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Independent Research November 2004

Multiplex Development & Opportunity Fund

TERMS OF REFERENCE

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Research – Property Development Fund November 2004

Multiplex Development & Opportunity Fund

Summary

Offer Overview

Multiplex Investments Limited, the Responsible Entity (RE) seeks investor equity for investment in the Multiplex Development & Opportunity Fund (the Fund), an unlisted, opened-ended property development trust. The Fund aims to invest in property developments and other property related opportunities which present potential for value adding to investors. The Fund, previously known as the Multiplex Development Trust II (MDTII), is currently valued at $97.18 million as at 30 June 2004 based on historic costs.

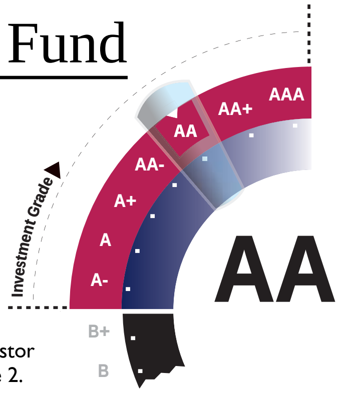
Evaluation Summary

The Fund has the flexibility to invest in non Multiplex developments and overseas, primarily in NZ and the UK. Whilst on current projects, the RE has lowered the development risk profile with substantial pre-commitments and fixed cost development agreements this may not always be the case. The Fund will have investment in a portfolio of developments and is mandated to not have an exposure to any one development greater than 40% of the Funds' assets. At this time, there is a heavy weighting to residential developments, however these sites are considered prime with the majority having desirable water views.

Management

The RE is a wholly owned subsidiary of Multiplex Ltd a publicly listed company. Multiplex entities currently manage four unlisted property funds and the Multiplex Property Trust which have total assets of approximately $2.2 billion.

Overall Investment Rating



Ratings vary with investor profile – refer to Page 2.

Scheme Details	
Multiplex Development & Opportunity Fund	
ARSN 100 563 488	(PDS dated 10 November 2004)
Fund type	Property Development Fund
Duration of investment	Open –ended trust
Unit Price	Market value*
Minimum investment	$10,000
Distribution frequency	Quarterly
Liquidity	Limited
Responsible Entity (RE)	
Multiplex Investments Limited (ABN 48 096 295 233)	
Custodian	
Trust Company of Australia Limited (ACN 004 027 749)	

**Net asset value divided by number of units on issue.*

Investment Profile	
Number of properties	13
Initial Property locations	NSW, VIC, WA
Property sector	Retail/Industrial/Office/Residential
Future borrowing commitments for the Fund	Nil
Initial gearing ratio (% of total assets)	N/A
Initial gearing ratio (% of purchase price)	N/A
Asset value: total funds	96%

Returns targeted by the Responsible Entity		
Year end 30 June	**2005**	**2006**
Target Income return	15.0%	15.0%

Major Considerations

- ▲ Opportunity to invest in property developments projecting high income returns on development profits with a detailed management strategy to minimise downside investor risk
- ▲ The Fund is structured to co-invest with Multiplex entities, an experienced developer/builder, with Multiplex guaranteeing an 8% return until 30 June 2008.
- ▲ The RE has undertaken to buy a maximum of $20 million in units as a limited liquidity facility for investors.
- ◀▶ The ongoing success of the open-ended trust will be linked to long-term property fundamentals, astute RE development selection and risk management.
- ▼ In the event that the Multiplex income guarantee is not renewed after June 2008, investor returns may be uneven and dictated by realisation of property developments after this date.

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CONCLUSION

Qualitative Criteria	Star Ratings Assessment (0 – 5)
Quality of asset(s)	★★★★
Strength of relative property market(s)	★★½
Quality of income stream	★★★★
Potential upside for vehicle (capital growth)*	Not applicable
Diversification	★★½
Investor's initial value	★★★★
Level of fees	★★★
Capital structure and debt management	★★★
Quality of disclosure	★★★★
Track record and capacity of Management	★★★★

*Distributions through progressive project realisation will affect unit value therefore capital growth is not relevant in this context.

Table i

This capital raising provides the Fund with more leverage to take on more property developments. The Fund aims long term to generate annual returns of at least 15% net of fees and expenses on the equity invested. This is based on the Fund entitlement to a proportion of development profits on each selected property development. On project revenue exceeding all development costs, the Fund is entitled to a 15% annual return on the Fund equity invested in the development and then a further 50% of the remaining development profit above 15%. On those projects in which the Fund has an initial interest, the RE is targeting a minimum pre tax return (after costs) of between 15% and 20% p.a.

PIR Investment Ratings by investor profile*

		Investor's risk **tolerance**		
		High	Average	Low
Tax rate	48.5%	**AA-**	**AA-**	**AA-**
	31.5%	**AA**	**AA**	**AA**
	15.0%	**AA+**	**AA+**	**AA+**

PIR's investment ratings are derived directly from estimates of after-tax IRRs adjusted for risk. Because this system determines a rating for specific tax rates and levels of risk tolerance, it recognises that investors have different attitudes. For an investor profile, it also enables direct and valid comparison with any other offer rated on the same basis for the same specific profile. The investment grade ratings range is: A-, A, A+, AA-, AA, AA+, AAA.

** For further explanation refer to the back page of this report or visit www.pir.com.au/investors*

Table ii

As the Fund will reinvest capital on completion of each project, to the extent that the same rate of return is maintained on new projects the IRR will improve. Multiplex is initially guaranteeing an 8% annual income return on net asset value of the Fund to 30 June 2008, regardless of performance of the developments. PIR considers that the interests of the RE and investors are well aligned.

It is important for the RE to put in place a pipeline of suitable development projects, as when the funds are not invested they will be in a cash account. While this would have the effect of being dilutionary on earnings in the current investment environment, the investor guaranteed return of 8% will remain in effect until June 2008.

Overall the portfolio is diversified, although there is currently a heavy weighting to NSW, Sydney in particular. Whilst in terms of asset class it is somewhat diversified, there is a heavy weighting towards residential development, which appears likely to increase as the future projects identified by the RE are primarily residential. However PIR has visited all sites, existing and proposed, and the residential sites are considered prime with the majority having desirable water views.

Investments in property development projects normally require higher levels of return to offset the higher risk when compared with alternative property investments. Issues relating to finance, construction time frames, building costs and marketing require project management expertise. PIR believes that Multiplex's experience, risk management strategies, and available resources can reduce the level of risk associated with the development and still generate the targeted returns.

The Fund structure and relationship with Multiplex delivers an opportunity to invest in a large diversified portfolio of property developments and to benefit from Multiplex's experience and resources. Approved investments under this new structure and investment mandate include traditional equity investments within Multiplex developments as well as a variety of other property related investments. The increased size of the Fund should bring greater diversity, fund liquidity and permit a broader range of investment opportunities than under the previous structure

This offer should appeal to investors seeking high-income returns and who are comfortable with development related risk. Even though the core activity of property development is normally considered to be high risk, the return structure on development profit places a priority on the Fund's entitled returns. Investors should note that their returns depend on the ongoing quality of future Multiplex developments and that with all property investments, returns are highly sensitive to the timing and sale value of future property developments. It should be noted that all of the Funds' investments into Multiplex developments are subject to the unanimous approval of the RE's three independent directors.

KEY ASSESSMENT ISSUES

Development funds are by their nature generally a higher risk investment than a standard property syndicate containing established properties. Commensurate with that higher level of risk is a potential for higher return.

PIR believes that the RE's target return is achievable given their experience and track record, both in former versions of this Fund and in extensive business experience.

This is coupled with a flexible investment/development mandate allowing the RE to source potential returns from a variety of projects. However the returns are heavily dependent on the RE maintaining a suitable pipeline of projects, which will result in a degree of volatility in income returns over the life of the Fund.

Existing development projects are heavily weighted to NSW and to the potentially volatile residential property sector. This risk is somewhat mitigated by the quality of the development sites, primarily the waterfront properties and further proposed developments in QLD and WA.

This is an ungeared fund with a sizable liquidity feature which potentially reduces some degree of risk to the investor.

INCOME RETURNS

PIR has examined the Funds' current investments and based on the supporting evidence is satisfied that the current property portfolio is able to generate sufficient yield to enable the RE to distribute the 15% yield, subject to best practice corporate governance being undertaken by the RE's Directors, staff and consultants.

The developments in the Fund are diversified by region, although there is a heavier weighting to NSW. This will change in the future as the majority of the currently proposed developments are located in QLD and WA. The Fund is well diversified by the number of projects which will be utilised in the Fund portfolio, with 13 current projects.

PIR notes that that there is currently a heavy concentration of three different projects essentially on the same site in Sydney, that being the Latitude project (the old World Square project in George Street Sydney), however the majority of this development has significant tenant pre-commitments.

At present, the Fund is showing a majority allocation to the residential sector, consisting of land subdivision, residential apartments and serviced apartments. As at the date of this report, Fund exposure to the residential sector was approximately 52% by asset value.

The Fund currently has a well diversified realisation profile of its current projects. It is on realisation (completion) of projects that investors will receive the bulk of their returns, being those returns in excess of the 8% guaranteed minimum (guarantee only until 2008). It should further be noted that this realisation profile relates to completion of construction. The realisation of the profits may not occur at the same time if the project is not fully pre sold at that time in the case of residential developments.

In addition, whilst a presale is a binding contract, it is not a guarantee that all purchasers will be able to settle their purchases upon completion. In terms of the commercial construction projects, there may be some delay in achieving full occupancy. In addition, these are development projects and there is no guarantee that they will be pre-sold to investors with the capacity to purchase such large investments.

Due to the nature of the Fund, as a development fund, income only occurs when a project is sold or the Fund's interest in a project is sold. Whilst development time frames are generally adhered to there are numerous events that often result in variation of the timing of expected returns. As a result the RE has made no financial projections. PIR accepts that this strategy is not unreasonable. PIR has modelled various scenarios and assumptions. PIR has modelled varying cash flows that show an overall average return of 17.5% over a seven year time frame based on confidential discussions with the RE and analysis of individual projects. These cash flows have been used in the model as an integral part of the determination of the risk adjusted PIR rating. As a result of these factors PIR has not included a table of financial forecasts for this fund as PIR believes that this may be misleading.

Project	Capital Invested $'000	Expected Realisation Date	% of Portfolio
Altona W1 Industrial Estate, Melbourne	5,000	Dec 04	5.1%
Darling Island, Sydney	1,220	Nov 04	1.3%
163 Castlereagh St, Sydney	14,000	Oct 06	14.4%
Ettalong, NSW	5,050	Jun 05	5.2%
Latitude East (Site C), Sydney	12,500	Sep 06	12.9%
Latitude Retail and Car Park	21,916	Jul 05	22.6%
650 George St (Latitude Strata Office), Sydney	3,084	Apr 05	3.2%
King Street Wharf Site 1, Sydney	10,000	Jun 05	10.3%
180 Marine Parade, Maroubra, Sydney	3,700	Nov 04	3.8%
Chancellor Double Bay, Sydney	5,000	Sep 05	5.1%
Raffles, Perth	3,643	Feb 06	3.8%
Vale, Perth	5,000	Dec 05	5.1%
Fund investment into MDT	3,926	Feb 06	4.0%
Cash	3,144		3.2%
Total	**97,183**		**100.0%**

Table iii

CAPITAL RETURNS

Owing to the nature of this Fund as a development trust, Fund income returns tend to be generated by returns through the sale of assets of the Fund rather than the rental income returns typical of most unlisted property trusts. At any time, the unit price is determined by the current asset value divided by units on issue, thus a unit price at a variance to the subscription price represents a movement in capital value of the units.

During the developmental phase, it is expected that the net asset value and hence unit price will increase in value reflecting the unrealised development profit. This profit will be paid out to investors in the form of a distribution (when the development is realised) and the unit price is at those times is expected to revert to close to par. As a result of the unique nature of this fund, this resembles more an income fund rather than a typical unlisted property trust, which combines income plus capital growth. As such, PIR's standard CRV calculations are not relevant.

PIR has adopted an average terminal capitalisation rate for the expected cash flows at that time, such that the entire initial capital will be able to returned to investors under PIR's expected case scenario.

Debt

The Fund does not intend to borrow or otherwise gear into any investment at the fund level. However underlying sub trusts or subsidiaries will most likely be geared. This gearing is typically for between 65%-80% of the value of a development and will be non recourse to investors in the Fund.

Taxation

Income tax: The RE anticipates (and PIR have assumed) that the Fund will be treated as a private company for tax purposes, which means that as a taxable entity, profits will be distributed on an after tax basis. Any distribution will therefore have the benefit of franking credits and investors would be entitled to a tax offset (for Australian taxation purposes) against their pro-rata share of the tax paid by the Fund. Should the Fund be treated as a public company by the Australian Taxation Office, franking of distributions are likely to be treated differently. The RE will inform unitholders if the taxation treatment of the Fund changes.

Capital Gains Tax: Tax paid on accumulated tax deferrals as well as on increase in investment value (net of sale costs). The cost base used in calculating such capital gain will be reduced by any amounts already claimed as a deduction. PIR understands that given the nature of the Fund's proposed activities, it is likely that none of the distributions of the Fund will be tax advantaged.

GST treatment: The RE believes that GST will have a minimal impact on the financial performance of the Fund other than as set out in the PDS in relation to fees.

The taxation implications of investing in the Fund may vary according to the investment structure adopted by investors and potential changes to the Taxation Act. **It is strongly recommended that investors seek/obtain professional and independent financial advice before choosing to purchase units in this or any investment property vehicle.**

RISK AND TOTAL RETURNS

To compare the Fund's returns with alternative property investment vehicles, PIR financial analysis is based on the Fund's current investments in the existing property developments with an assumption that the capital is returned to the equity investors at the end of seven years. While this provides a basis for a seven-year financial review, the RE advises that it intends to re-invest the capital into future property developments subject to meeting defined investment criteria.

Having regard to data supplied by the RE, and assumptions made by PIR, PIR's standard seven year cash financial analysis yielded an expected IRR of 10.0% per annum after tax was calculated for investors with a marginal tax rate of 48.5% and 0% gearing. Using the standard PIR methodology, a downside IRR of 9.0% per annum was derived, with an estimated 16% chance that the actual outcome will be lower than this. An upside IRR of 12.4% after tax was calculated, with an estimated 16% chance that the actual outcome will be higher than this. The relatively narrow IRR range across these scenarios reflects the quality of Multiplex's risk management strategies. Investment ratings are high considering the nature of property development risks.

The ability of the RE to deliver quality of investment and rate of return reflects Multiplex's development track record and the pipeline of future developments. PIR has met with the Divisional Director of Multiplex Capital, and the principal analyst who undertakes the analysis of these projects and received information on past and future Multiplex developments. These are covered in this report on the basis of an overview, as there are issues of confidentiality and disclosure of commercially sensitive information. However based on Multiplex's track record and comprehensive risk management strategies there is comfort that future Multiplex property developments will provide the desired return on equity invested.

Risk is measured by the variance from the expected case. For the upside and downside scenarios, alternative assumptions have been used in accordance with the standard PIR methodology. PIR's income assumptions for the portfolio are based on the information presented by the RE and PIR's knowledge of the property and development industry.

Any cash investment in the Fund is seen as dilutionary for any significant period where the Fund is not investing in development projects although this will not take effect until after the expiry of the income return guarantee of 8% which expires in June 2008. An investment in cash after that period will result in significantly reduced returns to investors. PIR's scenario analysis has taken this into consideration. This analysis assumes that there is no loss of capital on any of the projects undertaken or in which the Fund is invested. It also assumes that the Fund is able to remain relatively fully invested in high yielding development projects. Where the Fund is awaiting investment opportunities, the balance of funds is invested in cash (currently returning around 5% p.a.). While this would have the effect of being dilutionary on earnings in the current investment environment, the investor guaranteed return of 8% will remain in effect until June 2008.

Due to the nature of the Fund, being a development fund, income only occurs when a project is completed or the Fund's interest in a project is sold. Whilst development time frames are generally adhered to there are numerous events that often result in variation of the timing of expected returns.

The range of after tax IRR's across the three marginal tax rates and PIR's upside and downside scenarios can be found in Table iv below.

Fund estimated after-tax IRRs	Downside	Expected	Upside
48.50%	9.05%	10.04%	12.37%
31.50%	10.98%	12.02%	14.47%
15%	12.69%	13.75%	16.24%

Table iv

As with any investment, investors must consider the potential rewards and balance these against possible risks. Beyond the range of 'reasonable likelihood', a range of potential risks must be considered by investors.

Risk to returns

The nature of the investment being offered gives rise to risks that are particular to this type of investment. The RE considers these risks can be effectively managed utilising the experience and resources of the total Multiplex Group. The ultimate responsibility for investment decisions is with the Board of the RE and no commitment of funds can be made without the unanimous approval of the three Independent Directors to any development.

Construction and delivery risk

During the construction stage, control of time and costs are essential. The construction cost allowance is subject to an independent confirmation by a quantity surveyor as to reasonableness. Some developments may require the developer to bear such risks of costs exceeding those agreed to in the feasibility assessment, however in some circumstances the Fund may bear some of the risks under certain scenarios. Multiplex has a proven track record of "on time" delivery and a reputation for successfully completing developments in accordance with contractual obligations.

Property market risk

The nature of property development projects is the risk that project interests may be difficult to on-sell at the time of completion due to the time required to complete the development, by which time demand for the type of development may have changed. Mitigating this risk is the diversification of asset allocation by property type, amount and location. Further factors in aiding risk mitigation is the sourcing of levels of pre-sale contracts or pre-lease agreements prior to the Fund investing. The Fund structure also allows property developments to be sold before practical completion.

Risk of default on pre commitment sales and leasing transactions

Multiplex undertakes due diligence investigations and enters into legal contracts on all pre-sale contracts or pre-lease agreements with suitable collateral obligations (non-refundable deposits) to reduce potential losses.

Town planning/ permit risk

Multiplex has extensive experience in obtaining necessary planning approvals and due diligence procedures to identify likely planning issues. Typically planning approvals will be procured before the Fund commits capital to a development, however the Fund may undertake investment where development approval has yet to be obtained. Through due diligence, the Fund may take the opportunity to enhance returns although this will be at the cost of an increased level of risk.

Environmental risk

As part of the RE's due diligence process, environmental issues such as land contamination are identified and remedial work considered. The Fund may bear environmental risk in situations deemed appropriate by the RE.

Funding risk

Debt structures and interest rate movement can affect development costs. The RE will generally ensure that appropriate risk mitigation strategies are in place to bear the risk of interest costs exceeding that agreed in the feasibility assessment.

Regulatory and legal risks

The Fund can be affected by changes in the law, government policy and accounting standards. The RE will attempt to anticipate or respond to any such changes in whatever manner seems practical and in the interests of investors. If the response requires a fundamental change to the Fund, approval of investors may be required.

Industrial relations

Industrial disputes can delay completion of property developments. Multiplex is proactive in industrial relation management ensuring that its employees and contractors are dealt with in a manner consistent with applicable award and legislative requirements.

Investment Criteria

All property developments to be undertaken by the Fund must satisfy the following criteria:

(i) No more than 40% of the Fund's assets will be invested in one development (including staged developments);

(ii) No more than 60% of the Fund's assets will be invested in the same property sector within the same geographic sector;

(iii) Up to 25% of the Fund's assets may be invested in developments are located in international markets where Multiplex maintains operations.

The Fund may invest in both property development and other direct or indirect property related investments, however no investment will be made by the Fund unless the three independent directors have agreed to the investment proposal.

The comprehensive guidelines on the selection of prospective property developments provide the Fund with required diversification across the range of property developments.

OFFER STRUCTURE

The offer is an open-ended trust with a duration limited by the constitution to 80 years which expires in 2084.

The issue price of each unit under the current offer will be determined by the net asset value divided by number of units on issue. The minimum initial investment in the Fund is $10,000, with additional investments in multiples of $1,000. There is no minimum subscription for this offer and the Fund has not been underwritten.

Investments made by the Fund will be structured on a case by case basis. In some circumstances, property development loans will be secured separately over each property development and property development trust and therefore limits the property finance recourse to the asset within the project development trust and places no recourse on the equity investors or other Fund assets. In addition, it provides an alternative disposal option, as units in the project development trust can be sold as an alternative to the sale of the property.

Prior to the change in structure to the Fund the previous offer (Multiplex Development Trust II) was for a minimum investment of $50,000. In addition, the investment criteria were more prescriptive and restrictive. The RE held a meeting with existing unit holders in September 2004 to restructure the Fund as outlined in the PDS. Amendments to the Fund constitution were approved at that meeting.

Approved investments under this new structure include traditional equity investments as well as:

- Opportunistic property investments such as acquisition, renovation/refurbishment and resale;
- Mezzanine property financing;
- Up to 25% of assets may be invested in Multiplex developments in international markets;
- Other property related transactions with a view to earning targeted returns providing that

Multiplex have a development management role or some other involvement in the project.

The increased size of the Fund should bring greater diversity, fund liquidity and permit a broader range of investment opportunities than under the previous structure. It should be noted that the RE may change the investment strategy after giving reasonable prior notice to unitholders.

Specific investment criteria on diversification, asset class allocation and investment horizons are outlined in the PDS. The Fund will seek a target return of 15% p.a. by maintaining a portfolio of property developments and other value add projects. The RE's three independent directors are required to unanimously approve any investment before the Fund can invest.

LIQUIDITY AND EXIT MECHANISM

When the Fund is deemed to be illiquid in accordance with the terms of the Corporations Act, there will be no rights of redemption to unitholders unless the RE determines to make a withdrawal offer to all unitholders. However, the RE has provided a $20 million cash liquidity facility from the commencement of the Fund to allow the RE to buy units from unit holders who wish to withdraw over the life of the Fund. The RE in its personal capacity, has offered to acquire units from unitholders in the Fund under this arrangement. The acquisition price is calculated as being equal to the net asset value divided by the number of units on issue. Depending on the length of time a unit has been held, the RE will charge a range of fees for administration relating to unit transfers (see fees section below for details).

As the investments are made in development projects, this investment should be considered to be a long term investment. The underlying investments, the development projects, are extremely illiquid. Should the unit holders vote to wind up the Fund the net proceeds will be distributed to unit holders. However as most of the Fund's assets will be in development projects under construction, there may be a significant delay in realising the assets. Alternatively there could be a significant capital loss if a purchaser is sought for the Fund's interests in any incomplete project.

The RE intends the Fund to be an open ended trust and intends to accept subscriptions of capital every month.

FEES

The RE and others are entitled to several fees. The principal fees are outlined below.

Fees relating to either the purchase or transfer of Fund units are as follows;

- Either an up-front application fee for an initial investment into the Fund of 4% of the amount subscribed (Subsequent investments in the Fund will also be subject to an application fee); or
- A Purchase fee charged to a unitholder each time units are purchased from the RE under the liquidity facility. This fee equates to 4% of the value of the purchase price of the units.

The RE is entitled to ongoing fees for management of the Fund. The principal fees are outlined as follows:

- A management fee of 1.5% p.a. of the NAV of the Fund.
- On redemption of units, the RE is entitled to the greater of 1% of the redemption proceeds or $100.
- The RE can recoup all costs in relation to the business and administration of the Fund. This is capped at a relatively low 0.3% per annum of the Fund's net asset value. Above this figure the RE will meet the cost of operating the Fund.

The fee structure places a strong incentive for the RE to perform for the unitholder's benefit.

The RE is entitled to administration fees for the purchase of units under the liquidity facility, where the fee the RE will charge will be dependent upon the length of time that the unit has been on issue and is determined as follows:

- Units held for less than 3 years, 4% of the proceeds
- Units held for between 3 and 5 years 2% of the proceeds.
- Units held for greater than 5 years 0% of the proceeds.

All transaction under the liquidity facility will be subject to the administration fee payable to the RE as listed above.

CAPACITY OF MANAGER

Multiplex Group is an integrated and diversified business with operations in construction, development, facilities management and investment management.

Multiplex Capital is the Investment Management division and is responsible for the management of the Multiplex Group's property investment vehicles.

The division comprises the responsible entities for a number of property investment vehicles including the ASX listed Acumen Capital Property Securities Fund the ASX listed Multiplex Property Trust and the recently established Multiplex New Zealand Property Fund. The division is managed by a team of professionals with extensive property and funds management experience. Multiplex Capital is focused on developing and implementing the investment strategies for all the property vehicles within the Group.

The division is responsible for:

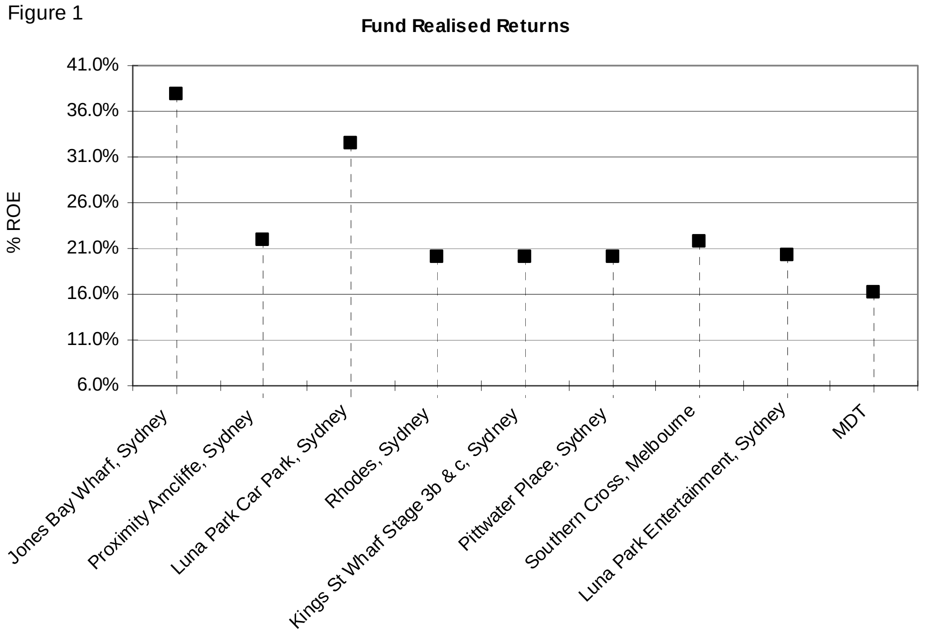
- Multiplex Funds Management Limited, as the Responsible Entity of Multiplex Property Trust
- Multiplex Investments Ltd, as the Responsible Entity of the Multiplex Development and Opportunity Fund;
- Multiplex Capital Limited, as the Responsible Entity for three direct property investments and manager of one direct property investment;
- Acumen Capital Securities Limited as the Responsible Entity of the ASX listed Acumen Capital Property Securities Fund.

The parent company, Multiplex was established as a private company in 1962 and today is a diversified property business that listed on the Australian Stock Exchange in December 2003. It had a fully paid market capitalisation as at November 2004 of approximately $2.8 billion. It employs over 1,800 people in construction, facilities management, property development and investment management divisions. It is a stapled security with a large diversified portfolio.

Fund Performance

Fund performance for the period 1 October 2003 to 30 September 2004 was 19.81% (before tax, after operating expenses). PIR notes that this level of returns exceeded the RE's original target before tax, after development expenses return for the Fund of 19.7% (or 20% before tax and expenses). Figure 1 below outlines

Figure 1



the performance of the Fund's realised investments from inception date to 30 September 2004.

Custodial services are currently being provided by Trust Company of Australia Limited. This will be subject to change as the RE intends to replace the current custodian with Multiplex Funds Management Ltd, which is a wholly owned subsidiary of Multiplex.

Executive Directors of the Company and key personnel are:

Andrew Roberts, B Comm, MBA, ASA. (Executive Chairman): Andrew has 19 years experience in the property industry and is responsible for the Multiplex Group's strategic and corporate development. He has been instrumental in the company's diversification into the property development and property investment sector and is currently the Executive Chairman of Multiplex Ltd.

Ian O'Toole, (Managing Director): Ian has over 22 years experience in funds management and real estate. As a former Director of ING Real Estate Asset Management Limited, he is experienced in capital transactions and asset management.

Dr Peter Morris B Eng, Ph.D. (Independent Director): With a career spanning over 30 years, Peter has held several senior positions including over 20 years as the managing director of Bovis Australia (now Bovis Lend Lease). Peter is currently a Non-Executive Director of Galileo Funds Management which has assets of over $450 million under management. His specialist skills are in the areas around establishing delivery strategies for major development and construction projects.

Mike Hodgetts B Comm, MBA, FAIQS, FRICS, JP. (Independent Director): A qualified Quantity Surveyor, Mike has over 30 years experience in the property industry and was managing director, then Chairman of the Rider Hunt Group. He is a past national president of the Australian Institute of Quantity Surveyors and has represented the profession at key national and international conferences.

Robert McCuaig API, FRICS. (Independent Director): Has extensive experience in the Australian property industry, having established McCuaig & Colliers in 1967. Currently Robert is the Chairman of Colliers International (Australia) and a director of several companies including non-profit organisations.

Rob Rayner, Divisional Director Funds Management of Multiplex Capital: Rob has over 15 years property and financial experience in both the listed and unlisted sectors of the property funds management industry. Rob is primarily responsible for both the growth and development of the funds management business.

PIR undertook a compliance review of Multiplex Capital Limited in August 2004. This compliance system is the same for Multiplex Investments Limited, the RE of the Fund. The review concluded that Multiplex is committed to complying with applicable laws and regulations. The Funds Management business has the Group Compliance Manager overseeing the compliance requirements for the scheme. A computerized compliance monitoring system is used to monitor compliance and allows the Compliance Manager to readily identify shortcomings and delays. Compliance risks are communicated and controlled by the publication of policies and guidelines via the intranet and referred to in the compliance plan.

PROPERTY AND LOCATION ANALYSIS

1. W1 Industrial Estate, Altona, VIC			
% of Portfolio	5.1%	**Expected Realisation Date**	December 2004
Fund Interest	75%	**Fund Investment**	$5.0 million
Title	Freehold	**Gross Lettable Area**	Nil
Type	Industrial Land Subdivision	**Total Site Area**	42,000m^2
Location	Altona Victoria		

Table v

An industrial development site located approximately 16 km west of the Melbourne Central Business District ("CBD") that was purchased for subdivision and redevelopment as industrial pre leases, industrial land sales and industrial land and building contract opportunities. The site has been subdivided into 18 lots, with an average size of approximately 2 hectares. Interest in the Altona W1 Industrial Estate has been strong with eight of the nineteen lots sold to date.
Well located in Melbourne's West, adjacent to the Princess Freeway with good access to all arterial roads and the Ports and Airport.

2. Latitude (World Square) Retail & Carpark, Sydney, NSW			
% of Portfolio	22.6%	**Expected Realisation Date**	July 2005
Fund Interest	100%	**Fund Investment**	$21.9 million
Title	Freehold	**Retail Net Lettable Area**	16,313m^2
Type	Retail & Carpark	**Total Site Area**	N/A
Location	Sydney NSW		

Table vi

Located on the Anthony Hordern's department store site, bordered by George, Liverpool, Pitt and Goulburn Streets in the Sydney CBD, the premium retail space spread over three levels is scheduled to feature cross-site pedestrian links and a central square, surrounded by around 90 specialty retail outlets and a full range Coles supermarket and five mini majors. It will also include public parking for 566 cars over six basement levels. Currently construction is in the middle stages.

Leasing activity at the Latitude (World Square) Retail precinct has accelerated over the last quarter and has attracted a range of quality tenants in accordance with the retail plan that has been established to optimise the tenancy mix for the centre.

3. Darling Island Apartments, Sydney, NSW			
% of Portfolio	1.3%	**Expected Realisation Date**	November 2004
Fund Interest	62%	**Fund Investment**	$3.0 million
Title	Leasehold	**Type**	Residential
Location	Sydney NSW		

Table vii

A luxury residential development comprising 108 high quality residential apartments and 187 car parking bays in a series of 3 low rise buildings. The development site is recognised as being a prime Sydney waterfront location, being the only north facing peninsula in Sydney Harbour available for residential development. The development is almost completely pre sold.

4. 180 Marine Parade, Maroubra, NSW			
% of Portfolio	3.8%	**Expected Realisation Date**	November 2004
Fund Interest	100%	**Fund Investment**	$3.7 million
Title	Freehold	**Type**	Retail, Residential
Location	Sydney NSW		

Table viii

A redevelopment of the Maroubra Bay Hotel to include a bar / bistro and retail shops on the ground floor, 48 high-quality residential apartments on the upper levels and basement parking. The property is located directly opposite Maroubra Beach and the building design maximises the uninterrupted views available to the property. This is considered a premium location and construction is nearing completion at time of inspection and is 100% presold.

5. Ettalong, Central Coast, NSW			
% of Portfolio	5.2%	**Expected Realisation Date**	June 2005
Fund Interest	100%	**Fund Investment**	$5.05 million
Title	Freehold	**Type**	Residential, Hotel
Location	Central Coast NSW		

Table ix

The development comprises Club premises and a 4-star hotel / serviced apartment resort complex. The ground floor Club facilities include eateries, restaurant and bars, gaming room, health club, business centre, conference facilities and entertainment lounge. The hotel / serviced apartment resort comprises a combination of studios, one, two and three bedroom serviced apartments. Located on the NSW Central Coast, the apartments are arranged in a stepped form with water views across Brisbane Waters to Lion Island and Palm Beach. Location is beside the sizable Ettalong Beach RSL club and only a few metres from the non surf beach and shops.

Only 1% of this project remains unsold and at time of inspection, construction was well advanced and appeared to be approximately 65% complete.

6. 650 George Street (Latitude Strata Office), Sydney, NSW			
% of Portfolio	3.2%	**Expected Realisation Date**	April 2005
Fund Interest	100%	**Fund Investment**	$3.08 million
Title	Freehold/Strata	**Type**	Strata office
Location	Sydney, NSW	**NLA**	4,700m²

Table x

The five level building (levels 11 to 15) known as the North West Quadrant of the Latitude (World Square) project, comprises 68 strata commercial suites. Currently partially into the construction phase. The upper part of the Latitude retail/carpark development mentioned above. Only 35% of this development has been presold, although demand for strata office suits is strong, however stronger sales are expected when purchasers can actually inspect the completed premises.

7. King Street Wharf Site 1, Sydney, NSW			
% of Portfolio	10.3%	**Expected Realisation Date**	June 2005
Fund Interest	50%	**Fund Investment**	$10.0 million
Title	Freehold/Strata	**Type**	Residential, strata office, retail
Location	Sydney, NSW	**NLA**	N/A

Table xi

Part of the mixed use development of Darling Harbour Wharves 9 & 10 on the western edge of the Sydney Central Business District. Site 1 is a development site with development approval for a mix of uses including residential apartments, retail and commercial suites and associated car parking. At this stage construction commencement is dependent on presales. Situated on the waterfront, this residential development should have good harbour views upon completion.

8. The Chancellor, Double Bay, Sydney, NSW			
% of Portfolio	5.1%	**Expected Realisation Date**	September 2005
Fund Interest	100%	**Fund Investment**	$5.0 million
Title	Freehold	**Type**	Retail, Residential
Location	Sydney NSW		

Table xii

Thirteen luxury residential apartments of the highest quality, above a ground floor retail offering that is anticipated to attract a mix of boutique retailers. All apartments are specified to contain 3 bedrooms and three bathrooms with the complex being approximately 60% pre sold at the time of this report.

This is an excellent location, in the heart of Double Bay which is a premium harbour side eastern suburbs location and is located adjacent to shops and the café culture. Construction is in the early stages with the upper level residential apartments expected to have good views and should command premium prices.

9. Raffles Perth, WA			
% of Portfolio	3.8%	**Expected Realisation Date**	February 2006
Fund Interest	100%	**Fund Investment**	$5.0 million
Title	Freehold	**Type**	Retail, Residential
Location	Perth, WA		

Table xiii

A redevelopment of the heritage listed Raffles hotel in Applecross, Perth to comprise over one hundred luxury apartments as well as associated commercial space. The planned development will entail a high rise fifteen level tower with two low rise five level wings with apartments capturing panoramic views of the Swan River and Perth CBD to the north and east and views of the Canning River to the south.

This project is currently 99% presold. The location is excellent with good freeway access and being only 5 minutes from downtown Perth. Construction is currently in the early stages and is approximately 15% complete at the time of this report.

10. Vale, Perth, WA			
% of Portfolio	5.1%	**Expected Realisation Date**	December 2005
Fund Interest	100% (Stage 2 only)	**Fund Investment**	$5.0 million
Title	Freehold	**Type**	Residential Land
Location	Perth, WA		

Table xiv

A master planned community located in the Swan Valley, approximately 22 kilometres north east of Perth's CBD. The project is located near to natural parkland, The Vines golf course and Swan Valley. The concept of the development at Vale is to create a private master-planned community complete with recreational, retail and commercial facilities, plus private and public education. The project plan provides for 4,500 homes with two village centres linked by a recreational and conservation precinct to be developed over 15 years. Stage 2 is scheduled to comprise 361 residential lots with marketing of the lots expected to commence in late 2004.

The two sites are located within a 30 minute drive of Perth, in an area that offers affordable land. It is adjacent to the Vines subdivision, another planned community with hotel and a links style golf course. Stage 1 is currently in the early stages of undergoing subdivision construction. Stage two is expected to be undertaken within the next 3 years.

11. Latitude Site C, Sydney, NSW			
% of Portfolio	12.9%	**Expected Realisation Date**	September 2006
Fund Interest	50%	**Fund Investment**	$12.5 million
Title	Freehold/Strata	**Type**	Residential, Strata office
Location	Sydney, NSW	**NLA**	N/A

Table xv

The final component of the World Square redevelopment, located in Sydney's Central Business District. The project is to comprise a mix of strata commercial office, apartments designed around a "home office" use and residential tower. Currently there are no pre sales and construction has yet to commence on the site.

12. 163 Castlereagh Street, Sydney, NSW			
% of Portfolio	14.4%	**Expected Realisation Date**	October 2006
Fund Interest	N/A*	**Fund Investment**	$14.0 million
Title	Freehold	**Type**	Residential, Serviced Apartments
Location	Sydney, NSW	**NLA**	N/A

*Mezzanine Loan

Table xvi

An amalgamation of five sites with frontage to Castlereagh and Pitt Streets in the heart of the Sydney Central Business District to comprise ground floor retail and upper levels with a potential mix of 717 serviced and residential apartments. This comprises a site currently on five titles with different frontages to both Castlereagh and Pitt streets. Currently these older buildings primarily house retail tenants on short leases. The upper levels of the development should obtain nice Hyde Park views, although these may be built out at a later date.

13. Investment in MDT			
% of Portfolio	4.0%	**Expected Realisation Date**	February 2006
Fund Interest	100%	**Fund Investment**	$3.9 million

Table xvii

This proportion of the investment portfolio is primarily invested in the Raffles Perth and the Darling Island projects, through MDT.

Future Multiplex Developments

As a leading Australian property development and construction company, Multiplex has secured development rights over major property projects. Issues of confidentially limit the disclosure on several property developments. As an overview, the RE advises that Multiplex has property development works in progress totalling $6.6 billion as at 30 June 2004 spread across various geographic locations and property asset classes.

Projects noted below are those not under commercial-in-confidence developments which Multiplex has secured and where preliminary development approval work has commenced. The examples illustrate the range of future Multiplex property developments which the Fund may co-invest into with Multiplex. The geographic location provides the benefits of diversification and is part of the RE's risk amelioration strategy. Similar to the initial property development portfolio, future Multiplex property developments may be pre-leased and pre-sold.

Stage 1 Portside Wharf – Brisbane International Cruise Terminal, QLD:

"Portside Wharf" is a major waterfront development designed to accommodate the Brisbane International Cruise Ship Terminal together with some 381 prestige residential apartments and extensive retail / commercial areas. The residential, commercial and retail components of the development are contained within eight buildings and will be undertaken in three stages. The first stage comprises the cruise ship terminal, the retail and commercial complex, loft building and two residential apartment buildings, "Infinity" to incorporate 63 apartments and "Flare" to incorporate 96 apartments. PIR considers this to be a very impressive riverfront site. Located approximately 4.5 kilometres north of the Brisbane CBD, all levels of the residential development at the front should obtain city and river views. The views from the upper levels will be sweeping. Considerable presales have been achieved. At inspection earthworks and construction of a display suite have commenced.

Nedlands Park Hotel, Perth, WA

Located opposite a reserve on the Swan River and currently a popular hotel. This is an excellent location, less than 10 minutes drive from the Perth CBD. Wide river and city views are expected to be obtained form this development. This development is expected to be a mixture of residential and hotel, with a small retail component containing licensed premises. As at the date of this document, the RE has not determined whether the above investment opportunities satisfy the Fund's investment criteria.

Having regard to the nature and size of the Multiplex property developments, the development period and exit strategy provides the basis for the Fund returns. The RE's three Independent Directors must be satisfied that the evaluation process has determined the appropriate exit strategy for each property development.

DUE DILIGENCE

Property Investment Research Pty Ltd (PIR) advises that in the compilation of this report, we have not conducted a full due diligence on this offer. Investors would be well advised to consult the offer document, conduct their own inquiries, and receive professional advice. This report was not prepared to form any part of any offer document.

PIR has relied upon information contained in the offer document, for the Multiplex Development & Opportunity Fund, Product Disclosure Statement dated 10 November 2004. PIR has carried out its own independent inquires. PIR has inspected all properties mentioned in this report and met representatives of the Responsible Entity. There were no issues apparent from a physical inspection of the properties, or from discussions with the Responsible Entity, that would have a detrimental impact on an investment in the Fund, other than those identified in the offer document or other material received or identified in this report.

PIR has reviewed copies of the Fund Constitution and Compliance Plan which have been registered by the Australian Securities and Investment Commission (ASIC) and accounting reports including the tax schedule.

PIR has undertaken a compliance review of Multiplex Capital Limited dated 13 August 2004 in relation to the evaluation of a separate Multiplex Fund. While this review was not involved with Multiplex Investments Limited, Multiplex have informed PIR that the compliance committee members and systems are the same for the Multiplex Development & Opportunity Fund. This review highlighted that there is no written policy regarding Related Party Transactions however the timetable to introduce a formal policy would be escalated. Multiplex has since informed PIR that a formal policy has been developed and accepted by the Board. This is relevant due to the close relationship between the Fund and Multiplex as the prime constructor in most projects.

PIR has reviewed all the valuations, quantity surveyors reports and building condition reports.

EXPLANATION OF INVESTMENT RATING

The Investment Rating Financial Model (patent pending) provides a single measure of the overall investment merit of this vehicle for various investor profiles. It incorporates the level of expected returns (IRRs) from the investment and adjusts these for both illiquidity and risk associated with this investment, presenting them across the three main marginal tax rates. The Investment Rating is based on the premium of the estimated risk-free, after-tax IRR adjusted for illiquidity over the prevailing 10-year bond rate. This measure enables the valid comparison of an investment with any other for nine (tax rate and risk tolerance) investor profiles. This facilitates the task of tailoring investment selection to the needs of the individual investor. Further, it provides ratings in which the advisers and investors can have unprecedented confidence. The ratings presented in the risk tolerance/tax rate matrix are only a representative sample of those available on PIR's unique individually tailored on-line investment selection system. Visit pir.com.au or phone (03) 9670 7767 for assistance.

Except when investor gearing is involved, a lower marginal investor tax rate would normally attract a higher rating because investors on higher tax rates (nearly) always pay more tax. An investment which rates AA- for a 48.5% tax rate investor may be relatively better for that investor profile than for a 15% taxpayer for which the rating is AA+. A high rating for a higher marginal investor tax rate is generally less common than the same rating for a lower marginal investor tax rate.

Comparison across investor tax rates is not meaningful, nor is comparison across investor risk tolerances.

For ease of comprehension, the Investment Rating uses symbols similar to those applied by credit rating agencies. These ratings should not, however, be confused or compared with those used by credit rating agencies. The seven published Investment Ratings from lowest to highest are: **A-** **A** **A+** **AA-** **AA** **AA+** **AAA**. Projects with ratings below A- are not considered investment grade and reports on such projects are not published by PIR.

Investors should visit pir.com.au to view and download a detailed explanation of the PIR Investment Rating System or phone (03) 9670 7767 for a complimentary copy.

RESEARCH CREDENTIALS

Under Corporations Act 2001, Property Investment Research Pty Ltd ("PIR") ABN 97 006 425 083 holds an Australian Financial Services Licence (No. 252599). Established in 1989, PIR is Australia's leading independent research group on property related investments. PIR is the major supplier of independent research to Investment REs and Financial Advisers. Under the law, all Financial Advisers are required to properly research the financial products they recommend. PIR's independent research plays a vital compliance role for ASIC licensed Investment Advisers and Securities Dealers in that it:

(i) assists in ensuring investment recommendations are appropriate for the client

(ii) provides adequate knowledge of investment promoters, their track record, the investment market and the risks involved

(iii) ensures, where specialised in-house research is not available, reliable research is obtained that is impartial and accurate.

STATEMENT OF INDEPENDENCE

Property Investment Research (PIR) has received fees from **Multiplex Investments Limited** for the preparation of this report. PIR is a property investment specialist and applies a strict and rigorously independent process for production of research reports and has no direct or indirect vested interest in the success or otherwise of any investment offer. Reports are not published on those offers that do not achieve PIR's strict investment grade ratings.

Under section 923a of the Financial Services Reform Act there are restrictions and penalties relating to the misuse of the word 'independent'. Neither PIR nor its directors, its employees or associates receive success fees, commissions, or remunerations based on transaction volume, gifts or any other peripheral benefits that may materially influence the direction of reports.

Additionally PIR's independent ownership means it has neither potential conflicts nor vested interests, such as those arising through ownership by real estate, stockbroking, financial planning or fund management organisations. Furthermore PIR has a policy of not entering into any agreements or alliances with product providers or distribution networks.

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