

## MAB Diversified Property Trust

### ASIC Regulatory Guide 46 Disclosure

This Enhanced Disclosure is issued by MAB Funds Management Limited (“MAB Funds”) as Responsible Entity for the MAB Diversified Property Trust (“MDPT” or “Trust”) 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 Trust 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](http://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 available for the Fund, being for the period ended 30 June 2016. 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 Diversified Property Trust is a direct unlisted property trust which sold and settled all remaining properties during the year ended 30 June 2016. The Trust has commenced the process of termination, and 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

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## 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

MAB Diversified Property Trust ("MDPT" or "Trust") had no debt as at 30 June 2016 as the loan was repaid on 22 October 2015 with the sale proceeds of Cowra Plaza. . At 30 June 2016, the Fund had a gearing ratio of 0%, compared to 11.86% a year earlier. 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, i.e. the value of equity declines more rapidly when prices decline for more highly geared assets.

The Fund does not have any off balance sheet financing as at 30 June 2016.

## 2. Interest cover

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### 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

As at 30 June 2016, MDPT has repaid all debt and has no interest expense.

### 3. Scheme borrowing

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#### 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:

As at 30 June 2016, the Trust had repaid the debt facility from proceeds received from settlement of Cowra Plaza on 22 October 2015.

##### Hedging:

As at 30 June 2016, there is no interest rate swap in place.

## 4. Portfolio Diversification

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### 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

#### Summary of Investment Property and Current Valuations:

All property assets have been sold and settled as at 30 June 2016.

## 5. Valuation Policy

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### Disclosure Principle

This information relates to key aspects of the Trust's valuation policy for real property assets.

### ASIC's Description

ASIC's description of this principle states that *"investing in a property scheme exposes investors to movements in the value of the fund's assets. Investors therefore need information to assess the reliability of valuations. The more reliable a valuation, the more likely the asset will return that amount when it is sold. However, any forced sale may still result in a shortfall compared to the valuation."*

### Practical Application of the Disclosure Principles

The 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.

As all property assets were sold as at 30 June 2016, no review was performed.

## 6. Related party transactions

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### Disclosure Principle

This relates to the responsible entity's approach to related party transactions

### ASIC's Description

ASIC's description of this principle states that *"a conflict of interest may arise when property schemes invest in, make loans or provide guarantees to related parties."*

### Practical Application of the Disclosure Principles

Related party disclosures are reported in the Annual Accounts for each scheme, the most recent annual accounts are available on the MAB Funds Website [www.mabfunds.com.au](http://www.mabfunds.com.au).

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

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### Disclosure Principle

This relates to information on the Trust's distribution practices

### ASIC's Description

ASIC's description of this principle states that *"some property schemes make distributions partly or wholly from unrealised revaluation gains and/or capital rather than solely from realised income. This may not be commercially sustainable over the longer term, particularly where property values are not increasing."*

### Practical Application of the Disclosure Principles

Distributions are paid from current year profits and (to the extent necessary) prior year retained earnings. It is anticipated that forecast distributions will be funded by realised operating earnings from the portfolio of assets.

The responsible entity ensures that any material issues related to the Fund's distribution practices are notified to investors through ongoing disclosure which includes direct correspondence with investors via mail and email as well as through regular quarterly investor updates.

### Distribution Guidance

Ordinary income distributions for the year were 0.7 cents per unit per quarter until 31 December 2015, two special distributions of 36.0 cents and 26 cents were also paid from the sales proceeds of the Rising Sun Shopping Centre, Townsville and Town Plaza Shopping Centre, Charters Towers and Village Central, Wyong, respectively.

Upon completion of Trust termination requirements, one final distribution made to investors. This is expected to be made prior to 31 December 2016.



## 8. Withdrawal arrangements

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### **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 the Disclosure Principles**

Per the disclosure in product disclosure statements and supplementary product disclosure statement, MDPT is a direct unlisted property trust, and the scheme does not provide withdrawal arrangements.