

5 November 2010

## Monthly withdrawals reinstated Managed Redemption Offer (MRO)

APN Property for Income Fund | ARSN 090 467 208

- **Monthly withdrawals** available from **1 December 2010**
- **No action** is required if you wish to remain invested in the Fund
- Redemptions capped at **5% pa** of total Net Asset Value of the Fund
- Redemption requests will be scaled back on a **pro-rata basis** if requests exceed the capped amount
- To redeem, refer to the **Supplementary PDS and Withdrawal Application Form** available from [www.apngroup.com.au](http://www.apngroup.com.au)

Dear Adviser

### Monthly withdrawals reinstated

We are pleased to announce that monthly withdrawal offers will be made available for the APN Property for Income Fund (Fund) via a *Managed Redemption Offer* (MRO). The MRO allows those investors who require access to their funds to apply for redemption from 1 December 2010. Total funds available to satisfy redemption requests will be capped at 5% pa, pro rated on a monthly basis of the Net Asset Value (NAV) of the Fund. If requests exceed the capped amount, redemptions will be scaled back on a pro rata basis.

As you would be aware, in October 2008 the Fund became technically illiquid under the Corporations Act, forcing withdrawals from the Fund to be suspended. Since this event, we have analysed a large number of liquidity options.

You may recall we recently announced a listed class proposal. This solution has been shelved due to regulatory impediments that are unlikely to be resolved in the near term. In the interests of delivering a timely and equitable solution, we believe the MRO is the most suitable liquidity alternative for investors.

### Monthly distributions and strong out-performance

Our investment philosophy remains unchanged. The Fund has a proven 12 year track record that focuses on generating relatively high monthly income, with long-term capital growth aligned to CPI. By investing in a diversified portfolio of quality listed and unlisted real estate securities that predominantly derive their income from commercial real estate rental streams, the Fund has consistently delivered strong risk adjusted returns for investors.

For the 12 months to 30 September 2010, the Fund has **outperformed** the AREIT Index by **5.26%** and is currently yielding **7.48%**<sup>1</sup>.

### Current asset allocations

The proportion of illiquid assets in the Fund currently stands at around 26%. This allocation of course varies from day-to-day according to movements in the Australian Real Estate Investment Trust (AREIT) market but remains outside the mandated maximum long term asset allocation of 20% and falls outside the strategic asset allocation to illiquid assets of 15%.

While the sale of unlisted property trust units at substantial discounts may achieve our goal of reducing the unlisted component to below 20%, selling at steep discounts would permanently devalue the holdings of all investors. We are continually seeking ways to improve liquidity and whilst opportunities to redeem illiquid assets have been difficult to date, prospects for restoring the Fund's liquidity are steadily improving as the market continues to strengthen.

### Key dates and how the MRO works

| Event                          | Dates   |
|--------------------------------|---|
| First monthly withdrawal offer | Opens 1 December 2010 and closes 24 December 2010   |
| Subsequent monthly withdrawals | Open from the 25 <sup>th</sup> of each month (starting from 25 January 2011), closing on the 24 <sup>th</sup> of the following month  |
| Redemption price               | <ul style="list-style-type: none"> <li>▪ Calculated on the basis of the Fund's NAV on the 23<sup>rd</sup> of the month (i.e. the day before each monthly window closes)</li> <li>▪ The total amount available to satisfy redemptions is capped at 5% pa pro rated on a monthly basis of the NAV of the Fund</li> </ul>  |
| Payment of withdrawal requests | <ul style="list-style-type: none"> <li>▪ Paid within 10 business days of the closing period</li> <li>▪ If total withdrawal requests exceed the capped amount (5% pa) withdrawal requests will be scaled back on a pro rata basis</li> <li>▪ If a withdrawal request is not fully satisfied, investors will need to submit a new withdrawal request (ie, a withdrawal request will not roll over to the next month)</li> </ul> |

The availability of withdrawal offers and the total amount of funds available to satisfy withdrawal offers will depend on the level of liquidity in the Fund. If illiquid assets exceed 30% of the portfolio, monthly withdrawal offers cannot be guaranteed. Liquidity is dependent upon the value of the underlying AREITs held by the Fund, the value of unlisted assets and inflows into the Fund.

### What do you need to do?

You do not need to do anything if you wish to remain invested in the Fund.

If you wish to redeem units, please refer to the Supplementary Product Disclosure Statement (SPDS) and complete the Withdrawal Application Form. Both documents are available from our website at [www.apngroup.com.au](http://www.apngroup.com.au) or alternatively, you can request a copy by contacting APN Adviser Services on 1300 027 626.

<sup>1</sup> Based on annualised distribution rate divided by the entry unit price as at 1st November 2010.

**Managing the fund back to business as usual**

The MRO is a timely, equitable and practical liquidity solution for investors and is an important step in managing the Fund back to “business as usual” whereby normal redemption procedures apply and optimal asset allocations are restored.

Positively, the commercial property market continues to stabilise. Having undergone a significant transformation in the wake of the Global Financial Crisis, the AREIT sector is returning to its traditional, defensive and lower risk investment style. We remain positive about the commercial real estate outlook and believe there is significant long term value in the sector.

Thank you for your ongoing support and patience during a period that has been particularly challenging for the property funds management industry.

If you have any queries please contact your financial adviser or APN Adviser Services on 1300 027 626 or email us at [apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au).

Yours sincerely



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