Portfolio Manager Report

UWO Liquidating Trust
Quarter ending 30 September 2012

Preamble

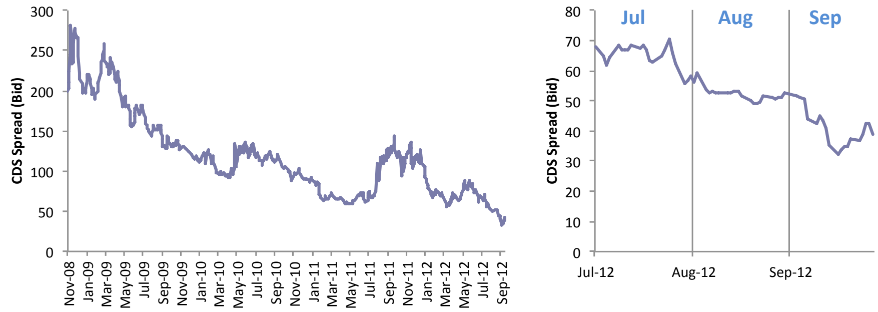
The University of Western Ontario Liquidating Trust ('UWO LT') holds a portfolio of Asset Backed Notes ('AB Notes') that resulted from the restructuring of Non-Bank Asset Backed Commercial Paper ('ABCP') that was completed in January 2009. Kilgour Williams Group (KWG) is a specialist risk management firm retained by UWO LT to provide portfolio valuation, risk management and reporting, and market liaison. KWG 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

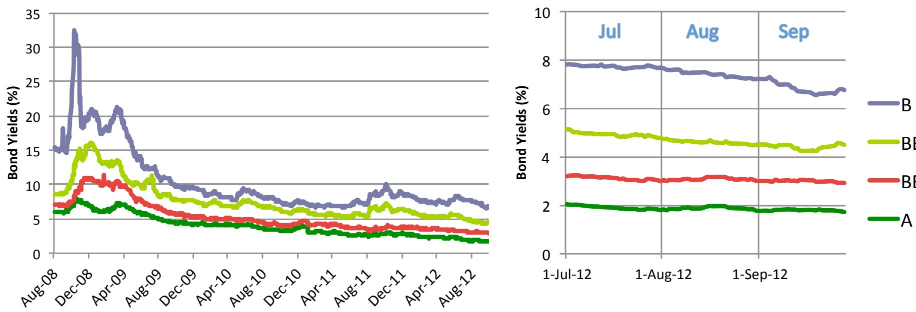
During the third quarter of 2012, there was a general improvement in global credit markets, buoyed by indications by US and European central banks that they will provide 'bottomless' liquidity to their banks and economies. This rally did falter in September, as the market seemed to recognize the longer-term and as-yet unresolved issues of softening global economies and unsustainable sovereign debt. The US faces mixed economic indicators, with strong corporate balance sheets and recovering profits being offset by the policy uncertainly going into the November election, and the looming "fiscal cliff" of legislated tax increases and spending cuts. Much of Europe is already in recession with Spain – Europe's fourth-largest economy - increasingly looking as though it may be subject to the downward spiral of credit downgrades, illiquidity, and, potentially, assistance from the central bank.

The developments in the North American credit default swap market can be observed in the upper charts on the following page. On the right, credit spreads tightened through July and August before somewhat reversing in mid-September. The left chart puts current spread levels in a longer historical context and shows that credit spreads are still near their lowest levels since the 'credit crisis' of 2008.

CDX Investment Grade Series 11 (5Y)



S&P Bond Cohorts



Bond yields followed a similar path to credit default swap spreads during the quarter (bottom right chart above). All bond rating cohorts tightened during the quarter with the High Yield groups (B and BB in the chart) showing the most improvement. Bond spreads are at historically tight levels (see lower left chart above).

Corporate balance sheets continue to be strong and there have been some surprisingly good earnings results in recent periods, especially by US banks and large businesses. There were no new defaults among any of the portfolios or credit indices that are referenced by the credit derivatives underlying the MAV2 Pooled Notes.

Risk Assessment

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

Credit Risk

Our assessment of credit risk begins with the broad performance of the credit markets and then drills-down to identify, isolate, and track specific areas of higher risk specific to the AB Notes held by UWOLT.

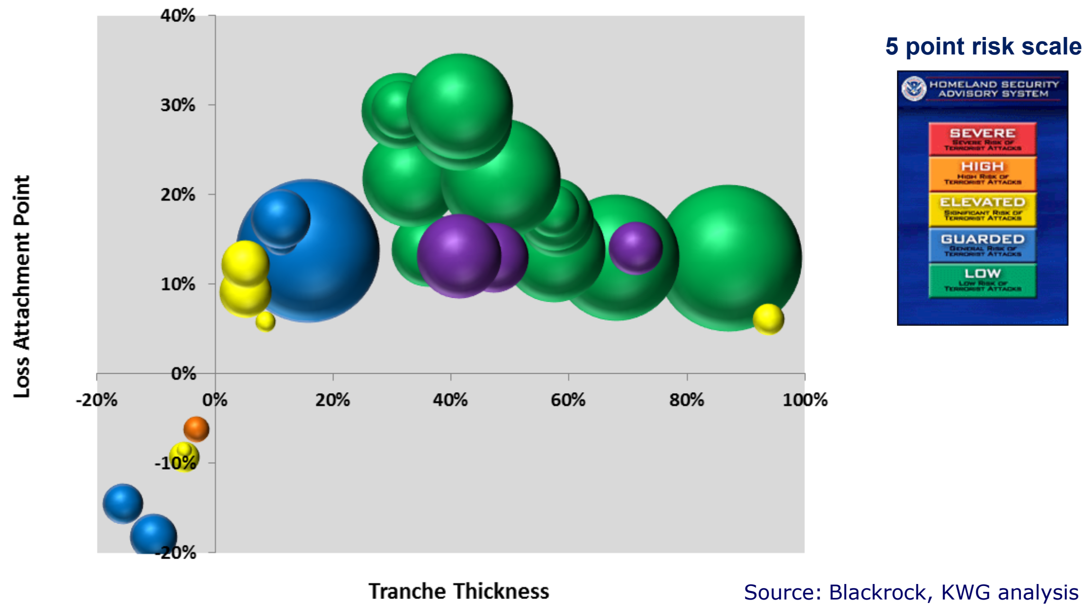
The credit markets' improvement as described above indicates a general decrease in credit risk in the MAV2 Pool[1].

Our LSS Pool risk segmentation classifies each portfolio of credit default swaps by its relative risk. This enables us to isolate and focus on the most-immediate risk within the diverse pool. In the third quarter, none of the LSS trades were downgraded to higher risk categories. Additionally, three of the LSS trades with a total exposure of $5.4 Bn matured without loss. All three of these trades were previously rated as of 'Low' risk.

The risk segmentation chart[2] below shows the LSS portfolio on the day before the maturity of the three LSS trades. The now-matured trades are highlighted in purple. As can be seen, there are no 'Severe' or 'High' risk trades for which the MAV is long risk. The orange 'high' risk exposure in the lower-left quadrant of the chart is a trade where the MAV is short risk and will make money if it breaches its attachment point.

LLS Pool Risk Segmentation

As at 19Sep. Purple bubbles are trades that matured 20Sep.



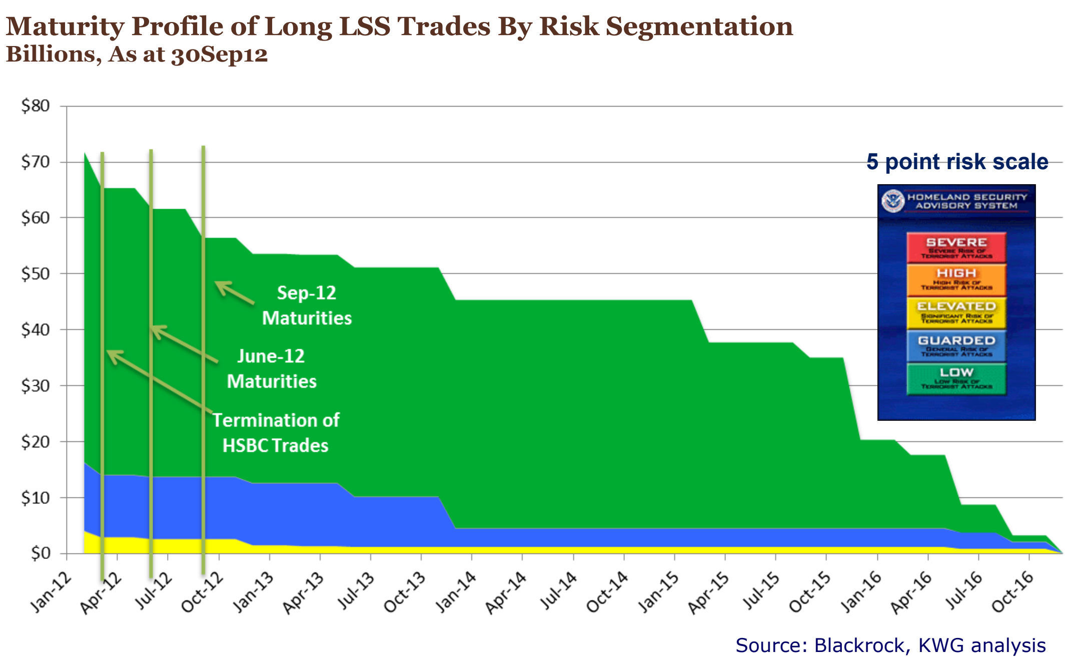
Source: Blackrock, KWG analysis

[1] When the original non-bank asset-backed commercial paper was restructured, all eligible LSS trades and their collateral were pooled. Currently, there are 45 LSS trades with a total notional value at risk of $56.4 Bn; these are collateralized by the $9.9 Bn of assets in the collateral pool.

[2] As detailed in previous reports, the vertical axis gives the loss attachment point as a percentage of total risk for each individual LSS portfolio; this can be thought of as the distance to first dollar of loss. The horizontal axis gives the tranche thickness; this is the distance from losing the first dollar to losing the last dollar. The size of the bubble indicates the relative amount of dollars at risk in the trade. And the risk category is indicated by colour, referencing the scale on the right. The MAV is long risk (or has written protection) for the trades in the upper-right quadrant; it is short risk (or the buyer of protection) for the trades in the lower-left quadrant.

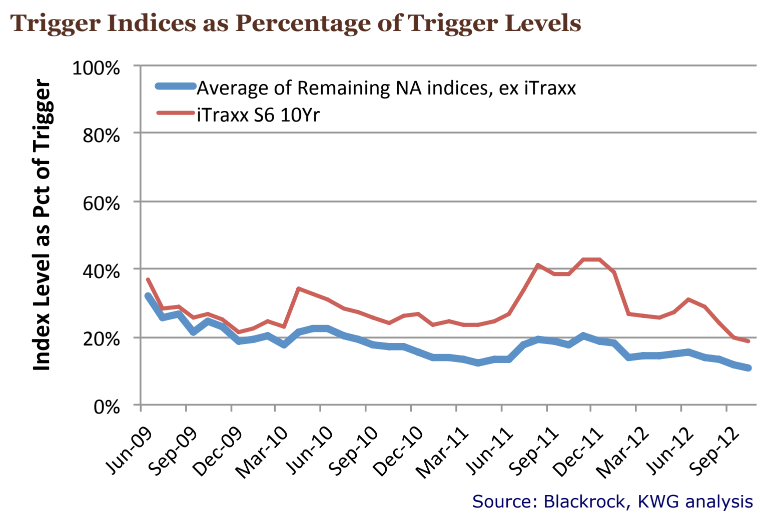
It is worth noting that, although the September LSS maturities reduced total exposure by almost 9%, the reduction in *risk* was less given that the maturing trades were rated 'Low' risk. The chart below shows how the balance and composition of the LSS pool will change as trades mature over time. The termination of the HSBC trades in Q1 and the maturities in Q2 and Q3 had the effect of reducing total exposure from $71Bn to $56.4 Bn. Looking forward, the pool will continue to reduce in size – 'de-lever' – and reduce in average risk level – 'de-risk'. At the end of Q4 of this year, another ~$3 Bn of swaps will mature. More importantly, the amount of 'Elevated' risk trades will drop by almost 50%, as can be seen by the yellow area in the chart below.

Note that the MAV2 Pooled Notes will repay principal only upon final maturity in 2017. The interim maturity of the LSS deals does not result in cash flow to noteholders but rather the collateral is retained in the comingled pool until final maturity.



Margin Trigger Risk

Margin trigger risk continues to be very remote and is becoming immaterial. On average, the three North American indices ended the quarter at 10.8% of triggers, down from 13.9% last quarter. More significantly, the European iTraxx index ended the quarter at 19% of its trigger level, down from 29% at 30-Jun-12.



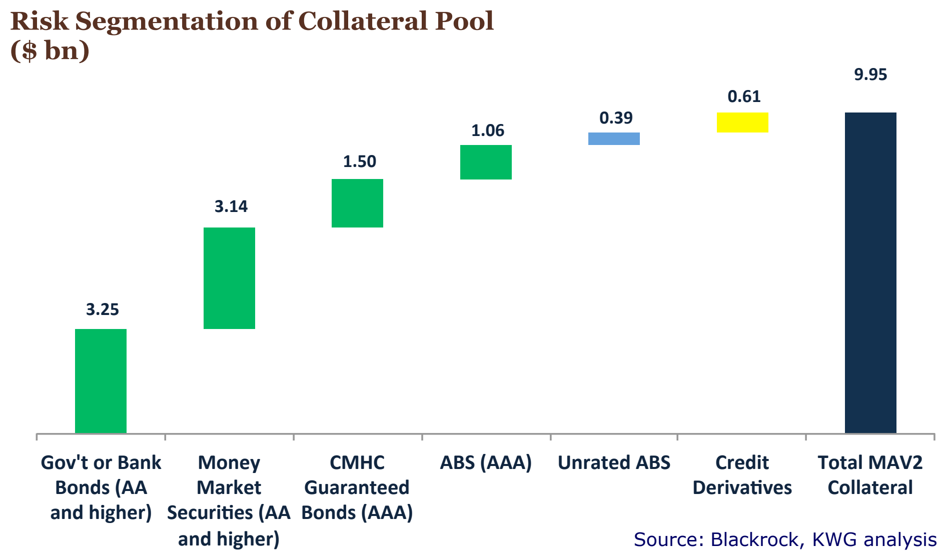
As noted above, there were no defaults in any of the reference indices. Absent defaults, the trigger levels continue to move higher making them increasingly remote. [3]

Collateral Risk

The Leveraged Super Senior pool is supported by $9.9 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.

KWG continues to monitor the disclosures from BlackRock, the asset administrator, regarding these assets. During Q3/12, there were no disclosed material changes to the quality or performance of the collateral. The large majority of the MAV2 Pooled collateral is of Low or Guarded risk (see segmentation chart below). The credit derivative CDO-squared transactions are rated Elevated risk but have been stable for some time and are scheduled to mature in September 2014.

[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 two reference indices exceeds their trigger levels, 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 margin. This would result in the underlying assets in MAV2 defaulting and would entail significant losses to noteholders.



Structuring Risk

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

The 'optional redemption initiative'[4] was approved by a super-majority vote that was affirmed by the holders of more than 66 and 2/3rds of the Class A-1 and A-2 notes. This vote was a significant hurdle cleared and ratifies the general terms of the initiative but an effort remains to finalize negotiations and contractually document the process. An Investor Committee has been formed to oversee this finalization process that includes representatives of both the original Canadian investors who were issued MAV notes and the financial investors who purchased notes in the secondary market.

Risk Assessment – MAV2 Class 13 Notes

UWO LT predominantly holds MAV2 Pooled Notes but also has a relatively small - almost 4% of notional value of its portfolio – position in the MAV2 Class 13s.

The Class 13s are comprised of one senior exposure to an equally-weighted portfolio of 120 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

[4] This concept is to provide investors wishing to divest of their MAV2 Pooled Notes with a periodic option to redeem their notes rather than selling to another investor. Each period and for the portion of the total outstanding notes that are to be redeemed, a vertical 'slice' of the MAV2 LSS exposures and collateral would be liquidated and the net proceeds paid out to investors choosing to redeem. Any investor that chooses not to submit their notes for redemption should be left in an identical position in terms of risk and potential return.

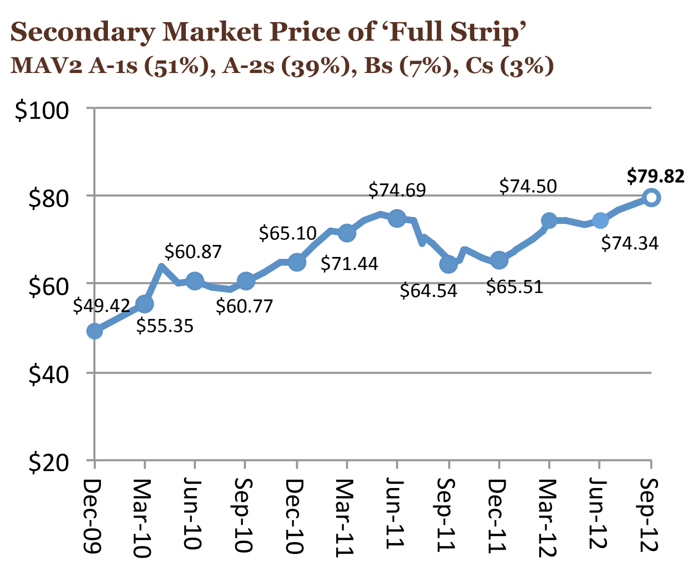
no losses on the CDS, then the cash proceeds of the TABS note would be returned as principal to the Class 13 noteholders. Therefore, the key questions for valuation are whether the CDS will survive without losses and, if so, what value of collateral will be available to repay the notes at maturity.

The CDS portfolio experienced no additional losses during the quarter and its 'attachment point' – the remaining cushion before the Class 13 notes realize losses – persists at 5.5% of the remaining portfolio. The maturity date of the CDS is 20 March 2013; there is now less than 6 months remaining to maturity. Given this short time to maturity and given the remaining attachment point and given the quality of the underlying portfolio, KWG expects that this portfolio will mature with no losses.

There was little change in the TABS note during Q2. It remains paid down by almost 63% and therefore there is $59.8MM in cash collateral. The remaining $36.4MM outstanding on the TABS note is exposed to very poor performing sub-prime mortgage programs and is being valued by Blackrock at $3.7MM. KWG expects that Class 13 will mature but the loss on the TABS collateral will reduce principal repaid at maturity to as low as $0.63 per dollar of notional – although likely at least some amount more depending on the performance of the remaining TABS note.

AB Notes Secondary Market

Secondary market for the MAV2 Pooled Notes trade considerably higher in the quarter, with the price of the 'full strip' (namely, the MAV2 A-1, A-2, B and C notes in the proportion that they were issued) ending at $79.82. The price of the strip was up $5.49 or 7.4% from the start of the quarter.



The strong secondary market performance can be attributed to the rally in global markets in general and in North American credit markets particularly. This market momentum was aided by the passing of the optional redemption initiative, which is expected to enhance on-going liquidity and improve pricing discipline.

In July, UWOLT elected to sell a

$1.25MM par value vertical slice of its MAV2 Pooled Notes. This trade was made in order to replenish the cash available to the Trust to answer redemption requests.

Portfolio Valuation

The Fair Market Value ('FMV') of the Portfolio as at 30 September 2012 was $13.087MM, down negligibly from $13. 223MM as at 30 June. The Weighted Average Price ('WAP') of the Portfolio at end of Q3 was $79.51, up from $74.36 at end of Q2. The Canadian dollar strengthened over the quarter. The full portfolio and note-by-note pricing for the last four quarters is listed in the table below.

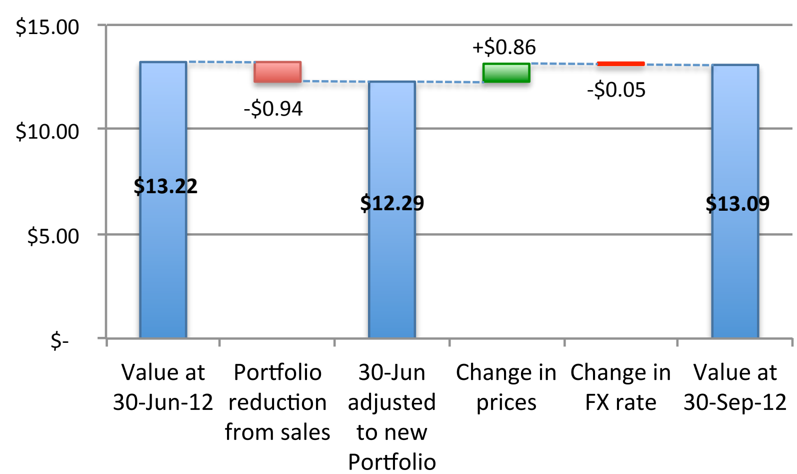
UWO Liquidating Trust

Re-Structured Asset Backed Notes

Valuation as of:	30-Jun-12			31-Jul-12			31-Aug-12			28-Sep-12		
			CAD:USD 1.01945			CAD:USD 1.00230			CAD:USD 0.98685			CAD:USD 0.98395
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)	Par Value (Local currency)	Price (Local currency)	Market Value (CAD)
Class A-1	8,384,274	78.06	6,544,974	7,771,074	80.20	6,232,401	7,771,074	81.75	6,352,853	7,771,074	82.77	6,432,183
Class A-2	5,516,216	73.02	4,027,987	5,112,916	75.73	3,871,756	5,112,916	77.50	3,962,510	5,112,916	78.88	4,032,812
Class B	1,001,351	67.40	674,911	928,151	70.56	654,927	928,151	71.75	665,948	928,151	74.38	690,312
Class C	461,472	44.25	204,201	427,472	46.91	200,511	427,472	47.75	204,118	427,472	54.75	234,041
IA Tracking Note Class 13	316,001	63.00	199,081	316,001	63.00	199,081	316,001	63.00	199,081	316,001	63.00	199,081
Class A-1 (USD)	1,676,882	78.06	1,334,476	1,554,382	80.20	1,249,482	1,554,382	81.75	1,253,997	1,554,382	82.77	1,265,925
Class C (USD)	52,036	44.25	23,474	48,236	46.91	22,678	48,236	47.75	22,730	48,236	54.75	25,985
IA Tracking Note Class 13 (USD)	333,292	63.00	214,058	333,292	63.00	210,457	333,292	63.00	207,213	333,292	63.00	206,604
Total (Local currency)	$17,741,524			$16,491,524			$16,491,524			$16,491,524		
Total (CAD)	$17,781,634		$ 13,223,161	$16,495,977		$ 12,641,291	$16,466,067		$ 12,868,450	$16,460,453		$ 13,086,944
Wtd Average (CAD)		74.36			76.63			78.15			79.51	

Through the quarter, the value of the portfolio was influenced, first, by the sale of a portion of the MAV2 Pooled notes in July. Secondly, the increase in the market prices of the notes drove up the value of the portfolio and was partially offset by the strengthening in the Canadian dollar (which reduces the CAD value of the USD denominated notes).

Quarter-to-Quarter Change in Portfolio Value (CA$ mm)



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In summary, the third quarter of 2012 brought buoyant North American and global credit markets as the US Fed and European Central Bank provided additional liquidity support. Notwithstanding this rally, the global economic recovery remains uncertain and no obvious resolutions are offered for the European sovereign debt crisis – issues that may cause the credit markets to retreat again in the future. Some low-risk LSS trades matured, so the MAV2 Pooled Notes continue to reduce leverage and, to a lesser degree, risk. Trigger risk continues to be very remote. UWOLT sold notes with par value of $1.25MM (about 7% of its portfolio) in order to raise cash to fund redemption requests. The Weighted Average Price of the portfolio increased by $5.14 to $79.51 per $100 of par.

Kilgour Williams Group
20 October 2012

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 UWOLT 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 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 UWOLT. MAV2 issues the Pooled Notes and IA Tracking Notes held by UWOLT. 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.