



■ Western Europe ■ Central and Eastern Europe (CEE)



MAS EXPANDS STRATEGIC FOCUS AND INVESTMENT JURISDICTIONS

At the outset we positioned MAS to take advantage of the crisis of 2008, which we have done to the benefit of shareholders by assembling and managing a solid property portfolio of income producing assets and developments located in the UK, Germany and Switzerland. To continue to be successful we must adapt to the changing market environment and be on the lookout for new opportunities. Accordingly, we have re-assessed the wider European markets, including our current markets, and determined that an updated strategy is warranted.

Geographical focus

Western Europe

We are of the view that Western European property markets are near the top of the capital cycle and there is limited scope left for value creation with a passive investment strategy. On one hand yields are at historical lows driven by significant capital flows since 2008; on the other hand, rental growth prospects are subdued given current muted GDP growth and inflation expectations. Further, growth in distribution on the back of compressing debt costs, of which the property sector in particular benefited lately, is unlikely to continue; although, the low interest rate environment looks to remain in place for some time.

Despite the current property market environment in Western Europe, we believe significant shareholder value and income growth can still be achieved through carefully selected investment acquisition, active asset management and development. To this effect, we are successfully delivering our existing developments and actively acquiring further development and investment opportunities in our current markets.

“A PORTFOLIO OF REAL ESTATE ASSETS THAT DELIVERS BOTH ATTRACTIVE TOTAL RETURNS, AND GROWING INCOME DISTRIBUTIONS”



Central and Eastern Europe (CEE)

We think CEE now represents an attractive target property market. The CEE countries went through tremendous institutional and economic transformation over the past 15 years, underpinned by EU admission criteria and EU membership requirements. Combined with the free movement of capital, goods and people in the EU and benefitting from the safe investment environment provided by the EU legal framework and NATO membership, a high growth region of more than 100 million people with a total GDP in excess of €1 trillion was created.

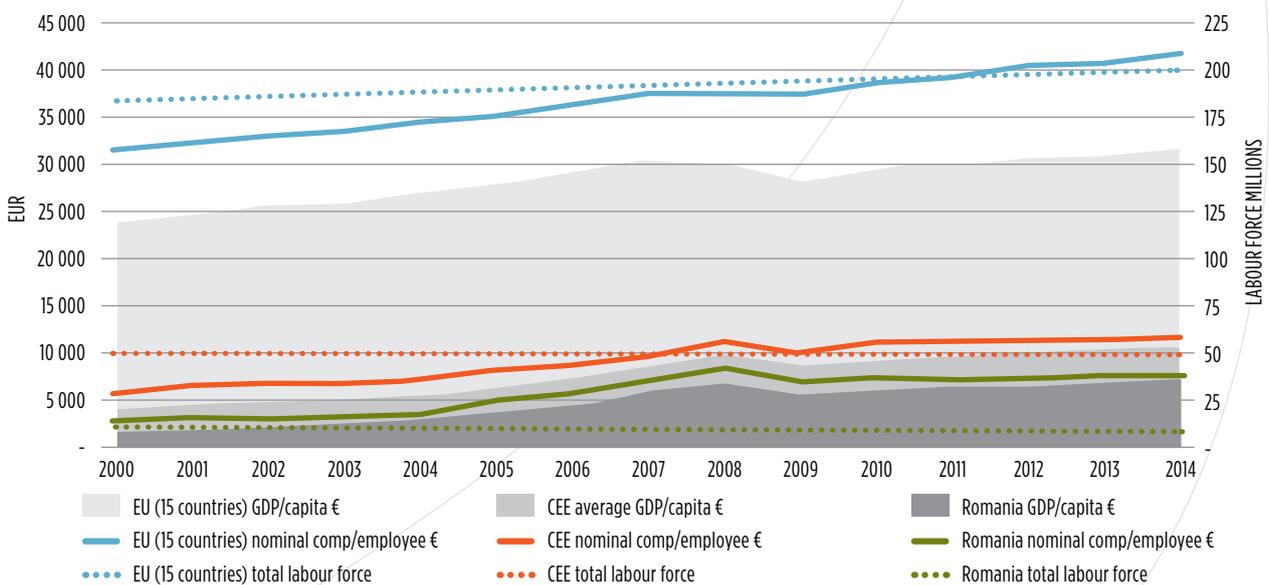
In relative terms, GDP per capita, wages and private consumption in CEE outperformed the rest of Europe by multiples for the past 15 years and is expected to continue to do so in the years to come. Further, the ongoing transformation is supporting the displacement of the old assets with modern retail schemes, offices and industrial facilities which creates more property development opportunities than otherwise would be suggested by the economic growth alone.

- **Strong growth in GDP, wages and private consumption:** expected to benefit especially the retail sector with many new international retailers entering these markets for the first time in 2016. In the office and industrial sectors multinationals are taking advantage of the educated, relatively low cost work force bolstered by the strong technical infrastructure available in CEE.
- **Improved transactional liquidity:** Many new investors, especially foreign investors, are entering the CEE markets, typically to benefit from the yield differential available compared to Western European markets. They are seeking to acquire standing, core assets. Research shows 25% year on year growth from 2014 to 2015 and 23% quarter on quarter growth from Q3 to Q4 2015.

“THE RESEARCH CLEARLY INDICATES DIVERSIFICATION INTO THE CEE MARKET”

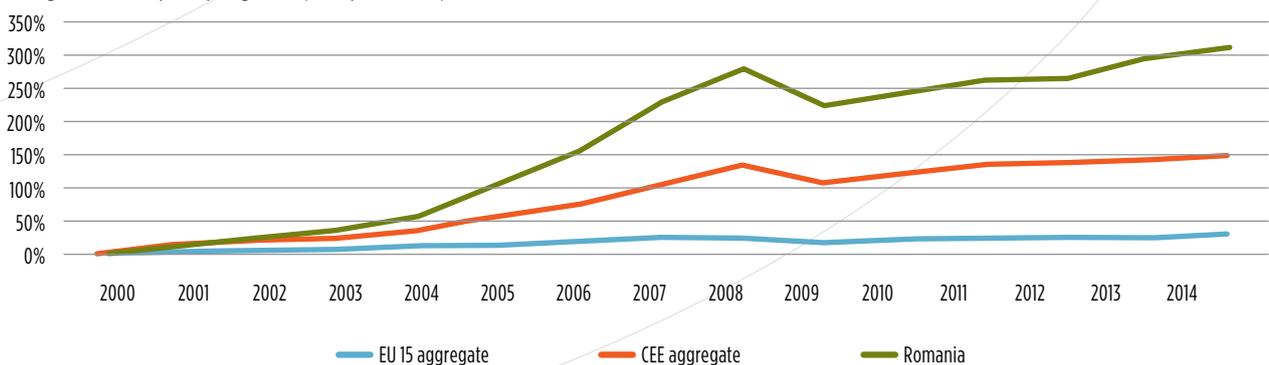
Large and stable work force, strong GDP growth and ongoing convergence to EU15

Source: AMECO



Strong relative GDP per capita growth (base year – 2000)

Source: AMECO

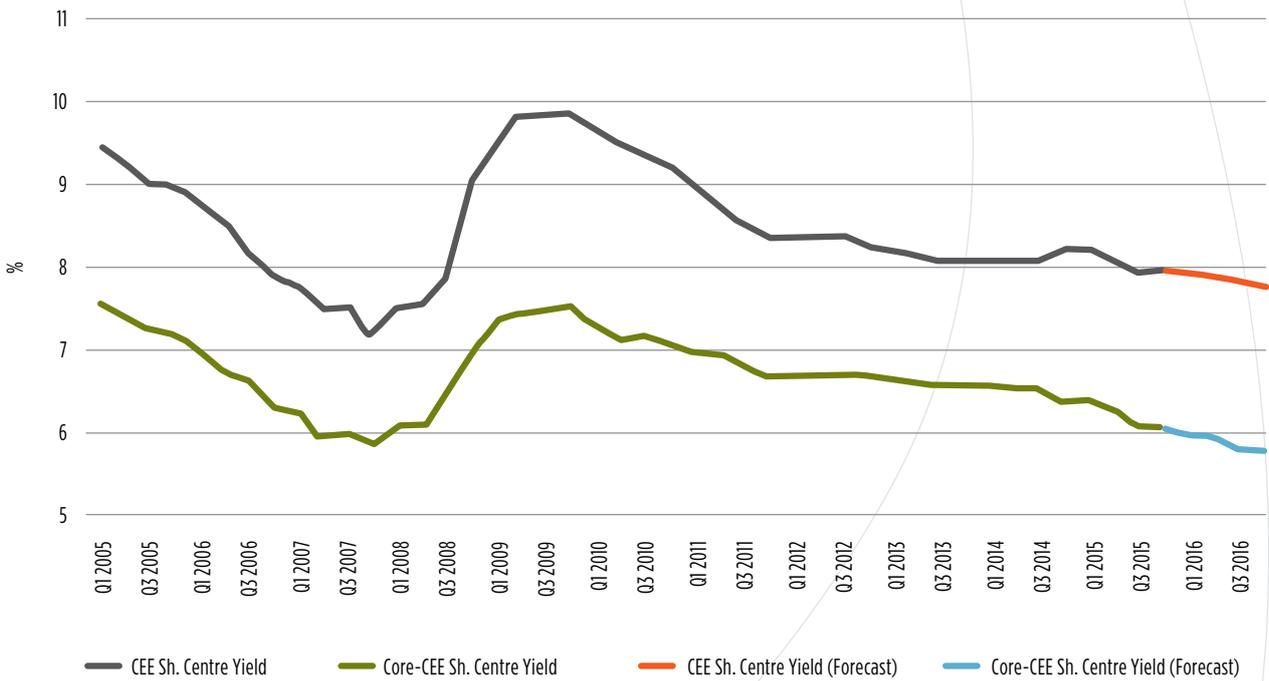




- **Low cost of debt** is expected with a ‘low for long’ interest / cost of debt environment due to Euro denominated borrowing, with low Euro borrowing rates.
- **Improving borrowing margins and sources of debt finance:** There is an increased finance market competitiveness with new lenders entering the market. This bodes well for further inward investment and transactional liquidity.
- **Longer term yield compression potential:** Expectations are that demand/supply dynamics for CEE real estate, alongside key fundamentals already in place, mean that real estate prices for core/prime assets will remain strong in the medium term.

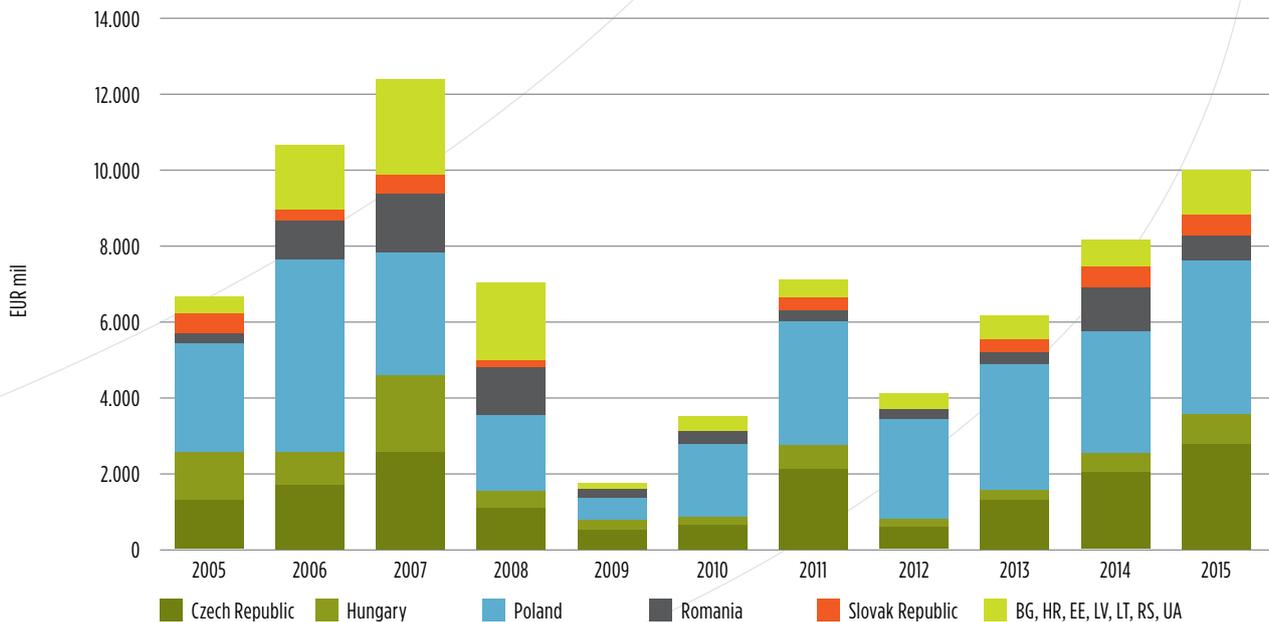
Weighted average prime yield CEE and Core-CEE for shopping centres

Source: CBRE



Investment volumes per country and per year (2005-2015)

Source: CBRE based on Oxford Economics, 2016





CEE INVESTMENT APPROACH

We will target both investments and developments in CEE. However, we lack sufficient depth of experience and expertise in CEE to operate independently in these markets and for this reason the most prudent way to deliver on this strategy would be through a joint venture with accomplished partners in these markets.

There were a number of strategic requirements to consider when choosing partners:

- Can they deliver sufficient scale to significantly impact upon MAS' future growth potential?
- Can they provide MAS with access to prime assets with higher income and capital returns than if we were merely acquiring investment assets in the market, and growth in such returns through development?
- Do they have significant experience, with proven development capability in the CEE market?
- Is there strong alignment of interests and reputation of integrity?
- Can they secure a pipeline of properties and then deploy capital with the necessary speed and diligence to access opportunities in these markets?
- Are they experienced in ongoing asset management, leasing and related competencies to optimise a portfolio of self-developed and purchased assets?

MAS has therefore entered into a joint venture with Prime Kapital, a real estate development and investment business founded by Martin Slabbert and Victor Semionov, supported by a strong team with diverse skills and experience, including property development, financing and asset and property management resources. The team has significant experience and a proven track record in real estate development and management in CEE and is a partner that meets all the strategic requirements laid out above.

Finalisation of this joint venture places MAS on a strategic long-term path to build a real estate portfolio that is balanced across the wider European market. In pursuing this objective MAS will continue to add to its existing Western European investment base as it encounters value enhancing investment and development opportunities, complementing this facet of our portfolio with the diversification that we gain through the joint venture and other future investments into CEE region.

Investments: acquisitions vs developments

We understand that income returns are, over time, a significant part of total real estate returns, and therefore in order to provide our shareholders with access to this income, we will continue to pay out all income profits from our investment activities. However, we have made a decision to flexibly apply our balance sheet to both income generating and development activity, on an opportunistic basis rather than with fixed targets/limits in order to ensure that the income we deliver grows strongly over time.

By doing this, we aim to capitalise on the key development and asset management strengths of our team and key partnerships in our investment markets to continue to acquire and develop, in a dynamic way, a portfolio of real estate assets that delivers both an attractive total return and growing income distributions over time.

MAS continues therefore to offer its shareholders these strategic benefits:

- A Rand hedging exposure to European real estate investment and development returns;
- A portfolio positioned to continue to grow its income distributions and NAV in the periods ahead; and
- Exposure to Western and CEE markets via investment and development activity on a more balanced basis.

We trust that this update both informs you of our strategic focus and serves to provide you with the necessary confidence that while the short-term income results remain strong, we have begun to implement a robust strategy which secures medium and long term growth as well.

The Prime Kapital team



Martin Slabbert



Victor Semionov



Michael Beux



Mihai Vasilescu



Dewald Joubert



Andrei Ghita



Bogdan Balan



Bogdan Larion



Daniel Constantin



Luca Neascu

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