



10 September 2012

Navigator Australia Ltd
<Navigator Personal Investment Plan>
509 St Kilda Road
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Dear Investor,

Arena Property Fund No. 1 – distribution in-specie and wind-up

This letter contains important information regarding your investment in the Arena Property Fund No. 1 (the Fund).

After careful consideration, Arena Investment Management Ltd (Arena), as the Responsible Entity for the Fund, has decided to provide an in-specie distribution¹ of the assets of the Fund to investors and wind-up the Fund with effect on 30 September 2012.

1. Background

The Fund was established in April 2007 to facilitate investment into the unlisted Arena Property Fund (APF), formerly Orchard Diversified Property Fund, for investors who invested through Investor Directed Portfolio Services (IDPS). In June 2008, due to declines in the value of APF's assets and consequential high gearing levels, income distributions were stopped and redemptions were discontinued at that time. As a consequence, the Fund itself had no income to pay administration and running costs.

In December 2011, the Orchard business was acquired by the Morgan Stanley Real Estate Fund VII Global and in February 2012, renamed Arena.

In June 2012, APF completed a capital raising which stabilised the value of APF units and allowed APF to recommence income distributions.

Today, the Fund has net assets of approximately \$172,348 (with assets comprising of APF units) and no interest bearing liabilities. There is no liquid market for the Fund's investment in APF.

¹ An in-specie distribution refers to the distribution of an asset in its present form, rather than selling it and distributing the cash. It is made when conversion into cash is not readily available, or allocating the physical asset is the better alternative.

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2. Why is the Fund being wound-up?

The Fund is being wound-up because under the current structure, investors in the Fund are not able to receive income distributions. As investors directly in APF, this will be possible.

The benefits of the wind-up for investors of the Fund are:

- Direct receipt of any income distributions paid by APF;
- Possibility to participate directly in any liquidity offered by APF; and
- A simplification of the investment structure, resulting in administrative cost savings (eg audit fees).

The decision to wind-up the Fund and issue an in-specie distribution has been made in the best interests of investors in the Fund. Arena considers that there will be no material disadvantages to investors as a result of this decision.

3. What in-specie distribution will I receive?

The Fund currently owns 1,866,196 units in APF. Fund investors are expected to receive 0.7496 APF units for every unit currently held in the Fund. The in-specie distribution will be made with effect from 1 July 2012, so that investors can receive income distributions from APF for the full September quarter. After the in-specie distribution and payment of associated costs, the value of units in the Fund is expected to be nil.

4. What will happen upon termination?

On termination, Arena will wind-up the Fund. The termination date of the Fund will be 30 September 2012. No further distributions are expected to be made by the Fund.

5. What does this mean for you?

Following the in-specie distribution, you will hold units in APF. You will enjoy all the rights and privileges afforded to an APF investor.

As at 30 June 2012, the unaudited adjusted net tangible asset (NTA) value of APF was \$0.0893. It is expected that APF will pay a distribution on a quarterly basis. For the year ending 30 June 2013, APF is forecasting a distribution yield between 6.75% and 7.00% (based on the current NTA). This forecast is inherently uncertain and subject to various factors, some of which are outside Arena's control. Please refer to page three for further details.

6. Do you need to do anything?

No. The termination and wind-up process will occur automatically. You will receive new unit holding statements and correspondence when the process is completed and the in-specie distribution has been made.

7. When will you receive your first income distribution from APF?

APF has announced that it will be paying a distribution for the quarter ending 30 September 2012. This distribution will be paid on, or around, 15 November 2012. Fund investors will receive the full September quarter distribution.

8. Do I need to be aware of anything else?

The termination of the Fund may have implications for your tax position. Arena does not expect there to be a detrimental tax implication for investors in your IDPS platform, however it is recommended that you speak with your financial adviser or tax professional for advice.

For further information

For further information in relation to the Fund or APF, please visit the Arena website www.arenainvest.com.au. Alternatively, please contact **Arena Investor Services on 1800 008 494** or email info@arenainvest.com.au.

Yours sincerely,



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