

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 <https://www.mab.com.au/investment-management-investments/>.

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 2021. 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 owned 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. As at 30 June 2021, each of the 5 properties had been sold and wind up of The Fund had commenced. The Fund 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 Fund'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

All debt had been repaid as at 30 June 2021, therefore the Gearing Ratio was no longer relevant.

2. Interest cover

Disclosure Principle

This principle indicates The Funds'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

All debt had been repaid as at 30 June 2021, therefore the Interest Cover Ratio was no longer relevant.

3. Scheme borrowing

Disclosure Principle

This principle requires information on The Fund'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

All debt had been repaid as at 30 June 2021.

4. Portfolio Diversification

Disclosure Principle

This information addresses The Fund'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 final property was sold during March 2021 in line with the strategy to wind up The Fund.

5. Valuation Policy

Disclosure Principle

This information relates to key aspects of The Fund'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 final property was sold during March 2021 in line with the strategy to wind up The Fund.

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 are available on the MAB Funds Website <https://www.mab.com.au/investment-management-investments/>

Related parties of the Responsible Entity own units in The Fund.

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 Fund'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

Proceeds of the sale of the final property in the portfolio, being Eastfield Village, were distributed to investors in April 2021. A portion of the sales proceeds were held back in order to meet any expenses incurred in the process of winding up The Fund. Any surplus cash remaining at the end of the winding up process will be distributed to investors. It is expected that the winding up process will be completed in December 2021 with the final distribution occurring at that time.

8. Withdrawal arrangements

Disclosure Principle

This relates to investors' withdrawal rights from The Fund.

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 Fund.

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.

The wind up of The Fund is now underway, with all funds expected to be returned to investors by the end of 2021.