

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” or “Fund”) 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 unaudited management accounts for the Fund, being for the period ended 30 June 2011. 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 may 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 2011, the Trust had a gearing ratio of 71.6% (If the value of loan notes that are held by unitholders is excluded, the gearing ratio is 66.4%). At 30 June 2010 the Trust had a gearing ratio of 77.7% (If the value of loan notes that are held by unitholders is excluded, the gearing ratio is 72.2%). 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 too does the cost of borrowing, and conversely as interest rates rise, borrowing costs increase.

The Trust does not have any off balance sheet financing as at 30 June 2011.

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 2011, MIRT had an interest cover ratio of 1.1 times.

This implies that the Trust's realised earnings before interest and taxes (minus unrealised gains plus unrealised losses) were 1.1 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. The interest expense also includes interest that is capitalising as part of the revised facility terms with Facility Provider E. Refer to section 3, fund borrowings for updated disclosure on this matter.

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:

Debt Facility Profile at 31 October 2011	Amount Drawn US\$	Loan Type	Facility Maturity Date	Effective Interest Rate*	Interest Rate Type
Debt Facility Provider A - U.S. CMBS Loan	10,232,946	Amortising	Dec-2013	6.10%	Fixed
Debt Facility Provider B - U.S. CMBS Loan	7,918,930	Amortising	Apr-2025	6.18%	Fixed
Debt Facility Provider C - U.S. CMBS Loan	6,038,521	Amortising	Aug-2013	5.40%	Fixed
Debt Facility Provider D - U.S. CMBS Loan	2,649,919	Amortising	Jul-2024	6.35%	Fixed
Australian Lender - Facility E1	3,541,756	Interest Only	Dec-2011	3.50%	Variable
Australian Lender - Facility E2	3,600,000	Interest Only	Dec-2011	3.50%	Variable
Australian Lender - Facility E3	1,193,400	Interest Only	Dec-2011	3.50%	Variable
Australian Lender - Facility E4	1,681,100	Amortising	Dec-2011	11.30%	Variable
Unsecured Loan Notes	2,970,274	Interest Only	Dec-2013	7.44%	Fixed
Total	39,826,846				

* Assumes US\$ LIBOR rate of 0.3% for the Australian Lender Facilities.

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 when the a loan facility matures, MAB Funds would be required to either refinance or extend the existing debt facility beyond the maturity date, or alternatively replace the debt with additional equity capital, or a combination of the two. 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.

Maturity of Australian Lender Facility

The Australian Lender debt facility was originally due to expire in October 2011. This risk was foreshadowed in the previous Information Memorandum dated 22nd November 2010. Refinancing of this facility has been a priority, and MAB Inc undertook a strategy to maximise the attractiveness of the facility for an incoming lender by closing out the capital foreign currency hedge contract which was in the money and resulted in a debt reduction of US\$1.2 million of the Australian Lender facility.

The Australian Lender had previously indicated that its strategy is to cease its lending activities in the USA and accordingly earlier this year we sought terms from the US debt markets to refinance its facilities. Whilst we did receive offers of finance from US financiers, the detailed terms of such were inflexible and restrictive and acceptance of such was considered not to be in the best interests of MIRT.

We therefore reapproached the Australian Lender and asked it to reconsider its position on the basis that its debt facilities are restructured by offering additional security and by repaying a portion of the loans. This encompassed completing the purchase of Building E at Eastfield and extracting the property tenanted by ABC liquor at Eastfield Village ("Eastfield Building C") such that both assets can be provided as additional security to the Australian Lender.

The Australian Lender has now agreed to continue to support MIRT and has offered a new debt facility expiring in October 2014 subject to the execution of amended loan documentation on the following basis:

- Sufficient capital be raised to facilitate:
 - a debt reduction of US\$753,737 be completed to reduce the Australian Lender LVR such that it is no greater than 75% of the 30 June 2011 Independent valuations;
 - completion of the purchase of Building E at Eastfield (Balance of settlement proceeds US\$1,023,000);
 - cover the costs associated with the assignment of Eastfield Building C and Eastfield Building E to the Australian Lender's security pool;
 - payment of the debt facility establishment fee and associated legal expenses estimated at US\$260,000; and
 - payment of capital raising costs associated with completing the offer.
- Amortisation payments will be required under the new facility such that the LVR reduces to 60% from the initial 75% over a period of two years from the commencement of the facility.
- The Facility pricing is structured as follows:
 - Margin for facility up to 60% LVR 2.75% (compared to 3.2% previously).
 - Margin for the balance of facility up to 75% LVR is 7.5% (compared to 11% previously).
 - The Australian Lender USD interest rate swaps expired in October 2011, and the cost of debt under the new facilities is expected to reduce given that the new facilities are priced based on the US\$ LIBOR rate.
 - Interest rates for 70% of the new facility limits excluding the facility to MAB Inc are to be fixed using interest rate swaps. The 3 year US\$ LIBOR rate is projected at 0.85%.
- A related party of MAB Funds has provided a loan to the Trust to facilitate:
 - The acquisition of Building E at Eastfield in October;
 - The required Australian Lender's debt reduction;
 - Funding of the anticipated legal expenses associated with the refinance; and
 - Additional working capital for MAB Inc.
 - The Australian lender requires that the related party loan be repaid with the proceeds of this Offer.

Related party loan

- MIRT has borrowed A\$2,450,000 from a related party of MAB Funds. The proceeds of this Offer will be partially applied to repay this facility.

Financial Covenants

- Post completion of this offer, it is anticipated that the financial covenants for each debt facility will be satisfied. There is a risk that certain circumstances may cause further asset value declines and/ or reduced rental income from the properties as well as other circumstances which could ultimately cause a breach of financial covenant.

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.

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 documents.

Unsecured Loan Notes

Unsecured Loan Notes with a face value of A\$3,729,222 have been issued by MAB Inc to existing investors in accordance with the Notes Trust Deed. The notes have a maturity date in December 2013 and are unsecured. It is anticipated that the Notes will continue to be serviced in accordance with the Trust Deed through to expiry of the Notes.

Hedging Arrangements

The Australian Lender is also the provider of a number of cross currency swaps and interest rate swap arrangements to the subsidiaries of the Trust. These arrangements are outlined below. In the event that the Australian Lenders debt facilities are refinanced, cash collateral will be required to support the hedging arrangements. Refer to Section 10 for further detail on this risk.

Capital foreign currency hedge

MAB Inc undertook a strategy to maximise the attractiveness of the facility for an incoming lender by closing out the capital foreign currency hedge contract in January 2011 which was in the money and resulted in a debt reduction of US\$1.2 million of the Australian Lender facility. The US\$ equity invested in MAB Inc is unhedged and the A\$ value of capital returned to Australia will be subject to the A\$/US\$ exchange rate applicable at the time of the transaction. **Refer to Section 10 for further detail on this risk.**

Note foreign currency hedging

MAB Inc has entered into a number of cross currency swaps which have the affect of converting the face value of the Australian dollar denominated debt instrument to a United States dollar denominated debt instrument. It is intended that these contracts will be retained.

Interest rate hedging

MAB Inc had previously entered into interest rate swaps with a face value of US13.3 million for its Australian Lender Facilities, these swaps expired in October 2011. Interest rates for 70% of the new facility limits excluding the facility to MAB Inc are intended to be fixed using interest rate swaps. The 3 year US\$ LIBOR rate is projected at 0.85%. A component of the new facility will therefore be subject to changes in the US\$ LIBOR rate over the term of the loan.

4. Portfolio Diversification

Disclosure Principle

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

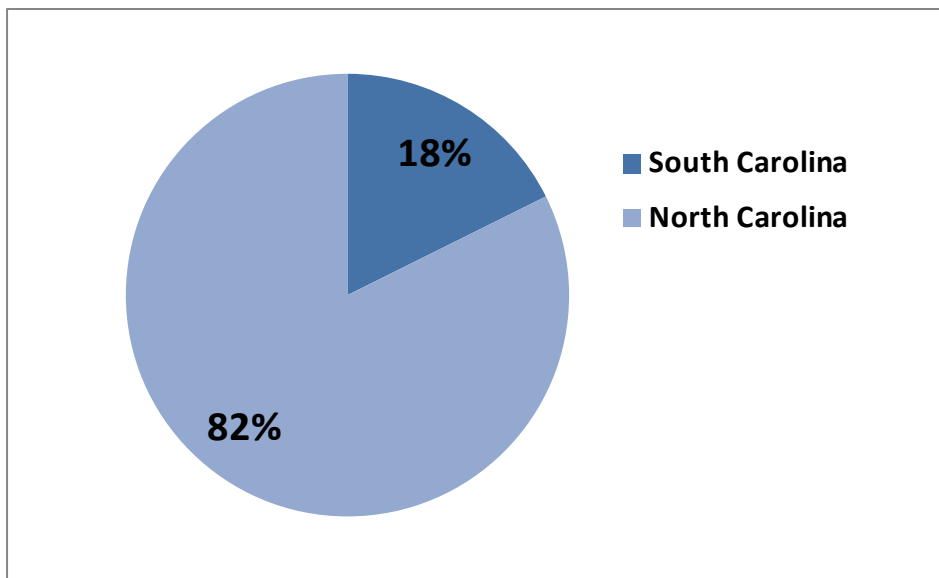
ASIC's Description

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:

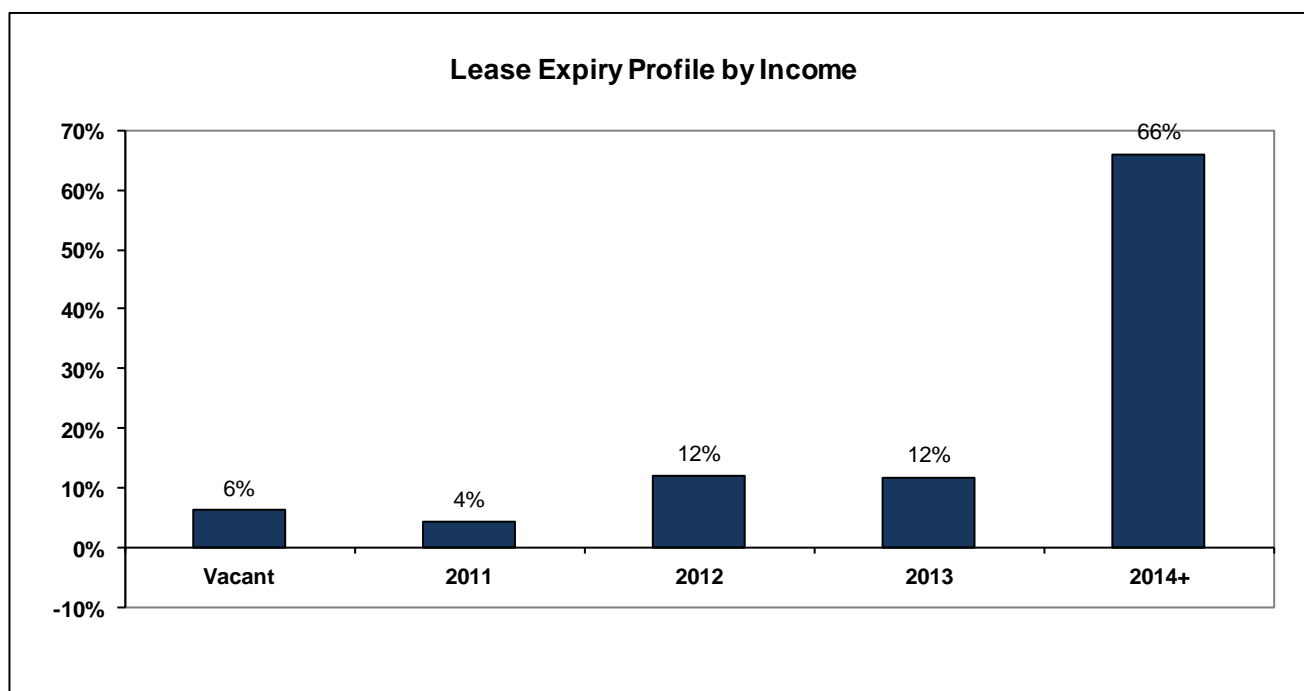
Property	Location	GLA	Independent Valuations dated July and August 2011 US\$	Capitalisation Rate
Grandview Plaza	North Carolina	54,600	US\$4,100,000	9.25%
Cheshire Place	North Carolina	57,279	US\$4,375,000	9.25%
Cheshire Commons	North Carolina	46,639	US\$7,500,000	8.00%
Eastfield Village	North Carolina	87,400	US\$17,500,000	8.00%
Terraces at Park Place	North Carolina	82,396	US\$12,450,000	9.00%
Summerville Plaza	South Carolina	107,800	US\$8,550,000	9.50%
		436,114	US\$54,475,000	8.66%

These valuations are based on independent valuations obtained in July and August 2011. The Eastfield Village valuation includes the US\$2.0 million value of Building E which was acquired in October 2011 by Eastfield 2 SC Property Holdings, an existing subsidiary of MAB American Property REIT Inc. Building E is tenanted by a restaurant and a Gym operator.

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

Leasing Profile and Occupancy Levels

The portfolio has a 93.8% occupancy level by income and a weighted average lease expiry profile of 4.88 years. The charts below demonstrate the lease expiry profile for MIRT as at 1 October 2011 as well as the 5 largest tenants along with their percentage contribution to gross income.



Rank	Tenant	Percentage of Total Gross Annual Income
1	Food Lion	13.13%
2	Lowes Food	11.63%
3	BiLo	8.83%
4	Rite Aid	4.82%
5	Piggly Wiggly	4.00%

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.

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 are available on the MAB Funds Website www.mabfunds.com.au. Since the date of the most recent annual accounts dated 30 June 2011, MAB International Retail Trust has secured a loan from a related party of MAB Funds has provided a loan to facilitate:

- The acquisition of Building E at Eastfield in October;
- The required Australian Lender's debt reduction;
- Funding of the anticipated legal expenses associated with the refinance; and provide
- Additional working capital for MAB Inc.

The Australian lender requires that the related party loan be repaid with the proceeds of this Offer.

Related parties of the Responsible Entity own units in the Trust.

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

The Responsible Entity for MIRT, has suspended the payment of distributions to unitholders as a result of the current position of the Trust and in accordance with the conditions associated with the loan arrangements.

MAB Inc intends to continue to make interest payments of 0.2075 cents per quarter to its note holders (who are also its unitholders).

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.

With respect to the exit strategy at the review date, the original Product Disclosure Statement notes that Unitholders will be given an opportunity to withdraw after 7 years from the issue of the Units (March 2014).

Unitholders seeking to withdraw their Units from the Investment will have the Units redeemed by the Responsible Entity. Requested Unit redemptions will be funded by asset sales if cash reserves and/or alternate investors cannot be identified to meet redemptions. The Unit Redemption Price will be calculated in accordance with the Constitution and will reflect the underlying value of the Trust's assets net of all liabilities, costs, fees and taxes.