

Notice of extraordinary general meeting and explanatory notes

MAB Funds Management Limited (ACN 098 846 701) responsible entity of MAB Diversified Property Trust (ARSN 103 463 467)

Date: ***7th September 2010***

Time: ***11:00AM***

Place: ***MAB Funds Management Limited Head Office, Level 5, 441 St Kilda Road, Melbourne VIC 3004.***

MinterEllison

L A W Y E R S

Notice of extraordinary general meeting

The extraordinary general meeting of unitholders of MAB Diversified Property Trust (the Trust or the Fund) will be held at **MAB Funds Management Limited Head Office, Level 5, 441 St Kilda Road, Melbourne VIC 3004** at **11:00AM** (Melbourne time) on **Tuesday 7th September 2010**.

Business

Resolution 1: Approval of Responsible Entity's recommendation

To consider, and if thought fit, to pass the following resolution:

'That the Members approve the recommendation of the Responsible Entity for the future strategy as set out in the Explanatory Notes accompanying the notice of this meeting.'

Resolution 2: Withdrawal offer pricing

To consider and, if thought fit, to pass the following resolution which will be proposed as a special resolution:

'That the Constitution of the MAB Diversified Property Trust is modified as follows:

- (a) insert in clause 25.1 immediately before the definition of 'Application Price' the following new definition:

'2010/ 2011 Withdrawal Offer means a withdrawal offer made by the Responsible Entity to Members registered as such on or about 31 March 2011 (or another date in 2010 or 2011 determined by the Responsible Entity) and designated by the Responsible Entity as the withdrawal offer for the purposes of this definition.';

- (b) insert after clause 6.3 the following new clause 6.4:

6.4 2010/ 2011 Withdrawal Offer

- (a) Nothing in this clause 6.4 limits the power of the Responsible Entity to redeem Units at a Redemption Price calculated in accordance with clause 6.1 in respect of any withdrawal offer other than the 2010/ 2011 Withdrawal Offer.

- (b) Despite clauses 6.1 to 6.3 inclusive, a Unit must only be redeemed under the 2010 / 2011 Withdrawal Offer at a Redemption Price equal to \$0.73.';

and the Responsible Entity is authorised to execute and lodge with ASIC a supplemental deed evidencing the above modifications.'

Other business

To transact any other business which may legally be brought before the meeting.

By order of the board of MAB Funds Management Limited (**MAB Funds**), the responsible entity of the Fund.

Date _____

Signed _____

Name Anthony Calvi
Company Secretary

Proxies

A unitholder who is entitled to attend and vote at the meeting may appoint up to two proxies to attend and vote on behalf of that unitholder. If you require an additional proxy form, please contact :

The Compliance Officer
MAB Funds Management Limited
Level 5, 441 St Kilda Road
Melbourne VIC 3004
Telephone: (03) 8681 2222
Facsimile: (03) 8681 2100

If a unitholder appoints two proxies, the appointment of the proxies may specify the proportion or the number of that unitholder's votes that each proxy may exercise. If the appointment does not so specify, each proxy may exercise half of the votes. Fractions of votes will be disregarded.

Where a unitholder appoints more than one proxy, neither proxy is entitled to vote on a show of hands.

A proxy need not be a unitholder of the Trust.

To be effective, MAB Funds must receive the completed proxy form and, if the form is signed by the unitholder's attorney, the authority under which the proxy form is signed (or a certified copy of the authority) by no later than 5:00PM (Melbourne time) on Friday 3rd September 2010.

Proxies may be lodged with MAB Funds:

by mail, to The Compliance Officer, using the enclosed reply envelope to:

The Compliance Officer
MAB Funds Management Limited
Level 5, 441 St Kilda Road
Melbourne VIC 3004

by facsimile, to "The Compliance Officer MAB Funds Management Limited":

Facsimile: (03) 8681 2100

by delivery to MAB Funds's registered office,

MAB Funds Management Limited
Level 5, 441 St Kilda Road
Melbourne VIC 3004

Proxies given by corporate unitholders must be executed in accordance with their constitutions, or signed by a duly authorised officer or attorney.

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote, or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.

If a unitholder appoints the chairperson of the meeting as the unitholder's proxy and does not specify how the chairperson is to vote on an item of business, the chairperson will vote, as proxy for that unitholder, in favour of that item on a poll.

Explanatory notes

1. Introduction:

- 1.1 MAB Diversified Property Trust (ARSN 103 463 467) ("Trust" or "Fund") is a registered managed investment scheme. MAB Funds Management Limited ("MAB Funds") is the responsible entity for the Trust.
- 1.2 Unitholders should read this explanatory memorandum in its entirety prior to making a decision on whether to vote for or against the proposed resolutions.

2. Background and recommendation

- 2.1 MAB Funds has previously stated that it will make a recommendation to the Fund's unitholders (Unitholders or Members) on the future strategy for the Fund and convene a meeting of Unitholders to vote on that recommendation in 2010 (or earlier if it considers it in the best interests of Unitholders to do so). MAB Funds has also stated that the alternatives presented may include an orderly sale over a defined period, or other strategy to provide Unitholders with a defined exit mechanism prior to 30 September 2010.
- 2.2 MAB Funds' recommendation to Unitholders is to continue the operation of the Fund for 3 more years until 30 September 2013. If a reasonably priced withdrawal facility is not available to Unitholders at the end of this period, MAB Funds will arrange for assets to be sold in an orderly fashion and cause the Trust to be wound up. MAB Funds believes that if it were to commence a sale program to facilitate this process in the current property market there would be a material risk of the Fund realising losses on its investments. In the event that the extension recommendation is not approved by simple majority vote, MAB Funds will consider the outcome of the vote and may then seek to provide alternative options to Unitholders.
- 2.3 MAB Funds considers that the interests of Unitholders are best served by them maintaining their investment to give the Fund the opportunity to ride out the current downturn in the commercial property market.
- 2.4 However, MAB Funds recognises that some Unitholders may require access to their investment in the Fund. Given the absence of a secondary market for Fund units ("Units") the only realistic means of exit is by withdrawal from the Fund. As the Fund is illiquid a Unitholder may only withdraw from the Fund pursuant to a current withdrawal offer made by MAB Funds.
- 2.5 MAB Funds proposes to sell three properties held by the Trust to fund a withdrawal offer. However, given the state of the current commercial property market, MAB Funds considers that it would be fair to all Unitholders (ie those proposing to maintain their investment, as well as those proposing to withdraw from the Fund) that any withdrawal offer in 2010 or 2011 be at a discounted withdrawal price. Accordingly, an amendment is proposed to the Trust constitution to allow MAB Funds to make an offer to Unitholders to redeem their investment at \$0.73. This price represents a 15% discount to the underlying Net Tangible Asset backing (NTA) of the Fund at 30 June 2010.

Unitholders should be aware that the proceeds from asset sales will be applied to debt reduction first, and to then to fund the proposed unit buy back. In the event that there is

a shortfall in proceeds from asset sales, the number of units purchased under the buyback facility may be reduced at the discretion of MAB Funds.

- 2.6 MAB Funds proposes selling three properties held by the Trust, and using the proceeds to fund the withdrawal offer and pay down debt. This strategy is expected to result in a leaner capital structure with the loan to value ratio (based on the facility limit) reducing from 62.5% to 55%. This will in turn result in a lower cost of debt from a forecast of 2.8% per annum to 2.6% per annum. This will likely assist with the objective of increasing investor yield.
- 2.7 Unitholders will be offered the opportunity to withdraw their investment at the discounted price. If the funds available from the sale of the three properties are insufficient to fund payment of all redemption requests, Unitholders' investments will be redeemed on a pro rata basis based on the proportion their withdrawal request bears to the total withdrawal requests.

3. Advantages and disadvantages of the recommendation

3.1 Following a detailed analysis and consideration of Unitholders' interests, MAB Funds is of the opinion that its recommendation regarding the future strategy of the Trust has three key advantages. These are as follows:

- (a) Provides an opportunity to ride out current property cycle and maximise Unitholder returns:

MAB Funds considers that the interests of Unitholders are best served by them maintaining their investment to give the Fund the opportunity to ride out the current down turn in the commercial property market. MAB Funds believes that the proposed extension provides the best opportunity for investors to maximise the value of their investment.

- (b) Creates a leaner capital structure for the Fund:

MAB Funds proposes selling three properties held by the Trust, and using the proceeds to fund the withdrawal offer and pay down debt. Assuming that sale prices are in line with the most recent valuations, this strategy is expected to result in a leaner capital structure (by reducing the Loan to Value Ratio and debt financing costs) with the ultimate aim of increasing investor returns.

- (c) Provides a limited withdrawal opportunity for those Members who require short term liquidity:

As the Fund is illiquid a Unitholder may only withdraw from the Fund pursuant to a current withdrawal offer made by the Responsible Entity. Given the nature of the Fund's investments, MAB Funds considers that it would be fair to all Unitholders (ie those proposing to stay in as well as those proposing to withdraw from, the Fund) that any withdrawal offer providing an exit opportunity be at a discounted withdrawal price.

3.2 MAB Funds has identified the following disadvantage of its recommendation regarding the future strategy of the Trust:

- (a) The withdrawal offer will be at a discount and the funds available may not be sufficient to cover all withdrawal requests:

An amendment is proposed to the Trust constitution to allow MAB Funds to make an offer to Unitholders to redeem their investment at a price representing a 15% discount to the underlying net tangible asset backing of the Fund.

If the funds available from the sale of the three properties are insufficient to fund payment of all redemption requests, Unitholders' investments will be redeemed on a pro rata basis based on the proportion their withdrawal request bears to the total withdrawal requests.

Following a close consideration of Unitholders' interests, and these advantages and disadvantages, MAB Funds is of the opinion that its recommendation on the strategy of the Trust is in the best interests of Unitholders and the Trust as a whole.

4. Reasons for the recommendation

4.1 When considering what strategy the Fund should adopt in the best interests of Unitholders and the Fund as a whole, MAB Funds has given primary regard to the current and likely future performance of the Australian and New Zealand property markets.

4.2 MAB Funds has also considered each individual asset and its likely future performance. MAB Funds has taken this analysis into consideration when determining whether an asset should be retained over the next three years and when determining which assets are best sold in the short term to fund the proposed debt reduction and discounted withdrawal offer. MAB Funds views in this regard are encapsulated as follows:

4.3 Property Markets in Australia and New Zealand

(a) MAB Funds is of the opinion that the Australian property market has stabilised over the past 12 months in line with improvements to the domestic economy. Although there can be no certainty, MAB Funds believes that the property markets are at a cyclical bottom and anticipates, based on current information, that property values will now improve over a 3 year period.

(b) MAB Funds is of the view that there remain performance risks for the property markets in 2010. Uncertainty has emerged in the global economy following the European debt issues. The Reserve Bank has refrained from raising the cash rate in June, July and August 2010, indicating that growth has momentarily slowed.

(c) For the period 2011 to 2013, it is MAB Funds opinion that there will be a return to stronger growth in the Australian and New Zealand property markets. Asset values are therefore likely to increase over this period proving the best opportunity to increase over this period, providing the best opportunity to maximise Unitholder value.

(d) This view is broadly supported by Jones Lang LaSalle's 2010 research paper entitled "Market recovery – Strategies for the Upturn". For example, in this paper Jones Lang LaSalle comments:

"One of the lessons from the early 1990's downturn was that commercial property market cycles lag behind the overall economy. Therefore, while the economy is forecast to gain momentum in 2010, the recovery in commercial property markets will take a while longer"

Jones Lang LaSalle goes on to further comment:

"A comparison of the current and previous cycles, however, cautions against expectations of a rapid turnaround in 2010. Strong growth in rents is likely to emerge in 2011 and 2012".

(e) MAB Funds analysis detailed in this Explanatory Note demonstrates the improved forecast NTA and the Internal Rate of Return by continuing MDPT for another 3 years.

4.4 Rationale for Sale of Assets

Notwithstanding MAB Funds general views regarding improvement in the property markets over the next 3 years, it recommends the sale of three assets in the near term in order to achieve debt reduction objectives and to fund the proposed Unit withdrawal facility.

The rationale for the particular properties nominated for sale is as follows:

Village Central Shopping Centre, Wyong, NSW

- (i) This asset continues to present leasing difficulties and while some progress has been made, it is felt that leasing problems will continue, mainly resulting from:
 - (A) Too many specialty shops;
 - (B) Close proximity to a competing centre (Westfield Tuggerah); and
 - (C) Low disposable income in trade area.
- (ii) It is further felt that these factors will limit growth opportunities and there maybe difficulty in maintaining current rental levels.
- (iii) For these reasons, it is preferable to dispose of this asset in the near term.

50 Blackall Street Barton ACT

- (i) This asset is let to a single office tenant, the Australian Government Solicitor (AGS). There is also a ground floor childcare centre, however, this tenancy represents only about 6.6% of the income.
- (ii) The AGS lease expires 30 June 2012. There is a high risk that the AGS will relocate to larger premises at this time.
- (iii) Should the AGS vacate following the expiry of the lease, the potential loss of income from this property in the 2013 financial year will cause a significant cash flow issue for the Trust. In addition significant refurbishment expenditure will be necessary in order to re-let the property. In the Canberra market it is particularly important to bring the building to a 4.5 star Green rating to secure government tenants.
- (iv) It is therefore recommended that this asset is sold now as its value will continue to decline in line with the diminishing lease term.

One of Trafalgar Square, Wanganui or The Plaza, Hastings, NZ

- (i) MAB Funds has identified three reasons to sell one of the NZ properties:
 - (A) An additional property must be sold to fund the withdrawal offer.
 - (B) Following the sale of Wyong and Barton, the Fund assets would comprise approximately 30% New Zealand properties. The original fund strategy was to limit NZ exposure to about 25%.
 - (C) Recent NZ budget provisions have eliminated depreciation on commercial properties post 2012. This gives rise to a previously unbudgeted tax liability for the Trust that affects distributions going forward.
- (ii) Whilst both properties are performing reasonably well, for the reasons stated above it is recommended that one is sold.

For the purpose of presentation of the financial impact of this recommendation, it is assumed that the Trafalgar Square asset will be sold.

4.5 Rationale for offering the withdrawal offer at a discount to NTA

- (i) The Trust is inherently illiquid in nature, which means unitholders are unable to easily withdraw their investment from the Fund. The purpose of the withdrawal facility is to assist in overcoming this element of illiquidity for Unitholders requiring an exit, by providing a limited opportunity for Unitholders to withdraw from the Fund.
- (ii) MAB Funds acknowledges that realising certain assets to provide this liquidity has an inherent value and has determined that a discount of 15% to the underlying NTA at 30 June 2010 is an appropriate measure of this value. MAB Funds has considered the costs associated with providing the liquidity. The discount has been designed to compensate investors who retain their investment in the Trust for the forgone returns that come with realising these property assets at the bottom of a market cycle.
- (iii) The withdrawal price only represents the price for which MAB Funds is prepared to redeem Units in the Fund from Unitholders, taking into account all relevant factors and the interests of all Unitholders. Whilst MAB Funds, from its enquiries, considers the acquisition price to represent a reasonable price for the Units, Unitholders should make their own determination as to whether to participate in the Withdrawal Offer. Unitholders are free (subject to the requirements of the Corporations Act 2001 and the Fund Constitution) to seek to sell their units to persons other than the Trust.

5. Trust Update and Overview:

This section provides an update on the Trust as it currently stands.

5.1 Financial Summary

(a) NTA:

The unaudited net tangible asset backing per Unit (“NTA”) calculated under AIFRS as at 30 June 2010 is A\$0.86.

(b) Distributions:

The syndicate has provided Unitholders with the following distribution returns since commencement in October 2004:

Financial Year Ending	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Distribution (CPU) ¹	0.6750	9.0000	9.0000	9.0000	5.1250	3.5000

1. Distributions for the period ending June 2005 relate to a part year; being 9 months from 1 October 2004.

5.2 The Property Portfolio of the Fund:

(a) Property Valuations:

All assets were independently valued as at 30 June 2010. The valuation results are summarised in the table below:

Investment Property	Location	Cap rate	30/06/2010 Valuation	Valuation Type
Queensland				
Rising Sun Shopping Centre	Townsville, QLD	8.75%	A\$7,000,000	Independent
Town Plaza Shopping Centre	Charters Towers, QLD	9.00%	A\$10,000,000	Independent
2084 Logan Road	Upper Mt Gravatt, QLD	8.50%	A\$7,600,000	Independent
New South Wales				
3 Horwood Place Parramatta	Paramatta, NSW	8.75%	A\$21,400,000	Independent
Cowra Plaza Shopping Centre	Cowra, NSW	9.25%	A\$5,700,000	Independent
Village Central Shopping Centre	Wyong, NSW	9.00%	A\$17,500,000	Independent
ACT				
50 Blackall Street	Barton, ACT	9.00%	A\$18,650,000	Independent
Victoria				
Mornington Village Shopping Centre	Mornington, VIC	8.75%	A\$19,500,000	Independent
Western Australia				
1-3 Eyre Street Belmont	Rivervale, WA	8.50%	A\$6,000,000	Independent
Australian Property Total (A\$)			A\$113,350,000	
New Zealand				
The Plaza	Hastings, NZ	8.88%	NZ\$20,400,000	Independent
Trafalgar Square Shopping Centre	Wanganui, NZ	9.38%	NZ\$19,100,000	Independent
NZ Property Total (NZ\$)			NZ\$39,500,000	
Australian Asset Property Total (A\$)			A\$113,350,000	
NZ Asset Property Total (A\$)			A\$32,092,948	
MDPT Portfolio Total (A\$)			A\$145,442,948	

(NZ\$ Assets have been converted to A\$ at an exchange rate of A\$/NZ\$1.2308, being the spot exchange rate at 30 June 2010).

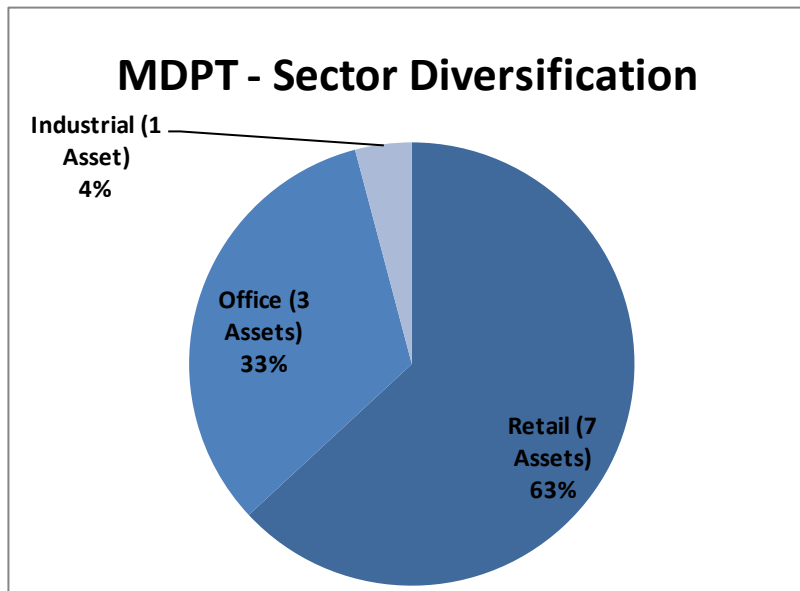
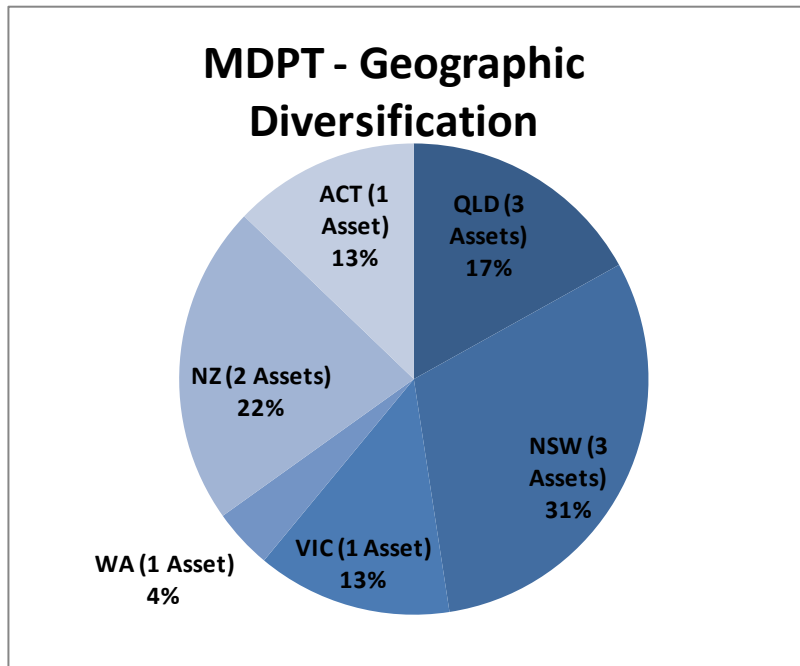
(b) Key Portfolio Statistics at 30 June 2010:

WALE (the weighted average lease expiry): 4.47 years (by area).

Portfolio Occupancy: 96.2% (by area).

(c) Portfolio Diversification:

The geographic and sector diversification of the portfolio is demonstrated in the following charts. These are based on the 30 June 2010 Independent valuations.



5.3 Trust Borrowings

A summary of the Trust Borrowings and maturity profile as at 30 June 2010 is provided below:

Trust Borrowings	Facility Currency	Facility Limit	Amount Drawn	Facility Available	Facility Maturity Date < 1 Years
Debt Facility Provider A	AUD	\$45,010,000	\$41,680,240	\$3,329,760	30-Sep-10
Debt Facility Provider A	NZD	\$11,000,000	\$10,450,000	\$550,000	30-Sep-10
Debt Facility Provider B	AUD	\$13,100,000	\$13,100,000	\$0	30-Sep-10
Debt Facility Provider B	AUD	\$15,500,000	\$15,500,000	\$0	30-Sep-10
Debt Facility Provider B	NZD	\$9,900,000	\$9,900,000	\$0	30-Sep-10
Total AUD Limit*		\$90,590,825	\$86,814,202	\$3,776,624	
* The Total AUD Limit is calculated based on the AUD/NZD Spot rate at 30 June 2010:					\$1.2308

(a) Portfolio Gearing:

At 30 June 2010, the Loan to Value Ratio (LVR) is 58.9%. This ratio is calculated as interest bearing liabilities divided by gross assets. This ratio indicates the extent to which the Assets of the Trust are funded by external liabilities or third party debt.

Gearing exposes the Trust to funding costs and therefore interest rate risk. Generally, as interest rates fall, so too does the cost of borrowing, and conversely as interest rates rise, borrowing costs increase. Historically, the Trust has substantially fixed its cost of borrowings by utilising interest rate swaps for the term of the debt. Management intends to enter into similar arrangements for new debt facilities going forward.

In the event that the maturing debt is not repaid or refinanced at 30 September 2010, the facilities would be operating under a default. Under these circumstances, the facility provider has the right to require immediate payment of any or all outstanding monies. The facility providers may also have the right to charge additional interest and penalties under these circumstances. These actions may adversely affect the unit holder's investment value as well as the returns achievable on the investment.

(b) Interest Cover:

The Interest Cover Ratio (ICR) is 1.54 at 30 June 2010. This ratio calculated earnings before interest and taxes, plus unrealised losses, minus unrealised gains divided by interest expense. This implies that the Trust's realised earnings before interest and taxes were 1.54 times its interest expenses for the period.

(c) Proposed Trust borrowings from 1 October 2010 to 30 September 2013:

To mitigate the debt refinancing risk, MAB Funds has obtained indicative terms for a facility extension from Facility Provider B (a major Australian Financial Institution) for debt facilities initially totalling A\$73.61 million and NZ\$20.9 million. MAB Funds is currently negotiating these terms and seeking to formalise an acceptable offer in August.

The proposed facility limits include undrawn amounts which are intended to be utilised to fund capital expenditure requirements. In particular, this includes an allowance for a refurbishment of part of the Mornington Village property. These works are being undertaken in order to attract a second major tenant.

A summary of the indicative terms is provided below:

- Facility Term of 3 Years.
- Establishment Fee of 0.75% of facility limit (50% payable up front and 50% payable 12 months from the date of initial drawdown).
- The pricing of the facility is summarised in the table below. Pricing will vary depending on the Loan to Value Ratio of the Trust which will be calculated as total facility limit divided by property valuations. The table also outlines the applicable interest cover ratio that will apply.

	No Greater than	No Greater than
LVR Covenant	55%	65%
Line Fee (per annum)	1.70%	1.90%
Margin (per annum)	0.90%	0.90%
Total	2.60%	2.80%
ICR Covenant	1.75 x	1.5 x

- The proceeds from asset sales are to be applied to debt reduction until such time as the LVR (calculated as the facility limit divided by the property asset valuations) is reduced by A\$40 million or an amount which will reduce the LVR to an amount less than or equal to 55%. The remaining funds will then be applied to fund the discounted withdrawal offer. To the extent there is excess in the proceeds from realisation, MAB funds may either apply this to the working capital of the trust or further debt reduction.

(d) LVR and ICR calculations per indicative terms sheet (calculated in accordance with the financier's requirements);

- The LVR of the trust calculated as the total facility limit divided by asset valuations is 62.3% as at 30 June 2010.
- The proceeds from asset sales are expected to be sufficient to ensure that the Trust will operate within an LVR covenant of no greater than 55% assuming that property valuations are achieved. In the event that there is a shortfall, the quantum of the discounted withdrawal offer may be reduced.
- The ICR for the 12 months to 30 June 2010 is 1.54 times. The interest cover forecast for the financial year ending June 2011 is 1.75 times, and is expected to increase to over 2 times for the financial years ending June 2012 and June 2013.

6. Assessment of options & financial projections

The following forecasts have been prepared based on various assumptions. Although care has been taken in preparing the forecasts, they are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Responsible Entity or are not capable of being foreseen or accurately predicted. Actual results and performance may differ from any forecasts and the assumptions on which those statements are based. Unitholders are cautioned not to place undue reliance on projections. The Responsible Entity is not making any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forecast.

Forecast Impact of the proposed recommendations:

- (a) Sell 3 Assets; Village Central Wyong, Trafalgar Square Shopping Centre NZ, and 50 Blackall Street Barton at the 30 June 2010 valuations. Assuming that the 30 June 2010 independent valuations are achievable, this would result in net proceeds of A\$50.76 million (A\$51.67 million less selling costs of A\$0.9 million).
- (b) Reduce debt by A\$40 million.
- (c) Facilitate a buy-back of 13.7 million units at a price of \$0.73 per unit (the unit price has been struck based on a 15% discount to the 30 June 2010 NTA).
- (d) The balance of proceeds are assumed to be retained as cash at bank, but may be utilised for further debt reduction, increased distributions or alternatively to cover unforeseen expenses.

6.2 Pro-forma Balance Sheet at 30 June 2010 and NTA

The forecast impact of the abovementioned recommendations on the capital structure are demonstrated in the unaudited 30 June 2010 Pro-forma Balance Sheet. The proposed assumptions have the effect of increasing the NTA from \$0.86 to \$0.88. At the date of writing, the 30 June 2010 audit had commenced, but is yet to be completed. MAB Funds does not expect any material changes to the financial position as a result of the completion of the audit.

The timing of asset sales will be structured over a reasonable period to maximise selling price. Management intends to complete the asset sales and debt reduction on or before 30 June 2011. The withdrawal offer is intended to be completed within 1 month of the completion of the property settlements.

Unitholders should be aware that the proceeds from asset sales will be applied to debt reduction first, and to then to fund the proposed withdrawal offer. In the event that there is a shortfall in proceeds from asset sales, the number of Units redeemed under the withdrawal facility may be reduced at the discretion of MAB Funds.

BALANCE SHEET (\$'000's)	Pro-forma June 2010 Unaudited	Projected adjustments resulting from acceptance of recommendation	Pro-forma June 2010 post completion of recommendation
Assets			
Cash and other liquid funds	1,464	764	2,228
Property	145,443	(51,668)	93,775
MAB FM Management Fee	359		359
Other Assets	8		8
Total assets	147,274	(50,904)	96,370
Liabilities			
Payables and accruals	1,400		1,400
Debt	86,814	(40,000)	46,814
Distributions Payable	659		659
Provision	1,740		1,740
Other Liabilities	106		106
Total liabilities	90,719	(40,000)	50,719
Net Assets Pre Unit Holders Liabilities	56,555	(10,904)	45,651
Unit Holders Liabilities			
Net assets attributable to unitholders	56,555	(10,904)	45,651
Total Unit Holders Liabilities	56,555	(10,904)	45,651
Net Assets	-	-	-
Units on Issue ('000's)	65,866	(13,699)	52,167
Net tangible asset backing per unit (\$)	0.86		0.88

The Adjustment to Net assets attributable to unitholders takes into account the \$10.0 million buyback and the selling costs of 1.75% of sale proceeds (\$904,000).

6.3 Distribution forecasts

Forecast unit holder distributions are based on various best estimate assumptions. Actual results may differ from forecasts. Investors should read the Risks in section 7 in order to understand the factors which may affect the distribution forecasts.

Financial Year Ending	Jun-11	Jun-12	Jun-13
Distribution (CPU)	4.00	4.50	5.00

6.4 Internal rate of return (IRR)

In assessing the options available to the Trust, MAB Funds has prepared internal rate of return figures based on a wind up in December 2010 so as to facilitate a comparison to the proposed recommendation.

Under the wind up scenario, MAB Funds projects that the internal rate of return would be approximately **4.9%** per annum since inception of the Trust; and would result in a NTA per unit of approximately **\$0.83** (being the unaudited 30 June 2010 NTA of \$0.86 less selling costs equal to 1.75% of sale prices). This assumes that sale prices will be equivalent to the 30 June 2010 valuations and that the debt facilities are refinanced accordingly.

On the basis that the recommendations are approved, MAB Funds believes that it is reasonable to assume that the remaining assets would experience capital growth averaging 3% annually through to 2013.

Assuming that the properties are sold in 2013, and that the portfolio experiences annualised capital growth of 3% per annum, the 2013 NTA is projected to be **\$0.99** net of selling costs and result in an internal rate of return of **6.81%** per annum since inception of the Trust.

A sensitivity analysis comparing the effect of possible variations to the capital growth percentage and the impact on the forecast IRR and NTA is illustrated below:

IRR and NTA annualised capital value sensitivities	Annualised growth/ (decline) in asset values	IRR October 2004 through September 2013	2013 NTA (net of selling costs)
	4.00%	7.34%	\$1.05
	3.00%	6.81%	\$0.99
	2.00%	6.27%	\$0.94
	1.00%	5.71%	\$0.88
	0.00%	5.14%	\$0.83
	-1.00%	4.56%	\$0.77
	-2.00%	3.95%	\$0.72
	-3.00%	3.33%	\$0.67
-4.00%	2.69%	\$0.62	

Based on this information, and assuming capital growth to be an average of 3% per annum, MAB Funds is of the opinion that an extension of the term of the Trust provides the best opportunity for Members to maximise the returns on their investment.

Warning Concerning Forecasts

These explanatory notes, including the forecasts, have been carefully prepared and reviewed by MAB Funds. However all forecasts are based on various assumptions and so they are not a guarantee of future performance. Unitholders should appreciate that many factors affect results; known and unknown risks, uncertainties and other factors, many of which are outside the control of MAB Funds or may not be capable of being foreseen or accurately predicted. Accordingly, actual results may differ from the forecasts and Unitholders are cautioned not to place undue reliance on projections. MAB Funds is not making any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forecast.

6.5 Fees and Costs

If the proposed resolutions are approved, the fees that will be payable to MAB Funds are set out in the table below.

Type of Fee	What is the Fee for?	How is the Fee calculated and Paid?
Management Fee	This fee remunerates MAB Funds for management of the trust.	0.50% per annum ¹ of the gross assets of the Trust. This equates to \$250 for a \$50,000 investment. Paid quarterly in arrears from the income of the Trust.
Performance Fee	This fee represents a fee payable to the Responsible Entity for the successful management of the Trust.	2% of the net sale proceeds of the Properties. For example, net sale proceeds of \$10,000,000 would attract a fee of \$200,000 as long as the \$10,000,000 proceeds exceeded the equity representing the Properties. Paid to the Responsible Entity from the proceeds of the sale of the properties at the time the Trust is terminated (provided net proceeds exceed equity subscribed).

1. Under the Constitution the Responsible Entity is entitled to a management fee from the Trust equal to 1.0% per annum of the gross assets of the Trust (exclusive of GST) paid quarterly in arrears. MAB Funds has agreed to waive a portion of this fee and will charge the Trust a management fee of 0.5% per annum of the Trust's gross assets (plus GST). If the forecast distributions are exceeded in any given year, the amount will increase from 0.50% to 0.65% that year (provided the amount by which the Forecasts are exceeded provides sufficient excess funds to allow for this increase).

Fees and Expenses

The tables below include forecast annual operating expenses for the financial year ending 2011, forecast expenses associated with the recommendation and projected costs associated with the proposed debt refinancing.

FY11 Estimated annual operating expenses		A\$ ('000's)
MAB FM Management Fee		718
Accounting		66
Custody		82
Registry		66
Administration costs		24
Audit		35
Legal Fees		30
Tax Advice		30
Contingency		60
TOTAL		1,111
Gross Asset Value at 30 June 2010		147,274
Indirect Cost Ratio		0.75%
Other expenses associated with the recommendation and debt refinancing		A\$ ('000's)
Legal advisory expenses associated with the recommendation		30
Debt establishment fee		679
Legal costs associated with new debt facility		150
TOTAL		859

Management has taken these expenses into account in forming its recommendation and believes that the resolutions proposed are in the best interests of unitholders and the Trust as a whole.

6.6 Taxation

This information on taxation below is general and each Unitholder should seek their own tax advice on the tax implications to them of the extension of the Syndicate's term.

The Trust is not liable for Australian income tax provided all the income and realised gains are fully distributed to Unitholders each year or the Unitholders become presently entitled to all the taxable income. The Trust will be liable for income tax in New Zealand, at the rate of 30%, on net New Zealand source income. Unitholders will be liable for tax on the distributions they receive at rates applicable to each individual Unitholder's personal tax circumstances, with a foreign tax credit available in respect of the New Zealand tax paid by the Trust. For an overview of taxation matters affecting the Trust and its investors refer to previous Product Disclosure Statements available at www.mabfunds.com.au.

6.7 Continuous disclosure

Please refer to the MAB Funds website (www.mabfunds.com.au) for disclosure principles required to be provided under ASIC Regulatory Guide 46. This information has been updated as at 2nd August 2010 and contains important disclosures with respect to the Trust.

6.8 Not financial advice

These Explanatory Notes are not financial product or investment advice. They have been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision you should consider the appropriateness of the information having regard to your own objectives, financial situation and needs and seek legal, taxation and financial advice as appropriate.

7. Risks

There are various risks associated with investing in the Trust.

Investment Risks

All investments involve varying degrees of risk. Generally, the higher the projected returns, the higher the risk.

While there are many factors which may impact on the performance of any investment, the summary below details some of the general and specific risks that investors should be aware of. Members should consider their own personal investment objectives and financial circumstances and the risk factors set out below.

General Risks

Property market risk

The property market can rise and fall and there is no guarantee as to the state of the property market throughout the term of the Trust. A downturn in the property market in general may adversely affect the value of the Properties and in turn the value of Units.

Overall economic conditions

The general state of the Australian, New Zealand and international economies as well as changes in inflation, taxation, monetary policy, exchange rates and statutory requirements may have an influence on investments generally. A downturn in the economy may slow growth in retail spending, employment and the growth in income from the Properties.

Changes in government legislation

Government legislation, including changes to taxation laws, may affect future earnings and the relative attractiveness of investing in the Trust. Changes to the tax law in Australia may affect the tax treatment of the Trust in particular and the market for property trust investments generally.

Specific Risks

Assumptions upon which the forecasts and projections are based may not occur, or may occur in a manner different to that assumed by MAB Funds, including:

The sale price of the properties and asset price risk

Unitholder returns are affected by asset prices at the time of disposal. MAB Funds is recommending the sale of three assets to pay down debt, and facilitate a withdrawal offer to unitholders in the near term. If the funds available from the sale of the three properties are insufficient to fund payment of all redemption requests, Unitholders investments will be redeemed on a pro rata basis based on the proportion their withdrawal request bears to the total withdrawal requests.

Whilst MAB funds has formed a view that the property markets and asset prices will recover over the next 3 years, it is possible that asset prices realised at the end of the proposed term could be below expectations and reduce returns to Unit holders.

Tenancy & leasing Risk:

The financial strength of the Property's tenants affects their ability to make rental payments. If tenants become unable to meet their lease commitments, this may affect the forecast returns to Unitholders.

Unitholder returns are also affected by occupancy levels at each property, and as such future lease expiries pose a risk to the cash flows of the trust and returns to unitholders.

Borrowings, refinancing and access to capital markets

The borrowings used by the Trust have a leveraging effect on this investment by increasing the potential gains or losses. Returns from a geared investment will generally be more volatile than returns from a less highly geared or an un-geared investment.

A key risk associated with this investment is refinancing risk associated with debt facilities maturing at 30 September 2010. Indicative facility terms have been received from an existing financier to provide a debt facility for the portfolio of assets for a three year term from 1 October 2010. MAB funds is currently negotiating the terms provided with a view to obtaining a facility for three years. MAB Funds is seeking to formalise an acceptable offer in August.

Non-satisfaction of debt facility covenants

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. This may result in forced asset sales and or requirements to raise further capital.

Capital expenditure requirements

The good condition of the properties suggests that capital expenditure is likely to be low during the forecast period. Notwithstanding this, any unforeseen capital expenditure may result in a reduction in distributions to Investors or an increase in borrowings. Forecasts assume that major capital expenditure requirements will be funded by increases in borrowings. Capital expenditure projections include an allowance for a substantial refurbishment at the Mornington property in order to attract a second major tenant. In the event that the new facility does not cater for this, distributions may need to be reduced.

Exchange rate risk

Two properties are located in New Zealand. When overseas assets are purchased by Australian or domestic entities, exchange rate or currency risk is introduced. A currency risk is the risk of a loss or gain on New Zealand asset values due to changes in the exchange rate between the New Zealand and the Australian currency. This means that if the NZD depreciates or appreciates relative to the AUD the value of the asset in AUD will also depreciate or appreciate respectively.

Interest rate risk

It is intended that Interest Rates under each of the debt facilities will be fixed for the amount of funds drawn for term of that debt facility. Any changes to the interest rates between the date of this document and the date of the meeting may impact the forecasts.

Unforeseen expenses

The Responsible Entity is not aware of any expenses that may need to be incurred in respect of the Properties that have not already been taken into account in the forecasts. However, if unforeseen expenses were to be incurred, the Distributions may be reduced as a result.

No liquidity beyond provision of limited withdrawal facility

Investments in the trust will not be liquid and there will not be a secondary market or a redemption facility for Units, beyond the provision of the limited withdrawal facility in accordance with the proposed recommendation.

Insurance risk

MAB Funds has arranged appropriate insurance for the risks associated with the ownership of properties such as the Properties which are normally insured. There is no certainty such insurance will be or continue to be available or that premiums will not rise and this may affect the projected income of the Properties. Insurance policies typically have exclusions such as some acts of terrorism and war. In the event of damage or loss as a consequence of an exclusion, or if insurance is unavailable, returns to Investors may be adversely affected.

Forecasts

The forecast information provided in these Explanatory notes is based on certain assumptions which are inherently subject to significant uncertainties. The actual results and outcomes may therefore differ from the current estimates.

Conclusion

As with any property investment, this investment is, by its nature, a speculative investment. No guarantee is or can be given that there will be a capital gain arising on the sale of the Properties, that the Portfolio will not decrease in value or that Distributions will be similar to those forecast in this Information Memorandum for the Forecast Period or later.

8. Constitution amendments

8.1 The *Corporations Act 2001 (Cth)* requires that if the responsible entity of a registered scheme proposes to allow members to withdraw from the scheme while the scheme is not liquid, the constitution of the registered scheme must provide for this and the withdrawal offer must be made in accordance with the constitution. In addition, the right to withdraw, and any provisions in the constitution setting out procedures for making and dealing with withdrawal requests, must be fair to all unitholders.

8.2 The Trust constitution does provide for Unitholders to be offered a withdrawal right. However the constitution states that redemption price to be applied to such a withdrawal be calculated as:

the net asset value of the trust assets, determined at the time the withdrawal offer closes

÷

the number of Trust units on issue.

8.3 As explained above, MAB Funds does not consider it in the interests of the Fund as a whole to offer a withdrawal right at this price. Global property markets have diminished in value considerably. The withdrawal offer requires MAB Funds to realise certain losses in the value of the assets proposed to be sold. Accordingly, MAB Funds considers that it is appropriate to apply a 15% discount to this price calculated at 30 June 2010 to balance the interests of those Unitholders seeking a partial withdrawal with those Unitholders prepared to maintain their investment.

8.4 The amendments required to the Trust constitution are set out in the Notice of Meeting.

9. Voting on the resolutions

- 9.1 The resolutions proposed at the meeting affect the future of your investment in the Fund. You are therefore encouraged to either attend the meeting in person and vote on the resolutions, or appoint a proxy to attend and vote in your place.
- 9.2 Resolution 1 seeks approval to extend the term of the Fund. Resolution 1 is an ordinary resolution. It will be passed if approved by a simple majority of the Unitholders present and voting at the meeting either in person or by proxy.
- 9.3 Resolution 2 seeks approval to an amendment to the Trust constitution. Resolution 2 is a special resolution. It will be passed if approved by 75% of votes cast by Unitholders present and voting at the meeting either in person or by proxy.
- 9.4 Under the *Corporations Act 2001* (Cth), where the responsible entity of a registered scheme holds an interest in that scheme, the responsible entity and its associates are not entitled to vote on a member resolution if the responsible entity has an interest in the outcome of the resolution other than as a member of the scheme.
- 9.5 MAB Funds is entitled to fees from the Fund for services it provides as responsible entity. Accordingly, MAB Funds has an interest in the outcome of Resolution 1 other than as a member, and so is not entitled to vote on Resolution 1.
- 9.6 Neither MAB Funds, nor any associate of MAB Funds will vote any Units they hold on Resolution 1. However MAB Funds and its associates may vote as proxy for another Unitholder where the Unitholder has specified the manner in which the proxy is to vote.

Additional information

MAB Diversified Property Trust (ARSN 103 463 467) (Trust) Proxy form for Extraordinary General Meeting – 7 September 2010

To: The Company Secretary
MAB Funds Management Limited (**Responsible Entity**)
Level 5, 441 St Kilda Road, Melbourne, Victoria, 3004, Australia

Fax: 03 8681 2100

Appointment of Proxy

I/We, _____ *[Name of investor]*

of _____ *[Address of investor]*

being a Unitholder(s) of the Trust and entitled to attend and vote

appoint as my/our proxy _____ *[Name of proxy]*

of _____ *[Address of proxy]*

or, failing him or her, the Chairman of the Extraordinary General Meeting of the Trust to be held at Level 5, 441 St Kilda Road, Melbourne, Victoria, 3004 on Tuesday, September 7, 2010 at 11.00am to vote for me/us at that meeting and at any adjournment of it.

Appointing a second proxy - If you wish to appoint two proxies, see overleaf, item 4.

Important :

- If the Chairman of the Meeting is to be your proxy and you have not directed your proxy how to vote on the resolution, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he or she has an interest in the outcome of the resolution and that votes cast by him or her, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majorities.

The Chairman intends to vote undirected proxies in favour of the resolutions.

Voting - I/We direct my/our proxy to vote in accordance with the directions below. Unless the proxy is directed, they may vote or abstain as they think fit, as they will on any other matters arising at the meeting.

Resolutions	For	Against	Abstain *
-------------	-----	---------	-----------

- | | | | |
|---|--------------------------|--------------------------|--------------------------|
| 1. To approve the following resolution: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|---|--------------------------|--------------------------|--------------------------|

'That the Members approve the recommendation of the Responsible Entity for the future strategy as set out in the Explanatory Notes accompanying the notice of this meeting.'

- | | | | |
|--|--------------------------|--------------------------|--------------------------|
| 2. To approve the following resolution which will be proposed as a special resolution: | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
|--|--------------------------|--------------------------|--------------------------|

'That the Constitution of the MAB Diversified Property Trust is modified as follows:

1. *insert in clause 25.1 immediately before the definition of 'Application Price' the following new definition:*

'2010 / 2011 Withdrawal Offer means a withdrawal offer made by the Responsible Entity to Members registered as such on or about 31 March 2011 (or another date in 2010 or 2011 determined by the Responsible Entity) and designated by the Responsible Entity as the withdrawal offer for the purposes of this definition.';

2. *insert after clause 6.3 the following new clause 6.4:*

'6.4 2010 / 2011 Withdrawal Offer

(a) Nothing in this clause 6.4 limits the power of the Responsible Entity to redeem Units at a Redemption Price calculated in accordance with clause 6.1 in respect of any withdrawal offer other than the 2010 / 2011 Withdrawal Offer.

'(b) Despite clauses 6.1 to 6.3 inclusive, a Unit must only be redeemed under the 2010 / 2011 Withdrawal Offer at a Redemption Price equal to \$0.73.';

and the Responsible Entity is authorised to execute and lodge with ASIC a supplemental deed evidencing the

above modifications.'

* If you mark the Abstain box, you are directing your proxy not to vote on your behalf on a show of hands or on a poll, or if your votes entitlement cannot be voted by the Chairman of the Meeting, your votes will not be counted in computing the required majority on a poll. Accordingly, the Responsible Entity urges members to lodge only "Directed" Proxy forms (ie, forms directing proxies to vote 'For' or 'Against' the proposed resolutions)..

Authorised signature/s

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Investor A/Trustee A/Director/Company Secretary

Investor B/Trustee B/Director *(if required)*

Contact Name

Contact Daytime Telephone

Date

How to complete this proxy form

Your Name and Address

The Notice of Meeting and this proxy form have been sent to your name and address as it appears on the register of the Trust. If this information is incorrect, please advise the Responsible Entity of your new details.

Appointment of a Proxy

If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting, please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy and vote on your behalf. A proxy need not be a unitholder of the Trust.

Votes on items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite the resolution. All your units will be voted in accordance with this direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of units you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the resolution, your proxy will vote as he or she chooses. If you mark more than one box on the resolution, your vote on the resolution will be invalid.

Appointment of a Second Proxy

If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the Responsible Entity on 1800 760 012 or you may copy this form.

To appoint a second proxy you must:

on each of the first proxy form and the second proxy form, state the percentage of your voting rights or number of units applicable to that form. If two proxy forms are received but no percentage or number of votes is indicated, each proxy may exercise half your votes. Fractions of votes will be disregarded; and return both forms together in the same facsimile transmission or in the same envelope.

Authorised Signature(s)

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name, all of the holders must sign.

Power of Attorney: to sign under a power of attorney, you must have already lodged this document with the share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the power of attorney to this form when you return it.

Companies: a director may sign jointly with another director or a responsible entity secretary. A sole director who is also a sole responsible entity secretary may also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the responsible entity is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the Responsible Entity by telephoning on 1800 760 012.

Lodgement of Proxy

To be valid the form appointing the proxy and the power of attorney or other authority (if any) under which it is signed (or a certified copy of it) must be lodged with the Responsible Entity by any of the following:

by hand delivery or post to the Responsible Entity's offices at 441 St Kilda Road, St Kilda VIC 3004; or by faxing it to fax number 03 8681 2100, to be received not later than 5:00PM, Friday September 3 2010.

7. Please note that there are no voting exclusions that apply to the business of the meeting as set out in the Notice of Meeting.
8. Members are urged to complete any one of the "FOR", "AGAINST" OR "ABSTAIN" boxes, so giving a directed proxy which then can be voted in all circumstances.

**Documents may be lodged by posting, delivery or facsimile to
MAB Funds Management Limited as noted on page 4 of the Notice of extraordinary
general meeting.**