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 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 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 financial statements for the Fund, being for the period ended 30 June 2018.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 as at 30 June 2018, indirectly owned 5 investment properties located in the south eastern states of the United States of America. These assets were acquired during 2006 and 2007 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 many 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 2018, the Trust had a gearing ratio of 49.2% and as at 30 June 2017 the Trust had a gearing ratio of 52.1%.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 2018.

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 2018, MIRT had an interest cover ratio of 4.54 times compared to a ratio of 2.00 times a year earlier.

This implies that the Trust's realised earnings before interest and taxes (minus unrealised gains plus unrealised losses) were 4.54 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. Refer to section 3, fund borrowings for updated disclosure on this matter.

The current year ratio includes a one off A$4.06M lease termination fee from Harris Teeter at Eastfield Village. This is required to fund a Fitout Incentive for the replacement anchor tenant, Food Lion. When the ratio is adjusted for this one off income, the current year interest cover is 2.09 times.

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 30 June 2018	Amount Drawn/Facility Limit US$	Loan Type	Facility Maturity Date	Effective Interest Rate*	Interest Rate Type
Debt Facility Provider A - U.S. CMBS Loan	$ 8,858,586	Amortising	Sep-2023	6.10%	Fixed
Debt Facility Provider B - U.S. CMBS Loan	$ 5,638,795	Amortising	Apr-2025	6.18%	Fixed
Debt Facility Provider D - U.S. CMBS Loan	$ 1,535,849	Amortising	Jul-2024	6.35%	Fixed
Australian Lender - Facility E1	$ 2,275,000	Interest Only	Mar-2019	4.82%	Floating
Australian Lender - Facility E2	$ 2,335,000	Interest Only	Mar-2019	4.82%	Floating
Australian Lender - Facility E3	$ 2,610,000	Interest Only	Mar-2019	4.82%	Floating
Total Senior Debt	**$ 23,253,230**				

Gearing has the potential to enhance investor returns, whilst increasing the potential for capital gains and capital losses. There are four 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

Subsequent to 30 June 2018, the Scheme sold The Terraces at Park Place and Grandview Plaza. Out of these proceeds, *Debt Facility Provider A* and *Australia Lender – Facility E2* have been repaid in full, whilst the balances of *Australian Lender – Facility E1* and *Australian Lender – Facility E3* have been reduced to US$900,861 and US$479,139 respectively.

Financial Covenants

The facility providers have financial covenants which have been satisfied at 30 June 2018.

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.

Hedging Arrangements

Currently, no hedging is in place for the MIRT portfolio. The Australian lender has waived any requirements relating to interest rate hedging. All USD loans are fixed interest amortising loans.

Management continues to monitor both interest and foreign exchange exposures and will consider implementing a hedging arrangement if it is believed to be in the best interests of unitholders.

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:
All Assets are located in North Carolina, USA.

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:

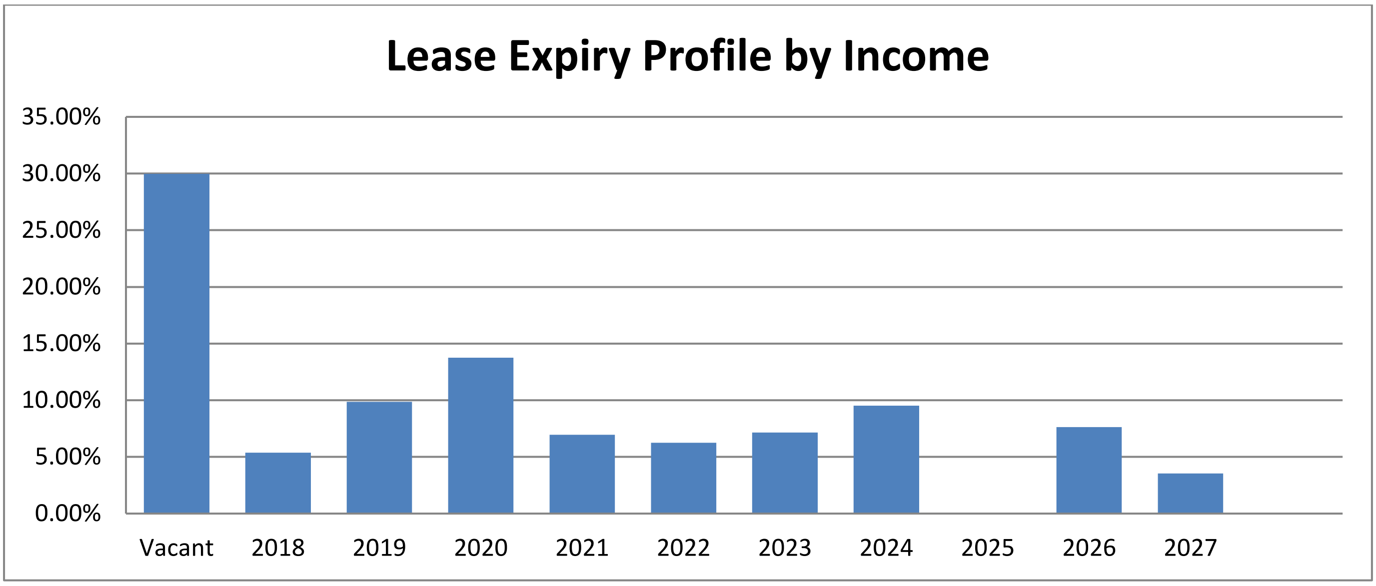
Property	Location	GLA	Independent Valuations	Cap Rate
Grandview Plaza	North Carolina	54,600	$ 5,550,000	7.0%
Cheshire Place & Cheshire Commons	North Carolina	57,279	$ 12,000,000	8.9%
Eastfield Village	North Carolina	95,562	$ 15,750,000	9.3%
The Terraces at Park Place	North Carolina	81,440	$ 12,350,000	8.6%
		288,881	45,650,000	

The Terraces at Park Place and Grandview Plaza were valued in line with executed sales contracts, Cheshire Commons was valued in line with an offer received from an independent third party and Eastfield Village and Cheshire Place were valued in line with a director's assessment completed at 30 June 2018. Subsequent to 30 June 2018, The Terraces at Park Place and Grandview Plaza have been sold at the prices listed above.

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

Leasing Profile and Occupancy Levels

The portfolio has a 70.03% occupancy level by income and a weighted average lease expiry profile of 3.13 years. The charts below demonstrate the lease expiry profile for MIRT as at 30 June 2018 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	22%
2	Gold's Gym	4%
3	Plato's Closet	3%
4	Duron	3%
5	Dollar Tree	3%

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 Disclosure Principle 5

The Directors 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.

Independent valuations were last completed for all properties as at 30 June 2017. Subsequent to these valuations, contracts of sale for The Terraces at Park Place and Grandview Plaza were executed and valuations for these properties at 30 June 2018 were in line with the contracted amounts. Furthermore, a sales process resulted in an offer being received for Cheshire Commons and being adopted as the valuation of the property as at 30 June 2018. Finally, key leasing activity during the 2018 financial year prompted adjustments to the valuations of Eastfield Village and Cheshire Place from the aforementioned independent valuations.

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 Disclosure Principle 6

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.

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 Disclosure Principle 7

Distributions are paid from current year profits and (to the extent necessary) prior year retained earnings.

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

Quarterly Distributions have ceased following the sale of The Terraces at Park Place and Grandview Plaza, along with the lease termination of Harris Teeter at Eastfield Village. In line with Investor communication sent on 15 August 2018, future distributions are to be comprised of proceeds from the sale of assets.

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 Disclosure Principle 8

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, this opportunity was provided and unitholders wishing to exit had their units redeemed in March 2014.

For unitholders who have decided to remain invested, MIRT will now continue for a period of up to five years from 9th March 2014. We will provide a further right to withdraw on or about 9 March 2019. We would also like to confirm that we will continuously review the opportunity to sell the MIRT assets over the 5 year extension period. If we take the view that it is in investor's best interests to sell the assets and wind up the Trust during the extension period, then we will do so.