

August 2008

Investor Update

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Highlights

- **Market Commentary – Stay focused on long-term fundamentals**
- **MAB International Retail Trust update**
- **MDPT update**
- **MBST continues to perform strongly – recommendation on future later in 2008**

Market Commentary

Most investors will be aware of the significant down turn in the S&P/ASX 200 Real Estate Investment index that has taken place in recent months - having fallen about 50% since early December 2007.

In contrast to most past property cycles, this fall has happened in an environment where the property fundamentals are generally sound. For example, the office sector had a national vacancy factor of about 4% in July 2008 whereas this rate was in excess of 20% in the property recession of the early 1990's. The fall also occurred against the backdrop of a reasonably strong domestic economy with low unemployment and demand for Australia's resources.

The current weakness in the A-REIT sector is mainly the result of the global credit and liquidity crisis and not the result of weak property fundamentals. In recent years, some listed property trust managers moved away from simple structures that returned to investors rents secured by leases on properties and pursued more risky strategies involving much higher gearing and income derived from property development and other corporate earnings. It is these more complex structures that have been hit hardest.

Recently, there has been a move among property fund managers (e.g. GPT, APN/UKA European PT, Mirvac and Valad) to reassess future distributions reflecting likely increased borrowing costs, reduced earnings from development and funds management and in some cases to discontinue the practice

of returning capital. Whilst this may disappoint investors in the short term, it does establish a greater level of certainty regarding earnings and should allow pricing to stabilise.

Uncertainty regarding underlying property values remains an issue and results from higher debt costs and a reduction in the number of buyers in the market. To date, there has not been a great deal of transactional evidence to confirm the extent of softening in values although some publicly announced property valuations indicate that yields have risen in the range 25-50 basis points. Current pricing of the listed property

market is suggesting that investors expect that property prices will fall by close to 40% (measured by price discount to NTA). Despite the current issues, it is hard to see declines of this extent this eventuating given the relative strength of property fundamentals and the domestic economy.

In the current environment, it is most important for investors to remember that long term strategies best suit property and to focus on property fundamentals – e.g. quality of location, leases and tenants. Strong cash flows will help underpin property values and investors should seek investments exhibiting these characteristics.

S&P ASX 200 A-REIT vs All Ordinaries

— AO — A-REIT

As at 30 July 2008



MAB International Retail Trust (MIRT) ARSN 121 054 662

Terraces at Park Place: KB Homes Lease Renewal Update

KB Homes, a residential homebuilder occupying an 11,806 sqft tenancy at the Terraces at Park Place property, has confirmed that they intend to renew their lease for a further term of 3 years.

Rianne Bell, President and Broker in Charge of the Bell Moore Group, is currently working with the tenant to finalise documentation in relation to the renewal. Securing this lease renewal some 4 months prior to expiry is illustrative of MAB and MAB Rosenthal pro-active asset management strategy.

MIRT continues to perform well. Distributions to investors for FY08 were in line with forecast returns for the period of 8.45% p.a.* The FY09 Forecast return is 8.50% p.a.* with an expected 90% tax deferred.

Units remain available for investment in the Trust. To obtain a Product Disclosure Statement and Prospectus please contact your financial adviser, visit www.mabfunds.com.au or call 1800 760 012.



*Annualised. This forecast distribution yield includes a distribution from MAB International Retail Trust and an interest payment from MAB American Property REIT Inc. This yield is based on, and must be read with, Key Assumptions and Risk Factors in the Product Disclosure Statement and Prospectus dated 17 January 2007 and the supplementary Prospectus dated 29 February 2008.

MAB Diversified Property Trust (MDPT)

ARNSN 103 463 467

Six properties in the MDPT property portfolio (Mornington Village Shopping Centre, Victoria, 1-3 Eyre Street, Perth, 2084 Logan Road Brisbane, Rising Sun Shopping Centre Townsville, Wyong Village Shopping Centre NSW and Cowra Plaza Shopping Centre, NSW) were re-valued at 30 June 2008 and overall reflected a small decline of about 1.6%. MAB Funds General Manager, Nick Gray, commented that the new valuations are a reasonable outcome for the trust given the current market conditions and the uncertainty that exists regarding underlying property values (see market commentary above).

At the time of writing the unaudited NTA for MDPT at 30 June 2008 has been assessed at \$1.13 and distributions for the financial year ending 30 June 2008 were 9.0 cents per unit.

MAB Funds is currently assessing forecast distributions for the remainder of the initial term of the Trust. In its preliminary assessment, MAB Funds anticipates that quarterly distributions from September 2008 may need to be moderately reduced to build sufficient retained earnings and cash flow to

cover a higher cost of debt from September 2009. MAB Funds expects to formally advise MDPT investors of the updated distribution forecast within the coming weeks.

MAB Bourke Street Trust (MBST)

ARNSN 099 460 616

As previously advised, MAB Funds is preparing to convene a meeting for Unit-holders to vote on possible strategies in relation to the future for the Trust. As part of this process MAB Funds is currently obtaining an independent property valuation, evaluating the redevelopment potential of the property and assessing forecast returns to ensure that investors are fully informed when considering their options. It is anticipated that we will write to unitholders with a recommended course of action over the next few weeks.

MBST continues to provide strong performance to investors with distributions equivalent to 11 cents per unit for the current financial year and an un-audited AIFRS NTA at 30 June of \$1.85.

Get to know

Fiona Grogan – MAB Funds, Asset Manager

Fiona joined the MAB Funds team as an Asset Manager in 2005 and has since been involved in the strategy development and management of the properties in the MDPT, MBST and MIRT portfolios. Fiona also contributed to the purchase of a number of MABFM properties and she had a major role in the redevelopment process of Village Central, Wyong. Fiona's property experience spans over 14 years and includes previous Property and Asset Management roles for Jones Lang LaSalle in their Melbourne and London offices. She has worked with a varied range of private and institutional property owners including Lend Lease, Maquarie Bank, ISPT, AMP and Standard Life.

Fiona is an Associate member of the API and Licensed Real Estate Agent. She is the Officer in Effective Control for MAB Administration and Management Services Pty Ltd which provides direct leasing services to the MABFM portfolio.



Visit www.mabfunds.com.au/executives for more MAB Funds team profiles.

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Your MAB FM Team

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