



Abacus Trust
Responsible Entity
Abacus Funds Management Limited
ABN 66 007 415 590

Abacus Group Holdings Limited
ABN 31 080 604 619

19 May 2004

Company Announcements Office
Australian Stock Exchange

ABACUS PROPERTY GROUP (ABP)
Update on performance

Following is a letter to be sent to all Abacus Property Group security-holders providing an update on the performance of the Group.

Yours faithfully,

A handwritten signature in black ink, appearing to read "David J Bastian", with a small number "2" written below it.

David J Bastian
Managing Director



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Dear Investor,

The Abacus Property Group (**Abacus**) is enjoying another year of outstanding performance due largely to the flexibility of its stapled security structure and the ability of the Board and management to anticipate and embrace changes in the property and funds management markets.

Abacus generates income from four core business activities:

Property Investment

During the past 18 months, Abacus has taken advantage of the strength of the market to restructure its core property portfolio. Abacus has sold mature assets with a view to reweighting its portfolio to assets which offer more potential for longer term capital growth. Abacus is an active manager and, as such, seeks to reposition the assets that it owns either by exploiting potential for change of use or restructuring individual leasing profiles.

The recent sale of Navision House in Brisbane for \$23.7 million realised a profit of approximately \$1.7 million and is illustrative of this strategy. Navision House was purchased two years ago for \$18.7 million. It was progressively refurbished and substantially leased within this period.

During the past 18 months, major divestments have included:

	\$M
CUB Office, Brisbane	14.25
60 Albert Road, South Melbourne	32.32
101 Pirie Street, Adelaide	14.25
Central Brunswick, Brisbane	20.25
Navision House, Brisbane	<u>23.70</u>
	<u>104.77</u>

Funds released from the sale of these properties are being temporarily employed in the growth of the funds management business, mezzanine lending and joint venture activities. Abacus looks forward to rebuilding its property portfolio as opportunities arise during the year ahead.

Mortgage Lending

The Abacus Mortgage Fund was established during 1999 and is now a core activity of the Group. In addition to providing a reliable source of income, the Fund generates joint venture opportunities.

Given the reweighting of investments following recent property sales, it is possible the total loan portfolio may exceed our general policy guideline that approximately 15% of the Group's assets will be deployed in this sector, pending reinvestment in real property assets.

Funds Management

Abacus manages, on behalf of third party investors, gross assets of almost \$300 million. Our largest fund management mandate is the Abacus Diversified Income Fund (**ADIF**) which was launched in June 2003 with gross assets of \$60 million. Through ongoing capital raisings, ADIF has been able to progressively increase gross assets under management to approximately \$170 million.

A copy of the second Offer Document for ADIF is attached for your information. You will note from the document that Abacus continues to support the growth of ADIF by providing working capital to acquire property ahead of the receipt of funds from investors.

Further unlisted property trusts will be offered to clients of Abacus during the year ahead to provide high net worth investors with opportunities to invest in structured property transactions. In the period since 1 July 2003, Abacus has increased assets under management by over \$100 million.

Joint Ventures

Abacus has a pipeline of joint venture and development initiatives that supplement core earnings and enhance overall profit performance. We have recently committed to a number of projects that have the potential to generate longer term profits.

Abacus has interests in a residential infill project in East Willoughby in Sydney, a multi-unit residential project in Hornsby and joint venture interests in Mornington, Pakenham and Highett in Melbourne. Together with our joint venture partners, we control over 700 residential lots in the growth corridors of Melbourne of which 100 are available for sale during the next 12 months. The balance are subject to release over a period of 5 to 6 years. We have purchased much of this land on deferred terms in order to minimise our holding costs.

Summary

While rental income remains the primary source of earnings for the Group, interest income, funds management fees and revenue from our joint venture activities are reliable and increasingly important income sources which underpin our growth.

The Abacus Board believes that the flexibility of the Group's highly diversified structure provides it with a unique platform to meet the challenges facing the listed property trust sector during the years ahead.

Yours faithfully,



David J Bastian
Managing Director