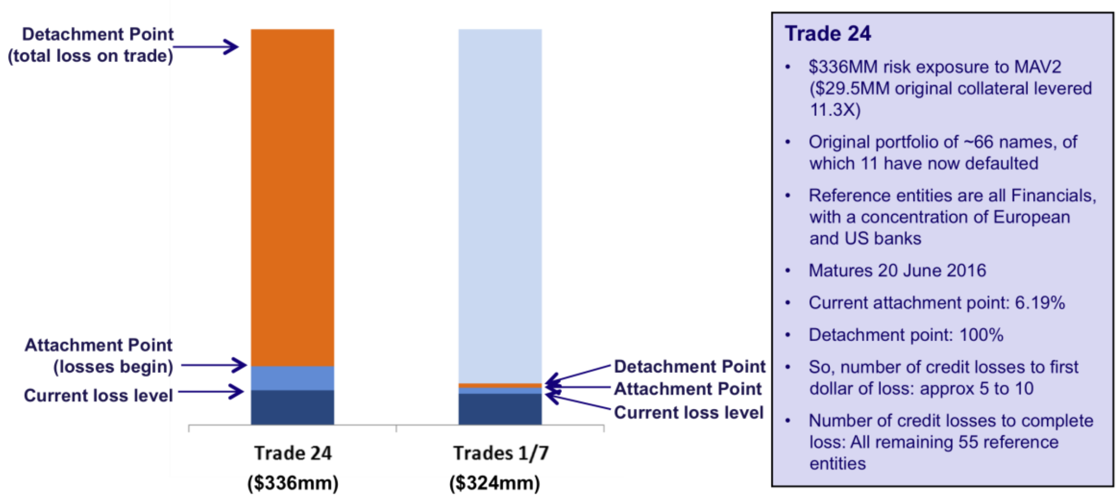
[2] To recap: trades #1 and #7 are two Leveraged Super Senior trades with Deutsche Bank as the asset provider. They contain portfolios that are identical in composition and allocation. Trades #1 and Trade #7 together have amounts at risk of $324 million. In combination, these trades represent about 3% of the MAV2 Pool. If Trade #1 and #7 begin to experience losses, those losses will first affect the value of the MAV2 Class C notes. If #1 and #7 were to lose all value – namely $324 million – then the Class C notes will lose all value and the maximum value at redemption of the Class B notes would be reduced to ~$0.80 per dollar of par value. The Class A-2 and A-1 notes that comprise the bulk of UWO LT's exposure to the Pooled Notes cannot be affected by a default of Trades #1 and #7 alone. Trades #1 and #7 have a maturity date of 20 June 2012 therefore we are only concerned with their performance for the next ~8 months, after which they will present no risk to UWO LT's notes.

MBIA Insurance Corp.
1-year Credit Default Swap prices since 1Jan11

If MBIA Insurance were to default, the impact would be that Trade #1 and #7 would lose money. These losses would significantly reduce the potential value at redemption of the MAV2 Class C notes, which are currently valued at 26 cents by UWO LT.

Given the events in Europe, the LSS portfolios were screened for exposure to European credits. The bulk of the European exposure was found in trades that are classified as 'Low' or 'Guarded' risk. However, the riskier Trades #1 and #7 have greater than 25% of their notional exposure to Euro-denominated credits. Trade #24 was also highlighted as having a high concentration of Euro-denominated risk and that much of that portfolio is comprised of European financial institutions. As well, there were three new defaults in the total pool during Q3 and they were all names in the Trade #24 portfolio. Trade #24 has been designated a watchlist portfolio. However, it is very unlikely that there will ever be large losses due to Trade #24 given its thick tranche structure. Although it is quite possible that losses in the portfolio will exceed the 'attachment point' and the first dollar will be lost, it would take a complete loss on every credit in the portfolio for Trade #24 to lose its entire $336 MM notional. Contrast this to Trades #1 and #7 where, once the first dollar is lost, it would only take 1 to 3 more defaults to lose all $328 MM. (See diagram below). Thus, the risk of significant losses from Trade #24 is quite remote.

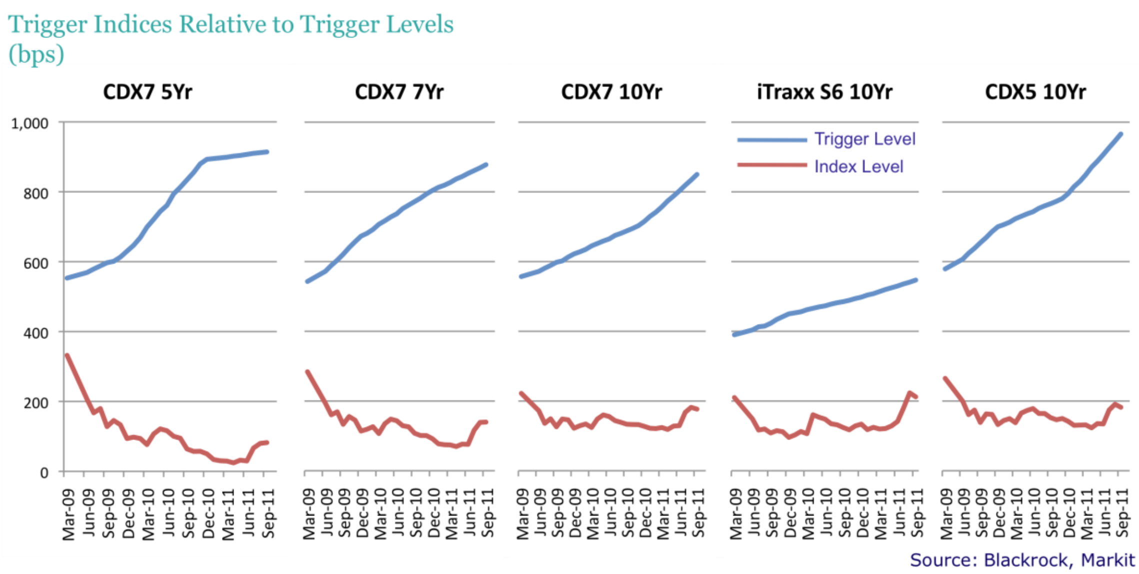
Trade 24 Characteristics



Margin Trigger Risk

Margin trigger risk increased somewhat because the referenced credit indices widened during Q3 but there continues to be a very large difference between the reference indices (red lines below) and their trigger levels (blue lines). (Note that a trigger breach would occur if, at any time, a red line crosses above a blue one.) There were no new defaults during Q3/11 in any of the reference indices for the MAV2 Spread-Loss margin triggers[3]. The European index – iTraxx – is the nearest to its trigger level but is still only at 38.8%. iTraxx would have to widen by roughly 2 ½ times to breach the current trigger level. On average and including the iTraxx outlier, the credit indices were at 20.7% of trigger levels at quarter-end, up from 14% at the end of Q2/11.

It should be noted that for a margin trigger event to occur, two indices would have to breach their trigger levels. Margin trigger risk is still assessed as extremely remote in spite of the recent credit widening.



[3] The margin triggers for the Pooled Notes take the form of 'spread-loss' triggers whereby a limit is defined in terms of the market spread of a reference index (e.g. CDX IG7) and determined within a matrix of actual loss and remaining time to maturity. Losses within the reference indices have the impact of lowering the 'margin trigger' spread limit, thereby increasing the risk of margin calls. The passage of time – and resulting decrease in time to maturity – has the effect of increasing the spread limit and, all else being equal, reduces the risk of a margin call. The margin triggers are important because if the market spread on the reference index exceeds the trigger level, MAV2 must draw upon its margin funding facility to post margin. If credit markets deteriorate significantly, there is a possibility that the margin funding facility will not be large enough to post sufficient margin. This would result in the underlying assets in MAV2 defaulting and would entail significant losses to UWO LT.

Collateral Risk

The Leveraged Super Senior pool is supported by $9.8 Bn of collateral. These assets are available to the LSS counterparties in the case that an LSS trade defaults. At the maturity of the notes, the remaining collateral will be released and distributed to the noteholders as return of principal. Therefore, it is important to monitor the quality of the collateral pool itself in order to be assured that funds will be available to investors at maturity.

The collateral pool is generally composed of high-quality, low-risk assets. The three CDO-squared assets that have been highlighted by DBRS and others as potentially risky have been stable and realized no additional losses in Q3/11. KAG continues to monitor the disclosures from BlackRock, the asset administrator, regarding these assets.

Structuring Risk

KAG monitors for adverse affects of 'structuring risk', which is a hold-all category for errors in drafting or application of legal documents, changes in regulatory environment, etc.

The litigation between concerning the QSPE-XCD mortgage securitization (see Portfolio Manager Report of 29 July) was resolved through negotiation rather than court hearing. The resolution is to the benefit of the senior noteholders of that Xceed mortgage program, which include the MAV2 Pool. The resolution is marginally favourable to the MAV2 but ultimately too small to be material to UWO LT; the benefit is avoidance of costly litigation and/or a negative outcome at court.

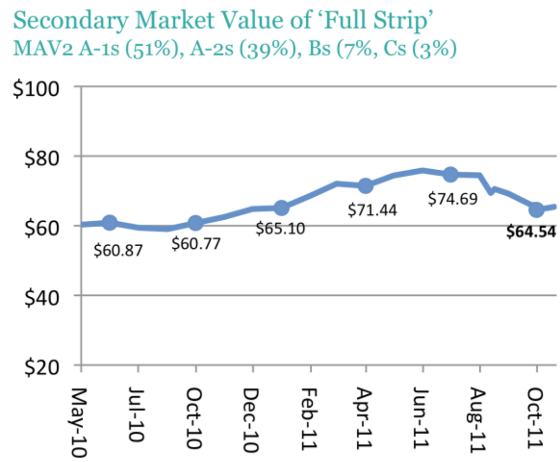
The initiative to put into place an 'optional redemption' is progressing. Moelis & Company, the restructuring firm hired to negotiate this, has presented the draft plan to UWO Pension staff. The plan envisages a quarterly process whereby noteholders may elect – at their independent option – to tender their notes at a minimum reserve price. If an auction of their proportion of the assets and liabilities of the MAV meets that minimum, then a pro rata portion of the MAV2 will be unwound. If the reserve price is not met or if a noteholder elects to not tender their notes, then the persisting notes will continue to exist as before without any change to their risk position or interest income. All costs associated with the optional redemption initiative will be borne only by noteholders who successfully redeem notes. In order to enact the amendment to the MAV indenture, a 66 2/3rds majority vote must be passed. It is expected that UWO will be asked to vote on the amendment in Q4/11 or early in Q1/12.

Also in the category of structuring risk, DBRS upgraded the MAV2 A-2 notes to BBB(high). The MAV2 Class A-1's remain under review with positive implications.

Risk Assessment – MAV2 Class 13 Notes

UWO LT predominantly holder MAV2 Pooled Notes but also has a relatively small - ~3% of notional value – position in the MAV2 Class 13s.

As a reminder, the Class 13s are comprised of one senior exposure to a portfolio of Credit Default Swaps that is collateralized by a US$96MM 'TABS note', which is the senior note of a credit structure with exposure to US sub-prime residential mortgages. The original design of the trade was for the TABS note to mature by the maturity of the CDS exposure; if there were no losses on the CDS, then the cash proceeds of the TABS note would be returned as principal to the Class 13 noteholders.



The CDS portfolio did no experience any further losses and therefore continues to have an attachment point of 6.19% with a maturity date of 20 March 2013. KAG continues to believe that this exposure will mature without losses.

The TABS note has now paid down by over 60% and so there is $58.4MM in cash collateral. The remaining $37.3MM outstanding on the TABS note is exposed to very poor performing sub-prime mortgage programs and is being valued by Blackrock at $2.9MM. Therefore, KAG expects that Class 13 will mature but the loss on the TABS collateral will reduce principal repaid at maturity to $0.60 to $0.65 per dollar of notional.

AB Notes Secondary Market

Secondary market for the MAV2 Pooled Notes fell by more than ten cents in the third quarter. The indicative bids for the 'full strip' (namely, the MAV2 A-1, A-2, B and C notes in the proportion that they were issued) fell from $0.747 as at 30 June 2011 to $.645 at 30 September. These prices were obviously influenced by the turmoil in the global credit markets but also result from a repeated pattern of illiquidity in the MAV market during turbulent markets. Subsequent to quarter-end, prices recovered somewhat with the price of the 'full strip' rising to $.678 as at the date of this report.

There are very few buyers of Tracking Notes, although there is one bidder indicating a bid/ask of 58/67 for the MAV2 Class 19s

Portfolio Valuation

The Fair Market Value ('FMV') of the Portfolio as at 30 September 2011 was $12.37 MM, down from $14.11 MM as at 30 June and $13.5 MM as at 31 March. The Weighted Average Price ('WAP') of the Portfolio at end of Q3 was $64.80, down from $74.58 one quarter prior. The full portfolio and note-by-note pricing for the last three quarters is listed in the table below.

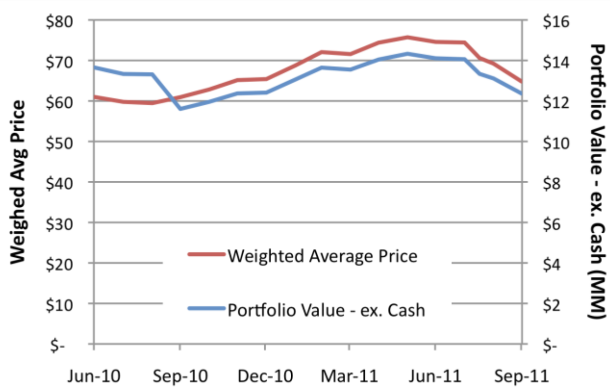
UWO Liquidating Trust

Re-Structured Asset Backed Notes

Valuation as of:	**31-Mar-11**		CAD:USD 0.97275	**30-Jun-11**		CAD:USD 0.96510	**30-Sep-11**		CAD:USD 1.04205
Notes	**Par Value (Local currency)**	**Price (Local currency)**	**Market Value (CAD)**	**Par Value (Local currency)**	**Price (Local currency)**	**Market Value (CAD)**	**Par Value (Local currency)**	**Price (Local currency)**	**Market Value (CAD)**
Class A-1	8,997,474	77.38	6,961,796	8,997,474	78.92	7,100,507	8,997,474	68.75	6,185,763
Class A-2	5,919,516	70.10	4,149,581	5,919,516	73.92	4,375,509	5,919,516	63.58	3,763,332
Class B	1,074,551	55.50	596,376	1,074,551	64.73	695,548	1,074,551	55.88	600,405
Class C	495,472	25.30	125,354	495,472	35.98	178,246	495,472	25.88	128,203
IA Tracking Note Class 13	316,001	54.33	171,694	316,001	57.50	181,701	316,001	58.00	183,281
Class A-1 (USD)	1,799,382	77.38	1,354,332	1,799,382	78.92	1,370,454	1,799,382	68.75	1,289,094
Class C (USD)	55,836	25.30	13,742	55,836	35.98	19,386	55,836	25.88	15,055
IA Tracking Note Class 13 (USD)	333,292	54.33	176,154	333,292	57.50	184,955	333,292	58.00	201,438
Total (Local currency)	$ 18,991,524			$ 18,991,524			$ 18,991,524		
Total (CAD)	$ 18,931,887		$ 13,549,028	$ 18,915,145		$ 14,106,304	$ 19,083,551		$ 12,366,572
Wtd Average (CAD)		71.57			74.58			64.80	

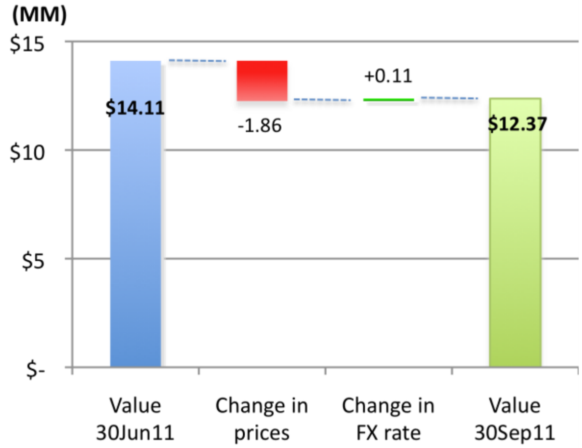
The decline in price brings the Weighted Average Price of the portfolio down to levels last seen in October of 2010, and so represents a retreat in price of slightly less than a year.

MAV Portfolio Value Over Last 5 Quarters



Through the quarter, the largest driver of the decline in portfolio value was the change in market prices. There were no sales of notes from the portfolio.

Quarter-over-Quarter Change in Value



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In summary, Q3 2011 was very different from the two preceding quarters, as North American and global credit markets widened significantly on negative economic news. There were resultant upticks in credit risk and margin trigger risk. Secondary market prices for the MAV2 notes fell, which was the largest factor in the overall decline in UWO LT's portfolio value.

Kilgour Advisory Group
27 October 2011

GLOSSARY OF TERMS

Asset-Backed Notes or 'AB Notes'	Notes created through the restructuring of the former non-bank asset-backed commercial paper (ABCP) purchased by UWO LT in July 2008. The AB Notes are comprised of: 'Pooled Notes', 'Ineligible Asset Tracking Notes' and 'Traditional Asset Tracking Notes'.
Credit Default Swap or 'CDS'	Contract where Counterparty A pays financial consideration to a Counterparty B to assume the risk of default by a specific third party company. Analogous to insurance, where A pays a premium to B in return for a lump-sum payment should the specified third-party company go bankrupt or otherwise default. Credit default swaps can be done on an 'unfunded' basis since there is no requirement for either party to own the referenced credit. A CDS premium is quoted in terms of basis points (one-hundredths of a percent) of the notional value 'insured'. Portfolios of CDSs typically underlie 'Leveraged Super Senior' trades.
Credit Default Index e.g. 'CDX' or 'iTraxx'	A quoted market index of the Credit Default Swap premiums on one hundred representative corporate credits. The indices are renewed semi-annually; the vintage most relevant to the AB Notes is the CDX Investment Grade Series 7, which was issued in Sep-06. Indices also are quoted in terms of term to maturity – e.g. the CDX IG7 '5 Year' is based on prices for 5-year credit insurance. The CDX indices are comprised of North American companies; the iTraxx indices reference European credits.
Ineligible Asset ('IA') Tracking Notes	Notes created from the restructuring of ABCP assets that had exposure to US subprime mortgage securities. The Ineligible Assets were quarantined from the Pooled Notes and the IA Tracking Notes will directly track the financial performance of the underlying assets on a one-note-per-asset basis.
Leveraged Super-Senior or 'LSS'	A trade of a portfolio of Credit Default Swaps where the seller of the insurance/buyer of the risk receives a small premium in return for insuring the losses on the portfolio only above a certain amount, for example, the insurance might be for any losses above 30%. Thus, 'super senior'. LSS is partially funded in that the seller of insurance posts collateral ('Margin') for only a portion of the total amount of risk insured. In this way, the small premium is levered to provide a higher return on investment. There are many LSS trades underlying the MAV2 Pooled Notes whereby the MAV is the seller of credit insurance on a levered basis.

Margin	A reserve of cash or near-cash securities pledged as collateral to the insurance purchaser (swap counterparty) under an LSS trade. If the portfolio of CDS experiences losses or the market price of the CDS premiums increase, the counterparty may have the right to call for additional collateral to be posted (a 'margin call').
Margin Funding Facility or 'MFF'	A lending facility established by the federal government, Canadian banks, and some international banks to provide Margin funding should the Spread-Loss Triggers be breached. By making this additional collateral available, the MFF reduces the risk that the AB Notes will be terminated early and incur massive losses to investors.
Master Asset Vehicle or 'MAV'	The so-called Master Asset Vehicles are the issuers of the restructured AB Notes. Essentially, they are the legal entities holding the assets and issuing the Notes, receiving income on the assets and paying expenses and interest to the Noteholders. MAV1 is the vehicle for issuing Notes to the self-margin investors (e.g. the Caisse de Depot) and is not relevant to UWO LT. MAV2 issues the Pooled Notes and IA Tracking Notes held by UWO LT. MAV3 is the issuer of the Traditional Asset Tracking Notes.
Net Asset Value or 'NAV'	The value of a security or fund; equal to the market value of assets minus liabilities.
Pooled Notes	AB Notes created from the restructuring of ABCP containing both cash assets (loans, non-US residential mortgage backed securities, commercial mortgage backed-securities, etc.) and Leveraged Super Senior assets. These notes are comprised of classes A-1, A-2, B, and C, in order of seniority. These notes are supported by the Margin Funding Facility.

Spread-Loss Trigger	A 'margin trigger' is the metric by which it is judge whether an AB Note must provide additional collateral. A 'Spread-Loss' trigger provides a limit for a pre-determined CDX index's market price (the 'spread') above which additional margin must be posted (e.g. "if spreads on the CDX IG7 5Year exceed 550 basis points, then the note triggers."). The Spread-Loss Triggers are given within a matrix of the level of losses on the Index and the remaining term to maturity on the note. When the AB Notes were restructured, the triggers where changed from market price triggers to Spread-Loss Triggers and the overall levels of the triggers were raised; this reduces the likelihood of margin calls relative to current market conditions.
Traditional Asset ('TA') Tracking Notes	Notes created from the restructuring of ABCP assets that had exposure ONLY to cash assets (loans, non-US residential mortgage backed securities, commercial mortgage backed-securities, etc.). These notes will directly track the performance of the underlying assets on a one-note-per-asset basis.