

16 May 2011

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Dear Investor,

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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

To recap, following the decision of unitholders not to approve MAB Funds recommendation of September 2010, the revised strategy for MDPT now is:

- An orderly wind up of the Trust and the sale and settlement of its assets over the period to 31 March 2012.
- The main objective is to maximise the sale proceeds within the proposed time frame. In order to optimise sale prices, the order and timing of sales has been also been determined with regard to:
 - Local and national market conditions.
 - Asset specific circumstances that will enhance value e.g.
 - completion of leasing and lease renewal deals;
 - completion of capital & maintenance works
- To maintain flexibility in proposed sale programme in order to further 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 (whilst not currently expected, 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

Strategy Implementation

MAB Funds now reports the following status regarding the properties within the MDPT portfolio:

Property	Comments
1 -3, Eyre Street, Rivervale, WA	Under conditional contract
Rising Sun Shopping Centre, Townsville, QLD	On market – sale campaign closing mid-June
Town Plaza, Charters Towers, QLD	On market – sale campaign closing mid-June
Cowra Plaza Shopping Centre, Cowra, NSW	On market – sale campaign closing early-June
2084 Logan Road, Upper Mount Gravatt, QLD	On market – sale campaign closing mid -June
Village Central, Wyong, NSW	Withdrawn from market following unsatisfactory bids – now concentrating on further leasing before sale.
50 Blackall Street, Barton	Sales campaign to commence in late May
3 Horwood Place, Parramatta, NSW	Sale campaign closed – assessing bids
Trafalgar Square Shopping Centre, Wanganui, NZ	Under due diligence by purchaser
Hastings Plaza Shopping Centre, Hastings, NZ	On market– sale campaign closing mid-June
Mornington Village Shopping Centre, Mornington, VIC	Commenced works to accommodate Aldi Supermarket

- In general, we are finding that the property markets have been somewhat cautious so far in 2011, most likely as a result of the natural disasters and political situation in N. Africa.
- This, together with asset specific factors, is negatively impacting realisation estimates for some of the MDPT assets. For example:
 - Eyre Street Perth – After protracted negotiations we have entered into a conditional contract at \$5.8m (compared to the current book value (BV) of \$6.0m). We are satisfied that no superior offer will be forthcoming.
 - Village Central, Wyong – As set out above this property was placed on the marketing and received disappointing responses at levels well below the Book Value. The property has now been withdrawn from the market and will be reoffered at a later date.
 - Blackall Street Barton – The Canberra market has continued to deteriorate and agents are advising that realisation maybe be below the current book value.
 - New Zealand – the unfortunate Christchurch earthquake has further dampened market sentiment and has also adversely affected the \$/NZ exchange rate (at a 20-year low). The latter may affect the \$A realisation.
- Realisation estimates for other MDPT assets are positive compared to current book values.
- At this stage our best estimate modeling indicates that the total realisation from the MDPT portfolio could be in the range \$0.74 to \$0.77 per unit as compared to the current NTA of \$0.82.
- We will be able to report with more certainty as implementation of the strategy progresses and market reaction to the assets offered for sale becomes known.

Debt Facilities

MAB Funds has entered into new loan agreements from Commonwealth Bank and National Australia Bank for facilities expiring at the end of September 2012.

The new debt facilities enable implementation of the orderly wind up of MDPT.

Portfolio Update

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

Key Performance Measures at 31 March 2011 include:

Occupancy Rate: 96.1% (3.9% vacancy) – 95.6% at December 2010

Average unexpired lease term: 3.95 years overall

NTA:

The current NTA of MDPT is \$0.816.

As mentioned above our best estimate modeling now indicates that the total realisation from the MDPT portfolio could be in the range \$0.74 to \$0.77 per unit. We will be taking this into consideration when reassessing the NTA at 30 June 2011.

Summary

Based on contact from investors, MAB Funds is aware that a significant majority of unitholders remain of the view that liquidity is the primary requirement. However, MAB Funds is also aware that pricing is equally important to a significant number of investors. Price maximisation was one of the factors contributing to MAB Funds recommendation to investors of September 2010.

As set out in the revised strategy summary above and as has been the case with Village Central, Wyong, MAB Funds will maintain flexibility in the sale program by withdrawing properties from the market if satisfactory bids are not received and if we are of the view that a superior result can be obtained by re-offering later in the program. MAB Funds will continue to endeavor to maximise sale proceeds and obtain the best possible outcome for unitholders.

MAB Funds will continue to take into account the requirements and views of unitholders when further implementing the orderly wind-up strategy and will continue to act in the best interests of investors and the Trust as a whole.

MAB Funds advises that unitholders should in any event expect some decline in the NTA at next assessment to reflect the deterioration of the Canberra market and the market reaction to Wyong.

MAB Funds will continue to provide regular updates to investors setting out the progress of the implementation of the new strategy for MDPT.

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 be 'Nicholas Gray', written in a cursive style.

Nicholas Gray
General Manager, Funds Management