

MAB BUCKS THE OFFSHORE INVESTMENT TREND

While many Australian investors have shied away from offshore property markets in the aftermath of the sub-prime collapse, some regions of the US have bucked the trend of economic slow down and exposure to one such area has provided consistent solid returns for Australians invested with MAB's International Retail Trust.

Investing in an asset category often regarded as recession resilient, together with a targeted location strategy, has proven the secret to the success of MAB's US based fund.

The city of Charlotte, North Carolina - where three of MAB's retail centers are located - has remained largely insulated from the fallout of the sub-prime, buoyed by low unemployment figures, steady house price increases and higher than average wages.

Median household wages in the catchment areas of the MAB properties are up to twice the US national average. The *Charlotte Observer* reported last year that local house prices rose 4.3 per cent, based on the national index, while other metro areas struggled. According to a January Standard and Poor's/Case Shiller Home Price Indices report, Charlotte, Portland and Seattle are the only three Metropolitan Statistical Areas still experiencing positive annual growth rates.

In November 2006 leading ratings house and financial researcher Lonsec rated the International Retail Trust as 'recommended' (lower end) and despite the current economic turmoil across the US the fund has retained its 'recommended' rating in a subsequent review conducted in January this year.

The retail portfolio has been strategically positioned in regions and cities' exhibiting population growth and where disposable incomes are high and spending is solid. The fund portfolio contains five retail properties all located in growth areas in North and South Carolina.

MAB Funds Management general manager Nick Gray said that despite the economic slow down across the United States this region of the country, which is within the "Sunshine Belt", has defied some national trends.

"The trust's major focus is on basic food retail spending, as opposed to high end discretionary spending, like fashion and electrical goods," Mr Gray said.

"Our strategy was simple - everybody has to eat, so developing a trust that invests in the supermarket and convenience retail sector provides a secure and growing income stream even during difficult economic periods," he said.

Last week *USA Today* reported that for the month of January retail sales rose as consumers spent more on necessities while cutting back on non-essentials. Grocery purchases were up while spending on restaurants and bars was down for the first time in five months.

So while house prices are generally weak in the US, Charlotte remains positive on a 12 month view and has the best market in the survey at +2.9 per cent. Charlotte is the second largest financial centre in the US, housing the headquarters of both Bank of America and Wachovia. According to CB Richard Ellis, Charlotte also has the strongest office market in the US with a vacancy factor of only 2.3 per cent at December 2007, the lowest in the US for the fourth straight quarter.

"MAB's strategy of centering the fund's assets in the 'growth engine of the south' has proved that investors should always look for sound, well based investment strategies when looking to diversify their funds, and consider that generally property investment is a proven long term performer," said Mr Gray.

"In volatile times investors should concentrate on investments having predictable income supported by long term leases as these will provide the best protection."

Top 5 Fund Features:

1. The strategy of investing in grocery based shopping centres in population growth areas of the US.
2. Strong predictable cash flows - 8.45 per cent, 90 per cent tax advantaged - Average unexpired lease term of 7.4 years from 1 January 2008. 11.7 years for the major tenants who account for 48 per cent of the income.
3. Risks mitigated by hedging currency and fixing debt on a long term basis - weighted average term of the debt facilities is 5.3 years from 1 January 08 with fixed interest rates.
4. 98.8 per cent occupancy.
5. Experienced Australian and USA based management.

*Lonsec provides financial advisers with in-depth, quality managed funds research, spanning a range of traditional and alternative asset classes.

*Standard & Poor's, a division of The McGraw-Hill Companies (NYSE: MHP), is the world's foremost provider of financial market intelligence, including independent credit ratings, indices, risk evaluation, investment research and data.

Available for interview:

Nick Gray, general manager, MAB Funds Management

David Rosenthal, president of MAB Rosenthal, MAB's US Joint Venture Partner (please note time difference of -19hrs hours)

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About MAB Corporation

With \$2 billion in projects completed or commenced, MAB Corporation generates approximately \$300 million in annual sales and employs over 100 people.

Highly successful MAB projects include the \$1 billion landmark NewQuay development at Docklands, the revolutionary \$1 billion Univeristy Hill mixed use precinct in Bundoora, National Business Park, The Anchorage Apartments, Northcorp Industry Park, Translink Business Park and a host of award-winning developments.

MAB Corporation in a joint venture with Gibson Property Corporation (GPC) have now embarked on their largest and most visionary development to date being the \$5 billion, 880 hectare Merrifield project in Mickleham, Victoria. MAB Corporation also has a growing funds management arm with approximately \$300 million under management.