

# APN | Champion Retail Fund

ARSN 127 948 127

## Background

The APN Champion Retail Fund (the Fund) is a fixed-term unlisted property fund that was established in 2008 to invest in a portfolio of 16 supermarkets across Greece. The portfolio's single tenant is Carrefour Marinopolous SA, the leading operator in the Greek market and part of the Carrefour Group, one of the world's largest retailers with sales in 2008 of over \$180 billion. The Fund is designed to provide investors with a regular income stream and capital growth from its investment in the Carrefour Marinopolous supermarket portfolio. The fund is scheduled to operate until October 2013.

## Summary of Financial Year 2009 results

Financial Year 2009 was a very tough period for European real estate investors with the Global Financial Crisis (GFC) impacting property and capital markets and pushing the Greek economy into recession. Despite the challenging environment, the Fund delivered the following strong set of results:

- Strong base rent growth ↑ 2.8%
- Net operating income ↓ 0.1% to €5.1 million
- Property value ↓ 7.3% to €71 million
- Unit price ↓ 23.5% to \$0.7647
- Distributions to resume in the December 2009 half year (subject to market conditions)

In line with previous guidance, the Fund did not make a distribution for the year.

The 2009 results reflect the defensive qualities of the Fund's investment in the Carrefour Marinopolous supermarket portfolio. With a weighted average unexpired lease term of over eight years and an annual CPI-linked rent review structure (2% minimum and 5% maximum), the portfolio continues to provide stable rental cash flow. Continued base rent growth has served to dampen the impact of increasing cap rates (valuation declines).

## Fund update

Distributions were suspended during the year to enable the transfer of income and capital hedging contracts from the APN European Retail Property Group (AEZ) to the Fund. APN is pleased to reiterate that with the currency hedges now transferred, the Fund is expected to resume the payment of distributions from the December 2009 half year at the rate of approximately 7.5 cents per security (subject to market conditions and the outcome of the potential sale of the Carrefour Portfolio).

Offers for the sale of the Carrefour Portfolio have been sought on a selected basis following enquiries from a number of the Fund's investors. Any proposal to sell the Carrefour Portfolio will seek appropriate investor approvals in due course.



At a glance	
Properties	16
Size (Gross lettable area)	52,700 sqm
Tenants	1
Weighted average lease expiry	8.4 years
Occupancy (by income)	100%
Net operating income (pa)	€5.1 million
Property valuation	€71 million
Property capitalisation rate	7.84%
Average rent	€9.2/sqm/month



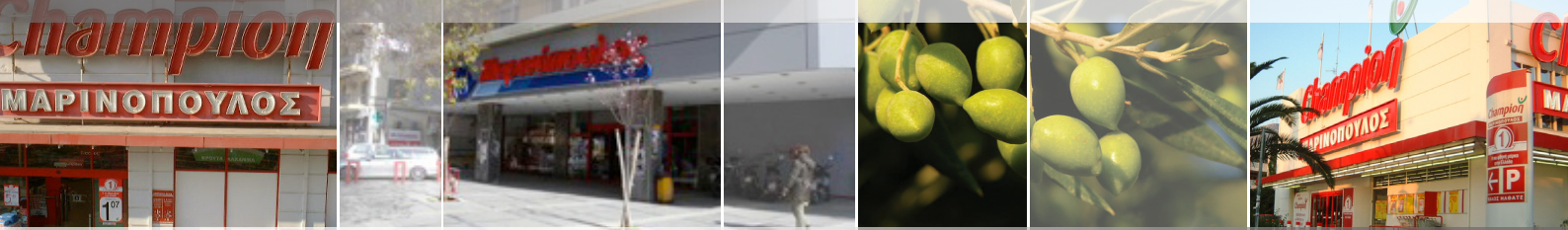
### Sector allocation

■ Retail 100%



### Asset allocation

■ European real estate 100%



## June 2009 Quarter Update

### Greek market commentary

During 2009, along with the majority of world's economies, Greece's economy moved into a recessionary phase, with real Gross Domestic Product (GDP) forecast to decline by 0.9% in 2009 before stabilising and then returning to modest growth from 2010.

However, the Carrefour Portfolio remains relatively insulated, with a long unexpired lease term (average of 8.4 years by income), high quality tenant covenant and exposure to a defensive market segment in non-discretionary retailing.

Demand for quality retail space remains high with a limited number of available locations and a challenging planning regime presenting a significant hurdle to the construction of new retail space. A number of the Carrefour Portfolio's properties have benefited from new neighbouring residential and retail developments including Argyroupoli and Glyfada which will both benefit from new transport links. Competition has increased during the year with Aldi (a major German discount supermarket operator) entering the market. For these reasons, rental levels for prime retail property across Greece are not expected to change significantly in the near term.

On the investment side, yields across Greece have softened in line with other European markets reflecting a sharp reduction in sales transactions and credit availability for real estate acquisitions following the GFC. Yields on prime properties such as the Carrefour Portfolio are expected to now stabilise as investors refocus on tenant covenant strength and the reliability of income streams.

### Key financial information

30 June 2009

Fund gross assets	\$129.6 million
Unit price	\$0.7647
<b>Senior debt ratios</b>	
Loan to valuation ratio	55.6% (versus limit of 60%)
Interest cover ratio	3.8 times (versus limit of 2.0 times)

### Greek economy

Currency	Euro (€)			
Exchange rate	1€ = 1.6981 A\$			
Target interest rate	1.00% pa			
5 year interest rate	2.73% pa			
Unemployment	9.2%			
Consumer price index	0.5%			
Real GDP growth (Annual % change)	2009	2010	2011	2012
	-0.9	0.1	2.0	2.4

Source: ECB, EIU, Bloomberg

### Management team

<b>David Blight</b>	Group Managing Director
<b>Tim Slattery</b>	Head of Europe
<b>Michael Groth</b>	Deputy Chief Financial Officer
<b>Paul Anderson</b>	Head of Asset Management
<b>Simon Mesquita</b>	Head of Property Management
<b>Nikos Ypsilantis</b>	General Manager, Greece

### Contact details for investors

Please contact your financial adviser or alternatively, the **APN Investor Services Hotline** on 1800 996 456.

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