

Temporary change to application and withdrawal policy – monthly income distributions to continue

APN Property for Income Fund | ARSN 090 467 208

APN Property for Income Fund No. 2 | ARSN 113 296 110

APN International Property for Income Fund | ARSN 101 227 534

Dear Client,

The unprecedented wave of recent economic events that has led to major declines in the value of the listed Australian real estate investment trust (AREIT) market and the surge in redemptions in the wake of the introduction of the Federal Government's bank deposit guarantee has resulted in the proportion of illiquid assets in the following funds reaching unacceptable levels:

- APN Property for Income Fund | ARSN 090 467 208
- APN Property for Income Fund No. 2 | ARSN 113 296 110
- APN International Property for Income Fund | ARSN 101 227 534

To protect the interests of all unitholders, all applications and redemptions for units in these funds have been temporarily suspended.

Rationale for change of policy

The current holding of unlisted property securities for each of the funds has reached levels which are well beyond levels that allow for the efficient management of the funds. If APN Funds Management Limited (APN FM) continued to allow redemptions it would be inequitable for remaining unitholders to be left with an investment that would have such a high level of exposure to illiquid assets.

The severe downward movement in the AREIT market combined with the recent spate of fund closures of other entities has triggered considerable market unease leading to a spike in redemptions across the entire property and mortgage securities sector. Regrettably, the funds have not been immune to these external factors and liquidity levels have fallen well below the level APN FM deems necessary for these funds to operate optimally.

In order to satisfy recent redemption requests APN FM has been a forced seller of securities at prices substantially below APN FM's (as well as numerous market analysts') valuations. In the current environment this has resulted in APN FM selling the better quality liquid securities which has marginally diminished the overall quality of investments in the funds. It is not in the best interests of unitholders as a whole to allow this to continue.

Acting in the best interests of all unitholders

In order to responsibly manage investors' interests, APN FM firmly believes that the temporary suspension of applications and redemptions of units in the funds is in the best interests of all investors. Many investors are prudently still taking a long term view of less liquid property investments and it would be inequitable to allow some investors to redeem their unit holdings to the detriment of other investors who may not subsequently be able to redeem their unit holdings.

What this means for investors

The funds ceased taking any applications for units (including the issue of units under a regular investment plan) or processing redemption requests effective Friday 24 October at 8:30am (Eastern Standard Time).

Please note, monthly income distributions will continue to be paid.

For those investors who currently have a Distribution Reinvestment Plan in place, their monthly distribution for November will be paid by cheque and future monthly income distributions will only be paid via cash deposits into their nominated account and cannot be reinvested in the Fund until further notice.

APN FM will continually review the application and redemption policy for the Fund.

Future outlook

Investors should rest assured that APN FM remains committed to the intensive management of the funds' portfolio. APN FM will continue to pay distributions, determine daily unit prices and manage the funds with

the same objectives (generally maximise income, minimise volatility and deliver capital growth greater than CPI).

Unitholder meeting

APN FM anticipates that it may hold a unitholder meeting in the first quarter of 2009 to put forward proposals to unitholders with a view to providing a liquidity mechanism for unitholders. A written notice of meeting will be provided to unitholders well in advance of the meeting date.

We will be monitoring the situation very closely and keep you informed of any developments as they occur, however if you have any queries in the interim, please contact your Key Account Manager or APN Funds Management Adviser Services on 1300 027 636.

Your APN representatives

Peter Mill

Manager, Key Accounts
M 0409 209 036
E pmill@apngroup.com.au

Douglas Muddle

Manager, Key Accounts
M 0417 363 659
E dmuddle@apngroup.com.au

Adviser Services Hotline 1300 027 636

E apnfm@apngroup.com.au
W www.apnfm.com.au

Yours sincerely,

APN Funds Management Limited



Ron Palermo
Head of Sales and Operations