Abacus PROPERTY GROUP

ASX ANNOUNCEMENT

Abacus Property Group update

Attached is an update on the Abacus Property Group which the Managing Director will present to a conference later today.

2 November 2006

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Macquarie Emerging Leaders

Abacus Property Group

Dr Frank Wolf

Managing Director

October 2006

1. Group Overview
2. Funds Management
3. Investment Properties
4. Mortgage Lending
5. Projects and Investments
6. Current Focus
7. Outlook

Annexure: Property Portfolio

1. Group Overview

Genesis

- Established in 1996 as a specialist property syndicator
- Between 1996-2001 built a portfolio of assets which were supported by 4000 retail investors
- In 2001 these assets were merged to form the Abacus Trust
- In 2002 the Abacus Trust was stapled to the management company to create the Abacus Property Group
- The Group had a market capitalization of ≤ $300 million in 2002
- Today Abacus has a market capitalization of nearly one billion and has achieved a CAR for investors of over 18% per annum

1. Group Overview

Abacus' core objective is to:

- Provide securityholders with reliable distributions:
  - fully funded by current earnings
  - growing at a faster rate than inflation
  - underpinned by recurring, diversified revenue streams

- Grow securityholder equity by:
  - acquiring assets that provide strong property fundamentals and prospects for capital growth;
  - holding those assets and where appropriate, repositioning to achieve capital growth; and
  - selling assets at appropriate points in the the cycle and recycling securityholder equity into higher returning investments.

1. Group Overview

The Abacus Business Model

- Abacus seeks to acquire property assets that provide recurring rental income and opportunities for capital growth
  - targets assets with underlying real estate value in preference to lease covenant alone

- Assets acquired are either held on balance sheet, syndicated or placed in joint ventures with strategic property partners

- Net property income is supplemented with additional recurrent earnings from three other business units:
  - Funds Management;
  - Mortgage Lending; and
  - Projects & Investments

- Quarterly income returns are supplemented by the underlying growth of Abacus' property assets, which increases NTA and drives security price growth

1. Group Overview

- Abacus Property Group
  - Diversified property business
  - Stapled security structure
  - $1.5bn assets under management
  - $0.9bn market capitalisation

- Four core revenue streams
  - Investment properties
  - Funds management
  - Mortgages
  - Projects/joint ventures

18%pa TOTAL RETURN SINCE NOV02 IPO

Group Overview

Security price (24 October 2006)	$1.74
12 month high/low	$1.77/$1.37
Securities on issue[1]	532.4M
Market capitalisation	$926.4M
Earnings per security (FY06) [2]	12.92cps
Current DPS (annualised)	12.00cps
Current trading yield	6.90%

Balance Sheet 30 June 2006

Gross Assets	$1163.3M
Gross Liabilities	$490.2M
Net Assets	$673.1M
NTA [3]	$1.22
Gearing	35.6%

1 Excludes placement securities announced 25 October
2 Pre-revaluation gains;
3 Will rise to $1.25 post completion of the placement announced 25 October

1. Group Overview

	Property Portfolio	Funds Management	Mortgage Lending	Projects & Investments
Description	• Diversified portfolio of commercial, industrial, retail and leisure assets	• Over $1.5 billion in AUM • 10 year track record with strong relationships with financial advisers and retail investors	• High quality diversified loan portfolio secured by mortgages and supplementary security • Experienced management team	• Diversified portfolio of projects and investments • Network of strategic business partners with local and/or industry expertise
Assets Employed[1]	$687M	$190M[2]	$156M	$36M
Target Proportion of EBITDA	60 – 70%	10 – 20%	10 – 15%	5 – 10%
Target ROE	8%	20%+	15%	20%+
	Blended ROE of 12%			

Note 1: as at 30 June 2006, excluding cash, other assets and goodwill

Note 2: includes hotel assets being warehoused for the Abacus Hospitality Fund and loans to other funds management initiatives

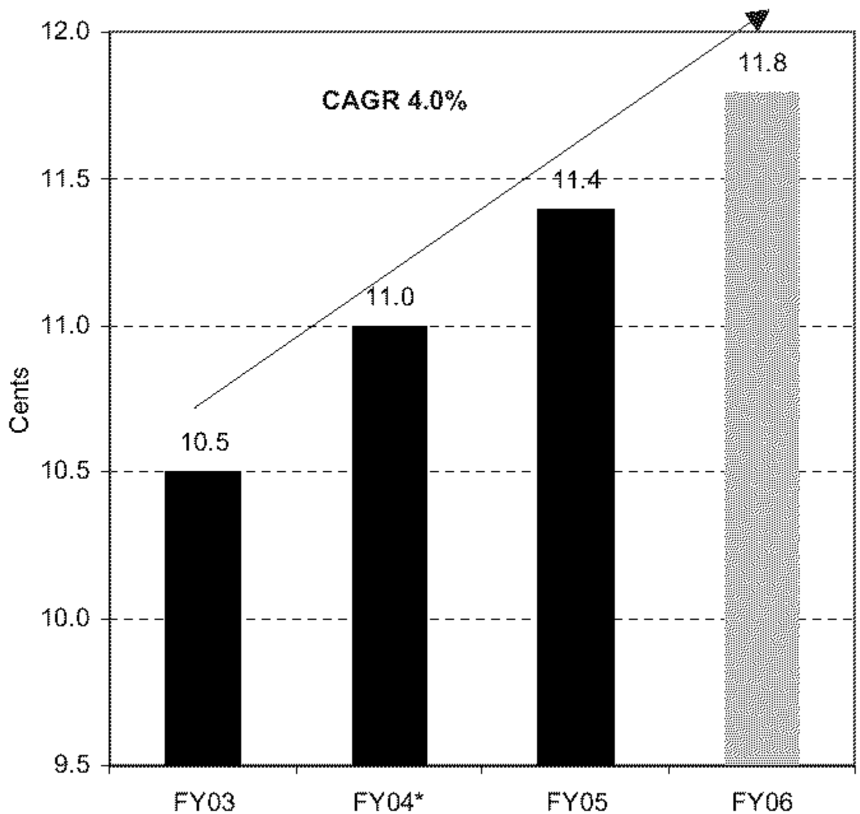
1. Group Overview

Financial Summary Y/E 30 June 2006	FY06	FY05	Change
Revenue	$92.3M	$58.0M	↑ 59.1%
Net Profit After Tax[1]	$54.0M	$39.9M	↑ 35.3%
Earnings Per Security[1]	12.9c	12.4c	↑ 4.0%
Distributions Per Security[2]	11.8c	11.4c	↑ 3.5%
Gross Assets	$1,163M	$594M	↑ 95.8%
Net Tangible Assets per Security	$1.22	$1.09	↑ 11.9%
Gearing	35.5%	28.3%	↑ 25.4%
Market Cap[3]	$810M	$466M	↑ 73.8%
Assets Under Management	$1,400M	$950M	↑ 47.4%

1. *Excluding revaluation increments*
2. *The FY06 distribution was 100% funded by the trust, and represented a 91% payout ratio*
3. *As at 24 October 2006. Excludes 36.6m securities to be issued pursuant to placement announced 25 October 2006.*

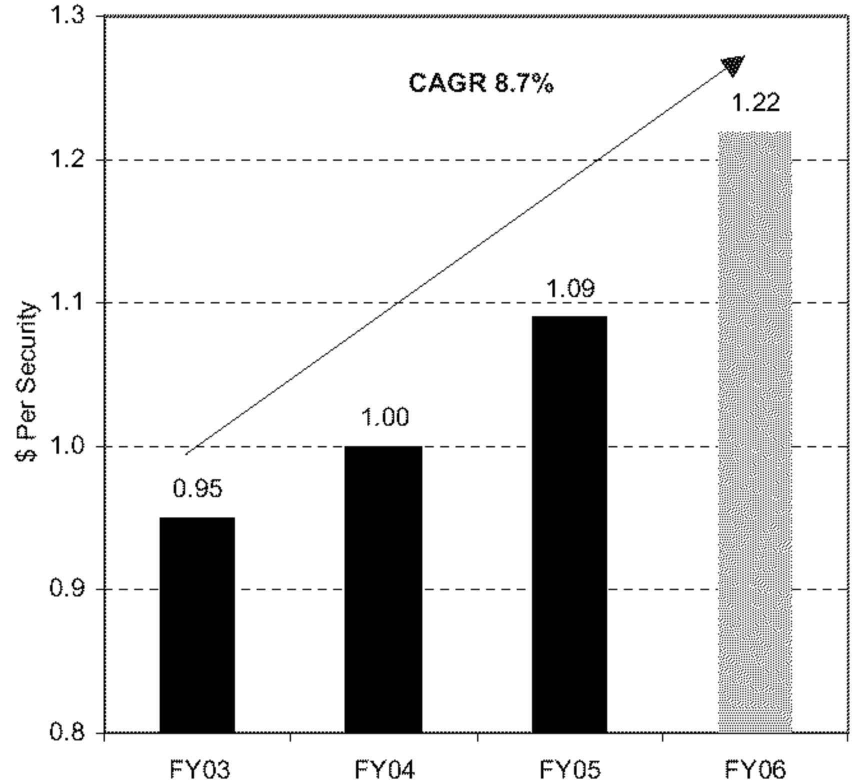
1. Group Overview

DPS GROWTH PROFILE



** Excludes special distribution of 0.23c*

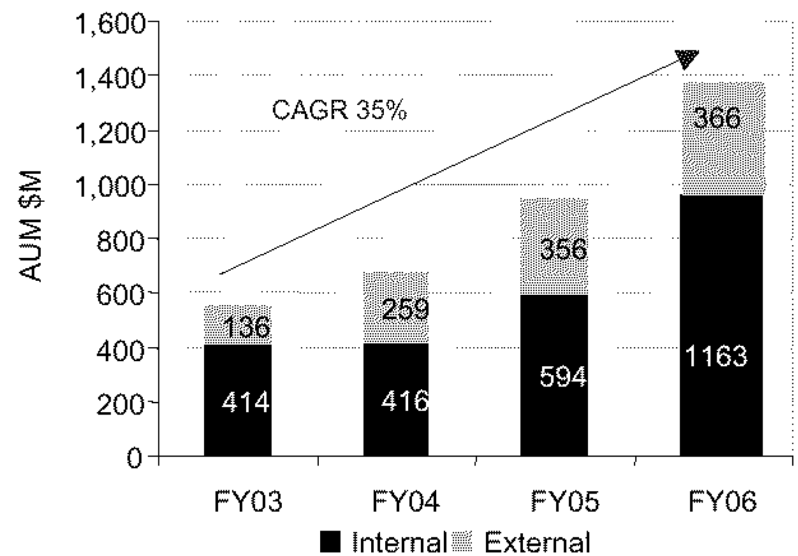
NTA/SECURITY GROWTH PROFILE



2. Funds Management

- Abacus has an extensive network of investors and financial intermediaries that provide reliable distribution for its funds management business:
  - Over 11,000 retail investors
  - Over 1,500 financial advisers
- Abacus has significant capacity to market innovative investment opportunities to its high net worth client base
- Abacus has marketed to retail investors over 30 investment products and has raised approximately $480 million from our retail investor base.

GAUM GROWTH PROFILE



Abacus’ Funds Management Capital Cycle

Asset Acquisition

Seeking assets that we would buy on balance sheet

-underpinned by passing yield

-attractive real estate fundamentals that provide prospects for capital growth

Acquire in fund structure and Abacus provides underwriting loan ahead of retail sell-down

Asset Improvement

Where possible, we:

- hold “turnaround” assets on balance sheet,
- improve their performance and
- realise capital gains on transfer of assets into funds management vehicle

Syndication

Once funds reach sufficient scale, we release them to our network of financial intermediaries for retail syndication

Equity inflows repay the Abacus underwriting loan

We receive income from:

- Margin on underwriting loan
- Fund establishment
- Equity raising

Fund Performance

We manage our funds to provide our investors with reliable and recurring income returns, supplemented with capital growth

We receive income from:

- Fund management
- Performance fees

Fund Liquidity Event

Investors typically have the right to liquidate their holding in the fund.

We seek to provide a liquidity event within 7 yrs of fund commencement.

We prefer to retain management, but will sell assets if it is in investors best interests

Generally we earn a performance fee on the liquidity event

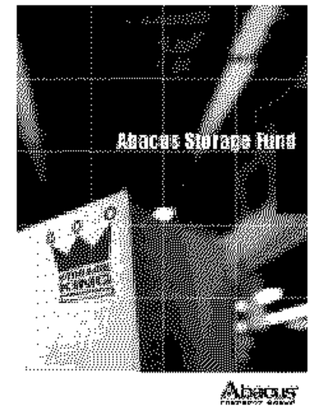
Recycle investors’ capital into new funds

2. Funds Management

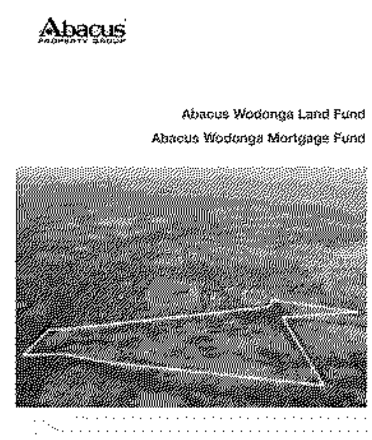
Product Structure

- **Core Funds Management Products**
  - ADIFII – new $125m diversified fund to be launched this 1H 2007
  - Storage Fund - $180m fund established Nov 2005
  - Hospitality Fund – over $250m of assets available for new hotel fund, to be launched this year
- **Special Purpose Funds**
  - Wodonga Land Fund – 125ha land subdivision fund
  - Retirement Living – 2 seniors living development projects
  - Mariners Cove – Gold Coast development project
- **Wholesale Funds**
  - Sounding market regarding wholesale funds
  - Expected to progress further in CY2007
- **Growth Funds**
  - Abacus proposes to launch a series of single asset funds during CY2007, the focus of which will be high capital growth assets, targeted at professional and high net worth investors

ABACUS STORAGE FUND



WODONGA LAND FUND



2. Funds Management

Hospitality Fund Update

- Over $250M of assets available to form basis of new hospitality fund
- To be launched in FY2007
- High quality portfolio of assets with opportunities for income enhancement and capital growth
- Abacus is partnering with experienced managers, including Rydges and Accor
- Recently signed 10 year lease on Carlton Hotel with Rendezvous Hotels
- Strong pipeline of acquisition opportunities will underpin continued growth

ABACUS HOSPITALITY PORTFOLIO

Property[1]	Location	Rooms
Trade Winds	QLD	245
Novotel Twin Waters	QLD	374
Chateau on the Park[2]	NZ	193
The Rendezvous Auckland	NZ	455
Lennons Plaza	QLD	164
Rydges Esplanade Resort[3]	QLD	244
TOTAL		**1,665**

1. Abacus is still assessing which hotels it will include in the Fund

2. Leasehold interest only

3 Abacus has a 75% interest in this asset

2. Funds Management

Case Study: Mariners Cove, Main Beach, Queensland

- Abacus acquired the site for $10m in mid-1999
- The site is a strategically located retail/marina complex located next door to Marina Mirage on the Surfers Paradise Spit.
- Abacus sold 50% of the project to Ariadne shortly thereafter, based on an $11m valuation
- $4m of unitholder equity was raised via an Information Memorandum in Dec 1999
- Investors receive the first 15% IRR and then share any upside with Abacus 50/50.
- This project will be reviewed in early 2007.
- Abacus anticipates investor returns in excess of 20% pa.

Property Acquisition Philosophy

- Abacus seeks property assets that offer fundamental underlying asset value rather than covenant alone
- Value is achieved over time through active management of the asset, while an attractive passing yield is earned in the interim.
- When pursuing acquisitions, Abacus is seeking:
  - To purchase assets below replacement cost
  - Land rich opportunities
  - Opportunities to reposition tenancies to add value
  - Opportunities to achieve highest value use

3. Investment Properties

Portfolio Overview

	June 2006
Number of Properties[1]	**40**
Total Asset Value[1]	**$687.5M**
GLA (m^2)	**265,960**
Occupancy	**99 %**
Weighted average lease expiry (by income)	**4.7 years**

1. Excludes 3 warehoused hotel assets for Hospitality Fund, and excludes 2 new assets to be settled post 30 June

Geographic Diversification	
NSW	56%
QLD	17%
VIC	14%
SA	9%
ACT	3%
WA	1%

Sector Diversification	
Retail	36%
Office	31%
Industrial	21%
Other	12%

Case Study 1: Miller St, North Sydney

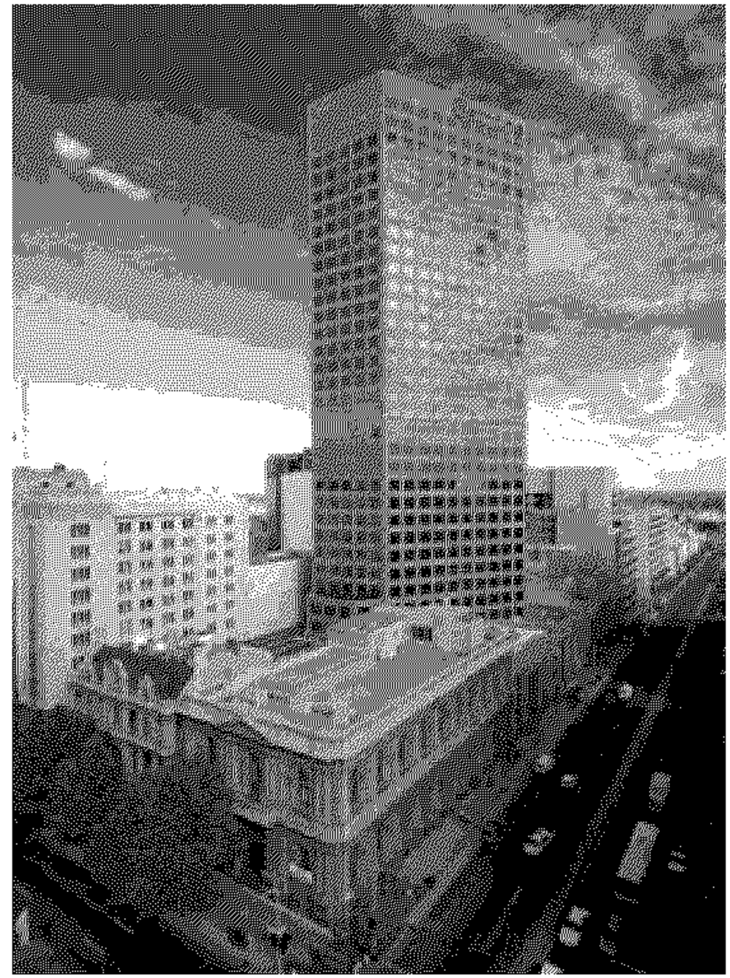
- Purchased for $36.25m in December 2004
- Acquisition yield 11%
- Major lease to Optus expires October 2007
- Strategy:
  - Realise value for car parking and retail space
  - Lower the effective cost psqm of the commercial office space
  - Enables Abacus to offer competitive leasing rates in future leasing markets
  - Contiguous floor space in B Grade office is attractive in North Sydney
  - Strata sell down remains an option

	$ Millions
Purchase Price:	36.25
Less - Value of car spaces:	(5.00)
- Value of retail:	(6.00)
Residual value of commercial:	25.25
Commercial NLA (sqm)	9,940
Implied rate psqm (before Acq'n & refurbishment costs)	$2,540

3. Investment Properties

Case Study 2 Santos House, Adelaide

Abacus acquired a 50% interest in Santos House, Adelaide for $51M in July 2004



Acquisition rationale:

- The pre-eminent premium grade office building in Adelaide
- Acquisition price was significantly below replacement cost ($102M cf $180M)
- Key tenancies were under-rented and the rent required to produce an 8% yield on acquisition cost was well below market
- Initial yield 8%

3. Investment Properties

Santos House, Adelaide (cont)

Abacus Strategy:

- Replace Santos with a diversified tenancy structure
- Attractive acquisition rate psqm for Adelaide's only premium building ($3220), enables us to be competitive in attracting new tenants.
- Ideally, 30-50% of the Santos space will be let prior to their departure, with the balance to be let up over the following year or two
- Maximum income exposure for Abacus on Santos lease is $2.5m pa, which we believe will be more than offset by the potential valuation uplift upon completion of re-leasing strategy

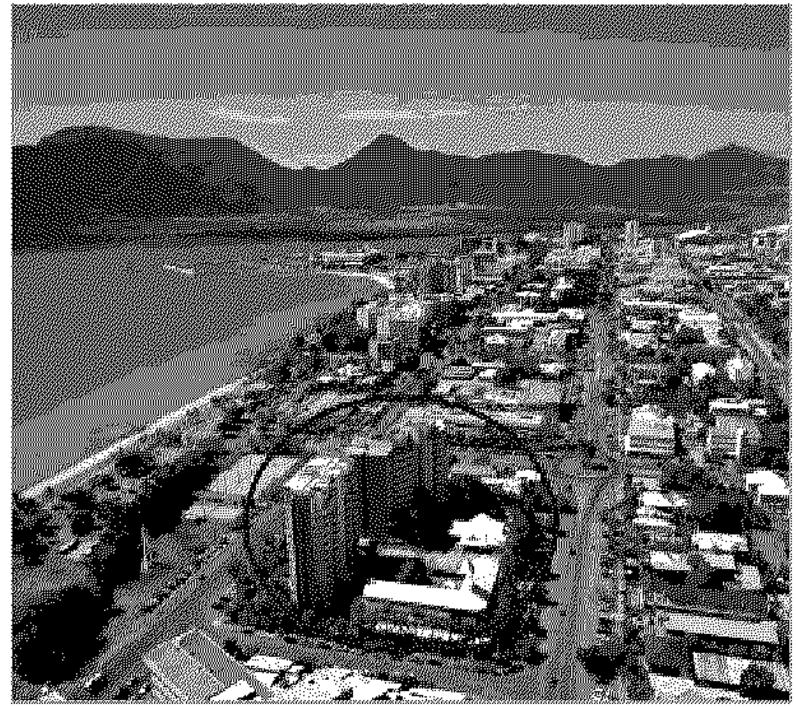
Key issue on acquisition was the expiry of the Santos lease in October 2007, which represented approximately half the NLA

Property Overview	
Acquisition Price: (50%)	$51M
Net Income: (50%)	4.1M
Initial Yield:	8.0%
Net Lettable Area:	31,678m^2
Capital Value psqm:	$3,220
Average Gross Rent psqm:	$345
Occupancy:	99.9%
Weighted Average Lease Expiry:	3.4yrs
Key Tenants:	Santos, PwC, E&Y, Kelly & Co, Microsoft, ASX

3. Investment Properties

Case Study 3: Rydges Esplanade Resort, Cairns

Property Strategy:



- At acquisition, the Hotel was producing an EBITDA margin of 13%, which is well below benchmark.
- Initial profitability improvement derived from appointment of professional hotel operator, room rate growth & cost reduction
- Cost per room was reduced (to approx $90,000) by disposing of management rights and peripheral assets
- Adjusted cost base represents a very significant discount to both historical cost and current replacement value.
- Further upside through room rate growth

	$ Millions
Resort Purchased March 2005 for	24.35
EBITDA on passing income at acquisition	1.4
EBITDA for year end 30 June 2006	2.9

4. Mortgage Lending Business

Abacus Mortgage Fund

Loan Balance $M	Average Loan Size $M	Average Interest Rate %
103	4.0	16.3

- Focused methodology with limited exposure to any one project
- Obtains collateral security from borrower to supplement project security
- Opportunities exceed funding capacity – highly selective lender
- Driven by quality of loan rather than budgetary pressures

Other Investment Loans

Loan Balance $M	Average Loan Size $M	Average Interest Rate %
53.0	3.0	8.5

- Loans to projects which offer prospects for future equity, joint venture participation or asset take-out

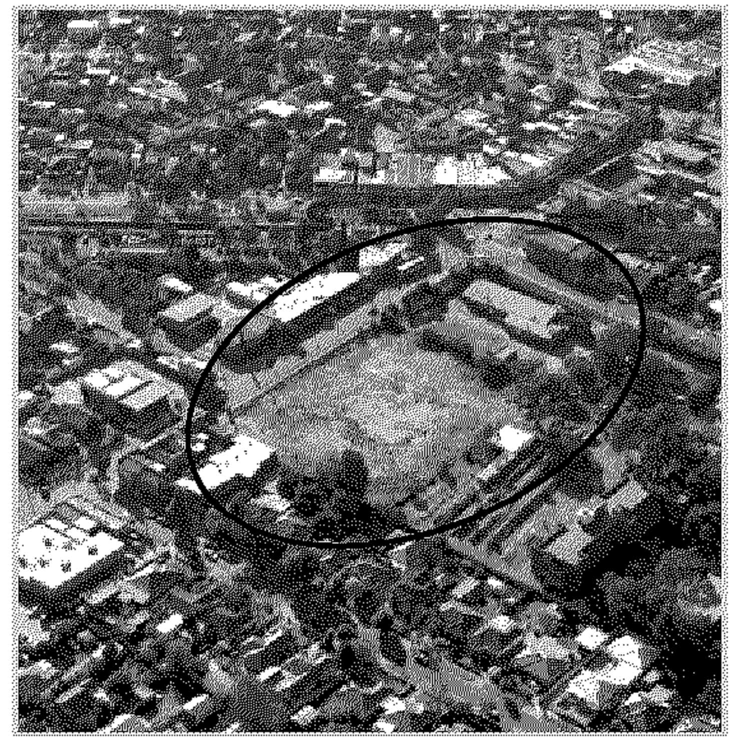
5. Projects and Investments

- Transactions with Abacus' network of strategic business partners
  - Combines Abacus property skills and capital base with our partner's specialised industry sector and/or local market expertise
  - Transaction structure ensures appropriate sharing of risk / reward
- A source of additional property investment opportunities
- Creates opportunities for other Abacus business units –eg:
  - New funds management vehicles (Retirement Living)
  - Mortgage lending opportunities
- Minimal balance sheet exposure – no one transaction is material
- Tend to avoid construction risk
- Hurdle rate on equity investment: IRR 25%

Case Study: Highett Mixed Residential/Commercial Project

- Abacus acquired a 50% interest in an 11,000m^2 site in south-east Melbourne in February 2004
- Joint venture project with Melbourne based Gillon Group
- Masterplan for residential and retail development prepared:
  - neighbourhood shopping centre
  - 118 apartments
  - parking for 476 cars
- Planning permit approved October 2005
- Property sold December 2005 for $15M
- Total return on equity of $2.2M : 64% pa

Highett Project



6. Current Focus on Growth

- Investment Properties:
  - Fully occupied portfolio, with average portfolio cap rate of c7.9%
  - Leasing up Santos House and Miller St expiries (FY08)
  - Will trade mature assets to realise value
  - Opportunistic acquirer of assets across sectors, provided the underlying real estate fundamentals are sound

- Funds Management:
  - Continued growth of the Abacus Storage Fund – targeting $25-50M pa
  - Launch of $200m Hospitality Fund in 1HFY07 – targeting growth of $50-100M pa
  - Establish a new diversified property income fund in 1HFY07 – targeting growth of $25-50M pa
  - Development of wholesale funds

- Mortgage Lending:
  - Steady growth in lending
  - Highly selective lender

- Projects and Investments:
  - Pipeline of projects that offer additional profits over time
  - No "big bets" and minimal construction exposure
  - Foster relationships with strategic partners to source new projects

7. Abacus - Driving Growth

- Robust business model that provides consistent and generally stable earnings from a diverse range of property businesses
- Balance sheet strength:
  - Low gearing (35%) provides opportunities for further property acquisitions
- Falling cost of equity facilitates earnings accretive expansion of property portfolio
  - Cost of equity at $1.70 security price is 7%
- Underlying property fundamentals will drive asset value and NTA growth
- Funds management, projects and mortgage lending will be the key drivers of earnings growth
- Minimal balance sheet exposure to development

Annexure - Property Portfolio

Property	State	Sector	Book Value ($M)	Valuation Date
Epping Office Park, Epping	NSW	Commercial	51.0	June 2006
50 Miller Street, North Sydney	NSW	Commercial	40.0	June 2006
109 Pitt Street, Sydney	NSW	Commercial Strata	18.3	June 2006
Pitt Street Carpark, Sydney	NSW	Carpark	14.1	June 2006
8 Station Street, Wollongong	NSW	Commercial	12.0	June 2006
4 Jacob Street, Bankstown	NSW	Commercial	5.2	June 2006
671 Gympie Road, Chermside	QLD	Commercial	5.9	June 2006
Santos House Adelaide (50%)	SA	Commercial	51.0	June 2006
CSIRO, Canberra	ACT	Commercial	18.0	June 2006
			215.5	

Commercial

Ashfield Mall, Ashfield	NSW	Retail	113.0	June 2006
244 & 252-256 Liverpool Rd	NSW	Retail	6.9	June 2006
Liverpool Plaza, Liverpool	NSW	Retail	37.0	June 2006
193 Macquarie & 77 Moore St	NSW	Retail	7.8	June 2006
367 Peel Street, Tamworth	NSW	Retail	12.7	June 2006
Aspley Village, Aspley	QLD	Retail	16.6	June 2006
Abacus Retail Property Trust	VARIOUS	Retail	54.8	June 2006
			248.8	

Retail

Annexure - Property Portfolio

Abacus PROPERTY GROUP

active management

Property	State	Sector	Book Value ($M)	Valuation Date	
10 Pike Street, Rydalmere	NSW	Industrial	19.3	June 2006	Industrial
23 Tattersall Rd, Kings Park	NSW	Industrial	17.1	June 2006	
Villawood Industrial Estate	NSW	Industrial	12.4	June 2006	
500 Princes Highway, Noble Park	VIC	Industrial	19.9	June 2006	
1-5 Lake Drive, Dingley	VIC	Industrial	13.3	June 2006	
36-52 National Blvd, Campbellfield	VIC	Industrial	9.0	June 2006	
Virginia Park Industrial Estate	VIC	Industrial	37.5	March 2006	
31 Windorah Ave, Stafford	QLD	Industrial	5.7	June 2006	
26 Savage Street, Pinkenba	QLD	Industrial	4.5	June 2006	
681 Curtin Street, Pinkenba	QLD	Industrial	4.5	June 2006	
			143.2		
Twin Waters, Sunshine Coast[1]	QLD	Hotel	60.9	Jan 2006	Hotels
Trade Winds, Cairns [1]	QLD	Hotel	36.3	Feb 2006	
Lennons Plaza, Brisbane	QLD	Hotel	39.0	June 2006	
Rydges Esplanade Resort, Cairns	QLD	Hotel	17.5	June 2005	
Chateau on the Park , Christchurch[1]	NZ	Hotel	22.2	March 2006	
Other hotel properties	NSW	Hotel/Pubs	17.8	Various	
Mertz Apartments, Mawson	SA	Serviced Apt's	5.7	June 2006	
			199.4		
1. Less warehoused hotel assets	VARIOUS	Hotel	(119.4)	Various	
		Total Portfolio	**687.5**		

Disclaimer

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