

15/02/2010

Dear Investor,

Proposed Equity Raising
MAB International Retail Trust [ARSN 121 054 662] (MIRT)

MAB Funds Management Limited (**MAB Funds**), the responsible entity for MIRT, writes to provide you with a general update on the affairs of MIRT, to inform you it intends to undertake a capital raising and to enquire about your interest in participating in the capital raising.

The capital raising is proposed following discussions with one of MIRT's lenders, the National Australia Bank (NAB), and is intended to recapitalise MIRT, by paying down NAB debt and providing some working capital for MIRT.

For reasons of cost and timing, the proposed capital raising will be limited to a select number of wholesale clients, and may be offered to existing holders of MIRT units who have invested on the basis of a previous Product Disclosure Statement and other required disclosures (Disclosure Documents).

This letter does not constitute an offer or invitation to apply for units or other securities in MIRT. If MAB Funds decides to proceed with the capital raising as detailed below, and you have previously indicated your interest in participating, we may invite you to apply for further MIRT units, however we are under no obligation to do so.

Please note that further investment in MIRT carries significant risks. This letter is not financial advice, nor a recommendation to acquire MIRT units; and has been prepared without taking account of the objectives, financial situation or needs of any individual. Before applying for MIRT units in response to any invitation that MAB Funds may make to you, you should consider the appropriateness of the matters set out in this letter and the documents listed below under the heading 'Identity and location of documents providing required disclosure' (Disclosure Documents) having regard to your own objectives, financial situation and needs; and seek professional advice as you deem necessary.

This letter contains certain 'forward looking' statements, identified by the use of words such as 'anticipated' 'expected', 'forecast', 'may', 'should' and 'consider'. Forward looking statements are based on assumptions subject to change and are included as a guide only. They should not be relied upon as an indication of future performance.

National Australia Bank Debt - Current Position and Rationale for Proposed Raising

As foreshadowed in our previous correspondence, falling property values in the USA adversely impacted on the banking covenants contained within the debt facilities provided to MIRT by the National Australia Bank (**NAB**). As a result, in mid 2009 NAB issued a "letter of non-waiver" reserving its rights under the loan facility and subsequently advised that it requires to reduce its exposure to MIRT by \$US5 million.

MIRT has a number of loan facilities across the portfolio with a number of both US and local banks - including with NAB as detailed below:

	Facility Currency	Amount Drawn US\$	Loan Type	Facility Maturity Date
NAB Debt Facilities	US\$	\$13,335,156	Interest Only	Oct-11
US Debt Facility Provider A	US\$	\$10,585,079	Amortising	Dec-13
US Debt Facility Provider B	US\$	\$8,398,330	Amortising	Apr-25
US Debt Facility Provider C	US\$	\$6,406,358	Amortising	Apr-13
US Debt Facility Provider D	US\$	\$2,885,999	Amortising	Jul-24
Unsecured Loan Notes	US\$	\$2,970,273	Interest Only	Dec-13
Total USD Limit		\$44,581,196		

MAB Funds has been working with NAB over the past few months to develop a strategy to best achieve the banks requirement to reduce MIRT's debt.

In order to meet NAB's requirement, MAB Funds believes there are two realistic options:

- to undertake the disposal of the properties in the MIRT portfolio, using the proceeds to repay debt; or
- to undertake a capital raising, again using the proceeds to repay debt.

Having considered these options, the Board of Directors of MAB Funds has determined that it is in the best interests of existing MIRT investors to raise additional capital to reduce the NAB debt. Additional capital is also required to fund the purchase of "Building E" at Eastfield Village (under the terms of a Development agreement entered into when the property was purchased) and to provide some ongoing working capital for MIRT.

When considering the circumstances, the directors have been particularly mindful of the exceptionally weak property markets in the USA. MAB Funds believes that if the assets were sold in the short term the likely result would be that the majority, if not all, of existing MIRT unitholders' equity would be permanently lost.

Alternatively, MAB Funds also believes that the ability of MIRT to be able to retain its assets at this time will provide investors with the opportunity to participate in the potential recovery of property values in the next upcycle. MAB Funds is accordingly of the view that a capital raising is in existing investors' best interests.

Revised NAB loan facility terms

MAB Funds has now been able to negotiate revised loan facility terms with NAB containing the following key provisions:

- The repayment to NAB of \$US5m by 31 March 2010.
- MAB Funds to undertake a capital raising.
- MAB Funds (or MAB related entity) to underwrite 50% of the proposed raising.
- The NAB debt facility will continue to maturity in October 2011.
- No new valuations will be required until March 2011.

As set out above, MAB Funds (or a related entity) is assisting in the proposed capital raising process by agreeing to arrange to underwrite 50% of the total offer. In addition, MAB Funds, has succeeded in securing an offer of mezzanine finance from NAB should it be unsuccessful in raising the non-underwritten portion of the proposed capital raising. This is significant as it guarantees that MIRT will not face funding pressures at least until the maturity of the NAB debt facility in October 2011. MAB Funds believes that at that time refinancing is likely to be easier to obtain than under current market conditions and that asset values may have improved from the current depressed levels.

As a result, MAB Funds is now proposing to proceed with the capital raising for MIRT, which must be completed by 31 March 2010.

Market Conditions

US economic conditions have remained challenging over the past quarter with unemployment rising above 10% and demand remaining weak. These circumstances together with the continuing lack of liquidity in the debt markets have worked to apply downward pressures on the property markets. Property values have declined and tenant and investor demand has reduced.

Whilst there is some early evidence of improvement in the US economy the short term outlook remains uncertain. Any economic improvement will take time to flow through to the property market conditions and we expect these to remain weak for well into 2010.

Portfolio Update

MAB Funds is able to report that the MIRT portfolio has performed reasonably well over the past quarter at a property level.

Key Performance Measures at 31 December 2009 include:

Occupancy Rate: 93.6% (6.4% vacancy) – 96.25% at June 2009

Average unexpired lease term: 6.0 years overall

Property Values and NTA

CB Richard Ellis undertook a further update assessment of asset values as at 31 December 2009 resulting in a further 5.35% decline from the 19% experienced in March 2009. Following property revaluations, the net tangible asset backing per unit (**NTA**) now stands at \$0.24 (taking into account the fair value of currency and interest hedges).

Other Debt Facilities

The four US debt facilities, itemised on the first page of this letter, continue to generally perform generally in accordance with their various terms and conditions.

However, an exception is the loan in respect of the Terraces property in Charlotte, North Carolina where there has been a breach of a net worth requirement for the MAB American Property REIT Inc. The loss of net worth has again resulted from the fall in US property values.

Discussions were initiated with this lender in October 2009. A waiver of the net worth requirement has been requested and is currently being discussed as the loan is otherwise performing.

It should be noted that any facility covenant breach has the potential to accelerate the timing of the principal repayment, impose penalty interest and other costs and may require facility re-negotiation which also has the potential to result in less favourable financing terms such as higher margins. Lenders also have the right to enforce their security and cause a sale of the assets to recover their debt.

To date no lender has enforced repayment of amounts owing and MAB Funds believes that there are reasonable grounds to expect that MIRT will be able to pay its debts as and when they become due.

Because of the current uncertainty regarding the outcome of our discussions regarding the Terraces debt facility with the US lender, NAB has agreed to exclude this property from its new proposed facility provisions.

Proposed Equity Raising

Purpose of the proposed equity raising

- To reduce debt of \$US5 million under the terms of National Australia Bank loan facility in order to comply with Loan to Value Ratio (LVR) covenant.
- To provide funding for the settlement of Building E at Eastfield Village, Huntersville, Charlotte, North Carolina.
- To provide additional working capital for MIRT

Indicative Terms – Assuming successful completion of the offer

The indicative terms for the proposed equity raising are set out in the table below. The Responsible Entity has prepared the forecast financial information based on an assessment of a number of assumptions in relation to future events and actions, which it reasonably expects will take place. While due care and attention has been taken in preparing the financial information, investors should appreciate that many factors which affect results are not capable of being foreseen or predicted. The indicative terms provided in this letter and the annexure to this letter may be updated as the offer document is finalised.

Application Price	\$0.12 per unit a 50% discount to current NTA
Number of New Units to be issued under the Offer	62,500,000 new units in the Trust
Amount to be raised by the offer	A\$7,500,000
Underwriting by MAB Funds or related entity	MAB Funds (or a related entity) has committed to Underwriting 50% of the new equity sought
NTA attributable to existing Unitholders	\$0.24 per Unit per Management Accounts at 31 December 2009.
NTA attributable to Unitholders upon completion of this offer fully subscribed	\$0.16 per Unit.
NTA attributable to existing Note Holders under AIFRS	\$1.00 per Note

Pro Forma Balance Sheet – Assuming successful completion of the offer

Pro-forma Balance Sheet

('000) ¹	MIRT Consolidated Balance Sheet 31 March 2010 at 31 December			Pro-forma Consolidated as at 31 March 2010
	2009 AUD	Capital Raising Adjustments AUD	AUD	
Assets				
Cash and cash equivalents	613	1,324		1,936
Other Assets	1,660	-		1,660
Investments - Direct Property	57,671	-		57,671
Total assets	59,944	1,324		61,267
Liabilities				
Other Liabilities	1,907			1,907
Preferred Shareholder Debt	135			135
Interest bearing liabilities - Investor Notes	3,312			3,312
Interest bearing liabilities	46,394	(5,882)		40,512
Net assets attributable to Unitholders	8,196	7,206		15,402
Total liabilities	59,944	1,324		61,267
Net assets	-	-		-
Net tangible assets attributable to Unitholders	\$ 0.24		\$ 0.16	

Notes

¹ All figures are subject to rounding as per ASIC class order 98/100 and compiled under AIFRS.

Sources and Applications of Funds – Assuming successful completion of the offer

The following table is a summary of the source and application of funds for the Trust upon the issue new units.

Sources and Application of funds				
Sources	('000)¹	Applications	('000)¹	('000)¹
	AUD		USD²	AUD
Equity from Unitholders	7,500	Debt reduction ³	5,000	5,882
		Cash at bank - US REIT ⁴	1,125	1,324
		Application of Funds	6,125	7,206
		Total US investment	6,125	7,206
		Capital raising costs ⁵		294
		Cash at bank - AU Trust	-	-
Funding Required	7,500	Funding Required	6,125	7,500

Notes

¹ All figures are subject to rounding as per ASIC class order 98/100 and compiled under AIFRS.

² The costs incurred at MAB Inc level have been converted to AUD at an exchange rate of \$0.85.

³ The debt reduction relates to the reduction in National Australia Bank US dollar denominated debt provided to MAB Inc and its subsidiaries.

⁴ Includes funds to be set aside for the settlement of Building E at Eastfield (US\$550k) and the balance is to be applied to working capital.

⁵ Capital raising costs include costs and disbursements paid to consultants in respect of this Offer and an underwriting fee payable to the Underwriter.

Forecast Investor Returns – Assuming successful completion of the offer

Distribution Yield (Assumes no net cash flow from the Terraces property)

Forecast Investor Returns	Forecast for Year Ending 30 June 2010	Forecast for Year Ending 30 June 2011	Forecast for Year Ending 30 June 2012	Forecast for Year Ending 30 June 2013
Trust	AUD	AUD	AUD	AUD
Forecast Distributions	-	-	672,109	672,109
Units on Issue	96,078,042	96,078,042	96,078,042	96,078,042
Distribution CPU	-	-	0.70	0.70
New Investors				
Forecast Distributions	-	-	437,216	437,216
Units on Issue	62,500,000	62,500,000	62,500,000	62,500,000
Investment Amount	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000
Investment Yield	0.00%	0.00%	5.83%	5.83%
Existing Investors				
Forecast Distributions	-	-	234,893	234,893
Units on Issue	33,578,042	33,578,042	33,578,042	33,578,042
Investment Amount	\$ 33,578,042	\$ 33,578,042	\$ 33,578,042	\$ 33,578,042
Investment Yield	0.00%	0.00%	0.70%	0.70%
Add Investor Notes				
Interest Payment	309,525	309,525	309,525	309,525
Notes on Issue	3,729,222	3,729,222	3,729,222	3,729,222
Value of Notes on Issue	\$ 3,729,222	\$ 3,729,222	\$ 3,729,222	\$ 3,729,222
Interest Rate	8.30%	8.30%	8.30%	8.30%
Combined Existing Investor return	0.83%	0.83%	1.46%	1.46%

Underwriting provisions:

Fifty per cent of the amount to be raised under this offer is underwritten by MAB Corporation Pty Ltd. If the offer is not fully subscribed National Australia Bank has agreed to provide a mezzanine debt facility of up to US\$3.15 million.

If the offer is not fully subscribed, the underwriting provisions will take effect and investors will be offered a refund for their application monies given the change in nature of the capital structure and risk profile of the investment. New investors may still choose to accept the allotment of units. The financial consequences of the underwriting provisions are included in an annexure to this letter.

The mezzanine facility provided by NAB enables interest to capitalize at a margin of 11% over the US base rate. Whilst the mezzanine facility is in place, cash lock up provisions prevent investor distributions through to the facility expiry of the NAB Debt which occurs in October 2011.

We reiterate that MAB Funds considers that the proposed capital raising is in the best interests of existing MIRT investors, despite the dilutionary effect it may have for those that choose not to participate.

MAB Funds believes that the proposed capital raising should secure a position for unitholders to "ride out" the current downcycle in the US economy and property markets, at least until 2011, at which time MAB Funds expects improved market circumstances which should enable the NAB debt facility to be refinanced and asset sales, if required, should be possible on more favourable terms.

Could you please complete the accompanying expression of interest form and return this to us so that it is received by us by 5.00pm (Melbourne time) on Friday 5th March 2010 in the enclosed stamped addressed envelope. Should we not receive a reply by this date we will assume that you do not wish to participate or are unable to. Please note that your return of the accompanying form does not either guarantee that an offer of participation will be made to you or bind you to take up any offer that is made.

Identity and location of documents providing required disclosure ("Disclosure Documents")

If MAB Funds proceeds with the proposed capital raising and makes an offer to existing MIRT unitholders, it will be relying on the existing MIRT unitholders having access to the following documents to provide them with disclosure of the required information:

- Product Disclosure Statement dated 17 January 2007;
- Periodic statements and continuous disclosure; and
- Information Memorandum (To be issued in March 2010).

These documents are available at the MAB Funds Management Limited website www.mabfunds.com.au (the **MAB Funds Website**) and, in the case of the Information Memorandum (To be issued March 2010), will be available on the MAB Funds Website.

By completing and returning the accompanying expression of interest in participation form, you confirm to MAB Funds that posting the Disclosure Documents on the MAB Funds Website gives you access to those documents which is reasonable, convenient and inexpensive.

Please do not hesitate to contact MAB Funds Investor Services on 1800 760 012 or fm@mabcorp.com.au with any queries or if you require further clarification on the above or talk to your financial advisor.

Yours faithfully,

A handwritten signature in blue ink, appearing to be 'Nicholas Gray', written over a circular scribble.

Nicholas Gray
General Manager
MAB Funds Management Limited

Annexure – Impact if underwriting provisions take effect

Indicative Terms – Assuming 50% of the equity is issued

The indicative terms for the proposed equity raising are set out in the table below:

Application Price	\$0.12 per unit a 50% discount to current NTA
Number of New Units to be issued under the Offer	31,250,000 new units in the Trust
Amount to be raised by the offer	A\$3,750,000
NTA attributable to existing Unitholders	\$0.24 per Unit per Management Accounts at 31 December 2009.
NTA attributable to Unitholders upon completion of this offer	\$0.18 per Unit.
NTA attributable to existing Note Holders under AIFRS	\$1.00 per Note

Pro Forma Balance Sheet – Assuming 50% of the equity is issued

Pro-forma Balance Sheet - Including Loan Notes

('000) ¹	MIRT Consolidated Balance Sheet at 31 December 2009 AUD	31 March 2010 Capital Raising Adjustments AUD	Pro-forma Consolidated as at 31 March 2010 AUD
	Assets		
Cash and cash equivalents	613	1,279	1,892
Other Assets	1,660	-	1,660
Investments - Direct Property	57,671	-	57,671
Total assets	59,944	1,279	61,223
Liabilities			
Other Liabilities	1,907		1,906
Preferred Shareholder Debt	135		134
Interest bearing liabilities - Investor Notes	3,312		3,311
Interest bearing liabilities	46,394	(2,176)	44,218
Net assets attributable to Unitholders	8,196	3,456	11,652
Total liabilities	59,944	1,279	61,220
Net assets	-	-	-
Net tangible assets attributable to Unitholders	\$ 0.24		\$ 0.18

Sources and Applications of Funds – Assuming 50% of the equity is issued

Sources and Application of funds

Sources	('000) ¹	Applications	('000) ¹	('000) ¹
	AUD		USD ²	AUD
Equity from Unitholders	3,750	Debt reduction ³	1,850	2,176
		Cash at bank - US REIT ⁴	1,088	1,279
		Application of Funds	2,938	3,456
		Total US investment	2,938	3,456
		Capital raising costs ⁵		294
		Cash at bank - AU Trust	-	-
Funding Required	3,750	Funding Required	2,938	3,750

Notes

¹ All figures are subject to rounding as per ASIC class order 98/100 and compiled under AIFRS.

² The costs incurred at MAB Inc level have been converted to AUD at an exchange rate of \$0.85.

³ The debt reduction relates to the reduction in National Australia Bank Debt Facilities provided to the REIT and its subsidiaries.

⁴ Capital raising costs include costs and disbursements paid to consultants in respect of this Offer.

Forecast Investor Returns – Assuming 50% of the equity is issued

	Forecast for Year Ending 30 June 2010	Forecast for Year Ending 30 June 2011	Forecast for Year Ending 30 June 2012	Forecast for Year Ending 30 June 2013
Forecast Investor Returns				
Trust	AUD	AUD	AUD	AUD
Forecast Distributions	-	-	559,921	559,921
Units on Issue	64,828,042	64,828,042	64,828,042	64,828,042
Distribution CPU	-	-	0.86	0.86
New Investors				
Forecast Distributions	-	-	269,907	269,907
Units on Issue	31,250,000	31,250,000	31,250,000	31,250,000
Investment Amount	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000	\$ 3,750,000
Investment Yield	0.00%	0.00%	7.20%	7.20%
Existing Investors				
Forecast Distributions	-	-	290,014	290,014
Units on Issue	33,578,042	33,578,042	33,578,042	33,578,042
Investment Amount	\$ 33,578,042	\$ 33,578,042	\$ 33,578,042	\$ 33,578,042
Investment Yield	0.00%	0.00%	0.86%	0.86%
Add Investor Notes				
Interest Payment	309,525	309,525	309,525	309,525
Notes on Issue	3,729,222	3,729,222	3,729,222	3,729,222
Value of Notes on Issue	\$ 3,729,222	\$ 3,729,222	\$ 3,729,222	\$ 3,729,222
Interest Rate	8.30%	8.30%	8.30%	8.30%
Combined Existing Investor return	0.83%	0.83%	1.61%	1.61%

Expression of Interest in Participation

This form is enclosed with a letter from the responsible entity of the MAB International Retail Trust dated 19 February 2009, of 10 pages, (the **Letter**) and words in this form have the meanings given to them in the Letter, unless the context below requires a different meaning.

MAB International Retail Trust

Proposed Capital Raising, March 2010

Indicative Level of participation

I/We would be prepared to commit \$_____.00 to the proposed capital raising for the MAB International Retail Trust if an offer to participate in the capital raising was to be made to me. I/We acknowledge and agree that MAB Funds gives no guarantee or assurance that an offer will be made to me/us even if I/we return this form and that this is not a binding offer from me/us to participate in any offer that is made.

I/We confirm to MAB Funds that posting of the Disclosure Documents on the MAB Funds Website will give me/us access to those documents which is reasonable, convenient and inexpensive.

Signed:_____

Date:_____