



31 March 2009

Dear [Investor]

**APN Champion Retail Fund ARSN 127 948 127  
Interim Update and FY2009 distributions**

As we embark upon 2009 and the challenges in the year ahead, we would like to update you on your investment in the APN Champion Retail Fund (the Fund). Please find enclosed a copy of the Fund's December 2008 Quarter Update and Interim Financial Report.

We are pleased to report that the Fund is performing in line with expectations, with the Carrefour Marinopoulos portfolio across Greece continuing to generate strong net operating income. The portfolio was not affected by the riots across Greece in December 2008 and has recently delivered an uplift in base rent of 2.9% as a result of the 2008 Consumer Price Index increase.

We have recently obtained an independent valuation of the Champion portfolio as at 31 December 2008 which provides a market value of €75.3 million (a 1.7% decline from June 2008). As a result, the revised unit price is A\$0.9791.

Under the Fund's loan agreement, the revised property valuation means the Fund is well within its loan to valuation ratio limit. Further, the interest cover covenant (which measures the ability of the portfolio's income to service interest on debt) is comfortably satisfied at 3.6 times.

The Fund has hedging agreements in place which are designed to manage foreign exchange rate risk on returning profits and capital from Europe to Australia. The counterparty to these agreements is cornerstone investor, APN European Retail Property Group (AEZ), as the intermediary between the Fund and Deutsche Bank. Under the current agreements, AEZ has breached its covenants which provides the opportunity for the Bank to demand cash settlement of the hedging agreements. APN has proposed that AEZ be removed as intermediary and that Deutsche Bank become the direct counterparty. This will not cause any additional liability to the Fund.

The Bank is currently considering this proposal and a response is expected before June 2009. Until this issue has been resolved, the prudent course of action is to defer paying a distribution.

APN's Australian and European management teams are working to resolve this issue as soon as possible. The Fund's distribution policy will be reviewed on resolution of this issue.

We realise you will be disappointed with the decision to deferred payment of distribution and we will keep you regularly updated on progress. However, if you have any questions, please feel free to contact your financial adviser or the APN Investor Services hotline on 1800 996 456. Alternatively, you can contact Clive Appleton or me directly on (03) 8656 1000 or via email at [cappleton@apngroup.com.au](mailto:cappleton@apngroup.com.au) or [tslattery@apngroup.co.uk](mailto:tslattery@apngroup.co.uk).

We appreciate the ongoing support of our investors through these challenging times.

Yours sincerely  
**APN FUNDS MANAGEMENT LIMITED**

Tim Slattery  
Head of Europe