

14 August, 2009



**MAB Funds Management Limited**  
ABN 36 098 846 701  
AFSL 232 747

Level 5, 441 St Kilda Road Melbourne  
Victoria 3004 Australia

PO Box 7657  
StKilda Road Victoria 8004 Australia

Telephone 03 8681 2222  
Fax 03 8681 2100  
[www.mabfunds.com.au](http://www.mabfunds.com.au)

Dear Investor,

**Investor Update -  
MAB International Retail Trust (MIRT)**

In our previous communications we advised that a reorganization of debt within the fund was a likely consequence of the revaluation of the property portfolio that was requested by National Australia Bank (NAB).

We now write to update you on the results of the revaluation exercise and its consequences in relation to the debt facilities within the fund and in relation to distributions.

Firstly, we also provide you with a brief overview of market conditions and the property portfolio.

**Market Conditions**

US economic conditions remain challenging and are likely to remain so during 2009. The continuing lack of liquidity in the debt markets together with negative GDP growth, have worked to result in downward pressure on the property markets. Property values have declined and tenant and investor demand has reduced.

The property markets in the south-east of the USA, where the MIRT assets are located, have fared better than most but are not immune from the general market conditions.

There is some evidence that the rate of deterioration in the US economy is starting to ease, however, we expect property markets conditions to remain weak for the rest of this year.

**Portfolio Update**

While current market conditions have impacted property values, MAB Funds is pleased to report that the MIRT portfolio has performed well over the past quarter at a property level.

Key Performance Measures include:

Occupancy Rate: 96.25% (3.75% vacancy)

Average unexpired lease term: 6.3 years overall

Majors unexpired lease term: 9.3 years (representing about 47% of the income)

**Property Values and Debt Position**

CB Richard Ellis was instructed to revalue the MIRT portfolio and this exercise resulted in the assessment of a value decline of 19% over the past 12 months. The total portfolio is now valued at \$US54.65 million.

Following the revaluations, the portfolio gearing level stands at 77% and the NTA at \$0.33 (unaudited and taking into account the fair value of currency and interest hedges that are currently in "out of the money" positions). When combined with the value of the unsecured notes portion of the investment the current combined Asset Backing equates to \$0.40.

As previously advised, MIRT has a number of loan facilities across the portfolio with a number of both US and local banks - including with National Australia Bank.

As foreshadowed in our last correspondence, the revaluation exercise has adversely impacted on the banking covenants contained within the NAB debt facility. As a result, NAB has issued a "letter of non-waiver" reserving its rights under the loan facility.

NAB has advised that it requires to reduce its exposure to MIRT and we are currently working closely with it on a strategy to achieve this aim. In this regard, we are evaluating a range of options including potentially raising additional capital from the marketplace.

We will write further to you once we have determined the best strategy for investors and for achieving NAB's requirements.

### **Equity Capital Foreign Exchange Hedge**

At the commencement of MIRT, MAB Funds arranged foreign currency protection for most of the equity capital applied to the purchase of the properties.

The fall in the value of the MIRT portfolio resulted in a decline in equity in MIRT and hence in it carrying an "overhedged" equity position. MAB Funds saw an opportunity to take advantage of the strong Australian Dollar and arranged to close out the "overhedged" position at no cost to unitholders.

The result of this exercise is that the capital hedge position now matches the amount equity in the fund.

### **Distributions**

As a result of the circumstances described above, NAB requires that MIRT continues its policy of making no distributions to unitholders. NAB also advised that consideration should be given to the possibility of discontinuing interest payments to noteholders (who are also its unitholders). NAB requires that surplus cash flows are directed to reducing its exposure to MIRT.

In regard to potentially discontinuing interest payments to noteholders, we have advised NAB that such action will require the Trustee (Sandhurst Trustees Ltd) to call a meeting of noteholders to approve such action. We and the Trustee will write to you further in this regard should a meeting of noteholders need to be held.

MAB Funds is committed to best managing your investment through this difficult economic period. We will continue to keep you informed on the outlook for the Trust and will write to you again once the strategy for debt reorganization has been determined and a recommendation been formulated in regard to noteholder payments.

In the meantime, please do not hesitate to contact MAB Funds Investor Services on 1800 760 012 or [fm@mabcorp.com.au](mailto:fm@mabcorp.com.au) with any queries or if you require further clarification on the above.



Yours faithfully,  
**Nicholas Gray**  
**General Manager**  
**MAB Funds Management Limited**