THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you should consult immediately your stockbroker, bank manager, solicitor, accountant or other financial adviser, authorised under the Financial Services and Markets Act 2000 (as amended) or licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended).

If you have sold or transferred all of your holding of Shares, please forward this document and the accompanying Form of Proxy to the purchaser or transferee or to the stockbroker, bank or other agent through or by whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

Matrix European Real Estate Investment Trust Limited

(a closed-ended company incorporated with liability limited by shares under the laws of Guernsey and registered with number 44115)

Recommended proposals regarding the future of the Company,

amendments to the articles of incorporation

and

Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman, which recommends that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below. However, this document should be read in its entirety.

Notice of a General Meeting of the Company to be held at 10.00 a.m. on 5 August 2011 is set out at the end of this document. Shareholders are requested to complete and return their Form of Proxy as soon as possible. To be valid, Forms of Proxy for use at the General Meeting must be completed and returned in accordance with the instructions printed thereon to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to arrive no later than 10.00 a.m. on 3 August 2011.

The Company is authorised under section 8 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, as an authorised closed-ended investment company pursuant to the Authorised Closed-ended Investment Schemes Rules 2008. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.

PART 1

LETTER FROM THE CHAIRMAN

Matrix European Real Estate Investment Trust Limited
(a closed-ended company incorporated with liability limited by shares under the laws of Guernsey and registered with number 44115)

Directors
Crispian Collins *(Chairman)*
Stephen Coe
Jan van der Vlist

Registered Office
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 4NA

12 July 2011

Dear Shareholder

Recommended proposals regarding the future of the Company and amendments to the articles of incorporation

1 Introduction and background to the Proposals

Following the announcement made by the Company on 2 June 2011 that it intends to carry out an orderly disposal programme, the Board is now writing to you with Proposals to modify the Company's investment objective and policy and its Articles to enable the Board to effect an orderly disposal programme and return surplus capital to Shareholders.

The Company was originally incorporated in Guernsey as an open-ended company on 21 December 2005 for the purpose of investing in European commercial real estate. The Company became a closed-ended company on 18 May 2007. The Company's objectives were to provide Shareholders with an attractive level of income return, together with the potential for income and capital growth, through investment in European property.

The Company's share price as at close of business on 1 June 2011 (the business day prior to the announcement of the Company's intention to put forward proposals to implement an orderly disposal programme) was 132.63 pence per Share which represented a 52 per cent. discount to the prevailing Net Asset Value per Share as at 31 December 2010 of 279 pence per Share. The average discount to Net Asset Value per Share at which the Shares traded in the 12 month period to 1 June 2011 was approximately 63 per cent. *(source: Morningstar)*

As at close of business on 11 July 2011 (being the latest practicable date prior to the publication of this document), the Company's share price was 169 pence per Share, representing a 37 per cent. discount to the unaudited estimated 30 June 2011 Net Asset Value per Share of 269 pence per Share.

On 7 July 2011 the Company announced the valuation of the Group's property portfolio of 13 properties as at 30 June 2011. The value of the property portfolio as at 30 June 2011 was €367 million, representing a fall of 3.1 per cent. for the half year. Furthermore, the Company declared a dividend of 5 pence per Share which will be paid in August 2011. Shareholders should note that in light of the Proposals the Board is currently reviewing the Company's dividend policy and a further announcement will be made in due course.

As a result of the decline in the value of the Group's assets, the Group's LTV as at 30 June 2011 was 65.3 per cent. (31 December 2010: 63.3 per cent.). The Group's loan facility with Lloyds Banking Group, which expires on 5 January 2014, provides for a variable loan margin depending on the LTV level. Whilst the LTV is below 60 per cent. the loan margin is 225 basis points, above this level the margin reverts to 275 basis points. Additional debt covenants include a requirement to pay down 120 per cent. of allocated debt on asset sales whilst the LTV exceeds 60 per cent., a cash sweep whilst the LTV is above 65 per cent., which is used to amortise the loan, and an interest cover ratio of 1.30 times.

Subsequent to the 30 June 2011 valuation, the Board has elected to repay €1.7 million of the Company's loan facility which will degear the portfolio to 64.9 per cent.

As at 30 June 2011, the Group had cash reserves of €20.4 million (£18.4 million).

The Group uses financial derivatives (swaps) to hedge its exposure to movements in interest rates and foreign exchange rates. As at 30 June 2011, the value of the interest rate swap was a liability of £3.5 million and the value of the foreign exchange swap represented a liability of £35.7 million (comprising £25.9 million for the capital hedge and £9.8 million for the income hedge). The foreign exchange swap will exchange €127.0 million for £85.8 million upon expiry of the contract in June 2014 (and €5.0 million to £3.7 million on a quarterly basis).

On 21 January 2011, the Company announced that the Board intends to progressively reduce the capital element of the Group's foreign exchange contract. The Company has made payments in the year to date of £4 million to reduce the foreign exchange swap liability and the Board currently intends to continue to progressively reduce this liability, subject to the availability of cash resources and working capital requirements.

The foreign exchange swap contract is subject to several financial covenants, which include a requirement that the net asset value of the Group (excluding the value of this swap contract) be greater than twice the liability under the swap contract and that the net asset value be at least £75 million. As at the date of this document, the Company remained in compliance with these covenants.

The combined liability of the Group's foreign exchange and interest rate swaps as at 30 June 2011 was £39.2 million.

The value of European real estate transactions in the first quarter of 2011 was down on the previous quarter (€26.7 billion in the first quarter of 2011 versus €38.6 billion in the final quarter of 2010). Within these figures, however, there is a strong focus towards northern European countries and core markets of Germany and France with anecdotal evidence suggesting weak values outside of core assets in major cities. The Board expects that this trend will continue for 2011 and into 2012 with investors remaining risk averse and continuing to favour the stronger economies and secure income assets in major cities, with rental growth limited to prime locations where supply is more restricted.

As a consequence of the wider real estate market outlook and in light of the persistent and significant discount to Net Asset Value per Share at which the Shares continue to trade in the market, the Board in conjunction with Lazard has in recent months conducted a strategic review of the Company's alternatives in order to maximise shareholder value.

In particular, when considering the alternatives the Board has considered, *inter alia*, the following factors:

- the Board's assessment of the outlook for the European commercial property markets in which the Group operates;
- the size of the Group's portfolio and the potential to grow the Group's asset base and diversify its portfolio, including consideration of potential merger opportunities;
- the risk of financing the Group's current borrowings as they fall due in 2014 and the potential costs and availability to the Group of any such refinancing; and
- the discount to Net Asset Value per Share at which the Shares have persistently traded in recent years and the lack of market liquidity in the trading of the Shares.

Taking into account the above considerations the Board has concluded that an orderly disposal of the Group's assets and the subsequent return of capital to Shareholders would be the most appropriate strategy for the Company to pursue going forward.

The Proposals

The Proposals will involve, *inter alia*:

- formally modifying the investment objective and policy of the Company to reflect an orderly disposal strategy; and
- altering the rights of the Shares by amending the Articles and turning the Shares into redeemable shares: the purpose of such amendments is to facilitate the return of cash proceeds to Shareholders.

In the event that Shareholders approve the Proposals, the Board will seek to return cash to Shareholders over time and this document sets out further details on how the Board currently intends to do this.

As stated in the Prospectus, the Company will not make a material change to its investment policies without the approval of its Shareholders by ordinary resolution. Therefore, Shareholder approval by way of an ordinary resolution is being sought at the General Meeting for the proposed amendment to the Company's investment policy.

Under Guernsey company law, the amendments to the Articles require the approval of the Shareholders by special resolution. Therefore, Shareholder approval by way of a special resolution is being sought at the General Meeting for the proposed amendments to the Articles.

The Resolutions will be proposed at a General Meeting to be held at 10.00 a.m. on 5 August 2011, notice of which is set out at the end of this document.

2 Benefits of the Proposals

The Board believes that the Proposals offer the following benefits to Shareholders:

- The net realised proceeds of the Group's portfolio will, taking into account the repayment of borrowings and liabilities (including the Group's swap liabilities), be returned to Shareholders.
- Commencing a managed disposal of assets, rather than placing it in liquidation immediately or seeking an immediate sale of the portfolio, should enable the Company to maximise the value realised on the sale of its real estate assets and, therefore, returns to Shareholders.
- Cash will be returned to Shareholders in a cost-effective manner.
- Certain assets may be matched with best buyers in an expedient manner whilst other assets may be positioned for a sale over time.
- The Company's listing and the capacity to trade in the Shares will be maintained for as long as the Board believes it to be practicable.

A managed and orderly disposal programme will permit the Shares to continue be traded on the main market of the London Stock Exchange (and on the Channel Islands Stock Exchange) and the Shares to retain their standard listing on the Official List, subject to ongoing adherence to the relevant Listing Rules including the requirement that sufficient shares be held in public hands.

The Board believes that maintaining the Company's listing and the ability of Shareholders to trade in the Shares is in the best interests of Shareholders for the following reasons:

- Having listed Shares will allow them to continue to remain eligible for UK ISAs.
- It will allow for the continuation of a daily market price to be quoted for the Shares, as required by certain Shareholders.
- Maintaining the listing and ability to trade the Shares prevents certain Shareholders from breaching their own investment restrictions, for example where they are required to hold listed securities or instruments with daily liquidity.
- Maintaining the ability to trade the Shares gives Shareholders the option to exit their investment through the market from time to time.

3 The Proposals

3.1 *Amendment to the investment objective and policy of the Company*

The Board believes that an orderly disposal of the Company's real estate assets will return better value to Shareholders than any other option, including proposing to put the Company into formal winding up.

Existing investment objective and policy

The Company's existing investment objective and policy are set out in the appendix to this document.

Proposed revised investment objective and policy

The Board is proposing that the investment objective and policy be restated as follows:

"The assets of the Company will be realised in a orderly manner, that is, with a view to achieving a balance between (i) returning cash to Shareholders at such times and from time to time and in such manner as the Board may (in its absolute discretion) determine; (ii) reducing the Company's existing liabilities; and (iii) maximising the disposal value of the Company's assets.

The Board aims to complete the sale of all of the Company's assets by the end of 2013.

The Company may not make new acquisitions of real estate assets except where required to preserve and/or enhance the disposal value of its existing assets.

The Company will adopt a policy of progressively reducing its gearing and swap liabilities throughout the disposal programme.

The Shares are listed with a standard listing on the Official List. Consequently, the Company will comply with the requirements of Chapter 14 of the Listing Rules which apply to companies with a standard listing of shares.

For the avoidance of doubt, the Company is not bound by the provisions of the Listing Rules which are applicable to companies with a premium listing on the Official List and shall no longer voluntarily comply with these requirements in light of the revised investment objective to conduct an orderly disposal of the Group's assets except that the Company will retain its related party policy which shall apply to any transaction which it may enter into with any Director, the Manager, the Investment Adviser or any of their respective affiliates which would constitute a "related party transaction" as defined in, and to which would apply, Chapter 11 of the Listing Rules. In accordance with its related party policy, the Company shall not enter into any such related party transaction without first obtaining: (i) the approval of a majority of the independent Directors; and (ii) a fairness opinion or third-party valuation (as appropriate) in respect of such related party transaction from an appropriately qualified independent adviser. This policy may only be modified pursuant to a Shareholder vote."

If Resolution 1 to be proposed at the General Meeting is passed, the Company's existing investment policy will be replaced and the Company will adopt and adhere to the amended and restated investment policy stated above, which will be published each year in the Company's annual report and accounts (commencing with the annual report and accounts for the year ending 31 December 2011).

This policy will involve a continuing evaluation of the portfolio in order to assess the most appropriate disposal strategy to be pursued in relation to each asset. Whilst some assets may be considered appropriate for sale in the shorter term, other assets may be held for a longer period with a view to enabling their inherent value to be realised successfully.

Dividend Policy

On 7 July 2011, the Company announced that it would pay an interim dividend for the first half of 2011 on 25 August 2011 to all Shareholders on the Company's register of members on 29 July 2011 of 5 pence per Share.

As part of the orderly disposal programme, the Company intends to make capital distributions to Shareholders. In light of this, the Board is currently reviewing the Company's dividend policy. A further announcement will be made in due course.

Management arrangements

As announced on 2 June 2011, the terms of the Investment Management Agreement with the Manager provide for a three year notice period to termination. The Board gave notice to the Manager in January 2011 and the current contract therefore has approximately 30 months remaining.

The Board is exploring potential changes to the Company's management arrangements to reflect the revised investment policy as set out in this document.

A further announcement will be made in due course.

Use of proceeds

The net cash proceeds from each disposal of asset will be applied at such times and from time to time and in such manner as the Board may (in its absolute discretion) determine, taking into consideration the Company's intention to reduce the capital element of its existing foreign exchange derivative contract, to reduce its liabilities under its existing interest rate derivative contracts, to reduce its outstanding bank borrowings and swap liabilities and to make cash distributions to Shareholders. The Board will also take into consideration the Company's various covenants on bank borrowings and working capital requirements.

Any cash receipts from the proceeds of any disposals awaiting distribution will be held as cash on deposit in a sterling account.

3.2 ***Return of capital***

The Board has been in discussions with its advisers to determine appropriate mechanisms for returning surplus cash to Shareholders. Accordingly the Board is proposing to turn the existing Shares into shares which can be redeemable at the option of the Company.

Compulsory redemption mechanism

The Board is considering returning cash to Shareholders through the compulsory redemption of Shares on a *pro rata* basis to all Shareholders as a means of returning cash to Shareholders. All Shareholders will be treated equally under the compulsory redemptions.

However, the Board may consider other possible mechanisms for returning capital to Shareholders during the orderly disposal period including tender offer(s), share buyback(s) and/or other capital return schemes. Depending on the rate and amount of disposals, the Board may also consider proposing that the Company enter into voluntary liquidation.

Amendment to the Articles

It is proposed that the existing Articles be amended to include, *inter alia*, provisions to allow the Directors to compulsorily redeem the Shares on an ongoing basis in their absolute discretion in order to return cash to Shareholders.

The proposed amended Articles will contain, *inter alia*, the mechanism for how the compulsory redemptions will be effected by the Directors and the full wording of the amendments is set out in Part 3 of this document. The amendment to the current Articles is subject to the passing of Resolution 1 to be proposed at the General Meeting.

Procedures

If the Directors exercise their discretion to compulsorily redeem any given percentage of Shares on a relevant occasion, the Company will make an announcement in advance of the proposed date of redemption. The announcement to redeem will include the following details:

- the intended date of redemption (on which the redemptions will become effective) (the "**Redemption Date**");

- the percentage of the Company's then issued share capital to be redeemed by the Company on that Redemption Date (the "**Relevant Percentage**");
- the Redemption Net Asset Value per Share (based on an unaudited estimate of the prevailing Net Asset Value per Share – see below); and
- any additional information that the Board considers necessary to advise Shareholders in connection with the redemption.

Redemptions of Shares will become effective on each Redemption Date, being a date chosen in the Directors' absolute discretion, as determined by the Directors to be in the best interests of Shareholders as a whole.

Shareholders will receive the proceeds of redemption on or around the Redemption Date at the Redemption Net Asset Value per Share which will be based on an unaudited estimate of the Net Asset Value, taking into account *inter alia* the latest semi annual portfolio valuation, asset disposals, mark to market valuations on the Group's interest rate and foreign exchange swap liabilities and any costs associated with the redemption.

Shareholders should note that the Group's assets are only valued semi-annually. There can be no guarantee that the Redemption Net Asset Value on any Redemption Date accurately reflects the actual value of the Company's assets at a given time

The costs incurred in relation to a redemption may include any disposal-related costs in respect of the Company's real estate assets, registrar's and advisers' fees incurred in connection with the redemption. The actual percentage of the Net Asset Value per Share attributable to costs will depend, *inter alia*, on the proportion of the Shares remaining in issue.

Settlement

In the case of Shares held in uncertificated form (that is, in CREST) redemptions will take effect automatically on each Redemption Date. Shares held in CREST under the existing ISIN will be disabled and a new ISIN will on the next Business Day be applied to the remaining Shares that have not been compulsorily redeemed. It is expected that the proceeds of the redemption will be paid through CREST within five Business Days of the relevant Redemption Date.

In the case of Shares held in certificated form (that is, not in CREST), redemptions will take effect automatically on each Redemption Date. Because the Shares will be compulsorily redeemed, certificated Shareholders do not need to return their share certificates to the Company in order to claim their redemption monies. Shareholders' existing share certificates will be cancelled and new share certificates will be issued to each such Shareholder for the balance of their shareholding after each Redemption Date. Cheques will automatically be issued to certificated Shareholders upon the cancellation of each tranche of their Shares.

Shareholders will be paid their redemption proceeds in sterling. It is currently expected that the proceeds of redemption will be paid through CREST or by cheque (at the recipient's risk) within 30 calendar days of the relevant Redemption Date. All Shares that are redeemed will be cancelled with effect from the relevant Redemption Date. Accordingly, once redeemed, Shares will be incapable of transfer.

4 Consequences of the Proposals not being approved by Shareholders

Should Shareholders reject the proposed Resolutions relating to the Proposals, the Company will continue to operate under its current investment objective and policy and the Board will consider alternative proposals for the future of the Company.

5 Risk factors

As a result of the Proposals, Shareholders should be aware of the following risk factors:

- There is no guarantee that the change to the Company's investment objective and policy will provide the returns or realise the capital sought by Shareholders. There can be no guarantee that the Company will achieve its new investment objective.
- Valuations of real estate assets are subject to uncertainty. There is no assurance that the valuations of the assets held by the Company reflect the realisable values of such assets. As the Company's assets are only valued semi-annually, what may actually be realised may vary significantly from the amount of the last stated valuation.
- As a result of the orderly disposal of the Company's portfolio, the number of assets held by the Company will reduce over time and, as a consequence, the aggregate return on the remaining portfolio will become increasingly exposed to the performance, favourable or unfavourable, of the remaining individual assets.
- The proposed change of investment strategy would result in the Company becoming reliant on the Manager's ability to dispose of the Company's assets in order to realise capital for Shareholders.
- On 21 January 2011, the Company announced that the Board intends to progressively reduce the capital element of the Company's foreign exchange contract (as set out above). The Company's currency hedging may however be maintained, in whole or in part, for a significant part of the disposal programme. Movements in the sterling/euro exchange rate, during the disposal programme and up to the final liquidation, may have a significant impact on the amount of cash the Company has available for distribution as this may be required to meet possible currency hedging margin calls. In particular, should the euro strengthen against sterling in this period, the liability arising on the Company's foreign currency hedging arrangements will need to be settled in cash, reducing the amount available for distribution. Shareholders should note that to the extent that currency hedging is terminated, returns to Shareholders thereafter will be subject to fluctuations in the euro/sterling exchange rate.
- The foreign exchange swap contract is subject to several financial covenants, which include a requirement that the net asset value of the Group (excluding the value of this swap contract) be greater than twice the liability under the swap contract and that the net asset value be at least £75 million. This may impact the Company's ability to make cash distributions to Shareholders in certain circumstances absent the renegotiation of such covenants.
- There is no guarantee that the Company's assets will be realised in the near future. There may not be immediately identifiable buyers for certain assets of the Company and it may take several years for the Company to dispose of its assets or they may be disposed of at a discount to their current valuations.
- As the Company enters into an orderly disposal programme, the discount to Net Asset Value per Share at which the Shares are traded may increase, as the market price for the Shares is determined by many external factors, including the supply and demand in the market place.
- The Company's total expense ratio may increase as its assets are realised.
- There is no guarantee that the Board will implement any redemption of Shares.
- Proceeds from the disposal of the Company's assets may be used to pay off the Company's existing debt and to reduce its gearing and swap liabilities ahead of paying any cash to Shareholders, that is, if there is indeed any surplus cash available for distribution to Shareholders. Therefore, there may be a significant period of delay before any cash may be returned to Shareholders.
- Distributions pursuant to the orderly disposal programme may be subject, amongst other things, to the Board being able to give the necessary certificate(s) of solvency required by Guernsey law. Distributions under the orderly disposal programme may be subject to the Board continuing to be satisfied, on reasonable grounds, that the Company will, immediately after each such distribution,

continue to satisfy the statutory solvency test. There can be no guarantee that the Board will be able to give such solvency certificate at the relevant time or that the Company will continue to satisfy the statutory solvency test.

- As detailed in Part 2 (taxation) of this document, there is uncertainty as to whether a redemption of Shares by the Company is characterised as a distribution or as a disposal of Shares. To the extent that there is a distribution, it is likely that the distribution to a UK corporation taxpayer will be treated as income. Whilst it is possible that an exemption to income may apply to certain UK corporates, it is highly unlikely that a "small company" will be able to rely on any exemption to income. (A "small company" is a company which employs fewer 50 people and which has an annual turnover of €10 million or less and/or an annual balance sheet of €10 million or less.) **Shareholders are strongly recommended to consult their own professional advisers regarding their taxation position.**

6 Costs of the Proposals

The costs and expenses relating to the Proposals to be incurred by the Company are estimated to amount to approximately £175,000.

7 General meeting

The Proposals are subject to Shareholder approval. A notice convening a General Meeting of the Company, which is to be held at 10.00 a.m. on 5 August 2011, is set out at the end of this document. At this General Meeting, an ordinary resolution will be proposed to sanction the change in investment objective and policy and a special resolution will be proposed to sanction the amendment to the Articles.

Resolution 1 to be proposed at the General Meeting requires a majority of those Shareholders voting to vote in favour in order to be passed. Resolution 2 to be proposed at the General Meeting requires a majority of 75 per cent. of those Shareholders voting to vote in favour in order to be passed.

Action to be taken

Whether or not you intend to be present at the General Meeting, Shareholders are requested to complete and return the accompanying Form of Proxy in accordance with the instructions printed thereon, so as to be received as soon as possible, and in any event no later than 10.00 a.m. on 3 August 2011. The completion and return of the Form of Proxy will not preclude you from attending the meeting and voting in person should you so wish.

8 Recommendation

The Board considers that the Proposals and the Resolutions to be proposed at the General Meeting are in the best interests of the Company and its Shareholders as a whole.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

The Directors intend to vote in favour, or procure the vote in favour, of the Resolutions at the General Meeting in respect of their beneficial holdings of Shares which, in aggregate, amount to 55,204 Shares representing approximately 0.15 per cent. of the Company's issued Share capital (excluding Shares held in treasury).

Yours faithfully

Crispian Collins
Chairman
For and on behalf of
Matrix European Real Estate Investment Trust Limited

PART 2

TAXATION

The following information is intended as a general guide only and is based on current legislation and practice regarding UK and Guernsey taxation and may be subject to change. This information does not constitute legal or tax advice and applies only to Shareholders who are resident or ordinarily resident in the UK or Guernsey and hold Shares beneficially as an investment. It does not address the position of certain classes of Shareholders, such as dealers in securities. Any Shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK or Guernsey, is strongly recommended to consult his professional adviser.

Guernsey taxation

The Company

The Company qualifies for exemption from liability to income tax in Guernsey and will apply to the States of Guernsey Income Tax Department for such exemption for the current year. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee which is currently fixed at £600, provided that the Company continues to qualify under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify. No capital gains or similar taxes are levied in Guernsey on realised or unrealised gains resulting from the Company's investment activities.

As an exempt company, the Company will not be resident in Guernsey for the purposes of liability to Guernsey income tax. Under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising in Guernsey, other than bank deposit interest.

Guernsey does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration. No stamp duty is chargeable to Shareholders in Guernsey on the issue, redemption, or transfer of Shares.

Shareholders

Shareholders (unless they are resident in Guernsey for tax purposes) will not suffer any income tax in Guernsey on any distributions to them; there will be no tax in Guernsey in respect of or in connection with the acquisition, holding or disposal of any Shares owned by Shareholders resident outside Guernsey. No deduction will be made from any dividends payable to any Shareholder, not resident within Guernsey, provided that such Shareholder does not carry on business in Guernsey through a permanent establishment. Such dividends may be paid and received free of Guernsey income tax.

Shareholders who are resident in Guernsey will incur Guernsey tax on any dividends paid on Shares owned by them. The Company will be required to make a return to the Director of Income Tax of such particulars relating to any dividend paid to Guernsey resident Shareholders as the Director of Income Tax may require, including the names and addresses of the Shareholders and gross amounts of any distributions.

EU Savings Tax Directive

Since 1 July 2005, Guernsey and the EU Member States have entered into agreements (the "Guernsey Savings Tax Agreements") on the taxation of savings income. On the basis of such agreements, Guernsey introduced a system whereby withholding tax (called retention tax) is levied on interest payments or other similar income paid by a paying agent within Guernsey to individuals resident in the contracting EU Member States on or after 1 July 2005, unless such EU resident individual has either:

(a) expressly authorised the paying agent to report the interest payment to the Director of Income Tax of Guernsey, or

(b) presented to the paying agent a certificate drawn up in the name of the individual by the competent authority of the contracting Member State of that individual's residence.

The current rate of retention tax is 20 per cent.

On 24 November 2010, Guernsey approved proposals to move to automatic exchange of information in relation to such interest payments. Accordingly, with effect from 1 January 2011, a paying agent in Guernsey may elect not to deduct retention tax from interest payments made on or after 1 January 2011 but before 1 July 2011, provided that the paying agent reports any such interest payment to the Director of Income Tax in Guernsey in the same manner as if the individual had expressly authorised the paying agent to do so. From 1 July 2011 paying agents in Guernsey must not deduct retention tax but must report any such interest payment made to the Director of Income Tax in Guernsey.

The European Commission has recently adopted a proposal to amend the EU Savings Tax Directive, with a view to closing existing loopholes and eliminating tax evasion. These changes broadly relate to the scope of, and mechanisms implemented by, the EU Savings Tax Directive. If these changes are implemented, the position of Shareholders in relation to the EU Savings Tax Directive could be different to that set out above.

United Kingdom taxation

The following information relates only to United Kingdom taxation, and is applicable, as indicated, to the Company and to persons who are resident or ordinarily resident in the United Kingdom and who beneficially own Shares as investments and not as securities to be realised in the course of a trade.

It is based on the law and practice currently in force in the United Kingdom. Investors should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change.

The information is not exhaustive and potential investors:

- who are entitled to (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent. of the Shares;
- who have acquired Shares as part of tax avoidance arrangements; or
- who are in any doubt as to their taxation position

should consult their professional advisers without delay.

The Company

It is the intention of the Directors to continue to conduct the affairs of the Company so it remains not resident and does not carry on any trade in the United Kingdom for taxation purposes.

United Kingdom Investors

Adoption of the compulsory redemption mechanism

The adoption of the compulsory redemption mechanism is not a disposal for the purposes of UK taxation of capital gains or a distribution for the purposes of UK taxation of income.

Redemptions of shares before appointment of a liquidator

Income taxpayers

Unless the Company must be treated as an Offshore Fund (see below), a redemption of shares by the Company should be treated as a disposal of shares by the shareholder for the purposes of capital gains tax. A Shareholder's liability to tax on such a disposal (or their crystallisation of a capital loss) will depend on their personal circumstances, including the availability of any base cost attributable to those Shares and of other exemptions and reliefs.

Corporation taxpayers

Unless the Company must be treated as an Offshore Fund, a redemption of shares by the Company is characterised as a distribution to the extent that it exceeds a repayment of capital on the Shares and also as a disposal of the shares.

The extent to which HMRC will consider there to be a repayment of capital on the Shares is unclear as the Shares have no nominal value and the share premium given for those shares has been cancelled.

To the extent that there is a distribution on the Shares, it is likely that a corporation taxpayer which is not a small company will be able to treat that distribution as exempt income. However, such Shareholders are strongly recommended to confirm with their professional advisors that they will be eligible for exemption. Such Shareholders would also need to account for tax on the basis of a capital disposal. Their liability to tax on that disposal (or their crystallisation of a capital loss) will depend on their particular circumstances including the availability of any base cost attributable to those Shares and of other exemptions and reliefs.

To the extent that there is a distribution on the Shares, a corporation taxpayer which is a small company would also treat that distribution as income but would be unlikely to be able to treat it as exempt income. Such shareholders would also need to account for tax on the basis of a capital disposal but could exclude from the amount brought into account as consideration for the disposal any amount which had been subject to tax as income. Their liability to tax on a capital disposal basis (or their crystallisation of a capital loss) will also depend on their particular circumstances, including the availability of any base cost attributable to those Shares and of other exemptions and reliefs. This is a very complex area and Shareholders who are small companies are recommended to seek professional advice.

If the Company is an Offshore Fund

The Directors have been advised, based upon HMRC guidance, that the implementation of the proposals will not make the Company an Offshore Fund.

However, if the Company were to become an Offshore Fund, any gains on disposals of Shares realised by Shareholders who acquired their Shares on or after 1 December 2009 (whether as a new holding or as an increase to an existing shareholding) would be taxed as income and not as capital gains. Shareholders who acquired their Shares before 1 December 2009 should benefit from grandfathering rules.

Dividends paid before the Company enters winding-up

Any dividends paid by the Company before it enters winding-up will be treated as income for UK tax purposes and subject to taxation (or exemption from tax) in the usual manner.

Distributions after the Company has entered winding up

Unless the Company must be treated as an Offshore Fund, any dividends and other distributions in the liquidation of the Company will be treated as capital disposals for the purposes of UK taxation. Shareholders' liability to tax (or crystallisation of a capital loss) on a capital disposal basis will also depend on their particular circumstances, including the availability of any base cost attributable to those Shares and of other exemptions and reliefs.

Non-resident Shareholders

Shareholders who are neither resident nor ordinarily resident nor temporarily non-resident in the United Kingdom and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the United Kingdom with which the Shares are connected will not normally be liable to United Kingdom taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

Shareholders who are subject to tax in a jurisdiction other than the UK or who are in any doubt as to the potential tax consequences of the Proposals for their Shares are strongly recommended to consult their own professional advisers without delay.

Bond Fund taxation

If, at any time in an accounting period, more than 60 per cent. of the assets of the Company are investments that give an interest return or a return that has the nature of interest, the Company may fall to be treated as a "**Bond Fund**" for the whole of that accounting period. It is not the intention of the Company that this should be the case and the Company will accordingly monitor the amounts which it holds as a result of disposals and return funds to Shareholders with this objective in mind.

Further information for Shareholders subject to UK income tax and capital gains tax

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007, which may render such individuals liable to tax in respect of undistributed profits of the Company in certain circumstances.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No United Kingdom stamp duty or SDRT will be payable on the redemption of the Shares.

PART 3

AMENDMENT TO THE ARTICLES

The proposed amendments to the Articles are as follows:

a) Insert the following new definitions in Article 1:

"**Net Asset Value**"	In relation to any class of shares, the amount determined by the Directors as being the value of the assets attributable to such class of shares less the liabilities attributable to that class of shares, taking into account *inter alia* the latest semi-annual property valuation, asset disposals, mark to market valuations on the Group's interest rate and foreign exchange swap liabilities and any costs associated with the redemptions;
"**Net Asset Value Date**"	The date and time by reference to which a valuation is carried out for the purpose of determining the Net Asset Value and the Redemption Net Asset Value per Share at which shares may be redeemed;
"**Redemption Date**"	Such Business Day as the Directors may determine as being a day on which the Company shall compulsorily redeem some or all of its issued shares;
"**Redemption Net Asset Value per Share**"	The price determined by the Directors in their absolute discretion at which a share shall be redeemed on any Redemption Date calculated in accordance with and subject to these Articles.

b) Delete the existing Article 4.4.

c) Insert a new Article 4A immediately following the existing Article 4:

"4A COMPULSORY REDEMPTION

4A.1 Subject to the provisions of the Companies Law and these Articles, the Directors may, in their absolute discretion and from time to time, compulsorily redeem all or part of the issued share capital of the Company at the Redemption Net Asset Value per Share prevailing on the relevant Redemption Date.

4A.2 The Redemption Net Asset Value per Share for each share to be redeemed on a Redemption Date shall be calculated by:

4A.2.1 determining the Net Asset Value of the relevant class of shares at the relevant Net Asset Value Date;

4A.2.2 dividing the resulting amount by the number of shares of the relevant class of shares then in issue and deemed to be in issue at the relevant Net Asset Value Date;

4A.2.3 adjusting the resulting total to such number of decimal places as the Directors may determine.

4A.3 Any amount payable to a Member in connection with the redemption of any shares shall be paid to that Member no later than 30 calendar days after the relevant Redemption Date in the same currency as that in which the relevant class of shares is designated or in such other currency as the Directors shall agree either generally or in relation to any particular case. Any such amount, may at the option of the

Directors and at the request of the Member but at his risk and cost be remitted to a bank account notified by the Member. If the amount to be paid by the Company as aforesaid shall not be expressed in the currency in which the shares which are compulsorily redeemed were designated then the rate of exchange between that currency and the currency agreed for payment shall be such rate as the Directors shall consider appropriate. The cost of conversion (if any) shall be debited from the converted payment. The certificate of the Directors as to the conversion rate applicable and as to the cost of conversion shall be conclusive and binding on all persons. The Company shall not be liable for any loss or damage suffered by the Member or any other person by reason of late settlement, howsoever such loss or damage may arise.

4A.4 The compulsory redemption of any shares under the provisions of this Article shall be deemed to be effective from the close of business on the relevant Redemption Date at which time any shares which are so redeemed shall forthwith be cancelled.

4A.5 Upon the redemption of a share being effected pursuant to these Articles, the Member shall cease to be entitled to any rights in respect thereof and accordingly his name shall be removed from the Register with respect thereto.

4A.6 Payment of the Redemption Net Asset Value per Share shall be subject to any requisite official consents first having been obtained and where such consents are outstanding the amount due to each person will be deposited by the Company in a bank for payment to such person upon such consents being obtained. Upon deposit of such Redemption Net Asset Value per Share as aforesaid such person shall have no further interest in such shares or any of them or any claim against the Company in respect thereof except the right to receive the Redemption Net Asset Value per Share so deposited (without interest) upon such consents as aforesaid being obtained.

4A.7 If any shares are redeemed compulsorily pursuant to this Article, without provision by the Member of appropriate payment instructions or prior to the receipt of any necessary official consents, the Directors may deposit in a separate bank account the aggregate Redemption Net Asset Value per Share of all shares held by the Member which are so redeemed or purchased. Upon such deposit the person whose shares have been so redeemed or purchased shall have no interest in or claim against the Company or its assets except the right to receive the moneys deposited (without interest) upon receipt of the requisite consents.

PART 4

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

"Articles"	the articles of incorporation of the Company, as amended from time to time
"Board" or **"Directors"**	the directors of the Company
"Company"	Matrix European Real Estate Investment Trust Limited
"Form of Proxy"	the form of proxy for use by Shareholders in connection with the General Meeting
"General Meeting"	the extraordinary general meeting of the Company to be held on 5 August 2011 at 10.00 a.m. (or any adjournment thereof), notice of which is set out at the end of this document
"Group"	the Company and any other subsidiary undertakings of the Company from time to time
"Investment Adviser"	Matrix Property Fund Management LLP
"Investment Management Agreement"	the amended and restated management and advisory agreement dated 25 August 2010 between the Company, the Manager and the Investment Adviser
"ISA"	individual savings account
"Listing Rules"	the Listing Rules of the UK Listing Authority
"LTV"	loan-to-value
"Manager"	Matrix Property Fund Management (Guernsey) Limited in its capacity as the manager to the Company
"Net Asset Value"	the value of the assets of the Company less its liabilities determined in accordance with the Articles
"Official List"	the official list of the UK Listing Authority
"Proposals"	the proposals for the future of the Company described under the heading "The Proposals" in Part 1 of this document
"Prospectus"	the prospectus of the Company dated 18 May 2007
"Redemption Date"	the date as defined in paragraph 3.2 of Part 1 of this document
"Relevant Percentage"	the percentage as defined in paragraph 3.2 of Part 1 of this document
"Redemption Net Asset Value"	the unaudited value of the assets of the Company as determined by the Board in its absolute discretion for the purposes of redemptions of Shares
"Resolutions"	the resolutions to be proposed at the General Meeting
"Shareholders"	the holders of Shares
"Shares"	the participating shares of no par value in the Company
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for listing pursuant to Part VI of Financial Services and Markets Act 2000

APPENDIX

CURRENT INVESTMENT OBJECTIVE AND POLICY

- **Existing investment objective:**

  The Company's investment objective is to provide Shareholders with an attractive level of income return, together with the potential for income and capital growth, through investment in European property.

- **Existing investment policy:**

  The Company aims to meet its objectives through investment primarily in a diversified portfolio of European commercial property mainly located in Germany, France, Austria, Belgium, The Netherlands, Luxembourg, Spain and Sweden. Assets may be held through limited partnerships, trusts or other vehicles with third party co-investors.

  The Group's investment activities are primarily focused on property assets in the following sectors: commercial offices; hotel and leisure; distribution, warehousing, manufacturing facilities and logistics; retail; non-speculative development; and mixed-use.

  The Group may make the following types of investment: acquisitions of property assets (either directly or through special purpose companies); acquisitions of interests in joint ventures with third party investors to acquire property assets; and acquisitions of indirect investments in other real estate investment vehicles, whose activities may extend beyond the investment activities of the Company.

  The Group may also invest in other property related instruments and/or cash and money market instruments including but not limited to: cash market investments, shares, certificates and other securities issued by private or public property companies; bonds or notes, which entitle holders to returns based on a listed property index, e.g. IPD or Property Standing Investments; and loan arrangements or mezzanine facilities financing property assets.

  The Company pursues a policy of diversifying its risk. The Company intends to adhere to the following investment restrictions:

  - the Group's assets will include at least three properties or separately rentable units, of which none should represent more than 35 per cent. of the total value of the properties of the Group when the Company is fully invested, assets will be valued at market value and in accordance with IFRS;
  - no more than 35 per cent. of the gross assets of the Group may be lent to or invested in the securities of any one issuer (excluding Group companies);
  - no properties in the Group's portfolio will be owner-occupied;
  - at least 90 per cent. by value of the Group's property portfolio must be freehold or long leasehold properties or the equivalent;
  - no more than 25 per cent. in aggregate, of the Group's gross assets may be invested in property which is let on a short term basis (i.e. less than 12 months);
  - the proportion of the portfolio which is unoccupied or not producing income or which is in the course of substantial development, redevelopment or refurbishment shall not, in aggregate, exceed 25 per cent. of the Group's gross assets at the time of acquisition;
  - the maximum exposure to properties in each of Scandinavia and central and eastern Europe shall be limited to 25 per cent. of the Group's gross assets;

- income receivable from any single tenant, or tenants within the same group in any one financial year, may not exceed 20 per cent. of the total rental income of the Group;
- investment in the securities, units and/or interests of other collective investment vehicles investing in real estate assets will be permitted up to 40 per cent. of the Group's gross assets, including collective investment schemes managed by the Manager or any company within the Group;
- the Company must not invest more than 10 per cent. of the value of its gross assets at the time the investment is made, in other listed investment companies or listed investment trusts, save where such investment companies or investment trusts have stated investment policies to invest no more than 15 per cent. of their gross assets in other listed investment companies or listed investment trusts; and
- no more than 25 per cent. of the Company's gross assets may be invested in the property related instruments identified in "Existing investment policy" above.

Matrix European Real Estate Investment Trust Limited
(a closed-ended company incorporated with liability limited by shares under the laws of Guernsey and registered with number 44115)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an **EXTRAORDINARY GENERAL MEETING** of the Company will be held at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 4NA at 10 a.m. on 5 August 2011 to consider and, if thought fit, pass Resolution 1 as ordinary resolution and Resolution 2 as special resolution:

RESOLUTION 1:

ORDINARY RESOLUTION

THAT the proposed new investment objective and policy of the Company as described in Part 1 of the circular to Shareholders dated 12 July 2011 of which this notice forms part (the "**Circular**") be adopted as the investment objective and policy of the Company with immediate effect and the existing investment objective and policy be and is hereby replaced.

RESOLUTION 2:

SPECIAL RESOLUTION

THAT the articles of incorporation of the Company be amended by incorporating, *inter alia*, provisions for ongoing compulsory redemptions, in the form produced to the meeting and initialled by the chairman for the purposes of identification.

Words and expressions defined in the Circular shall, save where the context otherwise requires, have the same meanings in these Resolutions.

Registered Office
Sarnia House
Le Truchot
St Peter Port
Guernsey
GY1 4NA

By Order of the Board
Praxis Fund Services Limited
Secretary

Notes:

1 A Shareholder entitled to attend and vote is entitled to appoint one or more proxies (who need not be shareholders) to attend and vote on their behalf.

2 To have the right to attend and vote at the meeting you must hold participating shares in the Company and your name must be entered on the share register of the Company in accordance with note 5 below.

3 To be valid, Forms of Proxy (and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) must be received by the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible but, in any event, so as to arrive no later than 10 a.m. on 3 August 2011. A Form of Proxy accompanies this document.

4 Completion and return of a Form of Proxy will not preclude members from attending and voting at the meeting should they wish to do so.

5 The time by which a person must be entered on the register of members in order to have the right to attend or vote at the meeting is 10 a.m. on 3 August 2011. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register of members after such times shall be disregarded in determining the rights of any person to attend or vote at the meeting.

6 The quorum for the meeting is two or more Shareholders present in person or by proxy. The majority required for the passing of an ordinary resolution is 50 per cent. or more of the total number of votes cast for and against such resolution. The majority required for the passing of a special resolution is 75 per cent. or more of the total number of votes cast for and against such resolution.

7 At the Meeting the vote may be taken by poll. On a poll, every Shareholder who is present in person or by proxy shall have one vote for every Share in the Company of which he is the holder. A holder entitled to more than one vote need not, if he votes, use all of his votes or cast all of the votes which he uses in the same way.

8 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests In the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable interest under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the UK Financial Services Authority. As a result, any person holding 5 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of the voting rights, and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the UK Financial Services Authority.