

15 November 2011

Dear Investor,

### **MAB Diversified Property Trust (MDPT) – Investor Update**

MAB Funds Management Limited (MAB Funds), as Responsible Entity of MDPT, is pleased to provide investors with the following quarterly update.

#### **Property Sales**

The Trust completed the sale of three properties during September, being:

- 1-3 Eyre Street Rivervale Perth WA for \$5.8 million;
- 2084 Logan Road, Upper Mt. Gravatt, Brisbane QLD for \$8.3million; and,
- 50 Blackall Street, Barton ACT for \$13.5 million.

Additionally, during the past 2 weeks the Trust has entered into conditional contracts to sell two further properties being:

- Hastings Plaza, Hastings, New Zealand
- Trafalgar Square Shopping Centre, Wanganui, New Zealand

If the contract conditions are satisfied, the sale of both of the New Zealand properties will settle towards the end of the first quarter of 2012.

#### **Distribution September Quarter 2011**

The distribution paid to investors for the September quarter amounts to 4.0 cents per unit. The increased quarterly distribution reflects the proceeds of sale of the three properties set out above.

#### **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 September 2011 include:

- Occupancy Rate: 94.7% (5.3% vacancy)
- Average unexpired lease term: 3.63 years overall

### **Mornington Village Shopping Centre, Mornington, VIC**

We are pleased to report that Landlord works to provide premises for new tenant, Aldi Supermarket, have been completed. The premises have been handed over to Aldi who has commenced its fit out. Aldi expects to commence trading in the first quarter of 2012. This leasing deal will see both the portfolio occupancy rate and the average unexpired lease term for the Trust improve.

### **Town Plaza, Charters Towers, QLD**

We are also pleased to report that Suncorp Bank has leased Shop 4 for a five year term from August 2011. There is now only one small vacancy of 21 sqm remaining in the centre.

### **Village Central, Wyong, NSW**

Terms for a total of five lease renewals have been agreed over the past quarter.

### **NTA**

The NTA for MDPT as at 30 September 2011 was assessed at \$0.67 per unit.

This assessment takes into account the September distribution of 4.0 cents per unit that resulted from the sale of the 3 properties mentioned above.

### **Strategy**

As advised in the last investor update, poor market conditions led to MAB Funds reviewing the current Trust strategy and considering whether postponement of the property sales programme coupled with further asset management strategies may achieve a superior outcome for unitholders.

Subsequently, MAB Funds was approached by a significant number of unitholders and/or their advisers who have expressed their concern at the Trust continuing to sell assets into weak market conditions. These investors have advised of a preference, given the current NTA, to hold the remaining assets for a period of time until the market recovers sufficiently to give improved prospects for realisation.

In regard to the remaining properties of MDPT we have considered what asset management strategies will assist with improving value. These strategies are summarised in the table set out below:

<b>Asset</b>	<b>Improvement Strategy Summary</b>
Mornington Village, Mornington, VIC	<ol style="list-style-type: none"><li>1. Lease renewal with Woolworths 9/2012</li><li>2. Aldi to demonstrate trading track record and result in specialty shop rental growth</li><li>3. Carry out cosmetic improvements</li></ol>
3, Horwood Place, Parramatta	<ol style="list-style-type: none"><li>1. Increase occupancy – currently 15% vacant</li><li>2. Lease renewal with One Steel at 12/2012 (33% of building)</li><li>3. Improve Weighted Average Lease Expiry (WALE) from 1.75 years</li></ol>
Village Central, Wyong, NSW	<ol style="list-style-type: none"><li>1. Increase occupancy – currently 10% vacant (6 tenancies)</li><li>2. Improve tenant quality</li><li>3. Seek more ‘service/destination’ tenants</li></ol>
Cowra Plaza Shopping Centre, NSW	<ol style="list-style-type: none"><li>1. Seek to extend Coles lease from 2015</li><li>2. Lease vacancies</li><li>3. Evaluate Level 1 development</li><li>4. Requires investment market improvement for regional locations</li></ol>
Rising Sun, Townsville, QLD	<ol style="list-style-type: none"><li>1. Seek to extend Coles Supermarket lease</li></ol>
Town Plaza, Charters Towers., QLD	<ol style="list-style-type: none"><li>1. Lease remaining vacancy</li><li>2. Effect lease renewals</li><li>3. Requires investment market improvement for regional locations</li></ol>

In the current market conditions, and without implementation of the above asset management strategies, we are of the opinion that sale proceeds could be significantly below the current book values reflecting that only “opportunistic buyers” are active. Such buyers are seeking significant discounts to intrinsic value.

Given these circumstances, MAB Funds believes that unit holder value can be enhanced by implementing the abovementioned improvement strategies for each asset; and deferring the divestment program until such time as market conditions improve such that the intrinsic value of the assets can be realised.

We have met or spoken with many investors and their advisers to canvass their views and to assist with the formulation of a strategy that is in the best interests of the Trust as a whole. This process is still continuing.

In order to finalise our views, we have also met with both of MDPT’s loan facility providers to ascertain whether the terms can be amended to accommodate any potential changes to the strategy. Discussions to date have been positive and we are now awaiting new independent valuations as at 30 November for four of the assets that have been required by the financiers.

### **Forecast Returns**

On the basis that the sale of the New Zealand assets occurs at the end of the first quarter of 2012 and that the remaining assets are held for all of financial year 2012, indicative forecast returns to unitholders are:

<b>Estimated Return FY 2012</b>	<b>Return on \$1.00 invested</b>
2012 Capital Return	\$0.10 per unit*
2012 Income Distribution	\$0.04 per unit

\*The capital return includes the \$0.04 September 2011 distribution. The capital return estimated for the NZ assets assumes an exchange rate of AU\$/NZ\$ 1.27.

### **Debt Facilities**

Existing loan agreements from the Commonwealth Bank and National Australia Bank expire at the end of September 2012.

As mentioned above we are currently establishing whether the terms of these facilities can be amended to accommodate potential changes to the divestment strategy.

### **Summary**

Following completion of the review process activities outlined above, MAB Funds expects to be in a position to report its views to unitholders early in the New Year. In the meantime, we will be continuing to work on the asset management strategies outlined above.

Please rest assured that MAB Funds will continue to take into account the requirements and views of unitholders and will continue to act in the best interests of investors and the Trust as a whole. MAB Funds will 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](mailto:fm@mabcorp.com.au), or your financial adviser, with any queries or if you require further clarification on the above.

Yours faithfully,



**Nicholas Gray**  
**General Manager, Funds Management**