

MAB International Retail Trust

ASIC Regulatory Guide 46 Disclosure

This Enhanced Disclosure is issued by MAB Funds Management Limited (“MAB Funds”) as Responsible Entity for the MAB International Retail Trust (“MIRT” or “Trust”) pursuant to ASIC Regulatory Guide 46 (RG 46): “*Unlisted property schemes – improving disclosure for retail investors.*” The Regulatory Guide lists eight new disclosure principles that ASIC has developed which relate to upfront and continuous disclosure requirements for Retail Property.

The Fund has applied these eight disclosure principles in accordance with the form and content stated in RG 46. Investors should be aware that previous disclosures made by the Fund of some of these or similar principles reflect market standard practices which may be different to the requirements of RG 46. Investors are invited to have reference to the Fund’s Product Disclosure Statements and other publicly released materials which are available at www.mabfunds.com.au.

MAB Funds is committed to providing investors with timely disclosure of all material matters concerning the Fund in accordance with its continuous disclosure obligations, including RG 46. Key information in this document will be updated semi-annually, and any material changes will be updated as soon as practicable. These updates will be made available on the MAB Funds Website.

The information in this document is based on the most recent financial statements available for the Fund, being for the period ended 30 June 2009. At the time of writing, the financial statements at 30 June 2009 were prepared in draft and were unaudited. The information below contains an overview of ASIC’s description of the eight disclosure principles, MAB Funds responses to those key risk areas and a description of their practical application.

Background:

MAB International Retail Trust is an unlisted property trust which indirectly owns 5 investment properties located in the south eastern states of the United States of America. These assets were acquired during 2006 through wholly owned subsidiaries of MIRT per the disclosure in the combined Product Disclosure Statement and Prospectus dated 17th January 2007. The Trust is managed by MAB Funds as Responsible Entity.

This enhanced disclosure document aims to improve disclosure for retail investors by providing information relating to 8 principles:

Principle	What to look for as an investor
1. Gearing Ratio	To what extent are the Fund’s assets funded by debts?
2. Interest Cover	Can the fund meet its interest payments from its earnings?
3. Fund Borrowing	When must the Fund’s debts be repaid?
4. Portfolio Diversification	Does the Fund Manager mitigate risk by spreading the money it invests between different properties?
5. Valuation Policy	How are the assets within the fund valued?
6. Related Party Transactions	How many of the Fund’s transactions involve parties related to the Responsible Entity?
7. Distribution Practices	How are distributions funded and are they sustainable?
8. Withdrawal Arrangements	Is there a withdrawal arrangement for the fund?

1. Gearing Ratio

Disclosure Principle

This principle indicates the extent to which the Trust's assets are funded by external liabilities.

RG 46 defines gearing ratio as:

Total interest bearing liabilities divided by Total assets

ASIC Description

ASIC's description of this principle states that *"a higher gearing ratio means a higher reliance on external liabilities (primarily borrowings) to fund assets. This exposes the scheme to increased funding costs if interest rates rise. A highly geared scheme has a lower asset buffer to rely upon in times of financial stress."*

Practical Application of Disclosure Principle 1

MAB International Retail Trust ("MIRT" or "Trust") is capitalised with a combination of debt and equity. At 30 June 2009, the Fund had a gearing ratio of 79.3% (If the value of loan notes that are held by unitholders is excluded, the gearing ratio is 74.06%). This ratio indicates the extent to which the Assets of the Trust are funded by external liabilities or third party debt.

Higher levels of gearing reduce the amount of equity required to acquire an asset. Gearing increases risk as the value of equity declines more rapidly when prices decline for more highly geared assets.

Gearing exposes MIRT to funding costs and therefore interest rate risk. Generally, as interest rates fall, so to does the cost of borrowing, and conversely as interest rates rise, borrowing costs increase. MIRT has substantially fixed its cost of borrowings by utilising interest rate swaps for the term of the debt, which has the effect of providing some certainty of cash flow.

The Trust does not have any off balance sheet financing as at 30 June 2009.

2. Interest cover

Disclosure Principle

This principle indicates the Trust's ability to meet interest payments from earnings.

RG 46 defines interest cover ratio as:

(EBITDA minus unrealised gains plus unrealised losses) divided by interest expense

ASIC's Description

ASIC's description of this principle states that *"interest cover is a key indicator of financial health. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. A scheme with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments."*

Practical Application of Disclosure Principle 2

During the 12 months to 30 June 2009, MIRT had an interest cover ratio of 1.5 times.

This implies that the Trust's realised earnings before interest and taxes (minus unrealised gains plus unrealised losses) were 1.5 times greater than its interest expenses for the period. This ratio is utilised to monitor the Fund's overall profitability as a ratio to finance costs. The Fund's ability or inability to meet interest payments depends on a variety of factors including changes in underlying earnings and interest rates. For MIRT, interest rates have been substantially hedged by utilising interest rate swaps and entering into fixed rate loans.

3. Scheme borrowing

Disclosure Principle

This principle requires information on the Trust's borrowing maturity and credit facility expiry and any associated risks

ASIC's Description

ASIC's description of this principle states that "relatively short-term borrowings and credit facilities with short expiry dates are a risk factor if they are used to fund assets intended to be held long term. If the scheme has a significant proportion of its borrowings that mature within a short timeframe, it will need to refinance. There is a risk that the refinancing will be on less favourable terms or not available at all. If the fund cannot refinance, it may need to sell assets on a forced sale basis with the risk that it may realise a capital loss. Breach of a loan covenant may result in penalties being applied, or the loan becoming repayable immediately. This means that the fund may need to refinance on less favourable terms or sell assets. Termination of critical financing could also mean the scheme is no longer viable."

Practical Application of Disclosure Principle 3

Debt Maturity Summary and Profile:

The Trust's portfolio of Debt and its maturity profile is summarised in the following tables:

	Facility Currency	Facility Limit US\$	Amount Drawn US\$	Facility Available	Loan Type	Facility Maturity Date
Debt Facility Provider A	US\$	\$10,671,604	\$10,671,604	\$0	Amortising	Dec-2013
Debt Facility Provider B	US\$	\$8,519,943	\$8,519,943	\$0	Amortising	Apr-2025
Debt Facility Provider C	US\$	\$6,499,918	\$6,499,918	\$0	Amortising	Apr-2013
Debt Facility Provider D	US\$	\$2,945,768	\$2,945,768	\$0	Amortising	Jul-2024
Debt Facility Provider E	US\$	\$3,832,500	\$3,832,500	\$0	Interest Only	Oct-2011
Debt Facility Provider E	US\$	\$3,640,000	\$3,640,000	\$0	Interest Only	Oct-2011
Debt Facility Provider E	US\$	\$3,612,866	\$3,612,866	\$0	Interest Only	Oct-2011
Debt Facility Provider E	US\$	\$2,249,790	\$2,249,790	\$0	Interest Only	Oct-2011
Unsecured Loan Notes	US\$	\$2,970,273	\$2,970,273	\$0	Interest Only	Dec-2013
Total USD Limit		\$44,942,662	\$44,942,662	\$0		

Financial Year – 1 July to 30 June	Principal Payment Due US\$'000
2010	\$740
2011	\$786
2012	\$14,168
2013	\$887
2014	\$18,991
Thereafter	\$9,371
Total USD Limit	\$44,943

Gearing has the potential to enhance investor returns, whilst increasing the potential for capital gains and capital losses. There are six debt capital providers which have partially funded the acquisition of assets within MIRT and all facilities have a fixed term to maturity. The expiry of the facilities can be brought forward and financial penalties applied if there is a breach of covenants under the loan documents.

Any requirement to repay or refinance debt creates a capital funding and liquidity risk, particularly in an environment where asset prices are declining. For instance, in 2011, when the first of the loan facilities matures, MAB Funds would be required to either refinance or extend the existing debt facilities beyond the current maturity dates, or alternatively replace the debt with equity capital. In the event that these options are not achievable, asset sales may be required by the existing lenders to facilitate repayment at the Facility Maturity Date. There is also a risk that the refinancing available at this time is on less favourable terms.

Facility Covenants:

As advised in our letters to unit holders of 27th March 2009 and 14th August 2009, CB Richard Ellis was instructed to revalue the MIRT portfolio at the request of a senior Australian based lender. This exercise resulted in the assessment of a value decline of 19% over the past 12 months. The total portfolio is now valued at US\$54.65 million. Following the revaluations, the portfolio gearing level stands at 79%. Further information on the Asset Valuations is provided in section 4 of this disclosure document.

The trust has not satisfied a number of financial covenants with the Australian based financier (Debt Facility Provider E). The financier has issued a "letter of non-waiver" reserving its rights under the loan facility. The financier has advised that it requires to reduce its exposure to MIRT. We have recently concluded negotiations with the financier and at the time of writing expect the financier to shortly issue a terms sheet containing revised loan facility arrangements and conditions, including reducing the financiers exposure by 31 March 2010. In this regard, we are evaluating a range of options including potentially raising additional capital from the marketplace.

In addition, as a result of the decline in value of investment properties since 31 December 2008, a breach in of a net worth covenant in relation to a guarantee provided by MAB American Property REIT Inc has occurred under facility A. Discussions have been initiated with the lender in advance of the requirement to lodge financial statements for the year to 31 December 2009. A waiver of this requirement has been requested as the loan is otherwise performing. Facility A is only recourse to one subsidiary of MAB American Property REIT Inc ("MAB REIT") which owns the Terraces at Park Place property.

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 management believe that there are reasonable grounds to expect that the Trust will be able to pay its debts as and when they become due because of its potential to:

- Renegotiate existing loan covenants;
- Generate operating cash flows in excess of interest obligations;
- Sell investment properties;
- Refinance existing facilities with new lenders; and
- Undertake a capital raising in some form.

Hedging:

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 "over-hedged" equity position. MAB Funds saw an opportunity to take advantage of the strong Australian Dollar and arranged to close out the "over-hedged" position at no cost to unitholders. This course of action was undertaken in accordance with the derivative risk management policy.

Ranking of Unitholders

Unitholders should be aware that amounts owing to lenders and other creditors of the scheme rank before an investor's interests in the scheme. As part of the debt financing arrangements, lenders receive a first mortgage of the property asset or assets relating to the funding as well as a fixed and floating charge over the assets. This security gives the debt provider the right to take possession of the assets in the event of default under the loan documentations.

4. Portfolio Diversification

Disclosure Principle

This information addresses the Trust's investment practices and direct property investment portfolio risk.

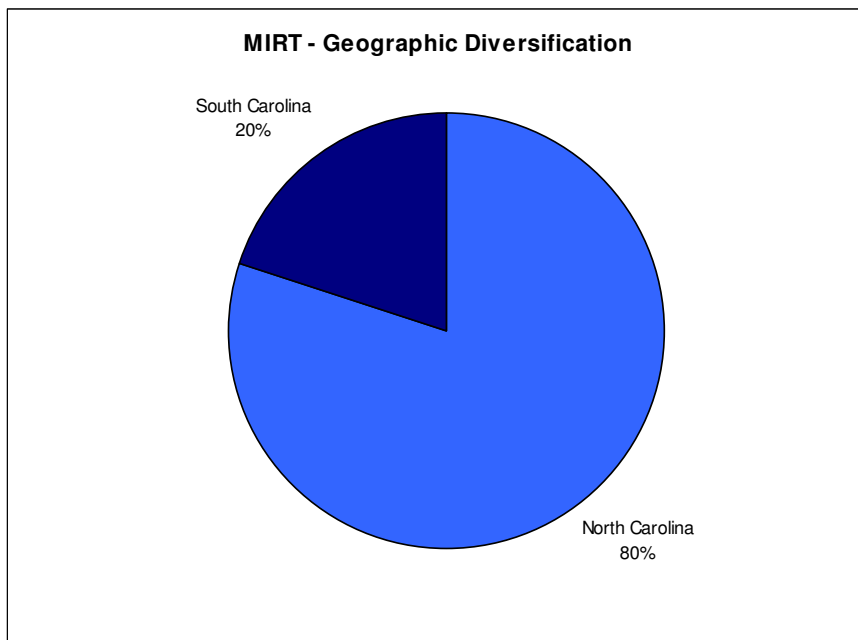
ASIC's Description

ASIC's description of this principle states that *"generally, the more diversified a portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio at risk."*

Practical Application of Disclosure Principle 4

Geographic and Sector Diversification:

The portfolio of assets is comprised of investment property and there is no development property. The initial investment strategy was to create a portfolio of assets concentrated within a growth area that provided strong stable cash flows. There was a preference for non-discretionary food based retailing which is less affected by economic cycles.



Geographic Diversification:

The assets within the portfolio are diversified across 2 states of the United States of America.

Sector Diversification:

All assets within the portfolio are retail assets, following the trusts strategy to concentrate on non-discretionary food based retailing. The Investment strategy was to acquire defensive assets with stable cash flows.

Summary of Investment Property and Current Valuations:

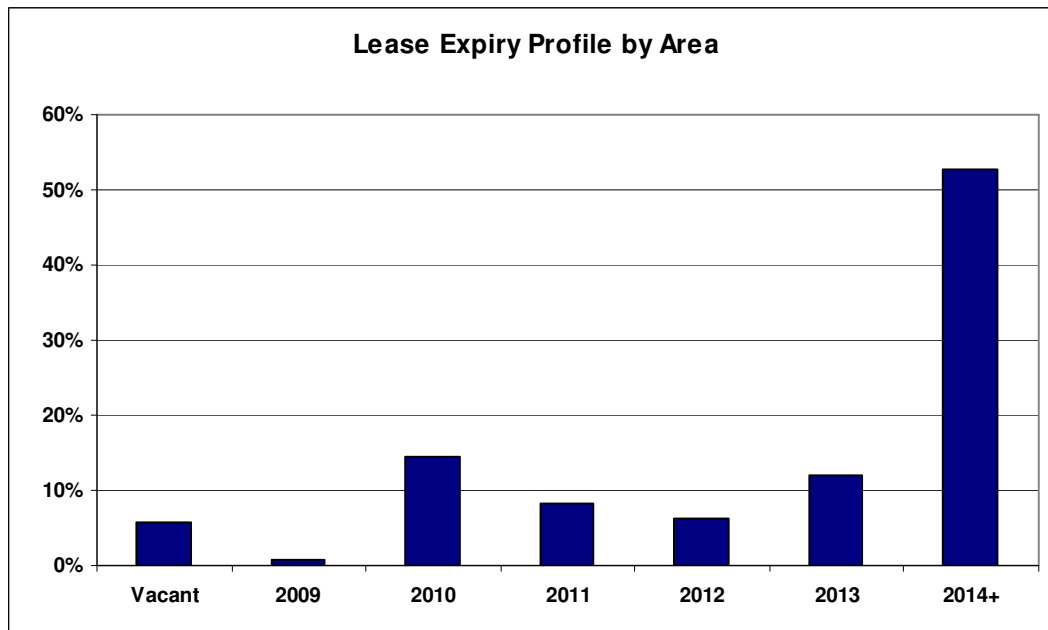
Investment Property	Location	Cap Rate	USD\$ Valuation	Valuation Date	Valuation Type
Grandview Plaza	Winston, NC	9.50%	4,075,000	31/03/2009	Independent
Cheshire Place	Charlotte, NC	9.00%	5,000,000	31/03/2009	Independent
Cheshire Commons	Charlotte, NC	8.25%	7,500,000	31/03/2009	Independent
Eastfield Village	Charlotte, NC	8.25%	15,175,000	31/03/2009	Independent
Terraces at Park Place	Pineville, NC	9.75%	12,000,000	31/03/2009	Independent
Summerville Plaza	Summerville, SC	8.75%	10,900,000	31/03/2009	Independent
			54,650,000		

These valuations were adopted by the Directors at June 2009 in their fair value assessment of the assets as part of the statutory reporting process.

For Further information with respect to the Valuation Policy, refer to disclosure principle 5.

Leasing Profile and Occupancy Levels

The portfolio has a 94% occupancy level by area and a weighted average lease expiry profile of 6.0 years. The charts below demonstrate the lease expiry profile for MIRT as well as the 5 largest tenants along with their percentage contribution to gross income.



Rank	Tenant	Percentage of Total Gross Annual Income
1	Lowes Food	11.70%
2	BiLo	9.39%
3	Bloom	8.78%
4	Food Lion	4.77%
5	Piggly Wiggly	4.18%

In assessing risk with respect to diversification of a property portfolio, investors should consider diversification with respect to geographic location, sector exposure, and diversification of major tenants.

On 23 March 2009 BI-LO, LLC, the supermarket operator at The Terraces property in Charlotte North Carolina, announced that it filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code.

BI-LO stated that “it intends to use the Court-supervised process to address an upcoming debt maturity. BI-LO expects to reach mutually acceptable resolutions with all of its constituencies and to exit bankruptcy as expeditiously as possible. BI-LO stores will remain open and operations will continue without interruption”.

The property manager of The Terraces, the Bell Moore Group, has confirmed that as at the end August 2009, BI-LO remains current in its rent payments.

5. Valuation Policy

Disclosure Principle

This information relates to key aspects of the Trust’s valuation policy for real property assets

ASIC’s Description

ASIC’s description of this principle states that *“investing in a property scheme exposes investors to movements in the value of the fund’s assets. Investors therefore need information to assess the reliability of valuations. The more reliable a valuation, the more likely the asset will return that amount when it is sold. However, any forced sale may still result in a shortfall compared to the valuation.”*

Practical Application of the Disclosure Principles

The Director’s have a policy to obtain independent valuations at least every two years and that those valuations be completed on an as is basis. The valuations are required to be completed in accordance with relevant industry standards and be performed by an appropriately qualified and registered valuer. As part of the statutory reporting process, the Directors also assess the fair value of each asset at June and December of each reporting period.

6. Related party transactions

Disclosure Principle

This relates to the responsible entity's approach to related party transactions

ASIC's Description

ASIC's description of this principle states that *"a conflict of interest may arise when property schemes invest in, make loans or provide guarantees to related parties."*

Practical Application of the Disclosure Principles

Related party disclosures are reported in the Annual Accounts for each scheme, the most recent annual accounts dated 30 June 2008 are available on the MAB Funds Website www.mabfunds.com.au.

The responsible entity has policies in place to manage related party transactions and conflicts of interest issues which form part of the overall Compliance process. These policies have been established to protect investors and any related party transactions are reported to the Compliance Committee. The committee is comprised of two independent committee members and a director of MAB Funds.

7. Distribution practices

Disclosure Principle

This relates to information on the Trust's distribution practices

ASIC's Description

ASIC's description of this principle states that *"some property schemes make distributions partly or wholly from unrealised revaluation gains and/or capital rather than solely from realised income. This may not be commercially sustainable over the longer term, particularly where property values are not increasing."*

Practical Application of the Disclosure Principles

Distributions are paid from current year profits and (to the extent necessary) prior year retained earnings. It is anticipated that future distributions will be funded by realised earnings from the portfolio of assets.

The responsible entity ensures that any material issues related to the Fund's distribution practices are notified to investors through ongoing disclosure which includes direct correspondence with investors via mail and email as well as through regular quarterly investor updates.

Distribution Guidance

Per the letters to investors dated 27 March 2009 and 14 August 2009, MAB Funds noted that as a result of the exceptional market conditions and in support of the stated strategy of focusing on the preservation of capital and prudent management of the MIRT balance sheet, we advised that the Directors of MAB Funds, the Responsible Entity for MIRT, will suspend the payment of distributions to unitholders. The Trust will however continue to make interest payments of 0.2075 cents per quarter to its note holders (who are also its unitholders).

Although distributions at this time have been suspended, the underlying performance and operating cash flow of the portfolio is strong (as illustrated in the Key Performance Measures noted above) and we anticipate this to remain the case despite the challenging economic climate.

Based on our current estimates and assumptions, the distribution reduction enables the Fund to reduce its debt by approximately \$US700,000 per annum.

8. Withdrawal arrangements

Disclosure Principle

This relates to investors' withdrawal rights from the Trust

ASIC's Description

ASIC's description of this principle states that *"unlisted property schemes often have limited or no withdrawal rights. This means they are usually difficult to exit."*

Practical Application of the Disclosure Principles

Per the disclosure in product disclosure statements and supplementary product disclosure statement, MIRT is an unlisted property trust which indirectly invests in US retail assets. The PDS and Supplementary prospectus stated the following:

MAB Funds, in its own personal capacity would provide or cause a third party to provide a limited liquidity facility for the benefit of unitholders. Successful applicants will be paid the Net Tangible Asset backing per unit as at the end of the relevant calendar quarter less a discount of up to 5% of that value. MAB Funds reserves the right to suspend the provision of the facility under certain circumstances.

Per the disclosure to investors dated 1 July 2008, the facility remains suspended as the aggregate number of units held by the facility provider exceeds 9.95% of the total number of units issued by the trust. MAB Funds is endeavouring to procure an alternative facility provider, however they advise that the prospect of securing such is unlikely given current market conditions.

With respect to the exit strategy at the review date, the Product Disclosure Statement notes that MAB Funds will provide investors with a withdrawal opportunity in 2013. This may include an orderly sale of assets over a defined period or other strategy which would provide unitholders with a clear mechanism to exit.