

12 August 2011

Dear Investor,

MAB Diversified Property Trust (MDPT) – Update

MAB Funds Management Limited (MAB Funds), as Responsible Entity of MDPT, now writes to update you generally regarding the Trust and in particular regarding the implementation of the revised strategy for MDPT.

Strategy

As you are aware, following last year's decision by unitholders not to approve MAB Funds recommendation, the current strategy for MDPT is:

- An orderly wind up of the Trust and the sale and settlement of its assets over the period to 31 March 2012.
- To maximise the sale proceeds within the proposed time frame.
- To maintain flexibility in proposed sale programme in order to optimise sale price by:
 - having the ability to wait, if necessary, for appropriate offers to be received.
 - withdrawing properties from sale if no acceptable offers are received and offering these properties for sale at a later time (hence there is a possibility that this could extend the wind up period).
 - accepting deferred settlement periods (if necessary).
 - consideration of the taxation position of MDPT and its investors.
 - consideration of the \$A/\$NZ exchange rate

We have to advise that exceptional current market conditions have led to MAB Funds deciding to review the current sales program to consider whether postponement coupled with further asset management strategies may achieve a superior outcome for unitholders.

Strategy Implementation

MAB Funds now reports the following status regarding the sale of MDPT's properties:

Property	Comments
1 -3, Eyre Street, Rivervale, WA	Under conditional contract to sell – completion expected in September.
Rising Sun Shopping Centre, Townsville, QLD	Sale campaign closed with no acceptable bids received. Now being offered with defined asking price.
Town Plaza, Charters Towers, QLD	Sale campaign closed with no acceptable bids received. Now being offered with defined asking price.
Cowra Plaza Shopping Centre, Cowra, NSW	Purchaser withdrew from sale – now being reoffered.
2084 Logan Road, Upper Mount Gravatt, QLD	Under conditional contract to sell – completion expected in September.
Village Central, Wyong, NSW	Withdrawn from market following unsatisfactory bids – now concentrating on further leasing before sale.
50 Blackall Street, Barton	Expect to imminently execute conditional contract to sell - completion due in September.
3 Horwood Place, Parramatta, NSW	Expect to imminently execute conditional contract to sell - completion due in January.
Trafalgar Square Shopping Centre, Wanganui, NZ	Under due diligence by purchaser
Hastings Plaza Shopping Centre, Hastings, NZ	Sale campaign closed – negotiating with preferred party
Mornington Village Shopping Centre, Mornington, VIC	Works are continuing to accommodate Aldi Supermarket. Handover of the premises to Aldi to carry out its fitout is expected to take place in early October.

- In our last update to you in May we advised that we were finding that the property markets were somewhat cautious. We now have to advise that the markets have weakened over the past 2-3 months and this has affected the sales campaigns that have been running during this time.
- There is little doubt that investors have become increasingly concerned about the broader domestic and global economies and the sovereign debt situation in some European countries and latterly in the USA. Sentiment has been adversely affected and this has reduced activity and demand.
- We have found that with some assets, the market has been reluctant to bid or where bids have been received they have been below book values (sometimes to a significant degree) and require conditional terms. This, together with asset specific factors, has further negatively impacted realisation estimates for the MDPT portfolio.

- Where offers have been at levels below book values the MAB Funds Board has had to consider all factors concerning the asset in question and the relevant market conditions in determining whether to accept the offer. Where the Board has been satisfied that the property has been effectively marketed and there is no prospect of a superior offer in the short to medium term it has accepted the offer with the most favourable price/terms. Examples include:
 - Blackall Street, Barton, ACT – under contract at 27% below book value. The Canberra office market has the highest vacancy level of any CBD in Australia and is forecast to further weaken. The major tenant, that occupies some 95%, has pre-committed to lease alternative accommodation and the building will require significant refurbishment upon its vacation.
 - Horwood Place, Parramatta, NSW – under contract at 12% below book value.
 - Eyre Street, Rivervale, WA – under contract at 3% below book value.
- We are pleased to report that in the case of the Logan Road property, we have accepted an offer of some 9% above book value.

Realisation Estimate

- As a result of the market conditions described above and particularly of the sale campaigns that have been undertaken for most of the MDPT properties, we have had to further revise our realisation estimate from the portfolio.
- At this time our modeling indicates that the total realisation from the MDPT portfolio is likely to be approximately \$0.69 per unit assuming current market conditions prevail.

Debt Facilities

Existing loan agreements from the Commonwealth Bank and National Australia Bank expire at the end of September 2012. These debt facilities were structured to facilitate the orderly wind up of MDPT prior to September 2012.

Given the exceptional market conditions, consideration will be given to how any proposed revision to the existing strategy may affect existing debt financing arrangements and whether the terms of these arrangements can be amended to accommodate potential changes to the divestment strategy.

Portfolio Update

MAB Funds is able to report that, at the portfolio level, MDPT has performed reasonably well over the past quarter.

Key Performance Measures at 30 June 2011 include:

Occupancy Rate:	95.8% (4.2% vacancy)
Average unexpired lease term:	3.93 years overall

NTA

When assessing the value of the properties at 30 June, as mentioned above, the Directors of MAB Funds have needed to take into account sale contracts entered into, current market conditions and the outcome of the sale campaigns that have been undertaken.

This exercise has resulted in a provisional NTA for MDPT of \$0.69 per unit (subject to audit confirmation).

Summary

As advised above, we have experienced weakening demand for investment properties over the past 2 months or so. Further, the past week has witnessed exceptional volatility in international and domestic investment markets. Preliminary feedback from sale agents indicates that these circumstances have resulted in extreme caution by potential purchasers, with several parties withdrawing interest.

As a result, MAB Funds is now reviewing its strategy for the sale of un-contracted properties. This review will include the merits of postponing the sale program as well as considering whether, in the interim period, the implementation of any specific asset management strategies will achieve a superior outcome for unitholders.

MAB Funds will continue to take into account the requirements and views of unitholders when implementing a strategy for MDPT and will continue to act in the best interests of investors and the Trust as a whole.

MAB Funds will continue to provide regular updates to investors advising of its progress with sales and with the development of a strategy that addresses current market conditions and achieves the best outcome for unitholders.

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

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Nicholas Gray', with a stylized flourish at the end.

Nicholas Gray
General Manager, Funds Management