

Research – ASX Listed Property Trust

July 2005

Rubicon America Trust

Summary

Evaluation Summary

Rubicon America Trust (“RAT” or “the Trust”) is an externally managed listed property trust with exposure to US office and industrial assets. RAT’s Responsible Entity (RE) is Rubicon Asset Management Limited (RAML). Until recently, RAT’s portfolio comprised an indirect 80% interest in a US\$100.0 million portfolio of four office buildings in a partnership with Parkway Properties Inc., a NYSE listed REIT.

In June 2005 RAT acquired and settled an 80.1% interest in the General Services Administration (GSA) portfolio via a JV with NGP Capital LLC. The GSA portfolio (\$US487 million) comprises 14 properties. RAML is currently in the process of raising \$154.1 million in equity capital to repay the bridging loan for the GSA portfolio acquisition and to refinance the Maitland 200 property.

Conclusion

We view RAT positively based on the quality of its tenants (75.7% US government), strong risk management and improvement in its portfolio diversification.

PIR views RAT’s relationships with its US partners positively and believes that the maintenance of positive relationships is important to RAT’s future success. Looking ahead, RAT’s exposure to information, management and exchange rate risk must be well managed in order to continue to deliver strong performance.

Report Highlights

- RAT closed at \$1.17 on 18 July 05, bringing its total return since listing on 6 December 2004 to 29.12%.
- RAT has recently received unitholder approval for the retention of the GSA portfolio.
- An equity raising of \$154.1 million is underway to refinance the GSA portfolio and the Maitland 200 property.

Major Considerations

- ▲ The majority of the Trust’s rental income is received from government and high quality corporate tenants.
- ◆ A substantial upshift in portfolio size has increased the complexity of the Trust in a relatively short period since listing.
- ▼ Post the GSA portfolio acquisition, RAT’s gearing has increased to 73.3%, magnifying its financial risk, and its portfolio ownership is further disjointed with increased potential divorce costs.
- ▼ Eighty three per cent by value of RAT’s portfolio is office property, offering limited sub-sector diversity.

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Market Data

Report dated 18th July 2005

ASX Code	RAT
ASX Listing Date	06/12/2004
Listing Price	\$1.00
Current Price	\$1.17
NTA Per Unit	\$0.99
52 Week High	\$1.17
52 Week Low	\$1.00
12-month Forward Income Yield	9.83%
Distribution Frequency	Quarterly
Units on Issue	27.4m
Market Capitalisation	\$32.0m
Number of Properties	18
Property Sector	Office/Industrial
Management Type	External
Liquidity	
Rolling Weekly Value	\$0.23m
Rolling Monthly Value	\$1.24m

Responsible Entity (Manager)

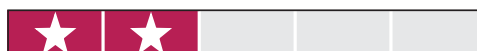
Rubicon Asset Management Limited
(ACN 095 433 720)

PIR Assessment – Post GSA Acquisition

Income Certainty



Capital Growth



For further explanation refer back page.

PIR ASSESSMENT

Qualitative Criteria	Star Ratings Assessment (0 – 5)				
Quality of assets	★	★	★	★	★
Strength of relative property markets	★	★	★		
Quality of income stream	★	★	★	★	
Potential upside for vehicle	★	★			
Diversification	★	★	★		
Quality of disclosure	★	★	★		
Track record and capacity of management	★	★	★		
Capital structure and debt management	★	★	★		
Liquidity (Relative to LPT Peers)	★	★			

FINANCIAL FORECASTS

Profit and Loss Statement (\$m)	Forecast	Forecast	Forecast	Forecast
Annual Year to	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08
Revenue				
Net rentals	38.2	67.4	68.7	70.1
Other income	0.7	1.0	1.0	1.0
Total Revenue	38.9	68.3	69.7	71.1
Expenses				
Management fees	2.7	5.3	5.4	5.5
Interest expense	20.5	37.5	38.3	39.0
Other expenses	1.0	1.5	1.5	1.5
Total Expenses	0.2	24.2	44.3	45.2
Operating Profit Pre Abs & Tax	14.6	24.0	24.5	25.0
Other Items				
Tax paid	0.3	0.6	0.6	0.6
Net abnormal items	0.4	2.0	2.1	2.1
Profit to outside equity	3.5	5.8	5.9	6.0
Net Profit	11.2	19.7	20.1	20.5
Earnings per security ¢	14.5	11.7	12.0	12.2
Distribution per security ¢	11.5	11.7	12.0	12.2
Investment Data				
Yield*	10.5%	10.7%	10.9%	11.1%
Tax Deferred Assumed	80%	80%	80%	80%
Retained Earnings Balance(\$m)	1.08	1.08	1.08	1.08
Units on Issue as at Balance Date (mill)	168.22	168.22	168.22	168.22

*based on the latest public offer price of A\$1.10

This report does not form any part of any offer document

OVERVIEW OF TRUST

Management

Rubicon Asset Management Limited (RAML), the Responsible Entity of the Rubicon America Trust was established in 2001 and specialises in absolute return funds management. The objective of the Trust is to provide investors with the opportunity to gain exposure to stable, income-producing real estate located in the USA.

RAML entered into an agreement appointing Greenwich Group International LLC (Greenwich) to provide advisory and asset management services in the USA. Rubicon Advisory LLC, a company related to the RE, has also been engaged by the US REIT to provide advisory services in the US.

Background

RAT listed on the ASX on 6 December 2004. A total of \$27.4 million was raised through its IPO at an issue price of \$1.00 per unit. RAT's initial portfolio comprised an 80% interest in a portfolio of three US office assets. The initial portfolio had a weighted average lease term to expiry of 5.2 years, an occupancy rate of 92.9% and a valuation of US\$70.1 million.

In June 2005 RAT acquired a fourth property (Maitland 200), increasing the value of its portfolio to US\$100 million. Parkway Properties Inc (PPI), a US REIT which is listed on the NYSE, sold these properties to RAT and owns the remaining 20% interest with an intention to hold over the long term.

In line with management's forecasts, RAT paid its first distribution of 3.6¢ per unit for the period from 6 December 2004 to 31 March 2005. This distribution comprised two parts: the first related to the period from its listing to the 2004 year end (0.725¢ per unit).

The second related to the first quarter of 2005 (2.875¢ per unit). Also in line with forecasts, RAT has recently announced a distribution of 2.875¢ per unit for the June quarter 2005. This implies an annualised distribution yield of 11.5%, based on the IPO price of \$1.00.

The GSA Acquisition

Recently, RAT acquired an 80.1% interest in the GSA portfolio via a JV with NGP Capital LLC (NGP Capital). NGP Capital is a specialised real estate company based in Washington DC focusing on the acquisition, development, ownership and management of properties leased to US governments. The GSA portfolio consists of 13 office buildings and one industrial distribution centre with a weighted average lease term to expiry of six years and an overall occupancy of 98.6%. The GSA portfolio was settled on

9 June 2005 for US\$479 million, funded by a bridging loan from Rubicon Capital, an entity related to the RE.

Investors voted in favour of retaining the GSA assets and RAT is now in the process of raising A\$154.1 million. The GSA acquisition has increased the value of RAT's assets to US\$470.2 million. RAT's occupancy and weighted average lease term to expiry have also improved to 97.4% and 5.8 years respectively.

Prior to the GSA acquisition, RAT was forecast to deliver an annualised distribution yield of 10.5% (11.5¢ per unit) for the year ended 2005 and 10.7% (11.75¢ per unit) for the year ended 2006. Management forecasts that post the GSA acquisition, RAT's distribution yields, based on a public offer price of A\$1.10 for the new capital raising, would be maintained at 10.5% (11.52¢ per unit) and 10.7% (11.74¢ per unit) for CY05 and CY06 respectively.

It should be noted that these high forecast yields post the GSA portfolio acquisition are predominantly driven by RAT's high gearing and the yield differential between RAT's cost of borrowing in the US (5.46%) and the initial yield on the GSA portfolio of 7.6%.

Capital Management

Rubicon America Trust has taken advantage the yield differential to enhance the profitability of the Trust. This however comes at the 'cost' of higher gearing and therefore increased financial risk. RAT has a target gearing ratio of up to 70% on a long-term basis. Post the acquisition of the GSA portfolio, RAT's gearing has increased from 67.7% to 73.3%. Whilst RAT's gearing at double the LPT sector average of 35% could be considered high, we recognise attendant leveraging benefit for investors, particularly giving regard to the stability and quality of RAT's income streams and the hedging strategies in place.

The RE has fixed the interest rate on all its borrowings. RAT has locked in a fixed rate of 4.93% p.a. for seven years on US debt of US\$44.8m which was used to fund the acquisition of the initial portfolio. RAT has also announced an interest rate of 5.46% p.a., fixed for ten years, on US borrowings of US\$389.0m used to fund the GSA portfolio.

RAT has entered into foreign exchange hedges on its income as well as capital for a period of seven years. This is longer than the LPT sector average, and provides investors with reasonable protection from currency fluctuations with regard to repatriation of distributions over the medium term. Whilst some other LPT managers have used 'natural hedges' to protect their

capital position, RAT is rare with its approach to hedge capital risk using derivatives.

Equity Raising

RAT has issued a new Product Disclosure Statement (PDS) intended to raise A\$154.1 million in equity by: (a) a 1:1 non-renounceable rights issue with an offer price of A\$1.07, to raise A\$29.2 million. This represents a 10¢ (8.5%) discount to the current market price of \$1.17; and (b) a public offer at A\$1.10 per RAT unit to raise A\$124.9 million. This represents a 7¢ (6.0%) discount to the current market price of \$1.17.

In addition to funding the GSA acquisition, these funds will be used to refinance the acquisition of the Maitland 200 property, which was settled on 16 June 2005 via a bridging loan. New units issued will qualify for distributions from 1 September 2005 and are expected to receive 3.85¢ per unit for CY05. Proposed dates of importance are:

Units trade ex-rights	18 July 05
Offer opens	20 July 05
Offer closes	16 August 05
Allotment of all new units	23 August 05
Expected trading on the ASX	24 August 05

Performance Fees

RAML and Greenwich LLC are together entitled to a performance fee equal to 20% of RAT's total return in excess of a fixed hurdle of 12% p.a. This performance fee is subject to RAT earning back any prior period underperformance (i.e. total return under 12% p.a.). PIR recognises potential benefits of having performance fees linked to RAT's unit price. However, the efficacy of the performance fees may be better served if they are linked to criteria that are more reflective of management's value adding contributions, rather than market sentiment, for example EPS growth.

Strategy

The Trust has been established with the intention of providing investors with attractive income returns and the potential for capital growth, by investing in stable income-producing properties in the United States.

The RE seeks to optimise returns to investors by working with its US counterparts to:

- Proactively manage the property portfolio;
- Identify properties for acquisition as appropriate opportunities arise in line with the investment strategy of the Trust; and
- Pursue the sale of properties where this is considered to be in the best interests of the investors.

We have reviewed RAT's performance against its strategy and are of the view that over its relatively short

life, the RE seems to be achieving its objectives. Importantly, with regard to identifying appropriate acquisition opportunities, we confirm that the GSA portfolio is expected to deliver a number of benefits to RAT unitholders. These include an increase in RAT's income certainty as well as an increase in its portfolio occupancy and weighted average lease term to expiry.

PIR is of the view that RAT will need to continue to carefully manage its information, management and exchange rate risks, as well as its relationships with its US partners in order to continue to perform well over the long run. However, given the current record low yields on US commercial properties and the recent increases in interest rates, PIR does not expect much capital growth in the foreseeable future.

Impact of the GSA Acquisition

	Pre GSA Acq'n ⁽¹⁾	Post GSA Acq'n ⁽¹⁾	% Change
Forecast Dividend Yields (CY05) ⁽²⁾	10.5%	10.5%	-
Forecast Dividend Yields (CY06)	10.7%	10.7%	-
Tax Advantaged Proportion	80%	80%	-
Gearing	67.7%	73.3%	+8.3%
Property Value – RAT's Interest	(US\$80.1m) A\$104.6m	(US\$470.2m) A\$614.1m	+487%
Net Asset Value - RAT's Interest	A\$23.3m	A\$172.7m	+641%
Number of Properties	4	18	+350%
Occupancy	92.7%	97.4%	+5.1%
Weighted Average Lease Term	5.0 years	5.8 years	+16%
% Income from US Government	6.5%	75.7%	+1,065%
Sub-sector Diversification (by value)	Office: 100%	Office: 83% Industrial: 17%	-17% n/a
Market Capitalisation	A\$32.8m	A\$185.0m	+464%

(1) Based on IPO forecast distributions and the latest public offer price of A\$1.10.

(2) Six months ending 31 December 2005 and US Trust's financial year ends on 31 December.

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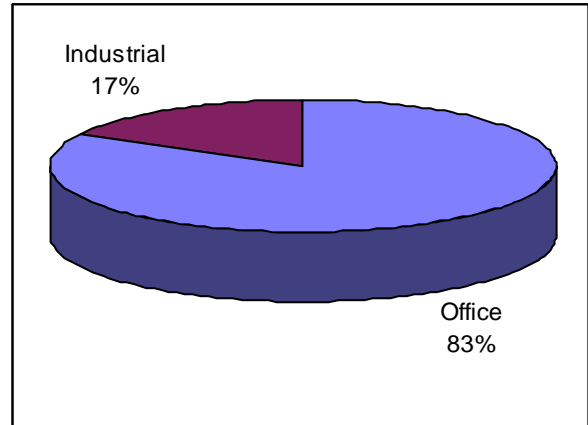
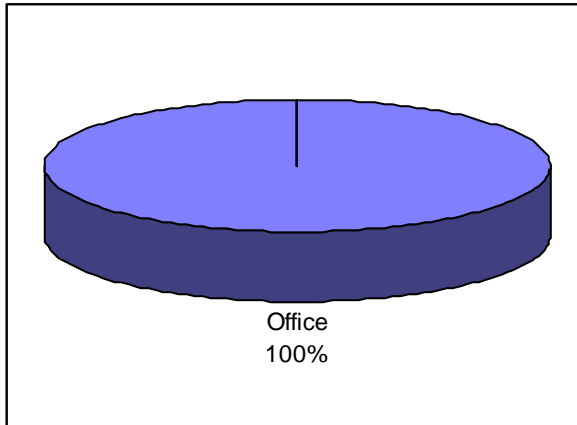
Diversification

The following graphs depict the sub-sector, geographic and tenant diversification characteristics of the Trust pre and post the GSA portfolio acquisition.

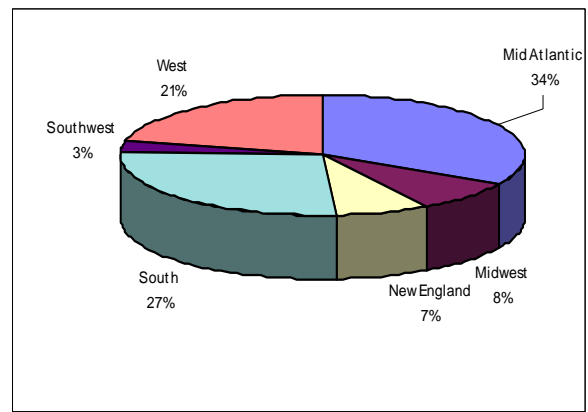
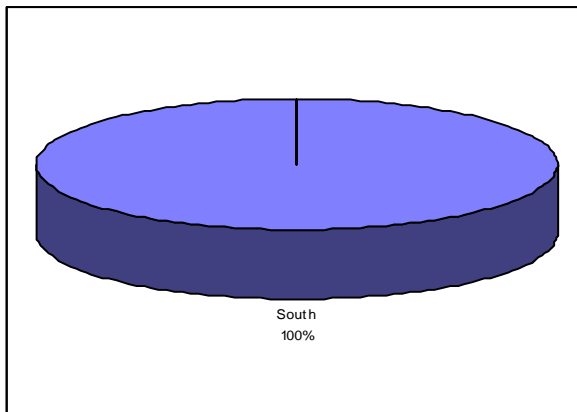
Pre GSA Portfolio Acquisition

Post GSA Portfolio Acquisition

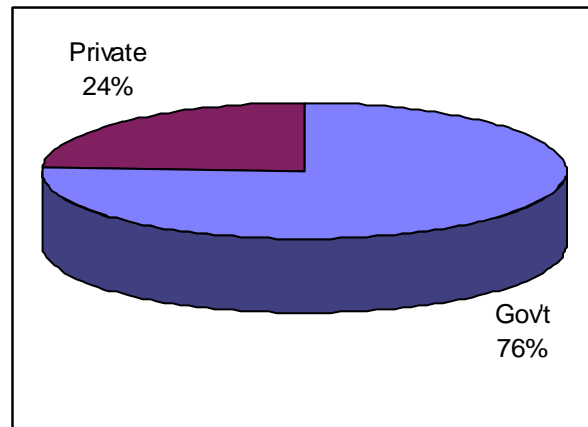
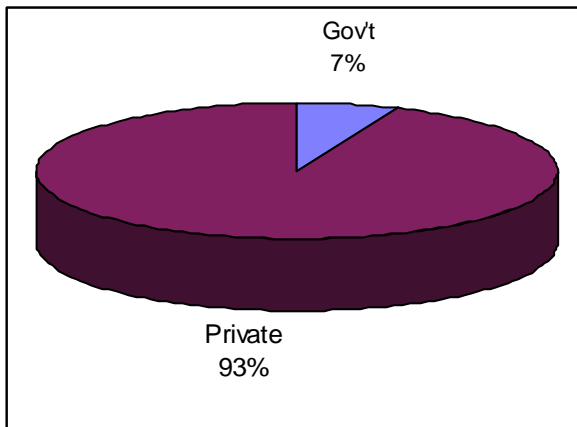
Sub-sector Diversification



Geographic Diversification



Tenant Class



Peer Group Comparison

Name	Price (18-Jul-05)	Market Cap. (\$m)	1 year Forecast Yield	Prem/Disc to NTA	Gearing
Rubicon America	\$1.17	\$32.0m	10.5%*	18.2%	73.3%
Diversified Sub-Sector					
Abacus Property Group	\$1.36	\$466.3m	8.7%	24.8%	37.0%
DB RREEF Trust	\$1.38	\$3,770.3m	8.0%	13.1%	44.9%
General Property Trust	\$3.76	\$7,582.9m	6.3%	24.5%	29.7%
Mirvac Group	\$3.75	\$3,201.7m	8.3%	18.7%	40.2%
Valad Property Group	\$1.37	\$662.7m	7.5%	63.1%	27.6%
James Fielding Meridian Trust	\$1.29	\$761.0m	7.4%	10.8%	34.5%
Multiplex Group	\$2.97	\$2,487.1m	8.1%	-4.5%	36.9%
Stockland Trust Group	\$5.68	\$7,503.6m	7.1%	42.4%	28.0%
B&B Japan Property Trust	\$1.38	\$386.5m	6.4%	43.8%	52.3%
Charter Hall Group	\$0.74	\$199.8m	8.9%	51.0%	26.0%
Diversified Sub-Sector Average			7.3%	25.5%	33.7%
Other Relevant Trusts					
Tishman Speyer Office Fund	\$2.10	\$552.9m	8.1%	10.5%	55.6%
Commonwealth Property Trust	\$1.27	\$1,908.7m	7.7%	11.0%	34.4%
ING Office Fund	\$1.31	\$1,303.9m	8.0%	15.5%	33.1%
Investa Property Group	\$1.96	\$2,918.3m	8.5%	8.6%	33.4%
Macquarie Office Fund	\$1.30	\$2,167.3m	8.0%	23.3%	36.8%
James Fielding US Industrial Trust	\$0.50	\$120.6m	9.5%	8.7%	53.9%
Record Realty	\$0.87	\$102.8m	8.90%	12.50%	74.50%

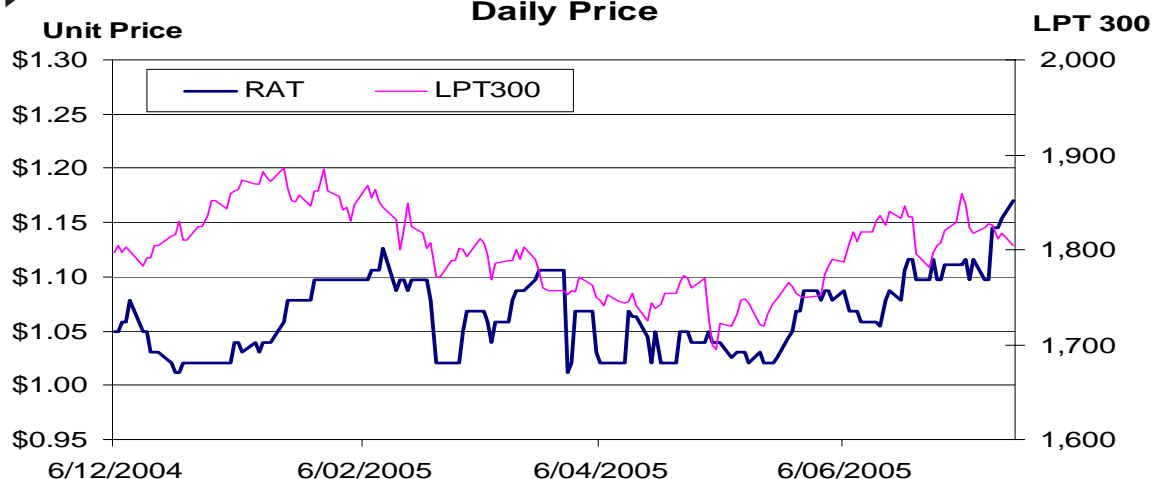
*based on the latest public offer price of A\$1.10

RAT boasts the highest prospective 12 month yield at 10.5%. This can be attributed to its small size, high gearing and relatively low liquidity. RAT's high yields can also be explained by its exposure to information, management and exchange rate risk by virtue of its exposure to offshore assets. In regards to its currency risk exposure, RAT has implemented effective income and capital hedging in order to manage its exposure to currency fluctuations over the medium term.



PIR

RAT vs LPT 300 Property Index Daily Price



Since listing last December at \$1.00 per unit, RAT closed at \$1.17 on 18 June 2005, bringing its total return to 29.12%. RAT has outperformed both the S&P/ASX 300 Accumulation Index (10.87%) as well as the S&P/ASX 300 Property Trust Accumulation Index (5.45%).

Positive sentiment associated with the GSA portfolio acquisition has led to a mini rally of late.

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Property Portfolio

The following table provides an overview of the 18 properties that RAT currently owns. These include the 14 properties from the GSA Portfolio.

Property	Current Valuation (US\$ m)*	Ownership	Occupancy	Value /m ² (US\$)	Cap. Rate	% Portfolio
Office						
Carmel Crossing, Charlotte Nth Carolina**	34.2	80.00%	84.30%	1,426	9.00%	7.30%
Lakewood, Atlanta Georgia**	10.9	80.00%	100.00%	1,229	9.00%	2.30%
Falls Pointe, Atlanta Georgia**	10.9	80.00%	99.00%	1,377	9.00%	2.30%
Maitland 200, Maitland, Florida**	24.1	80.00%	96.40%	1,575	8.50%	5.10%
Aurora, Colorado	6.4	80.10%	100.00%	739	10.20%	1.40%
Concord, Massachusetts	20.5	80.10%	100.00%	2,636	6.90%	4.40%
Houston, Texas	12.1	80.10%	99.60%	1,178	7.10%	2.60%
Huntsville, Alabama	13.8	80.10%	100.00%	1,364	7.50%	2.90%
Kansas City, Kansas	36.0	80.10%	100.00%	2,381	7.70%	7.70%
Lakewood, Colorado	5.4	80.10%	86.90%	871	8.00%	1.10%
Norfolk, Virginia	3.4	80.10%	100.00%	860	10.40%	0.70%
Philadelphia, Pennsylvania	13.5	80.10%	100.00%	2,050	7.50%	2.90%
Providence, Rhode Island	12.0	80.10%	100.00%	1,236	11.70%	2.60%
Sacramento, California	59.7	80.10%	90.40%	2,448	7.30%	12.70%
San Diego, California	21.2	80.10%	100.00%	1,976	8.80%	4.50%
Suffolk, Virginia	54.9	80.10%	100.00%	2,100	7.10%	11.70%
Washington, DC	50.2	80.10%	100.00%	4,165	5.20%	10.70%
Industrial						
Burlington, New Jersey	80.9	80.10%	100.00%	1,037	8.50%	17.20%
Total / Weighted Average	US\$470.2 m	80.1%	97.4%	US\$1,998	7.8%	100.0%

* Adjusted for RAT's share of ownership

** RAT's existing portfolio.

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PIR provides a summary of its opinion regarding the Trust's income certainty and growth potential. PIR's published assessments range from zero stars (lowest) to 5 stars (highest).

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Yours faithfully, Richard Cruickshank, Managing Director.

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