Investor Review

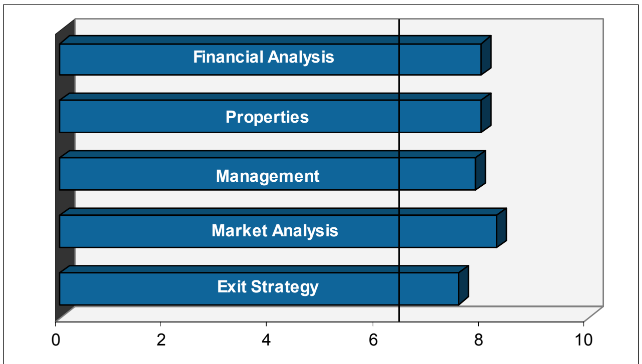
MAB International Retail Trust

Lower Recommended

Date: November 2006

Fund Financial Position	As at 15 December 2006		
Total Funds Raised	A$94.4m (US$70.0m)		
Equity/Unsec. Notes	A$37.3m (US$27.7m)		
Debt	A$57.1m (US$42.4m)		
Gearing • Trust	Nil		
• Effective	65% (Loan to value ratio)		
Net Tangible Assets/unit	A-IFRS $0.90 (AGAAP $0.97)		
Portfolio Summary			
No. of Properties	Five		
Portfolio Cost	A$87.5m (US$64.9m)		
Property Type	Community Retail 100%		
Property Location (By Value)	USA 100% (Nth Carolina 82%; Sth Carolina 18%).		
Avg Unexpired Lease	8.3 years		
Fund Returns	**Lonsec Estimates**		
Est. Trust IRR pre-tax	9.56%		
(After tax @ 46.5%)	7.72%		
Year end June	**FY07e**	**FY08e**	**FY09e**
Distribution per unit	4.53c	8.45c	8.50c
Pre-tax Yield	8.40%	8.45%	8.50%
Tax Deferred	90%	90%	90%
Other Fund Details			
Distribution Paid	Quarterly		
Minimum Investment	$10,000 (thereafter $1,000)		
Investment Term	Open-ended		
Responsible Entity	MAB Funds Management Ltd		
US Issuer of Notes	MAB American Prop. Fund LLC		
ICR (net assets)	2.32%		
Advisor Commission	3.0% of initial investor capital.		

Lonsec Ratings of Critical Determinants



Trust Features

Strengths

- Properties located in areas with above average incomes and strong population growth.
- Attractive 8.4% pre-tax yield compares well to most other unlisted trusts with international assets.
- Fully tax deferred for extended period also better than similar offerings.
- Limited Liquidity Facility (excluding Notes) and an opportunity to withdraw after seven years.

Weaknesses

- Major leases lack rental growth.
- Concentrated in two adjoining states.
- Small US based management team.

Summary

This Trust represents MAB Funds Management's first international property portfolio comprising the acquisition of five neighbourhood retail centres. The MAB group is a well-established Melbourne based integrated property group, with a strong pedigree in property development, construction and management.

MAB has put together a joint venture with a local real estate group (Rosenthal) and has a small team based in Los Angeles. The group does not have the internal resources of the likes of Centro Watt, but personnel will be added as the scale of the operation expands. The size of the portfolio is manageable, but there is added risk with the use of outside parties for day-to-day property management and leasing.

The first opportunity to invest was in Charlotte and the attributes of the Carolinas region has justified further investment. The Manager's cluster approach brings the benefit of a deeper understanding of the local market.

The properties are located in areas that have relatively high incomes, above average population growth and a solid economy. Charlotte is a central location on the east coast and is a transport and financial hub of the region, being the head-quarters of Bank America (shifted from San Francisco) and Wachovia Bank. One property is at Winston-Salem, a city that is home to a number of major corporations and another property is in the northern suburbs of Charleston, a substantial commercial and military port city in South Carolina. The area's climate and lower cost of living is attractive to families and retirees. Nevertheless, further diversification outside the Carolinas into other strong growth regions would be desirable.

The portfolio's properties are well presented and mostly require little immediate capital expenditure. The Eastfield property is being expanded by about 15%, which is included in this review and there is another possibility to have a corner site at the Terraces re-developed, however the Trust does not own the site.

Although close to fully tenanted, one of the weaknesses of the Trust is the lack of rental growth from the major supermarket tenants, as most of the leases provide for only modest increases every five years and some have no increases until lease expiry which ranges from 10-17 years. However, most of the specialty tenants have annual rental increases, although usually not referenced to CPI.

The long leases (average unexpired lease term of majors is 13 years) with the financially sound supermarket groups provides a sound base to the Trust's income (48% of total income).

A comparison to other recent USA property trusts that Lonsec has researched is set out in Appendix 1 and the following observations are drawn from that:

- The initial acquisitions for the MIRT have been made at slightly below market, on passing yields ranging from 7.5% to 8.5% compared to the Centro USA Syndicates and Mariner American Trust portfolios on passing yields 6.8% to 7.6%.
- In terms of comparative returns to the investor, the 8.4% yield from MIRT is ahead of the latest Centro USA offerings but below the 9.0% on Mariner American. The high depreciation on the relatively new properties will translate into fully tax deferred returns for several years, so the net income yield currently also compares quite well. Similarly in terms of estimated total returns, while the pre-tax return from the MIRT is estimated to be lower than the average retail and unlisted property offering, the MIRT after-tax return may be superior.
- The MIRT is similar to Centro MCS 35 which contains assets located in one region (MIRT has 73% of its assets in Charlotte and 82% in North Carolina).
- The MIRT properties are in areas with higher average income but not as densely populated as some of the Centro MCS trust assets located in the more established regions on the north-east and west coast of the USA. The MIRT assets are in a part of the USA where there is more new housing development, which can mean that there is more possibility of competing retail centres gaining approval from local authorities.
- The average unexpired lease term on the MIRT portfolio of 8.3 years is better than other recent trusts with retail assets, but not as long as the Mariner American portfolio which mostly has properties with single tenants on longer lease terms. In the MIRT portfolio there is no major lease up for renewal within seven years (only Eckerds and Tuesday Morning at Cheshire Place).
- Given the good condition of the MIRT portfolio, the Manager has only needed to provide US$2m for portfolio of $65m or 3%; compared to Centro 36 where there was an allowance of $20m made on the US$300m portfolio value or 6.7%).

The USA economy has had a strong growth period in the last few years and there are signs of the rate of this growth abating, particularly from the new housing sector and discretionary retail sales from higher interest rates and oil prices. Generally, corporate profitability remains strong and employment levels are high. Food based convenience retail assets are highly desirable for their reliable income streams and strategic market positions. However, the southern part of the USA is more conducive to building new retail centres given the room for housing development. Competition will therefore be more of an issue for the centres in less established areas.

In short, Lonsec believes that investing in USA retail property is still a sound long-term proposition, however at this stage of the economic cycle with interest rates rising, capital gains will be more modest from this point than over the last few years.

MFML has established a solid record over the last five years in the management of a small number of unlisted property trusts. Its fee structure is reasonable, with no performance fee applicable for this Trust. However, the management of assets in overseas markets involves a number of additional operational and financial risks. MFML has hedged the distribution income to 86% and 98% of investor's equity in the properties for the initial seven year term of the Trust.

The greater challenge for MFML is on the operational side and the newly formed joint venture management team located in Los Angeles. The team is small and has not yet had time to demonstrate its ability to manage the existing portfolio and add value for investors in this Trust.

In summary, the MIRT initial portfolio of properties is well regarded and the Trust itself is well structured to deliver a competitive return, with better than average liquidity measures. As the geographic diversification improves with further properties added and the management team delivers on the forecasts, the MIRT could be re-rated to a higher category. It would also be reassuring for investors to see the Manager taking a financial position in the Trust, aligning its interest more closely with that of investors.

Table of Contents

1. Lonsec Methodology

Lonsec Property Research provides quality research services to investment managers and financial planning groups. Our reports assist financial planners in the selection and understanding of unlisted property trusts/ syndicates, property securities funds and other managed investment products. Experienced analysts have conducted an extensive and objective review of the Fund and its underlying assets.

The research methodology includes a rating process designed to assess the qualitative and quantitative factors of the investment. The process is consistent for comparable investment products, enabling projects to be individually rated, comparatively ranked, and to establish a Lonsec Research recommendation status for use by financial planners.

The rating determinants are:

– Financial Analysis
– Properties
– Management
– Market Analysis
– Exit Strategy

This report, dated October 2006, expires when the initial offer closes or after twelve months or if there are any material changes in relation to the information contained in this report or any disclosure or offer document issued in relation to his offer. Lonsec reserves the right to change its opinion, rating and/or withdraw the report at any time on reasonable grounds.

Lonsec Property Research Rating Definitions

Highly Recommended	**Highly Recommended**	Projects in this exclusive category possess exceptionally high ratings in most of our assessment areas and are considered to be the most favoured investment alternative.
Upper Recommended	**Upper Recommended**	Although not as highly rated as the Highly Recommended category, this category includes projects that are rated as having good to excellent all-round performance potential in relation to their peers. They are suggested better investment alternatives.
Lower Recommended	**Lower Recommended**	
Investment Grade	**Investment Grade**	Projects that fall into this category have satisfied Lonsec's rigorous analysis criteria and are viewed as acceptable for investment.
	Not Approved	The project has failed one or more of Lonsec's major investment rating determinants. We advise that projects that fall into this grouping are detrimental to an investor's overall investment portfolio.

2. Overview

2.1. The Trust

This is MAB's first international property acquisition and investment trust. The Manager has identified five properties in North and South Carolina on the east coast of the USA for purchase at a total cost of $US64.866m, slightly under valuation of US$66.3m.

An investment in the Trust comprises

- an equity investment in an Australian Trust (90%)
- Unsecured Notes in a US REIT (10%)

The Offer is for the issue of 33.578m units in the Australian trust and 3.729m unsecured notes (at $1.00 each) to raise a total of A$37.307m. The Australian trust will not use debt funding directly, but the US REIT will borrow of US$42.4m (A$57.1m) to fund the property purchases.

MAB Funds Management Ltd (MFML) in its own capacity has formed **MAB Rosenthal LLC**, a joint venture with **Rosenthal Realty Investment Managers** to manage the US property assets.

The Trust will acquire a 99.5% interest in **MAB American Property Fund LLC (MAB LLC)**, which will own the five initial properties identified and any further acquisitions. The balance of 0.5% interest is held by 120 USA domiciled investors in order to comply with government regulations.

Investment Limits & Applications

Minimum investment in the Fund is $10,000 (10,000 x $1.00 units), with additional investments of $1,000 thereafter.

The offer closes on 12 December 2006 with units expected to be issued on 15 December 2006.

Income Distributions / Unit Price

Distributions will be paid quarterly, within six weeks of the end of each quarter ending 30 September, 31 December, 31 March and 30 June.

The initial distribution is expected to be for the period ending 31 March 2007.

A unit price will be calculated quarterly and published on the MFML's website (www.mabfunds.com.au).

Limited Liquidity Facility for Units / Exit Strategy

The Trust is open-ended and the Responsible Entity does not intend to redeem units in the Trust.

However, after the first anniversary of the settlement of the initial properties, a **limited liquidity facility** will be periodically offered to unit-holders to acquire up to 10% pa of the units on issue. Notes will be paid out at maturity.

Furthermore, unit-holders will be given an **opportunity to exit** seven years after the settlement of the initial portfolio of properties.

2.2. Source & Application of Funds

Sources of Funds	US$m	A$m
Equity	24.905	33.578
Unsecured Notes	2.766	3.729
Debt	42.363	57.116
Total Sources	**70.034**	**94.423**

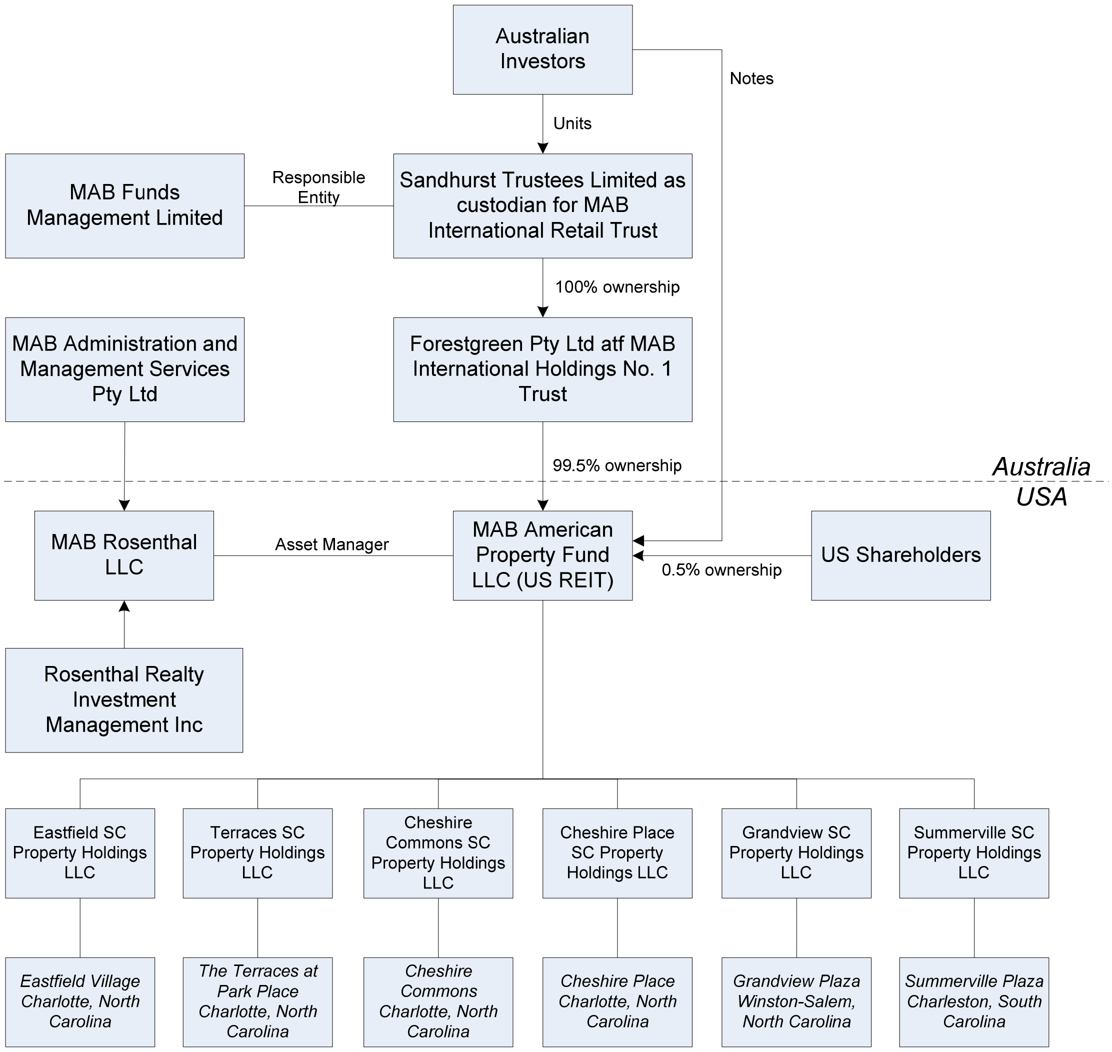
Application of Funds	US$m	A$m
Properties	64.866	87.456
Stamp Duty	0.000	0.000
Property Acq. Costs	1.381	1.861
Deferred Borrowing Costs	0.599	0.807
Capital Raising Costs	2.301	3.103
Cash	0.887	1.196
Total Applications	**70.034**	**94.423**

Exchange Rate (A$1:US$0.7417)

2.3. Overview of Trust Investments

Property	State	Cost US$m	Value US$m	Annual Income US$m	Yield Initial	Cap Rate	Disc Rate	Net Lettable Area (sq.ft.)	Occ. (by area)
Eastfield, Charlotte	NC	18.341	18.700	1.395	7.61%	7.25%	8.50%	87,492	96.6%
Terraces, Charlotte	NC	14.750	15.500	1.259	8.54%	7.50%	9.50%	82,396	95.3%
Cheshire Centre	NC	13.925	14.000	1.169	8.39%	8.00%	9.57%	103,918	98.3%
Summerville Plaza, Charleston	SC	11.850	12.100	0.925	7.81%	7.50%	9.25%	107,600	98.3%
Grandview Plaza, Pfafftown	NC	6.000	6.000	0.449	7.48%	7.50%	8.75%	54,600	100.0%
Portfolio Total / Average		**64.866**	**66.300**	**5.197**	**8.01%**	**7.54%**	**9.12%**	436,006	97.6%

2.4. MIRT Structure



3. Financial Analysis

3.1. Income/Expenses Analysis

Year end June	2007	2008	2009
US REIT	**US$m**	**US$m**	**US$m**
Net rental income	3.320	5.320	5.320
Interest income	0.034	0.050	0.038
Total revenue	**3.354**	**5.370**	**5.358**
Managers fee	0.000	-0.396	-0.394
Other expenses	-0.102	-0.155	-0.147
Interest	-1.751	-2.823	-2.823
Withholding Tax	0.000	-0.088	-0.024
Total expenses	**-1.853**	**-3.462**	**-3.389**
Net income	1.501	1.908	1.969
Transfer from / (to) reserves	-0.224	0.075	0.026
Distributable income	1.277	1.983	1.995
Exchange Rate	0.6936	0.6936	0.6936
Year end June	**2007**	**2008**	**2009**
Australian Trust	**A$m**	**A$m**	**A$m**
Revenue from US REIT	1.842	2.859	2.876
Income from Notes	0.177	0.331	0.331
Interest Income	0.004	0.015	0.015
Total Revenue	2.022	3.205	3.222
Managers Fee	0.000	0.000	0.000
Other Expenses	-0.042	-0.057	-0.058
Interest	-0.245	0.000	0.000
Net income	1.736	3.148	3.163
Transfers	-0.045	0.004	0.008
Distributable Income	**1.691**	**3.152**	**3.171**
Units	37.307	37.307	37.307
Distrib. Per unit	4.53c	8.45c	8.50c
Yield (annualised)	8.40%	8.45%	8.50%
Tax Deferred	90%	90%	90%

The Trust owns a 99.5% interest in the US REIT that owns the properties. The other 0.5% is held by US domiciled investors in order for the REIT to comply with USA ownership regulations. These investors earn a 12.5% return and it is expensed through the REIT.

Lonsec has compared the income forecasts of MAB and that contained in the Valuation reports over the forecast period and these appear to be reasonably in line. MAB's forecast for Cheshire Place is slightly higher which probably reflects the new lease to Ace Hardware.

Income from the Eastfield property is forecast to commence in line with the settlement date for that property, being 3 January 2007.

MFML has hedged its exposure to US$ denominated cash flows. The anticipated distributions over the next seven years have been hedged to 86% at an exchange rate of A$1.00:US$0.6885 (the cost to cover the unhedged portion takes the effective rate up to 0.6936). Furthermore, 98% of the equity applied to the properties has also been hedged for the seven year term of the Trust.

3.2. Debt Position & Interest Costs

The Manager has arranged bank loan facilities and intends to draw down US$42.4m to purchase the properties.

The debt will be hedged through a combination of fixed debt and interest rate swaps, which effectively fix the interest rates for 100% of the debt for at least the first five years of the Trust. There are a number of tranches of debt with different USA and Australian finance providers, carrying various maturity dates.

The initial weighted average interest rate is 6.10% (including bank margin).

3.3. Manager's Fee Structure

Establishment Fees & Expenses

	Value $m	% Prop.	% Invested
RE Fees & Advisor Commissions	$2.171	2.5%	5.8%
Borrowing Costs	$0.807	0.9%	2.2%
Other Estab. Costs	$0.931	1.1%	2.5%
Total Estab. Cost	**$3.910**	**4.5%**	**10.5%**
Lonsec Sample Avg.		**6.11%**	**12.13%**

The Manager is entitled to a fee of 6.5% of the amount raised in respect of any issue of units. It appears that MFML's fee is charged only on the amount of equity needed to purchase the properties (before the Manager's costs are taken into consideration). From this amount, the Manager will pay advisor initial commissions.

In addition there are deferred borrowing costs and expenses relating to the PDS. In total, these costs represent 4.5% of the total property costs and compares favourably with other property trust offers.

Annual Management Fees & Expenses

US REIT: The Manager will be entitled to a fee of 0.6% of the total value of assets, however in FY07 this fee will be waived. If the distribution return is in excess of the forecast yield, then the fee can be increased to 0.65% of assets. While this can be viewed as a performance fee, Lonsec estimates that the yield would have to be 0.36% points higher, before unit-holders benefited as the extra yield would be absorbed by the increase in management fee.

Australian Trust: There is no management fee being charged at this level.

In addition, the Manager is entitled to be reimbursed for expenses incurred in managing the US REIT and the Australian Trust.

Set out in the tables below is the comparison of MIRT annual fees and expenses with Lonsec benchmarks on both the Management Expense Ratio (MER) or total assets basis and Indirect Cost Ratio (ICR) or average net assets basis.

Comparison of Management Expense Ratios

	M'ment Fee	Other Exp	Total MER
US REIT level	0.60%	0.20%	0.80%
Aust. Trust level	0.00%	0.05%	0.05%
Ttl MIRT	**0.60%**	**0.25%**	**0.85%**
Lonsec Unlisted Avg	0.53%	0.17%	0.70%
Aust. Trusts with assets overseas* - Average - (Range)			0.84% (0.53%-1.09%)

Comparison of Indirect Cost Ratios

	M'ment Fee	Other Exp	Total ICR
US REIT level	1.65%	0.65%	2.30%
Aust. Trust level	0.00%	0.17%	0.17%
Ttl MIRT	**1.65%**	**0.82%**	**2.47%**
Lonsec Unlisted Avg	1.38%	0.46%	1.84%
Aust. Trusts with assets overseas* - Average - (Range)			2.15% (1.45%-2.79%)

(*Lonsec sample of property trusts with international assets).

The Manager is charging only one management fee and this is taken at the US REIT level as most of the costs will be incurred there. The annual fees and expenses charged are around the average for unlisted property trusts with international assets (slightly higher or lower depending on the comparison method).

Other Fees

Lonsec has taken the following fees and costs into consideration when calculating total returns.

- **Property disposal costs,** which include agent's fees, legal costs and stamp duty.
- A **Termination Fee** of 2% of the net sale proceeds of properties is payable to the RE, provided net proceeds exceeds equity subscribed.
- No **Performance Fees** are applicable at the termination of the Trust.

3.4. Distributions / Taxation

MIRT PDS Distribution Forecasts

	FY07[1] F'cast	FY08 F'cast	FY09 F'cast
Distribution/unit	4.53c	8.45c	8.50c
Pre-tax Yield	8.40%	8.45%	8.50%
Tax Advantaged	90%	90%	90%
Yield after 46.5% tax	8.01%	8.06%	8.10%
Grossed-up Yield	14.93%	15.02%	15.12%

(Note 1: Annualised yields)

The headline yield being offered by the Trust is 8.4% (annualised) in the first financial year, however the forecast income is sufficient to generate a slightly higher yield of 8.5%. The Manager has held a small amount in reserve in order to support mainly FY09 and to show a slight growth in the distribution over the period.

Lonsec Industry Distributions Comparison

Trust/Sector (FY07)	Pre-tax Yield	Tax Def.	After tax* Yield
MIRT	**8.40%**	**90%**	**8.06%**
Lonsec Retail Avg.	8.23%	95%	7.90%
Lonsec Internat'l Avg	8.39%	98%	8.13%
Lonsec Sample Avg.	8.25%	94%	7.77%

(Note*: After tax of 46.5%)

When compared to other recent unlisted international property trusts, the portfolio is expected to deliver a marginally better yield on a pre-tax basis. Although slightly lower than average in the first year, the MIRT's tax deferral component is expected to be maintained at a high level for a number of years as the portfolio of properties in relatively new compared to other trusts.

3.5. Total Returns

The key financial performance measure that Lonsec focuses on is ten year Internal Rate of Return (IRR) of the Syndicate and sensitivities. The basic rationale behind using the IRR financial analysis is that it attempts to find a single number that summarises the merits of an investment and depends on only the cash flows of the investment. The IRR is compared with Lonsec's benchmark discount rate.

Lonsec Internal Rate of Return (net after fees)

	Pre-tax	After Tax (46.5%)*
MIRT	9.56%	7.72%
Lonsec Benchmark Rate	9.12%	4.88%
Lonsec Retail Average	10.42%	7.65%
Lonsec Sample Average	10.76%	8.32%

(Note*: Also net of capital gains tax, as the tax deferred amount will reduce an investor's cost base).

Lonsec's estimates incorporate allowances for potential vacancies/letting up and capital expenditure, in line with those in the Valuation reports.

Capital expenditure over the period is expected to total around US$2m.

Estimated growth in income after these allowances is slightly more conservative at 1.2% pa compared to that in the Valuation reports of 2.3% pa.

Total returns estimated by Lonsec for the MIRT is at the low end for recent unlisted retail property trusts. The average data in the above table is compiled from trusts launched in the last 12-18 months. The graph below shows a comparison with trusts over the last few years, where acquisition yields have tightened with the rise in investor demand in the retail sector globally.

3.6. Other Risks

Potential investors should refer to Section 11 of the PDS for a more comprehensive discussion on risks associated with an investment in the MIRT.

3.7. Balance Sheet / Net Asset Backing

MIRT (US REIT)	Proforma US$m
Cash & other liquids	0.850
Other Current Assets	0.000
Property	66.300
Total assets	**67.150**
Current Liabilities	0.000
Debt	-42.263
Total Liabilities	**-42.263**
Net Assets/Equity	**24.887**
(Exchange rate A$ / US$)	$0.7417

MIRT (Consolidated)	Proforma A$m
Cash & other liquids	1.196
Other Current Assets	0.000
Property/ Equity in REIT	89.389
Total assets	**90.585**
Current Liabilities	0.000
Debt	-57.116
Total Liabilities	**-57.116**
Net Assets	**33.469**
No. of Units	37.307
Net Asset Backing/unit	**$0.897**
Incl. Capitalised Costs *	36.138
NAB per unit *	$0.969
(Note*: Under previous AGAAP basis)	

(Proforma position as at 15 December 2006)

3.8. Exit Strategy / Liquidity

There is no secondary market for this product. Accordingly, investors must view an investment in the Syndicate as a medium to long term fixed investment.

Units may be sold and the Responsible Entity may be able to assist unit-holders in finding a purchaser on a case by case basis.

After the first anniversary of the settlement of the initial properties, a **limited liquidity facility** will be periodically offered to unit-holders to acquire up to 10% pa (2.5% per quarter) of the units on issue. The price received will be the value of the units at the end of the relevant calendar quarter, less a discount of up to 5% (current discount intended is 3.5%). However, the limited liquidity facility is not proposed in respect of the Notes, which will be paid out at maturity.

Investors will be permitted to purchase units acquired by the liquidity facility provider, at the price per unit paid by the provider plus a fee.

Withdrawal Opportunity

Although the Trust will be open-ended, unit-holders will be given an opportunity to exit seven years after the settlement of the initial portfolio of properties.

A meeting of unit-holders will be held approximately six years and six months from the settlement date of the initial properties to gauge the level of demand.

At this time redemptions will be funded by asset sales if cash reserves are not available and/or purchasers for existing units cannot be found.

The redemption price of the Units will reflect the underlying value of the Trust's assets (net of all liabilities, costs, fees and taxes). Notes will be paid out at face value of $1.00.

4. Management

An assessment of Management is another key performance measure and is largely qualitative, focusing on the ownership, operating and reporting structure, property investment policy and selection criteria. Capable and experienced management is vital to the success of the Fund. Previous performance is evaluated, but is not necessarily a guide to future returns.

4.1. MAB Corporation Ltd

Michael and Andrew Buxton founded MAB Corporation in 1995. MAB Corporation is a diversified property company with A$1.5b in projects completed or commenced and assets in excess of $200m. Its main businesses are:

- MAB Developments & Business Parks
- MAB Asset Management
- MAB Funds Management

The Responsible Entity for MAB International Retail Trust is MAB Funds Management Ltd, a specialist property investment manager formed in November 2001.

4.2. Management Team

MFML Board of Directors

Andrew Buxton - B. Sc. (Chairman)

Michael Buxton - AAPI, MREI (Director)

The Buxton family has a long history in Australian real estate (J R Buxton Pty Ltd). The brothers have significant experience in property investment and development. Michael was a co-founder of Becton Corporation.

Nicholas Gray - B.Sc, AAPI, MRICS

(Director/GM Funds Management)

Mr Gray has 30 years experience in the property industries in the UK and in Australia. Previously he has been Head of Property at Norwich Union and Fund Manager of the Colonial First State Commercial Property Trust. He joined MAB Corporation in 2001 to establish its property funds management operation.

Anthony Calvi

(Company Secretary /Legal Counsel)

Mr Calvi has been with MAB Corp since 2001 was appointed as MFML company secretary in 2005. He is a solicitor and has 15 years experience, mainly as in-house counsel for two major corporations.

Other MFML Executives

Robert Wallace - B.Bus (Prop), AAPI, F Fin.

(MIRT Fund Manager)

Mr Wallace joined MFML in 2002 responsible for property acquisition analysis and assists in operational functions, property strategy and asset management. He has in excess of ten years within the property industry, including a number of years with Jones Lang LaSalle based in both their Melbourne and San Francisco offices. He is expected to relocate to the USA and become an executive of MAB Rosenthal, with responsibility as Fund Manager of the Trust.

Susie Spiken – B.Bus (Property)

(Operations & Compliance Manager)

Ms Spiken joined MFML in 2005 after six years with APN Funds Management as Operations and Compliance Manager. She has been in the property industry for ten years.

David Richardson – (Distribution Manager)

Mr Richardson joined MFML in 2005. He has 20 years experience in the funds management and financial services industry, including periods with Lend Lease, IOOF, Advance Bank, Centro and Property Funds Australia. He was a founding partner of Property Investment Research.

Richard Marshall – B.Ec (Acc), C.A.

(Manager - Capital)

Richard is a Chartered Accountant with 11 years of experience in the property industry in addition to his five years in public accounting. Richard brings specialist knowledge of finance, structuring and capital solutions to MFML.

Fiona Grogan – B.Bus (Prop), AAPI

(Asset Manager)

Fiona has more than 11 years experience in the property industry. She joined MFML in 2005 from Jones Lang LaSalle having been based in both their Melbourne and London offices. Fiona is responsible for the asset management of the properties within the other MFML funds.

Mark Biancucci – B.Bus; F Fin.

(Finance Manager)

Mr Biancucci joined MAB's Investment Division in 2002 and has had responsibility for Finance since 2003. Previously he had treasury experience with the National Australia Bank.

Advisory Committee

While all transactions must be submitted to the MAB Funds Management Board for approval, the team is supported by an Advisory Committee which has a focus on business strategy, providing guidance and advice. The current members are:

- Andrew Buxton
- Simon Jones (Chairman MAB Corp).
- Nicholas Gray

Compliance Committee

The **Compliance Committee** comprises three members, including two external members (Paul Wheeler and Bleddyn Gambold) and Nick Gray from MFML.

MFML has advised Lonsec that there have been no material breaches of either the Compliance Plan or Constitution.

4.3. MAB Rosenthal LLC

This joint venture is between MFML (in its own capacity and not as the Responsible Entity of the Trust) and Rosenthal Realty Investment Management Inc, a related entity of the experienced USA property consultants Curtis-Rosenthal. The latter was established in 1983 by its managing director David Rosenthal.

Management of the Trust's properties will be arranged and overseen by MAB Rosenthal from its Los Angeles office. This will include engaging locally based property managers to undertake day to day management of the properties in accordance with the strategies determined by MAB Rosenthal. The joint venture will also undertake all future acquisitions and disposals of properties on behalf of the Trust.

David Rosenthal – B.Sc, MBA, CGREA, MAI.

(Managing Director)

David is licensed by the states of California and Arizona as a Certified General Real Estate Appraiser. He has over 25 years experience in the property industry and previously worked in the banking industry with Security Pacific National Bank.

David will have primary responsibility for the management of MAB Rosenthal together with Robert Wallace.

Jonathon Dishell – B.S. (Bus. Admin.)

(MAB Rosenthal Adviser)

Jon has over 22 years experience in all facets of commercial real estate including finance. He spent 11 years with Douglas Emmett Realty Advisors, one of Los Angeles' largest landlords. He was a member of the Investment & Executive Committees and a key player on the transactional team that acquired over 1.2m square metres of assets and arranged over US$5b of acquisitions, dispositions and financings.

Since 2004 Jon has been the President of Wilshire Partners, a real estate Investment firm which has acquired or developed over 1m square metres of real estate of all product types in 12 US states.

4.4. Investment Parameters

MAB Rosenthal will target properties for MIRT with the following characteristics:

- Growing population base
- Grocery (supermarket) anchored community retail properties
- Well located and profitable retail properties with strong lease covenants, secure income streams and potential for capital growth.

Portfolio & Property Risk Management

The property selection strategy combines "top down" economic analysis and property market fundamentals research together with "bottom up" asset selection reflecting the characteristics of individual properties.

The Manager applies a rigorous selection process through detailed financial modelling (DYNA) to individual properties as well as detailed due diligence to assess individual properties.

There has been an initial concentration on the Carolinas to enable the appointment of a dedicated specialist retail property manager.

4.5. Previous Performance of Trusts

MFML has established four unlisted property trusts and the following table sets out the details. All distribution targets have been met and the capital growth of its two existing single asset syndicates has been strong recently. The Diversified Fund is also meeting expectations and managing to record an increase in net asset backing at the same time as adding new properties to the portfolio.

MAB Bourke Street Trust purchased its single property asset for $15.0m in May 2002 and in June 2006 this was revalued to $22.5m an annualised increase of 11% pa. The unaudited Net Asset Backing as at June 2006 is $1.65 per unit. The Trust has to date met its distribution forecasts, increasing from 9.0% to 10.0%. Total pre-tax return to June 2006 is 22.3% pa, which compares favourably with Mercer's Index return of 13.3% pa over the same period.

MAB Healthcare Trust has also met its distribution forecasts delivering 9.25% to 9.75% since March 2003. The property (a medical centre in Prahran, Victoria) has been sold to Australian Unity for $17.5m which represents a yield below 8%.

MAB Development Fund 1 is a newly created mezzanine loan fund, which will finance property developments sourced and developed by MAB Corp. (owns 10% of the units). The Fund's loans will be entitled to a Base Return (initially 8% pa), a Performance Return capped at 7% pa and may be entitled to an Outperformance Return based on sales exceeding forecast. The focus initially is on four business parks and a mixed-use development – all in Victoria. The Fund is a non-disclosing entity, but the Manager advises that it is distributing in accordance with the Information Memorandum forecasts.

MAB Diversified Property Trust commenced operations in October 2004 with the purchase of an initial portfolio of six properties. The trust has subsequently been expanded and now has a well diversified portfolio of retail, commercial and industrial assets located in Australia and New Zealand. The trust has to date met its distribution forecasts of 9.0%. On completion of Village Central Shopping Centre in Wyong, NSW (November 2006) the trust is estimated to have gross assets of $150m. Unaudited Net Asset Backing as at June 2006 is $0.96 per unit.

Summary of MAB Trust Performance vs Index

Trust	Period ending	Total Return (Pre-tax % pa)	Mercer Unlisted Property Index (Pre-tax % pa)
MAB Bourke St	June 06	22.25%	13.27%
MAB Healthcare	Sept 06	15.85%	14.21%
MAB Diversified	June 06	6.69%	15.92%

(Source: Lonsec; Mercer Consulting)

MAB Funds Management – Performance of Trusts

	Start Date	Assets A$m	Year end June	Initial	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
MAB Bourke St Trust	May-02	$22.25m	DPU f'cast		9.0%	9.0%	9.25%	9.75%	10.00%	11.00%
			DPU actual		9.0%	9.0%	9.25%	9.75%	10.00%	
			Tax Def. f'cast		74%	56%	49%	42%	38%	32%
			Tax Def. act.		83.22%	65.12%	63.82%	94%	55%*	
			Property Value ($m)	15.0			17.2		22.25	
			Unit Value/NAB	$1.00			$1.0655		$1.65*	
MAB Healthcare Trust (Property sold Sept 06)	Mar-03	$17.5m	DPU f'cast			9.25%[2]	9.25%	9.50%	9.75%	9.75%
			DPU actual			9.25%	9.25%	9.50%	9.75%	
			Tax Def. f'cast			75%	63%	52%	44%	
			Tax Def. act.			100%	64%	87%	75%*	
			Property Value ($m)	13.5				15.0	16.5	
			Unit Value/NAB	$1.00				$0.94	$1.17*	1.24#
MAB Diversified Fund	Sep-04	$134m	DPU f'cast					9.0%[3]	9.0%	9.0%
		($150m)[1]	DPU actual					9.0%	9.0%	
			Tax Def. f'cast					80%	71%	72%
			Tax Def. act.					76%	88%*	
			Property Value ($m)	55.4					150.0	
			Unit Value/NAB	$1.00				$0.93	$0.96*	
MAB Development Fund 1.	May-04		(Non Disclosing Entity. This fund is distributing in accordance with IM forecasts.)							

(Note 1: Including full cost of Wyong Plaza redevelopment). (Note 2: Annualised from 1 March 2003). (Note3: Annualised from 1 October 2004).
(Note 4: Performance to date is in line with forecast). (Note*: Unaudited figure). (Note#: Estimated final unit value).

5. Properties

Property	State	Major Tenants	% Total Inc.	Lease Expiry	Prop. Unexp. Lease yrs	Car Spaces	Car Park Ratio (/1,000 sf)	Site Area (acres)	Site Utilised
Eastfield, Charlotte	NC	Lowes	54%	Aug-24	11.1	359	4.1	9.46	21%
Terraces, Charlotte	NC	Bi-Lo	39%	Nov-16	6.4	410	5.0	9.37	20%
Cheshire Centre	NC	Blooms, Ace H/ware	66%	Mar-24; Oct-16	9.8	553	5.3	14.81	16%
Summerville Plaza, Charleston	SC	Eckerd; P/Wiggly	42%	Jun-13; Mar 20	5.6	327	3.0	14.11	18%
Grandview Plaza, Pfafftown	NC	Food Lion	52%	Dec-16	6.5	392	7.2	9.89	13%
Portfolio Total / Average			51%		8.3	2041	4.7	57.64	17%

Lonsec Summary Assessment of Property Assets

	Eastfield Village	Terraces at Park Place	Summerville Plaza	Cheshire Commons	Cheshire Place	Grandview Plaza
Location/ Infrastructure / Access	Good Fair (new area) Excellent	Excellent Good Good	Excellent Good Excellent	Excellent Good Excellent	Excellent Good Good	Good Excellent Good
Building condition/ Facilities	Excellent Excellent	Good Good	Good Fair	Excellent Excellent	Good Excellent	Average Good
Tenants / Leases	Excellent Fair	Excellent Good	Good Good	Excellent Fair	Good Fair	Excellent Fair
Market / Overall Potential	Good Excellent	Good Excellent	Good Good	Excellent Excellent	Excellent Good	Good Good

Property Area Characteristics (3 Mile Radius)

	USA	Eastfield Village	Terraces at Park Place	Summerville Plaza	Cheshire Commons	Cheshire Place	Grandview Plaza
Pop'n (2006)	295 mill	27,062	49,643 (2005)	55,127	49,517	49,517	24,616
Pop'n Growth pa (2006-11)	+1% pa	+5% pa	+2% pa	+2% pa	+4% pa	+4% pa	+2%pa
Avg H/h Income 2006 (vs US Avg)	US$56,544	$95,214 +68%	$80,837 +43%	$62,422 +10%	$83,786 +48%	$83,786 +48%	$83,168 +47%
Per Capita Spend. 2006 (vs US Avg)	$10,320	$12,925 +25%	$12,370 +20%	$10,059 -3%	$12,228 +18%	$12,228 +18%	$12,390 +20%
Traffic Count	n/a	n/a	54,000	n/a	39,000	39,000	n/a
S/mkt Sales /sf		US$256	$273	$212	$334	n/a	$276

5.1. Eastfield Village (Huntersville, NC)

The property has a prominent location at the corner of two secondary roads servicing this northern outer suburban area of Charlotte (9 miles from the CBD). An extension to one of the cross-roads is due to start construction shortly and will be beneficial for the population growth around the centre.

The immediate area has a number of new housing developments under construction and good quality completed residential communities (one with a lake fronting onto the Eastfield Village shopping centre).

While not part of the Eastfield Village property being acquired, there is a pre-school (pays out-goings only) adjacent to the supermarket.

This community retail centre opened in August 2004 and is considered to be above average with the three specialty tenant buildings having attractive façade's and outdoor courtyard areas. There is one outer-pad site owned and occupied by Bank America.

The developer of the centre has plans to build on another pad site and to extend one of the specialty buildings. **The total lettable area will rise by about 16% and MAB is expected to acquire these for US$3m.** The pad site has been pre-leased to a medical tenant and an offer made on the balance.

Major Tenant	% Income	Lease Expiry
Lowes S/mkt	54% (44% after exp.)	Aug 24 (18+ yrs)

Lowe's Foods supermarket is the anchor tenant on a stand-alone site. The lease has another 18 years to run at the existing rental, so **growth in income is relatively low for the property overall (+1.3% pa).** Lowe's rental is around market levels of $12.75 sf and sales turnover is only one-third of the threshold. Sales growth at the supermarket has been strong.

Lowe's Food Stores operates a chain of 100+ supermarkets in the Carolinas and Virginia and is part of the Alex Lee Inc group of companies. Lowe's is reported to be very selective with its sites and is upgrading selected stores in readiness for competition from the expansion of Wal-Mart Superstores.

There are only two small **vacancies** in the existing buildings. The property acquisition is subject to an 18 month master lease (effective guarantee) for all vacant space at a rental rate of $22.77 sf.

Existing **competition** within the immediate area (1-2 miles) includes Harris Teeter, Bi-Lo and Aldi supermarkets to the south, while a Food Lion is proposed to the north in the less established area.

The demographics of the area are promising, with currently low density but high growth young family area and a relatively high income level. Local industry includes Carrier Air-conditioning, Piedmont Plastics, Northwood Business Centre.

5.2. Terraces at Park Place (Pineville, NC)

Located at the intersection of Pineville-Matthews Rd and Park Rd, a busy intersection near an exit/entry to the I485. Pineville is about 12 miles south of the Charlotte CBD. Signage is good from the main road and access is from Park Rd only, which is a small drawback.

The building is an attractive brick building built in 1981 and refurbished in 2001. The centre is anchored by a Bi-Lo supermarket and there are only two vacancies (6% by income). Major tenants are as follows:

Major Tenants	% Income	Lease Expiry
Bi-Lo S/mkt	34%	Nov 16 (10+ yrs)
KB Homes	19%	Jun 08 (2 yrs)

Bi-Lo has just over 10 more years to run on its current lease, however this provides no rental growth (currently running at about half of the sales turnover threshold). There is an option for another five years at a 5% higher rental.

KB Homes' lease expires in June 2008 and the option specifies a 16% increase in rental for another five year term. Including other specialty tenants, rental growth overall is expected to be around 3% pa. According to the Valuation Report, overall rental is 8% below market, mainly due to the Bi-Lo lease.

There are three pad sites, with two occupied by Alltel Wireless and Starbucks. The third site is owned by the State Employees Credit Union and this would make a good expansion/re-development opportunity for MAB or a developer and placing a more prominent retail offering on this prime corner site. It may then be possible to provide direct access from the main Pineville-Matthews Rd.

There is one small vacancy in the main building which may be filled by KB Homes taking more space and shifting another tenant. Another small area at the rear of the Alltel pad has potential to convert to a food tenancy with drive-through.

Competition in the area comes mainly from the Food Lion at Johnston Rd Plaza (approx. 1 mile), having been re-badged from Hannafords in 2004. This had an impact on the Bi-Lo supermarket turnover, which dropped from US$13m to $12m. There is another Food Lion 1 mile to the south-west of the Terraces.

At the end of 2005, a Winn-Dixie grocery store next to the Johnston Rd Plaza closed which is expected to have some benefit for the Bi-Lo at Terraces.

Pineville is an established area with a lot of retail in close proximity and new competition will only come from in-fill sites. The large Carolina Place Mall (leading retailers including a Sam's Club) is on the other side of the I485. The Centrium power centre is opposite (Kmart, Home Depot, Best Buy etc) and there are a number of other small retail centres nearby. None have a supermarket.

The Carolinas Medical Centre across the intersection includes a hospital and adjacent medical practitioner suites. This area is likely to continue to expand as a destination and augers well for traffic flow in the vicinity.

5.3. Summerville Plaza (Summerville, SC)

The site is 20 miles north of Charleston's CBD and is located on a major Y-intersection with excellent access (three points) from both parts of Bacons Bridge Rd.

The centre was opened in 1972 and upgraded in 2000. The specialties are in two separate buildings the larger stores are generally fairly basic and some of the entrances and facades could do with an upgrade. There is a sprinkling of financial services tenants (bank, loans, and cash advance centre).

Backing on to the smaller building is a gas station and the whole property is adjacent to a wooded area separated by a watercourse and power-line, which leaves little room for expansion.

Major Tenants	% Income	Lease Expiry
Piggly Wiggly S/mkt	21%	Jun 13 (7 yrs)
Eckerd Drugs	21%	Mar 20 (14+ yrs)
Goodwill Store	14%	Jan 10 (5+ yrs)

The centre is anchored by the **'Piggly Wiggly'** supermarket which is a local chain established almost 60 years ago and was the largest family owned company in South Carolina. In 2005, the group became fully employee owned and is not rated by any credit agency.

The **Eckerd Drugs** store is a very well presented building on a stand-alone pad toward the front of the car-park, which has recently been re-surfaced. Eckerd's was sold by JC Penney in 2004 and broken into two, with half being re-branded into CVS and the other half owned by Canadian Jean Coutu Group.

The supermarket rental is about 20% below market, but the rental is scheduled to rise by only 5% from 1 July 2008. Eckerd Drugs appears to have increases of 2.0%-2.5% scheduled for option renewals every four years. Overall, the centre's rental is comparable with market and growth in net rental is 2.3% pa as the smaller tenants have annual increases of 3%.

A number of smaller retail centres are nearby and on the opposite side of Bacons Ridge Road is the Summerville Galleria. This centre looks tired and is anchored by a Bi-Lo Supermarket. Adjacent to this is a Walgreen Pharmacy.

Within a few miles are more up-market gated residential communities and at the southern side of these are some more modern retail centres (Publix, Bi-Lo, Wal-Mart Supercentre). To the north and west are another five supermarkets (including two other Piggly Wiggly stores and another Wal-Mart Supercentre.

The demographics of the area appear to be improving with per capita spending currently in line with the national average and 2%pa population growth. The opportunity for the centre is to upgrade some of the tenants (such as the Goodwill Centre) to capitalise on this trend.

5.4. Cheshire Commons (Charlotte, NC)

Both Cheshire Commons and Cheshire Place are located in the northern suburbs of Charlotte about 10 miles from the CBD. Close by is the University Research Park, which includes over 40 major corporations (including IBM, Wachovia, Bell South, Verbatim, AT&T, Duke Energy) employing 23,000 people. Further to the east is the main campus of University of North Carolina (Charlotte) with 18,000 students and 2,000 staff.

A new rail commuter line is proposed for the area by 2010 and a station is planned approximately 1.5 miles to the west of the property.

Cheshire Commons is situated across a secondary road from Cheshire Place (see below) giving access from both sides of the property.

Major Tenants	% Income	Lease Expiry
Bloom's S/mkt	72%	Mar 24(17+ yrs)

The anchor tenant is a very smartly presented Bloom's supermarket and pharmacy. Bloom's is part of the Food Lion group and is the group's new up-scale customer friendly concept (eg: Meals Solutions section for take-home meals, wine, coffees etc at front of store for quick service). There is no rental growth for another 17 years.

In turn, Food Lion is owned by the Belgian-based Delhaize group, which also owns other supermarket chains including Hannafords. Delhaize America has a Standard & Poors rating of BB+/Stable.

The balance of the building has other food/café outlets and small service businesses. The centre is extremely well maintained and the rear of the building has a large truck turning circle. On the outer pad site is a Zaxby's restaurant which pays out-goings only.

Within a 1-2 miles is The Shoppes at Davis Lake which has a Lowe's Foods (opened April 2005). Further away towards the CBD in the south and west, there are two Food Lion and two Harris Teeter supermarkets and a Wal-Mart (closer to another Blooms store).

5.5. Cheshire Place (Charlotte, NC)

Access to the property from the major road WT Harris Blvd is from one side only with additional access from a side road to and from suburbs to the north. Visibility is not great from the main road as the centre is hidden behind trees and the site is elevated.

Major Tenants	% Income	Lease Expiry
Ace Hardware	43%	Oct 16 (10 yrs)
Eckerd Drugs	14%	July 10 (4 yrs)
Tuesday Morning	13%	July 10 (4 yrs)

Ace Hardware has signed lease on the vacant space which housed a Food Lion supermarket until a year or so ago. **Tuesday Morning** carries mid-market household items and variety store. There is still a small vacancy, but is covered by a 12 month rental guarantee.

Toward the back of the site is another retail centre (Terraces at Cheshire) which has a large US postal facility and other retail/food shops. Between the two is another building including a Goodwill Store (with drive-through facility!). There is another small centre at the corner (with a few small vacant shops) and four pads (food/tyres). All are additional draw cards for Cheshire Place.

5.6. Grandview Plaza (Pfafftown, NC)

Pfafftown is a north-western suburb of the city of Winston-Salem, which is 70 miles north-east of Charlotte. This city is home to RJ Reynolds tobacco and more recently to offices of Dow Corning, Aon Consulting, Sarah Lee and Krispy Kreme Doughnuts.

The centre is located on the busy Yadkinville Rd (11,000 cars per day) and a new high school has been built in the housing development to the rear of the Grandview centre. According to the Valuer "the site is well located and afforded average access and visibility from the main roadway frontage". There is a convenience store on the corner with an access road behind to the secondary Grandview Club Road.

Car-parking is generous with the ratio 7.2 (spaces per 1,000 sf of rental area) compared to the usual 5 spaces.

Major Tenants	% Income	Lease Expiry
Food Lion	55%	Dec 16 (10yrs)
Dollar General	17%	Feb 07(<1 yr)

The property is anchored by a **Food Lion** supermarket accounting for 55% of income, however there are no rental increases for another ten years (current sales about half the level for turnover rental). The rental paid is around market level of $8.50 sf.

The **Dollar General** occupies space left dark by Eckerd's, which is responsible for the lease due in February 2007 (with 2 x 5 year options). The first entails an increase of 2.7% from March 2007.

The centre is now fully leased after a new lease to a bank was signed. Overall growth in rental for the next decade is fairly low at around 1.2% pa. However, the Food Lion rental is expected to increase in December 2016 assuming the lease is renewed.

There are no competing supermarkets within the immediate 1-2 mile area, with the nearest being another Food Lion a few miles to the east. There are no known new centres planned.

Given that the property is only ten years old, there is not expected to be any significant capital expenditure within the next few years.

Lonsec Comparison of Property Trusts with International Assets

Trust/Syndicate	Date	Prop. Purch. Price (US$m)	Gearing	Equity (A$m)	Prop Acq. Yield	Initial Trust Yield (Pre-tax)	Initial Trust Yield (Tax Def)	Initial Trust Yield (Net)	Total Return (10 yr IRR) (Pre-tax)	Total Return (10 yr IRR) (Net)	Unexp. Lease Total yrs	Rental Income Growth (ex allow)	Pop'n 3 miles	Avg H/hold Income
Centro MCS 32	Sep-03	364.0	57%	176.8	7.60%	8.90%	65%	7.40%	9.51%	6.70%	7.9	2.4%	n/a	n/a
Centro MCS 35	Mar-05	100.5	63%	61.2	7.46%	8.50%	100%	8.50%	10.46%	7.65%	6.6	1.6%	58,341	$83,395
Centro MCS 36	Aug-05	304.2	64%	195.0	6.78%	8.25%	93%	8.00%	9.53%	7.34%	5.4	2.4%	52,955	$68,611
Mariner APIT (Tranche 1&2)	Feb-06	213.4	73%	124.5	6.95%	9.11%	100%	9.11%	n.c.	n.c.	11.3	3.0%	n/a	n/a
Centro MCS 38	Aug-06	697.6	65%	418.7	7.00%	7.65%	100%	7.65%	9.58%	7.88%	5.6	2.0%	96,593	$58,387
MAB IRT	Oct-06	64.9	65%	37.3	8.01%	8.40%	90%	8.01%	9.83%	8.26%	8.5	1.2%	41,918	$81,932

6. Market Analysis

6.1. USA Economy

The USA economy rebounded strongly in the first quarter of 2006 from the temporary weakness of the December quarter. The March quarter GDP growth was +3.5% over a year earlier.

The latest indicators are showing that the economy may be slowing in key manufacturing and construction industries. However, while the Institute of Supply Management's indicators eased, they are still at a level which implies a continued expansion of the economy. In support of this, the Orders Index for June 2006 rose.

Forecasts for GDP growth for 2006 are around 3%, compared to 3.2% in 2005 and 4.5% in 2004.

Part of the slowing is due to the US Federal Reserve Board raising of cash interest rates for the past 17 consecutive months to 5.25% to keep a rein on inflation (was 3.5% August 2005 at the time of Lonsec's review of CMCS 36).

Until lately the higher energy costs have been absorbed by industry but may now be starting to be reflected in higher core inflation figures (which exclude volatile food and direct energy costs) above the 1%-2% Federal Reserve range.

The rise in mortgage rates for new loans (many Americans have fixed 30 year home loans) and the rise in property values has led to an inevitable slowdown in the residential sector. Sales of single family homes have fallen on a monthly basis for seven of the past 8 months. At this stage the slowdown is moderate, although home building companies are winding backing earnings expectations and one (KB Homes) has announced a 7% reduction in its workforce.

Generally though corporate profitability is strong, with the exception of the automotive industry (GM and auto parts manufacturers in particular are being hurt by the growing share of Asian brands).

Consumer spending is still growing but may be showing some signs of the impact from higher energy costs (US gasoline prices are still low compared to Europe and Australia) and the recent pull-back in equity markets. Personal incomes and consumption expenditure is on track for annualised growth of 1.7%-1.9% for the June quarter 2006 compared to +5.1% in the March quarter. Consumer confidence measures are also at levels similar to last year, with the strong employment market under-pinning this. Immigration and internal migration over the last few years has been a significant influence in the economic growth of regions such as California, Texas, Florida and Georgia.

The latest retail sales data for June showed a drop of 0.1% from May and was softer than the +0.4% market observers had expected. One of the main areas of weakness was car sales, which dropped 1.4% from May. In context, total retail sales were still +5.9% above June 2005.

6.2. Retail Sector

On the back of good corporate profits (productivity increases offsetting upward pressure on labour costs) and high employment, conditions in the retail sector continues to encourage strong investment interest. Yields are still tightening and tenants are becoming more enamoured to annual increases rentals.

6.3. Charlotte (North Carolina)

The city is the financial hub of the Carolinas and is home to some majors like Bank of America and Wachovia (NC created some favourable conditions to attract banks). It has also been a transport distribution centre, well located between Washington DC, Atlanta and Miami. (can access 65% of US population within one day's drive). The region has also been strong in textile manufacturing (as a cheaper alternative to the north), but it is itself facing competition as manufacturers re-locate to Asia.

Since Charlotte's Airport was expanded to accept international flights, it has also attracted a number of foreign firms (German, Dutch) to make their head-quarters there. The Charlotte MSA is about 1.5m population and was one the fastest growing during the 1990's. Its warm climate also attracts some of the retiree market.

The southern parts of Charlotte have been the fastest growing and retail centres have sprouted to cater for the growing population (South Park and Ballantyne Malls).

The northern areas are the new growth centres as population growth will be strongest in new housing developments, although the income levels are lower.

Charlotte has a large education sector with the University of North Carolina, Davidson College, Queens University. Construction has also begun on the first building of the **North Carolina Research Campus**, which has a bio-technology focus bringing university research and private enterprise together.

7. Information Used in the Review Process

This report has been prepared by Lonsec Property Research (a division of Lonsec Limited) for the Directors of MAB Funds Management Ltd, the Responsible Entity.

Lonsec has relied on information supplied by and obtained from discussions with employees of MAB Funds Management Ltd. Site inspections of all of the properties (except Grandview Plaza) was undertaken by a Lonsec representative.

We have reviewed or relied upon the following documents in the course of our research process:

1. MAB American Retail Trust - Product Disclosure Statement (July 2005).
2. CB Richard Ellis Valuation Report – Terraces at the Park, Charlotte (NC) April 2006.
3. CB Richard Ellis Valuation Report – Summerville Plaza, Summerville (SC) June 2006.
4. CB Richard Ellis Valuation Report – Eastfield Village, Huntersville (NC) July 2006.
5. CB Richard Ellis Valuation Report – Cheshire Commons, Charlotte (NC) July 2006.
6. CB Richard Ellis Valuation Report – Cheshire Plaza, Charlotte (NC) July 2006.
7. CB Richard Ellis Valuation Report – Grandview Plaza, Pfafftown (NC) July 2006.
8. Carolinas Shopping Centres Economic Due Diligence Assistance – Deep End Services P/L (July 2006).

IMPORTANT NOTICES:

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