

Peet Income Property Fund

Investment Research October 2006

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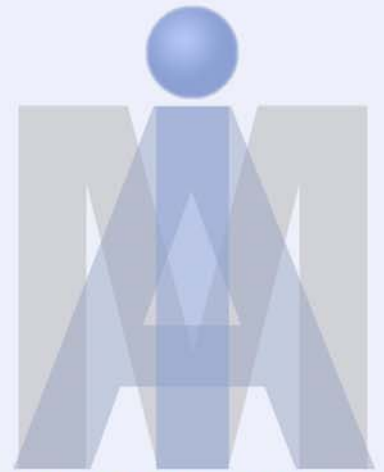
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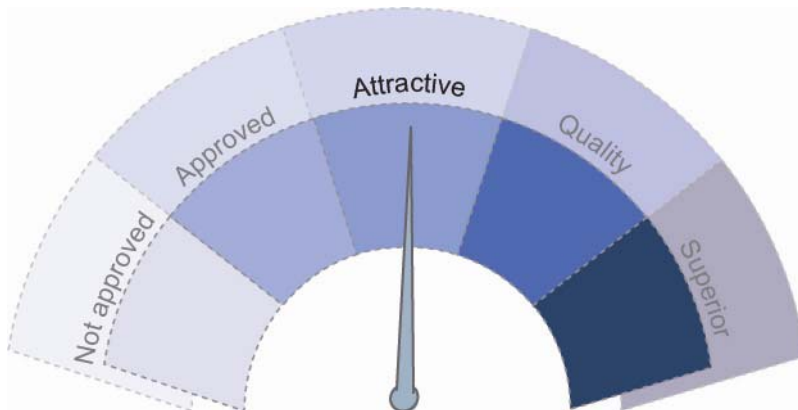
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**Managed Investment
Assessments**

Peet Income Property Fund

October 2006



OVERALL RATING:

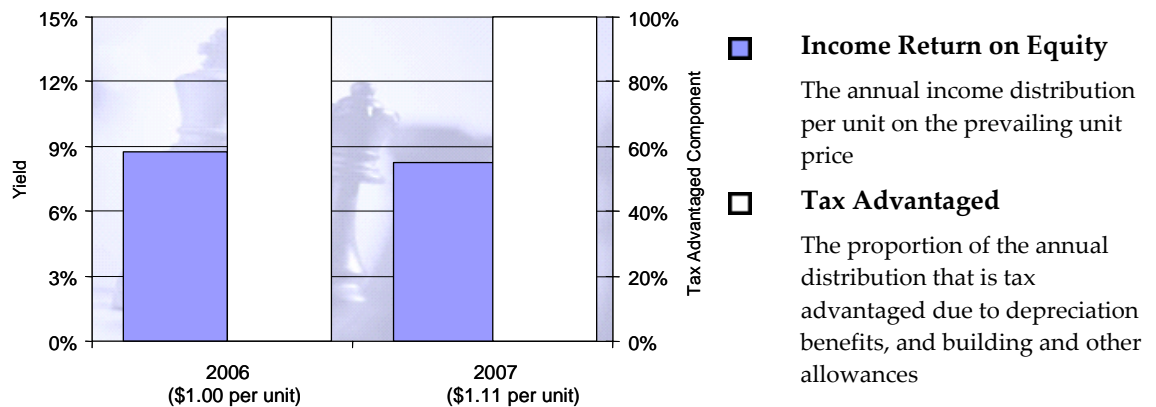
**The Peet Income Property Fund is rated
as an 'Attractive' investment offer.**

This report is valid for 12 months from the date of issue or the close of capital raising whichever is the sooner

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Peet Income Property Fund Annualised Returns to Investors



Funding Structure

Statement of Financial Position (un audited) as at 30 June 2006

	(\$'000)
Current Assets	587
Non-Current Assets	27,772
Total Assets	28,359
Current Liabilities	464
Non-Current Liabilities	13,450
Total Liabilities	13,914
Net Assets	14,445
Total Equity	14,445

Net Tangible Asset Backing

Per unit	\$0.993
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Interest Rate Management

Current gearing	50%
Interest rate structure	50% Fixed/50% Variable
Interest rate including margin	6.82%

Structure of Issue

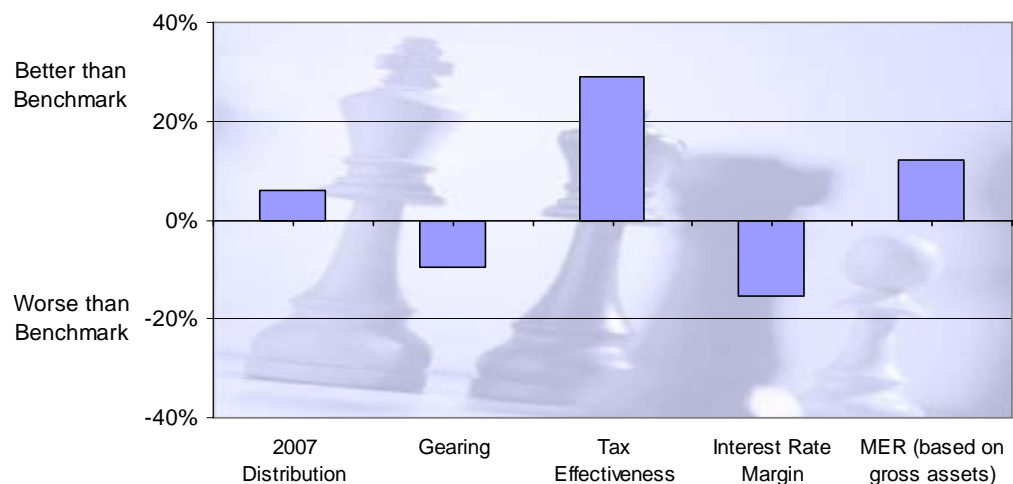
No. of Units offered to investors	3,153,153
Unit Issue Price	\$1.11

Management Fees

Property Acquisition Fee	2.5% of purchase price
Commission	Up to 4% of equity
On-going Management Fee	0.70%
MER	0.81%
Distributions	Quarterly
Minimum Investment	\$5,550
Anticipated Term of Fund	Open-ended

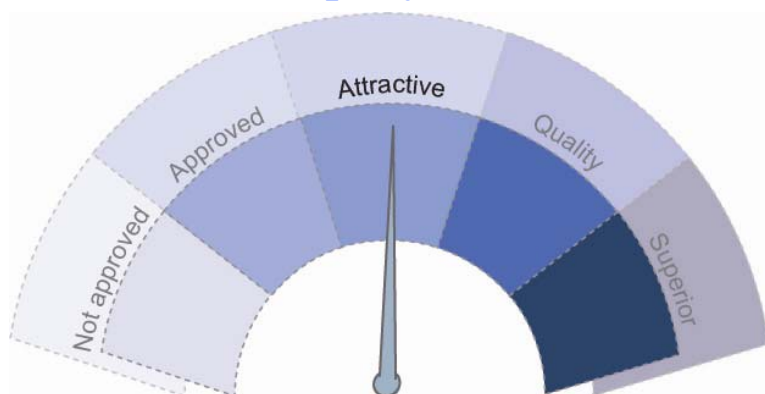
Peet Income Property Fund Benchmarked

We have benchmarked key elements of the Peet Income Property Fund against a basket of products with a similar structure and primarily exposed to the industrial property sector that have undertaken an equity raising during 2006. The accompanying graph places the benchmark level for each element at zero. The extent to which elements of this fund offer vary from the benchmark is expressed as a percentage.



Despite the increase in unit price to \$1.11, the Fund is currently providing investors with a slightly higher 2007 income distribution (8.25%) than the benchmark average. The current gearing level of the Fund is slightly higher than the benchmark average of 45%. The Fund is forecast to deliver investors with fully tax effective distributions in 2007. The interest rate margin charged by the debt provider is slightly higher than the peer group (0.70%) although given the relatively small size of this portfolio; we believe that the margin struck is favourable. The Internal Cost Ratio (previously Management Expense Ratio) on a gross assets basis (0.81%) is below the benchmark average of 0.91%.

Peet Income Property Fund

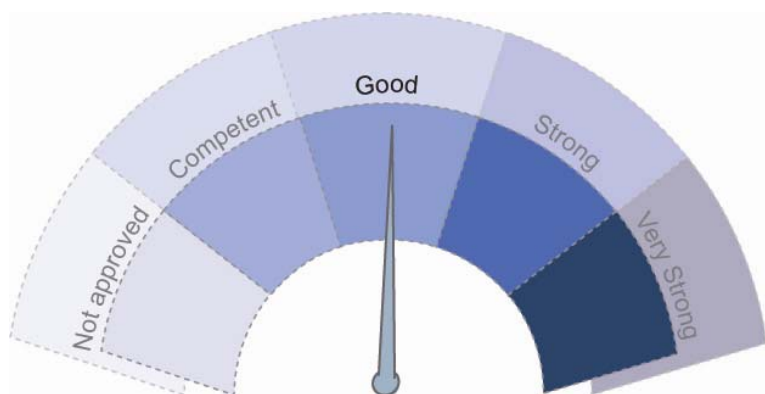


Attributes: The Peet Income Property Fund provides investors with an exposure to a portfolio of well let high-tech and traditional industrial buildings located in growing markets. The Fund has a conservative investment strategy and is taking a measured approach to growth in what is a very competitive market. The strategy to acquire small assets in order to maintain diversity of income streams should serve the Fund well in coming years. The Fund has delivered

strong returns in its first year under management and the prospects for the medium term remain positive. Fees are at an appropriate level for this product type. This contributes to our rating of the Peet Income Property Fund as an 'Attractive' product.

Issues to be addressed: As originally forecast in the PDS the Fund will supplement 2007 financial year distributions with a return of capital. This means that some of the capital growth reflected in the recent revaluation of the portfolio will be paid now. The Fund has a well spaced lease expiry profile but ongoing management of what are generally small, private tenants will be required. Interest rates on debt have not been fully hedged.

Peet Limited



Attributes: Peet Limited is a well managed, conservative property fund manager who, through the management of this Fund is moving from its traditional focus on residential subdivision development into more mainstream funds management activities. The directors have taken a long term view of the business and have given the Fund Manager the opportunity to develop the Fund without any pressure to build funds under management to a certain

level within a defined timeframe. Directors of the company have invested personal funds into the Fund and are therefore personally affected by fund performance. The new non-residential property funds management unit can call on substantial finance, administration and compliance support from within the larger group. These factors contribute to our rating of Peet as a 'Good' manager in relation to its ability to manage the Peet Income Property Fund.

Issues to be addressed: Peet has moved into this new area of business and has appointed competent staff to manage the Fund. Investors should note that Peet does not have a track record in this form of funds management. The fund management resources employed bring strong analytical skills and a significant knowledge of non-residential property markets but are yet to demonstrate a long track record in funds management. Peet will need to give some consideration to bolstering their asset management capability in the short to medium term to support their expanding funds management division.



Managed Investment
Assessments

'Recently established fund which owns properties located in strongly performing economic regions'

'Significant increase in underlying property value'

'Current offer to be used to finance new property acquisition'

'MIA executives met with key executives of Peet management'

Peet Income Property Fund

Overview

The Peet Income Property Fund (the "Fund") was launched in mid 2005. The Fund is focused towards acquiring commercial and industrial properties located within Australia's stronger economic regions. Peet Limited is a well established company, having been in operation for over 100 years. In the past the company's predominant exposure has been towards residential property development and land syndications and this Fund represents their first venture into mainstream funds management.

The Fund is open to both retail and wholesale investors and the return objective is to provide investors with secure income and the potential for capital growth. Capitalisation rate compression in the first year of the Fund's existence has resulted in a significant increase in underlying property values which has pushed the net asset backing up towards its original par value of \$1.00.

In comparison with similar products, the Fund is quite small. Peet management advised that they are very comfortable with this fact as this is their first step into funds management and they are resolute on managing this venture successfully. At present the Fund consists of eight high tech and traditional industrial properties and according to their most recent valuations, the portfolio was valued at \$32.84 million. There are plans to grow the Fund at a moderate rate to ensure that Peet are able to identify appropriate investment opportunities that fit the Fund's criterion going forward.

The purpose of this current offer is to finance the purchase of the Purdy Place, Canning Vale property. This property was settled in early August and represents 15.7% of the portfolio.

We were also advised by Peet that they have recently established a limited redemption facility on the Fund which will be opened quarterly.

As part of the research process, analysts from MIA met with senior management at the Peet offices in Perth on Wednesday 30th August between 11am and 2pm. At this meeting we interviewed the following key executives:

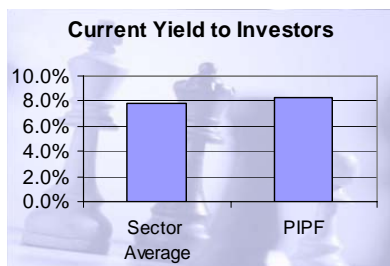
- Warwick Hemsley, Managing Director;
- Philip Ragan, Fund Manager;
- Brendan Gore, Chief Financial Officer; and
- Rod Lane, Compliance Officer;

The focus of our management visit was on:

- the strategy and resources in place to move Peet into non-residential property funds management;
- the structure of the trust having regard to the above;
- the quality of the current property portfolio; and
- the likelihood that forecast returns would be achieved.

'The Fund is the first passive income producing property trust'

'Historical return is attractive in the context of the current market'



'Perth properties are located in traditional industrial areas benefiting from strong mining sector'

Structure

A public unit trust is utilised and is deemed by Peet to be suitable for investment by individuals, companies and superannuation funds. We note that this is first managed investment scheme that Peet has created for retail investors. The residential property syndicates managed by Peet have been held in a company structure due to their reliance on development profit, rather than rental income from existing assets. The Constitution provides that the Fund will be reviewed in July 2010 and every three years thereafter. This is in addition to the quarterly limited redemption facility backed by Peet (see Exit Strategy and Liquidity). The minimum investment in the Fund has been set at 5,000 units which is \$5,550.

Returns

Existing investors have been provided with a strong result in the first year of the Fund. The Fund provided an 8.75% income return (\$1.00 issue price) to investors in the 2006 financial year on a pro-rata basis. This is an attractive return in the context of the current market and well above the average for unlisted property trusts with an office and/or industrial focus. Furthermore, the revaluation of the existing portfolio resulted in an 11% increase in the value of the underlying portfolio.

The prospects for the 2007 financial year are similar to those experienced in 2006. The Fund is forecast to return 8.25%, equal to 9.16 cents per unit on a \$1.11 unit price. Peet anticipate providing a similar income return and there are prospects for continued capital growth across the portfolio. However, the income return in the 2007 financial year has been supplemented by a capital return of 1.27 cents per unit. We have discussed this return of capital at length with Peet. They advise that they wish to provide a stable income distribution to investors in the current year in which the Fund will incur significant costs. They believe that this can best be achieved by supplementing the cash distribution with a return of capital. Investors should be aware that the income return (without the return of capital) would be approximately 7.43% in the year current. The effect of the capital return is to lower the capital growth inherent in the revaluations carried out as at 30 June 2006. However investors should also note that the net asset value as calculated by Peet's accountants will be only a few cents below the issue price even taking into account the capital return.

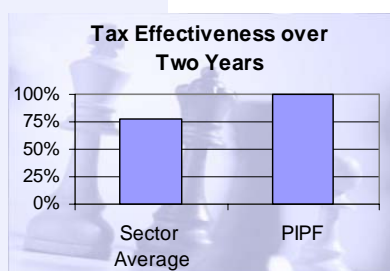
The PDS notes that under new accounting standards Net Property Income includes the impact of revaluations (or devaluations) and that there are no forecasts made for changes to the value of the property portfolio in the current financial year. Furthermore, there is some discrepancy between the reporting of variable outgoings recouped from tenants and the forecasting of these in the current financial year.

The Fund is fortunate in that it is currently exposed to Australia's strongest property markets, Perth and Brisbane. These two cities have benefited greatly from the boom in exports to China and other countries, particularly from the mining sector. In Perth, the focus of the Fund has been on traditional industrial areas to the south of the CBD. These areas have been in high demand in recent years although rental growth has not been as strong as in Perth's office markets. There are currently delays in the supply of new industrial land and this has had a major impact on the price of development land, something that tends to flow through to rents in the following two years.

'Properties are located in prime 'high tech' industrial area of Brisbane'

'Unexpected vacancy issue appears to have been rectified'

'Fund on track to deliver forecast returns'



'Capital expenditure expected to be minimal over the short term'

In Brisbane, the properties are located in the city's premier 'high tech' location, bolstered by strong state Government support over many years. The Brisbane Technology Park, as it is known, has developed strongly in the past 6 years and is now being replicated on a smaller scale on nearby sites due to ongoing demand for this type of development. The precinct has developed a brand of its own with evidence now emerging that tenants are prepared to pay a premium to pre-let purpose built facilities in the area.

Tenant demand in the Brisbane Technology Park areas has been demonstrated by an unexpected vacancy emerging in one of the properties owned by the Fund. The property at 36 Brandl Street lost its largest tenant Investment Data Technology in June 2006. Whilst the matter was placed in the hands of Peet's solicitors, we have been advised that there has been no loss of income to the Fund due to a bank guarantee which extends until the end of October 2006. Subsequent to this advice we have been sent material confirming that RSL Care, a not for profit group that specialises in taking care of war veterans has applied to lease the entire vacancy at this property. The terms of the lease include a seven year initial term from October 2006 with a five year option. We have been advised that an initial rent of \$200/m² net of outgoings has been negotiated. This rent is higher than that previously paid by Investment Data Technology and is a good result for the Fund. We also note that no lease incentives were payable to the new tenant, which has positive implications for future rent reviews in nearby buildings, some of which are owned by the Fund.

We believe that the Fund should be able to deliver its forecast returns in the current financial year and investors should expect some further capital growth. However, as with the wider market, we expect that capital growth will be lower in the medium term and investors should consider an average annual total return target of 10% as appropriate over the period leading up to the first stipulated redemption offer in 2010 (see Exit Strategy and Liquidity).

Taxation Issues

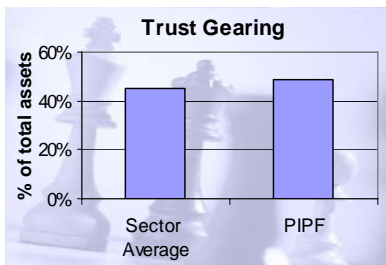
We have been advised by Peet that they anticipate income received by investors will be 100% tax advantaged in the 2007 financial year. Providing the Fund delivers high levels of tax deferred income, the payment of a considerable portion of income tax is deferred until the units in the Trust are sold. However, this mechanism reduces the capital gains cost base for investors. It is important to note that future property acquisitions may affect the future tax effectiveness of the Trust. We strongly encourage any investors with queries on this matter to contact their financial adviser or accountant.

Capital Expenditure

We have queried Peet on the upcoming capital expenditure requirements of the property portfolio. We have been advised that most of the properties have minimal expenditure requirements in the short term, the exception being the Naval Base property which has over \$200,000 of projected capital expenditure requirements over the next 2 years. Philip Ragan has been able to provide valuable insight into the capital expenditure requirements on the Brisbane properties as some of these assets formed part of his portfolio in his previous role.

Gearing and Interest Rate Management

The Fund can be geared to a maximum of 60% on a loan to value ratio basis. Investors should note that Peet have made the strategic decision not to fix 50% of the Fund debt as they believe that investors can benefit from the lower rate of interest payable on variable loans. They believe that a 50/50 split provides a balanced approach to interest rate management. By way of illustration, Peet has pointed out that at the time of our management visit the fixed rate of interest over 50% of the debt was 6.12% with a 70 basis point premium resulting in a rate of 6.82% compared to the variable rate which was 25 basis points lower. The majority of unlisted property trust managers fix all core debt at predetermined rates. Investors should consider whether the relative uncertainty implicit in the interest rate strategy utilised by Peet is commensurate with their attitude to risk.



We are aware that Peet have a longstanding relationship with the National Australia Bank with respect to the debt financing for a wide range of Peet related initiatives and products. They advise that they have discussed future lending requirements with other financial institutions and will consider other sources of debt finance on their merits.

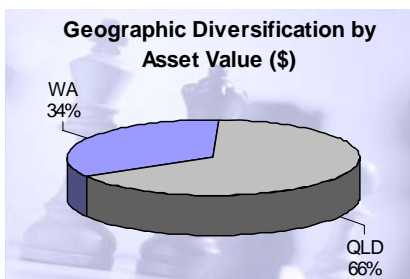
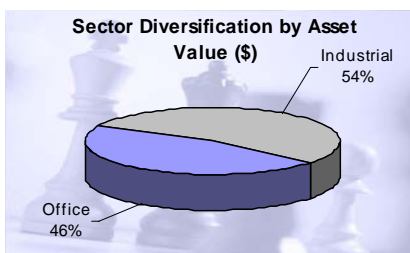
Tenant Covenant and Lease Expiry Profile

The lease covenant represented by existing tenants is quite strong considering the assets are small to medium sized properties located in traditional or high tech industrial areas. The current lease profile consists of a mixture of small, private and blue chip tenants, many of which have been operating within their local regions for a number of years. The lease expiry profile of the properties shows good breadth across the next 10 - 15 years. We have been advised subsequent to our management visit that Peet have recently received an application for the sole vacancy within the portfolio (see Returns).

'Properties tenanted by established local businesses'

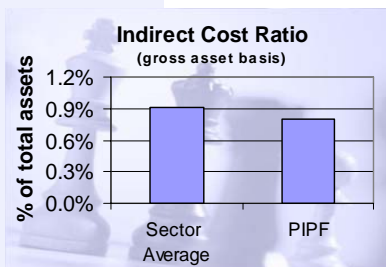
Geographic and Sector Allocation

Given the current economic environment the Fund is strongly positioned with the assets located in Australia's 'growth' states, Western Australia and Queensland. It is apparent that the manager took these circumstances into account when acquiring the assets with the idea that the state's strong growth will filter through to enhance the performance of the properties. This does not mean that the manager is looking exclusively in these regions, in fact were advised that although there are not any immediate plans, Peet would consider investment within other states.



Peet believe that exposure to office and industrial sectors generate higher yields by comparison with other sectors. The graphs beside illustrate the breakdown of the portfolio by geography and sector. It is the manager's plan that the Fund will continue to grow in acquiring commercial and industrial properties that satisfy the manager's criteria on acquisitions within economically strong parts of Australia. It has been made clear from our discussions with Peet executives that they are treating this Fund as a fundamental component of their future grow strategy as an integrated funds management business. There is little appetite to acquire additional property simply for diversification purposes if that property will do anything to damage their long term relationships with their investor base.

'Typical up front fees charged by manager'



'An investment in this Fund should be considered as illiquid'

Fees and Commissions

Upfront fees and commission can be split into three components. There is a property acquisition fee which equates to 2.5% of the property purchase price. This is deducted from the Fund following property acquisitions. Assuming an average gearing of 50% of total assets, this equates to around 5% of equity invested. We note that Peet has waived 1% of this fee since inception and expects this policy to continue until 30 June 2007. This has the effect of cancelling out the dilution of capital from the capital return in the current financial year (see Returns).

Commissions to financial advisers are payable at a rate of up to 4% plus GST. We note that Peet will underwrite each equity raising and will be paid 4% plus GST for this service. However, we are advised that the underwriting fee and commission paid will not exceed 4% of equity. There is also another fee to be paid to Peet for the arrangement of loans entered into by the Fund. This equates to 0.4% of the loan facilities arranged. Assuming 50% average gearing, investors could expect this to equate to a little less than 0.2% of property purchase price.

The standard aggregate of up front fees for unlisted property trusts is equivalent to 5% of property purchase price. After making adjustments for gearing (assumed at 50% of total assets) and other factors, we estimate the aggregate upfront fees and commissions to be 4.7% of property purchase price.

The ongoing management fee is 0.7% of the gross asset value of the Fund. However Peet has advised that 0.45% of the fee has been waived, resulting in a 0.25% ongoing management fee in the 2007 financial year. This is below the sector average of 0.81% and the Indirect Cost Ratio on gross assets (formerly Management Expense Ratio) at 0.8% is well below the average of 0.91%.

There are no performance related fees in the Fund. Peet has advised that they wish to maintain a simple structure for this product and are comfortable with their ability to maintain appropriate service levels from the above fees. We note that there is an asset disposal fee which provides for 2.5% of the sale price of properties to be paid to Peet. Investors should note that this fee is not contingent on the property being sold at a premium to its purchase price. There are also standard property management and capital works fees which are payable where applicable. Investors should consult the PDS for further information.

Exit Strategy and Liquidity

Investment in this Fund should be considered illiquid. The first stipulated redemption offer period is planned to be opened on 1 July 2010 for a period of 6 months. Further redemption offer periods are expected to be made at three year intervals. However we have been advised that Peet has recently implemented a limited redemption facility on a quarterly basis. This facility is backed by Peet and will provide the opportunity to redeem up to \$100,000 of units per calendar quarter.

It is envisaged that the redemption offer periods, commencing in 2010, will be funded by three alternatives; the issue of new units, drawdown of further debt or the sale of properties to raise capital. The ability of the Fund to redeem any units will be influenced by market conditions and the weight of investors seeking to exit their holding relative to new investors.

Peet Income Property Fund Property Portfolio

The Fund currently owns a portfolio of eight high tech and traditional industrial buildings in Brisbane and Perth. Each of these properties has been inspected by MIA analysts in the course of our assessment of the Fund. The Perth properties were inspected following our management visit to the Peet offices on the afternoon of Wednesday 30th August. The Brisbane properties were inspected on the morning of Wednesday 13th September.

'Executives have managed the Brisbane properties in a previous role'

Investors should note that the Brisbane properties were previously owned by the Flexi Property Fund, a small ASX listed property trust that was wound up in 2005. This trust was previously managed by Philip Ragan (see Management section) who was appointed to manage this Fund by Peet following their acquisition by the Fund. Philip's thorough knowledge of the properties helps to mitigate against any unforeseen issues relating to building quality and amenity.

Perth Portfolio

'Long term tenant provides Fund with secure income stream from this property'

50 Lionel Street, Naval Base: This property is a small to medium sized industrial facility situated in Naval Base which is 27 kilometres south west of the Perth Central Business District. The property was purchased by the Fund in May 2006 and its area comprises three main buildings. The current tenant, ED Oates, has been in occupation of the property for over 25 years and represents a strong lease profile. The expansion of Perth's southern suburbs and the region's accessibility continues to be enhanced creating demand for the area. It is also believed that the construction of a new large desalination plant nearby will support regional growth prospects in the upcoming years. The property was valued at \$2.71 million as at 30 June 2006, which represents 8.25% of the portfolio. This valuation also equates to \$436/m² of lettable area.

'Property has good access to nearby transportation nodes'

30 Magnet Road, Canning Vale: This single level property located within the industrial suburb of Canning Vale. The property consists of storage, warehouse and food processing facilities and also provides good access to transport using the site. The surrounding area is a popular industrial region, with good access to the major highways and the nearby airport. The most recent valuation of the property was carried out on 30 June 2006 and was \$3.66 million, which currently represents 11.15% of the portfolio. This valuation also equates to \$1,726/m² of lettable area.

'Recent Perth acquisition is large proportion of portfolio'

Units 1-4 Purdy Place, Canning Vale: This four unit complex is also situated within Canning Vale and has only recently been added to the portfolio following settlement on 3rd August 2006. The land is designated as industrial with office facilities. The units are currently leased however we were informed that one is being advertised by the tenant for sub-lease as it is surplus to current requirements. Similarly to the property above, the surrounding area is a popular industrial region, with good access to the major highways and the nearby airport. The property contains good space and also has excellent frontage to adjacent roads. Car parking facilities are also outlined for each of the units. The purchase price of \$4.8 million means the property forms 15.74% of the portfolio. This valuation also equates to \$2,237/m² of lettable area.



Managed Investment
Assessments

'Quality building located at the end of a cul-de-sac'

'Potential to expand building if required by tenant'

'Well presented and leased property'

'Recent vacancy has been relet'

'Well presented high tech industrial building'

Brisbane Portfolio

7 Hi-Tech Court, Eight Mile Plains: This property is located in one of the original parts of the precinct towards the top of the hill upon which the estate is built. The building is located at the front of the site with possible expansion space at the rear. There is significant parking available on-site and there is adequate large vehicle access although very large trucks would find difficulties accessing the property in what is a relatively narrow street. Despite the property being a number of years old, it presents as a high quality facility and we note that additional space can be built to expand the facilities if required. The latest valuation of \$3.1 million means the property forms 9.44% of the portfolio. This valuation also equates to \$2,237/m² of lettable area.

10 Brandl Street, Eight Mile Plains: This property sits on an elevated site above Brandl Street. The building was completed approximately five years ago and remains in good condition with a sweeping driveway providing a strong corporate presence for the single tenant, Foxboro Invensys. The existing lease is due to expire in early 2008 and we note that there is the ability to expand the existing building envelope by an additional 1,050m² to cater for the existing tenants needs if required. The latest valuation of \$7.3 million means the property forms 22.23% of the portfolio. This valuation also equates to \$2,176/m² of lettable area.

15 Brandl Street, Eight Mile Plains: This property is on the southern side of Brandl Street and lies slightly below road level. The property has warehouse access to the front of the site and car parking on the western side along the building line which is easily accessible from the front entrance. The property presents very well and is used by its tenant, Startronics as a production facility for electronic parts. We note that the existing lease expires in March 2008 and that there is little scope to expand the building should the existing tenant require additional space. However, assuming similar market conditions to those currently being experienced, the quality of the property should enable a relatively smooth re-letting process to occur if required.

36 Brandl Street, Eight Mile Plains: This property occupies an elevated site on the north side of Brandl Street. The property has been the subject of a new leasing campaign following the vacation of a previous tenant occupying 60% of the property (see Returns). This space has now been relet for seven years. The building has two level offices at the front with some warehouse and research and development space within the same building envelope. There is adequate car parking on-site. The latest valuation of \$4.5 million means the property forms 13.70% of the portfolio. This valuation also equates to \$2,065/m² of lettable area.

69 Brandl Street, Eight Mile Plains: This property is located on the eastern side of Brandl Street as it sweeps down in a southerly direction within a rapidly developing section of the Brisbane Technology Park. The building has been developed to a high standard and consists of a two level office complex with a warehouse with good roller door height. We note that the sole tenant, Becton Dickinson has occupied the property since its completion in 2002 and has recently exercised its option to renew its lease until March 2012. The latest valuation of \$2.4 million means the property forms 7.31% of the portfolio. This valuation also equates to \$1,365/m² of lettable area.

Peet Income Property Fund Risk Factors

The following is a list of general risk factors relating to an investment in the Peet Income Property Fund and not covered in detail elsewhere in the report. The list is not meant to be exhaustive and does not take into account the individual circumstances of investors.

'General economic downturn should be factored into return forecasts'

General Economic Conditions: Managed Investment Assessments is aware that the Australian economy has grown without pause for more than 14 years and we believe that this is unsustainable. The certainty of a major economic recession is not in doubt, only its timing. Investors should take this into consideration when committing funds to any investment.

'Property market cycles may positively or negatively affect Fund returns'

Property Market Conditions: Current conditions in the markets where the Fund is invested are currently strong and there is no reason why they will not continue to out perform in the next 12 months. However, the supply side is increasingly in Brisbane and it is possible that this may result in a softer market in the medium term. Perth continues to be exposed to external factors, particularly the demand for raw materials from China and other fast developing economies. Investors should be aware that any economic downturn as described above would have a delayed but potentially serious impact on these office and industrial markets.

Socio-economic and Demographic factors: Changes to the social structure or demographic base of the areas in which the properties are located may occur. This may result in a rise or fall in the demand for office and industrial space in certain areas. This may have material consequences for the value of the units in the Fund.

Regulatory Conditions: The attractiveness of an investment in the Fund may be affected by changes to Australian Government policy, particularly in relation to superannuation funds which represent a growing proportion of investment funds in Australia. Changes in taxation law, relevant sections of Corporations Law or any other statutory changes may affect distributions to investors.

Accounting Standards: We note that the effect of the introduction of International Accounting Standards in Australia in 2005 has been quantified by the accounting profession as it relates to managed investment schemes. It is possible that future changes to accounting practices and standards within Australia may have an impact on the value of units and the distributions paid to investors in the Fund.

'Changes to interest rates may affect Fund returns'

Changes in Interest Rates: Changes in interest rates may impact on investor returns. There is no guarantee that interest rates on future debt raised by the Fund will be as low as those currently negotiated. The effect on investor returns will depend on the interest rate market at the time and the skill and experience of Peet executives. MIA notes that official interest rates have recently been increased and there is the prospect of further monetary tightening within Australia.

'Fund should be considered illiquid'

Liquidity: The liquidity facility in place should be considered limited in nature and in no way should investors consider this Fund to be liquid. Investors must consider that their investment is long term in nature and should be aware that adverse market conditions or an increase in redemption requests beyond the capacity of the Fund may result in any planned liquidity facility being suspended.



Managed Investment
Assessments

'Peet is one of Australia's oldest residential property developers'

'The company has recently diversified its income stream into the management of a passively held property trust'

'Key executives of Peet have been at the helm for an extended period, something not commonly found'

Peet Limited

Company Background

Peet Limited ('Peet') was formed in 1895 and is one of Australia's oldest residential land subdivision companies. The company has been a dominant player in residential subdivision development in Perth for several decades and a significant proportion of that city's suburbs have been developed by them. Throughout the years the company developed a strong network of investors in Perth who invested in private entities involved in the residential subdivision business. By the late 1990's this evolved into an expansion into Melbourne and Brisbane through a series of property syndicates aimed at retail investors. These syndicates were, and continue to be, structured as companies which are deemed by Peet to be the most appropriate structure for development based investments.

In the past decade the company has been managed by a core group of executives who have led the company from a privately held concern to listing on the Australian Stock Exchange in August 2004. As part of its ongoing expansion strategy, the company made its first move into non-residential property funds management via the launch of this Fund last year. The strategy is to develop the funds management division in a very conservative manner, something that has been the hallmark of Peet's development over many years. There is little appetite within the company for risking many years of corporate achievement and we expect that the property funds management division will be a comparatively small component of the overall Peet business for some time. Peet have indicated that they are willing and able to support the funds management business overheads for as long as required and that there is no pressure on the Fund Manager to grow funds at the expense of Fund returns.

Key Executives

Warwick Hemsley is Managing Director of Peet Limited. He has held this position for many years and together with board members Tony and Anthony Lennon has been responsible for the success of the large number of residential subdivision syndicates. Warwick is well known to us through his development of the residential property development syndicates over a number of years. He has an extensive background in real estate having worked for large real estate agency companies prior to joining Peet more than 20 years ago. Warwick has 29 years relevant experience in property development.

Anthony Lennon became a Director in 1996 after joining Peet in 1991. His responsibilities include project management, broadacre acquisitions, marketing and financing. Anthony also gained experience through previous roles in the United Kingdom focused towards planning, marketing, project management and feasibility studies. More recently he was Chairman of Conveyancing Services for 6 years during which time it became one of Western Australia's largest property conveyancing companies.

'Experienced fund manager joined Peet in 2005 to manage this Fund'

Philip Ragan is the Fund Manager and has over 27 years experience within the property and funds management industries. Philip is responsible for the daily management of the Fund and also all aspects of performance pertaining to the Fund. He joined Peet in 2005 and was previously the Fund Manager for the Flexi Property Fund, where he managed some of the assets included in the current portfolio. Philip is also well known to the MIA executive through previous roles and it is evident that he possesses a through knowledge of the property sector.

'Recently appointed experienced Chief Financial Officer'

Brendan Gore is the Chief Financial Officer and is a relatively new member of the Peet executive team. However during our management visit Brendan demonstrated considerable knowledge on the areas of funds management and how it relates to property development, taxation and other relative issues. Brendan has held senior executive positions on many publicly listed companies and has extensive experience in the areas of corporate, finance and commercial business, predominately in the oil and gas sector.

Rod Lane is the Compliance Office of Peet. He has 40 years experience in the financial services industry and commercial business. He has worked in this role since mid 2001 having held senior positions at companies such as ANZ, Town & Country and HBF.

Human Resource Management

'Highly competent group of key executives'

Ultimate responsibility for human resource issues rests with Warwick Hemsley and the Board. We have been provided with an organisational chart for the firm. There are 7 main reporting lines to the Board and Managing Director including Compliance, Finance and Marketing. As this is one of the first ventures into the funds management arena, this is illustrated by the small two person size of this team by comparison to the more extensive Land area which has a headcount of 46. At the time of writing, we were advised that the staff complement firm-wide was 95 with the only notable vacancy at present in the position of General Manager – Land.

Asset Management Expertise

'Asset management undertaken by property specialist'

The role of asset management is undertaken by Philip Ragan in the position as Fund Manager. He is responsible for all aspects of the property portfolio including property leasing, tenancy renewals and building maintenance. Whilst we acknowledge Philip's vast experience as a property fund manager, we note that the dedicated funds management section of Peet appears under-resourced by comparison with typical managers. In addition to the Fund Manager, it would be beneficial to the Fund, and future Funds, if the staffing was expanded to include at least a specialist property asset manager, a property investment analyst to carry the role of identifying property purchases, and a fund analyst to carry the specialist accounting forecasting audit and compliance requirements of managing such vehicles.

'Peet has strong relationship with debt provider providing competitive rates for the Fund'

Interest Rate Management Experience

Interest rate management is controlled by Brendan Gore, Chief Investment Officer for Peet Limited. Peet are in the enviable position of having forged an extensive relationship with the National Australia

Bank spanning over 110 years. To some extent they benefit from this relationship and as mentioned previously have negotiated strong margins on their variable rates. Brendan and the senior management team demonstrated a strong knowledge of the issues concerning debt management during our management meeting. It is apparent that the interest rate strategy adopted for the Fund is conservative on the basis of the 50% fixed/ 50% variable split on the Fund.

Investment Performance Track Record

The Fund has performed well to date meeting PDS forecasts (see Returns). However Peet is better known as a residential subdivision business. Peet has completed a number of property developments under a company structure in recent years in which the company has raised funds of more than \$225 million for land acquisitions. Key executives of MIA have previously rated and reviewed the performance of a number of these land subdivision projects and are impressed by the returns delivered by such projects.

Financial Position

Peet Limited was listed on the Australian Stock Exchange on 5th August 2004 and therefore is subject to a transparent reporting structure from which to gauge its financial position. Using this information, Peet Limited experienced solid growth in the 2006 financial year. They recorded an annual net profit after tax increase of 24.4% for the 2006 financial year of \$36.8 million which was recorded on the back of an increase in company revenues by 57.2% to \$72.2 million. However, we are not in the position to provide advice on the financial outlook for Peet Limited and investors should not misconstrue this commentary as advice on the future financial outlook for Peet Limited or any other related entity.

'Company appears to be trading profitably'

Regulatory Compliance Issues

We had the opportunity to meet with Rod Lane, Compliance Officer on our management visit to Perth and this provided valuable understanding of the regulatory and compliance environment for the firm. We have been provided with a copy of the AFS Licence which was granted by ASIC on 1st May 2003. We note that the licence authorises Peet to deal and operate registered managed investment schemes. We have searched the ASIC database for any recent issues relating to the company and noted that there were no entries related to reportable breaches or any ASIC action.

'No significant breaches reported'

As requested, we have also received a copy of the compliance plan and an example of a complaint and breach form for the Fund. These documents clarify the process for breach reporting and rectification, as well as the policies and procedures within a comprehensive compliance overlay.

Managed Investment Assessments

Managed Investment Assessments Pty Ltd, ABN 87 094 541 358, provides investors and their advisors with high quality assessments of property-related managed investment schemes.

We are an objective observer of the companies and products we examine, and have a strong basis, supported by thorough analysis, for any assessment made. We strive to adhere to the guide for research report providers titled 'Managing Conflict of Interests' released by the Australian Securities and Investments Commission on 3rd November 2004. Our coverage extends across the property funds management sector within Australia, and covers investments made by Australian domiciled funds in both local and overseas markets.

Managed Investment Assessments holds AFS Licence No. 228911. The authority enables us to undertake assessments of managed investment schemes.

Investment Ratings

The following management and product ratings, and the weighting given to specific variables that comprise them, are consistently applied across property trusts of this type.

Product Ratings	Less than 50	Not recommended
	Score 50-59	Approved
	Score 60-69	Attractive
	Score 70-79	Quality
	Score 80-100	Superior
Management Ratings	Less than 50	Not recommended
	Score 50-59	Competent
	Score 60-69	Good
	Score 70-79	Strong
	Score 80-100	Very Strong
Overall Ratings	Less than 50	Not recommended
	Score 50-59	Approved
	Score 60-69	Attractive
	Score 70-79	Quality
	Score 80-100	Superior

Product Variable Weightings

Return: Income return on equity/ Risk adjusted Internal rate of return	24%
Structure: Investment structure/ Loan to value ratio	13%
Risk: Tenant covenant/ Lease expiry profile/ Geographic and sector allocation	17%
Taxation effectiveness	12%
NTA backing	5%
Interest rate management	12%
Fees and commissions	4%
Exit strategy and liquidity	13%

Management Variable Weightings

Experience of key executives – funds management	15%
Experience of key executives – property asset management	15%
Adequacy of staff resources	5%
Sector specific property management expertise	12%
Interest rate management experience and track record	15%
Investment performance track record	10%
Financial position of Manager	10%
Regulatory compliance procedures	18%



Information for Investors

Basis of Assessment

Manager Visit: The executives of Managed Investment Assessments have visited the executives of **Peet Limited** and have discussed with senior executives their ability to successfully manage the interests of investors in the **Peet Income Property Fund**.

Information Sources: Managed Investment Assessments has viewed or received copies of documents which may include the Balance Sheet of the Manager, confirmation of NTA and cash flow compliance, recent annual reports, a summary of events that might have a material impact on investor returns, the Compliance Plan and Constitution, a record of any surveillance visits undertaken by ASIC, property valuations, building due diligence reports, accountants and legal reports, any relevant Prospectus, Product Disclosure Statement or Information Memorandum, the financial model pertaining to the product, documentation relating to the Investment Criteria, the Letter of Offer of Finance, any Option Deed, Underwriting Agreement or Custody Deed, the Managers AFS Licence and the internal organisational structure.

Disclosure of Interests

The Directors and employees of Managed Investment Assessments Pty Ltd do not hold securities in **Peet Limited** or the **Peet Income Property Fund**.

Managed Investment Assessments Pty Ltd has received a fee from **Peet Limited** for this report.

At the time of this report, neither Managed Investment Assessments Pty Ltd nor any associated entities have conducted any capital raising activity for the **Peet Income Property Fund**.

Managed Investment Assessments Pty Ltd may have provided advice to the Responsible Entity of this Trust and may do so in the future.

Disclaimer

This report is provided to investors as general securities advice on interests in managed investment schemes. This report should not be relied upon as a specific recommendation as Managed Investment Assessments Pty Ltd has no knowledge of the financial circumstances of any individual investor. It is strongly recommended that investors consult their financial advisor prior to making any investment.

Managed Investment Assessments Pty Ltd strongly advises investors to read all material provided by the promoter of this product including any prospectus or Product Disclosure Statement. Managed Investment Assessments Pty Ltd has no influence whatsoever on the past, present or future performance of this product or its manager, and does not accept any liability for financial loss incurred by investors who choose to invest in the product assessed in this report, or any other product.

Date of report: **October 2006**

This report is valid for 12 months from the date of issue or the close of capital raising whichever is the sooner