

THE COMPANY

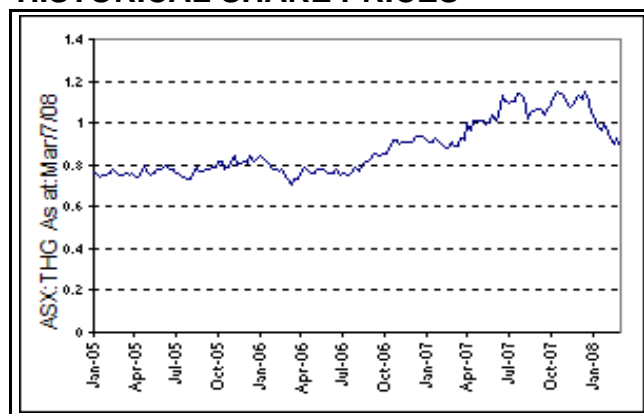
Thakral Holdings is a diversified property group with assets in Melbourne, Sydney, Brisbane, and Broadbeach. Thakral has three operating divisions: hotels, retail and commercial, and property development. Notable properties include The Menzies, a landmark hotel located in downtown Sydney and The Oasis Shopping Centre, a 21,000 square metre shopping complex popular with tourists visiting Broadbeach QLD. As of 2006, Thakral had revenues of AU\$342 million and total assets of AU\$1 billion.

FINANCIAL DATA

	2005	2006	2007
Earnings per Share (\$)	0.06	0.15	0.11
Price to Earnings (times)	15.3	6.1	10.8
Dividend (\$)	0.06	0.07	0.07
Dividend Yield (%)	6.56	7.65	6.19
Net Tangible Assets (\$)	21.84	22.44	1.29
Price to Net Tangible Assets (times)	0.78	0.76	0.88

All \$ values are in AUD

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT THAKRAL

Thakral Holdings is an Australian-based diversified property group operating in three main areas: hotels, retail/commercial, and property development. On the hotel side, Thakral's portfolio consists of over 2,500 rooms, making it one of Australia's largest hotel owners. The portfolio includes several landmark hotels located in Sydney, Melbourne, and Brisbane. Thakral's commercial and residential assets, which receive over 30 million visitors annually, provide a steady stream of cash flow. At the end of 2006, the hotel group had a fair value of AU\$622 million and the commercial properties were valued at AU\$256 million.

Like many parts of the world, low interest rates and a strong economy have fueled Australia's real estate sector. The S&P ASX 300 Property Index is up 70% since 2004, or roughly 20% compounded annually. Despite this broad-based strength, Thakral Holdings continues to trade well below its net asset value. Using a sum-of-the-parts valuation, we derive a net asset value of \$1.15. This NAV includes the value of the Company's real estate assets plus the present value of its various development projects.

While many of the Company's development projects and real estate assets are well known in Australia, Thakral itself maintains a relatively low profile. In addition, 40% of its float is held by Thakral Investments, the Thakral family's investment vehicle. Given that the Company's total market capitalization is roughly \$550 million, the public float is simply too small for many real estate-focused portfolio managers. In fact, in 2001 the Thakral family considered selling its interest because it felt its large ownership position and lack of public liquidity unfairly punished the Company's market valuation. The situation is mostly the same today, and it is interesting to note that in March 2006, Standard & Poor's removed Thakral from the S&P/ASX 300 property index.

Another reason behind the current discount to net asset value is the impact that the adoption of AIFRS (Australian equivalent to International Financial Reporting Standards) will have on the financial reporting of its property development division. Before AIFRS, profits from project development were recorded on a "profit emerging basis." Going forward after 2005, a project's profit will only be recognized upon completion. The value of large projects such as Alchemy, Trilogy, and Ultra will not be recognized for several years. To a lesser extent, AIFRS will also impact the accounting of Thakral's hotel and commercial properties. Property value increases will now flow through the income statement rather than the balance sheet and revaluations on surplus land on leaseholds will not be recorded in the calculation of net tangible assets. AIFRS accounting will mask the value of ongoing projects and will not reflect the true value of Thakral's properties. Also, as a stapled security, designed to provide a steady stream of income to investors (units currently yield 7%), volatile earnings could scare some investors.

Considering that most of Thakral's peers trade at an average premium of 30% over net tangible assets, the Company may elect to commence a strategic review process to unlock the value of its portfolio. Even without such an initiative, we believe that it is only a matter of time before the market recognizes Thakral's undervaluation.

UPDATES

On August 17th, Thakral announced results for the year ended June 30th, 2007. The Group's results benefited from a positive revaluation of its hotel, commercial, and retail properties. The annual independent review concluded that Thakral's assets have appreciated by AU\$212 million over the past year. On a per share basis, net tangible assets now stand at \$1.29 per share, a 38% increase over last year. Strong asset values have translated into enhanced financial flexibility. Debt to tangible assets is now 39% compared to 42% for the same period last year. Cash and cash equivalents totals AU\$17.6 million.

Looking at the income statement, revenues and net income were impacted by a lower contribution from Thakral's development division. As we discussed in our last update, Thakral's revenues and net income will become more volatile going forward due to the adoption of new accounting rules under the Australian equivalent to International Financial Reporting Standards (AIFRS). Profit from development projects will only be recorded when they are completed. During fiscal year 2007, the only residential project completed during the year was Ultra, which contributed AU\$10.7 million to operating profit. As a consequence, Group revenues declined by 19% to AU\$276 million. Similarly, profit after tax fell to AU\$63.3 million, down 29% from last year. The Hotel Division continued to benefit from strong occupancy and tight supply. Hotel operating profit increased 18% to AU\$60.5 million. The Retail & Commercial Division was driven by refurbishments at the Oasis Shopping Centre located in Broadbeach. The division contributed AU\$18.8 million in operating profit, an increase of 5% over the previous year.

Buoyed by these strong results and greater financial flexibility, Thakral is now realigning its portfolio. Strong (and perhaps fully valued) domestic assets no longer represent the best use for Thakral's cash. In fact, domestic assets are more likely to be a source of cash. As evidence, on August 15th, the Group announced the sale of 120 Sussex St. for AU\$41 million. Purchased in 2004 for AU\$25 million, the sale generated a profit of AU\$11.5 million. These proceeds are slowly being deployed into attractive international opportunities. As John Hudson, Thakral's Managing Director summed up, "while Thakral remains keen to invest in Australia, it is likely that there will be more offshore opportunities in the short to medium term." Thakral's first overseas investment is a 48,000 sq. metre warehousing and logistics centre located in Singapore. The AU\$17 million investment will generate an approximate 6.5% gross yield per year. Thakral believes there are significant redevelopment opportunities for the site. In addition, Thakral announced yesterday that it has exchanged contracts to acquire six apartment buildings in Osaka, Japan for AU\$50 million.

Despite these positive developments, recent stock market turmoil has become front and center. The ASX 200 is down approximately 10% over the last month. We believe that once the current market volatility passes, investors will take notice of Thakral's undervaluation.

ABC Funds
August 17, 2007

On September 26th, Thakral Holdings released its Annual Report and Lifestyle & Quality Magazine. The Lifestyle & Quality Magazine, to be published twice a year, gives Thakral the opportunity to communicate to shareholders its longer-term vision for the Company. In the Magazine, Thakral provided an update on its hotel business, development plans, and further outlined the international opportunities the Company is currently pursuing.

Thakral expects the positive hotel environment to continue, noting that despite Australia having some of the highest occupancy rates in the world, none of its cities place in the top 20 for room rates. In other words, Australia remains an under-priced market with room for rates to increase. Last year was a banner year for Thakral's hotel division. The hotel portfolio increased in value by 38% and overall profits rose by 18%. While it is unlikely that the portfolio's value will increase by the same rate this year, virtually no new supply in the major Australian cities will continue to support hotel valuations and room rates. The tight supply/demand situation is expected to persist as no real supply is forecasted in any of Australia's major cities for the next three years. In fact, the most modern hotel in the Sydney market was constructed in 1999.

On the development side, Thakral provided an update on the numerous projects across Australia that are currently underway. In addition to greenfield projects, the Company is looking at assets in the portfolio that may be candidates for redevelopment, repositioning, or expansion. One example of this approach is Air, a 33-story residential complex situated on top of Thakral's Oasis Shopping Center in Broadbeach, QLD. Utilizing the air rights atop of existing assets can generate a higher return on investment than new projects. As John Hudson, Thakral's Managing Director, explains in the Magazine, "With Air on Broadbeach, we put 131 apartments on top of our shopping centre. The land was free. We're looking to do similar things at Hilton, Wynyard and in Brisbane." Thakral's other projects such as Ultra, Wynyard, and Alchemy, are all progressing well. The Company expects contribution from development to double in the next year.

As discussed in our previous update, Thakral has made it clear that it intends to pursue international opportunities. In the past year, Thakral has deployed a total of AU\$70 million for international assets. Considering the present portfolio value of AU\$1.5 billion, the investments are relatively small. However, the Company has big plans for its international business. Currently, the goal is to expand this small base inside the parent structure using cash flow from current operations. Once the international assets reach a larger size, the opportunity exists to create a separate entity focused on global real estate. John Hudson outlines this vision in the Magazine:

UPDATES (CONT'D)

"Initially, this investment will be developed within the mother ship. But the one thing lacking in our wider view of property is a funds management arm, which is an attractive business. If either Japan or the data centre plan takes off, this could give us an opportunity to create some sort of new fund." While the international division currently represents a small part of Thakral's portfolio, it is not unrealistic to foresee that international assets could eclipse the size of the Company's domestic asset base by 2012.

With its three divisions firing on all cylinders, we expect that the current discount to NAV will be erased as the Company continues to report solid results from its hotel, development, and international divisions.

ABC Funds

November 2, 2007

On December 17th, shares of Australian-based Centro Properties Group, one of the largest owners of shopping centers in the United States, plunged 76% after announcing it had failed to refinance its long-term credit facility. Centro's failure to secure financing sent shockwaves around the world, resulting in most real estate indices falling several percentage points. Centro's implosion raises many questions for real estate investors: Has the worldwide credit crunch ended the stream of readily available financing for highly levered real estate groups? Have real estate values – used as collateral against mortgages – started to fall? After the news broke, investors decided to punish all Australian property companies. The S&P/ASX Property Index fell 11% on the day. Thakral Holdings' shares fell over 7%.

While Thakral's shares may have fallen with the general market, we believe the Company's business model and capital structure isolate it from the problems that the more aggressive property companies may face down the road. Most importantly, Thakral maintains a conservative balance sheet. As a result of its aggressive acquisition strategy, Centro's debt-to-asset ratio stood at approximately 70% before its announcement. This high leverage magnified small changes in interest rates and property values. As of June 2007, Thakral's debt-to-asset ratio was only 39%, a modest level for a real estate company. Thakral's conservative balance sheet allows the Company to easily secure financing, despite the current turmoil in the credit markets. In fact, on November 20th, the Company announced the signing of a 5 year, \$685 million credit facility with better terms than its previous arrangement.

The uncertainty created by Centro's situation – and its broader implications – will lead to increasing volatility for real estate securities in the short and medium term. Rising interest rates and softening global property values will add to credit headwinds. However, we believe that Thakral's conservative balance sheet, prudent acquisition strategy, and strong core hotel business will provide insulation against current industry turbulence. Moreover, we believe that Thakral's asset values will hold firm despite rising interest rates. Most of Thakral's retail and residential assets are situated on irreplaceable land along Australia's coast. Thakral's hotel business should continue to benefit from strong Australian tourism numbers. As of June 2007, the Company's net tangible assets (NTA) amounted to \$1.29 per share, compared to our calculated net asset value (NAV) of \$1.35-\$1.40 per share. With a recent share price of around AU\$1.10, Thakral's shares trade at a discount of approximately 20% to NAV. Thakral's healthy position and discount to NTA/NAV may attract funds looking for a safe harbour.

ABC Funds

December 21, 2007

On February 28th, Thakral announced half year results for the six months ending December 31st, 2007. Flat tourism numbers, as a result of the strong Australian dollar, had a negative impact on hotel occupancy. However, the Company continues to benefit from a lack of new hotel supply in Brisbane, Melbourne, and Sydney. As a result, despite lower occupancy across the portfolio, room rates increased by 9% to \$175. Total hotel contribution was AU\$34 million, up 10% over the same period last year.

Thakral's Retail and Commercial Division achieved a profit of \$9.6 million, up 4.5% for the half year. Thakral's three major Australian properties – Wynyard, Australia on Collins, and the Oasis Shopping Centre – all recorded vacancy rates below 3%. The refurbishment of the Oasis Shopping Centre has been completed. The Centre is experiencing increased rents and Thakral sees an opportunity to improve its mix of tenants. During the half year, the Division recorded its first contribution from its recent AU\$45 million purchase of 5 apartment buildings in Osaka, Japan. Despite being on the books for only three months, the apartments contributed AU\$521,000, or roughly 5% of total retail and commercial profit.

The \$16.4 million contribution from the Development Division reflects a number of projects that were completed during the period. Completed projects include the Alchemy at Lavendy Bay, Sydney, and Trilogy Stages 2 & 3 at Cairns. Looking forward, the Group is studying development opportunities at its Sofitel Brisbane, Hilton on the Park, and Sofitel Gold Coast properties. Overseas, Thakral is preparing a submission for four mixed use towers for its recently acquired industrial site in Singapore.

The Group sees extreme turbulence in debt and capital markets and is looking to profit from volatile conditions. The Company is conservatively capitalized and is insulated from the chaotic credit markets that are currently impacting real estate groups dependent on large scale refinancing. Despite this market turbulence, Thakral expects conditions to remain favorable. Strong asset values, a healthy development pipeline, and a growing international presence should buoy its net asset value. At December 31st Thakral had a

UPDATES (CONT'D)

net asset value AU\$1.34 per share. With its current stock price hovering around AU\$0.90, the discount to net asset value is over 40%. As a result, Thakral has initiated a share buyback plan for up to 10 million shares. We applaud this action as it gives the Company the opportunity to buy stock at highly discounted prices, which is not only highly accretive for current shareholders, but will also generate a healthy return on investment for the Group.

ABC Funds

March 7, 2008