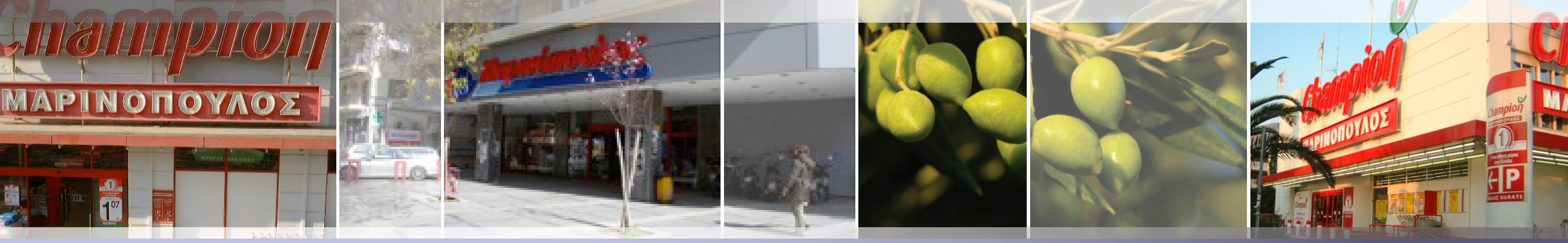


APN | Champion Retail Fund

ARSN 127 948 127

Background

The APN Champion Retail Fund (the 'Fund') is a fixed term unlisted property fund established in 2008 to invest in a portfolio of 16 supermarkets across Greece. The portfolio's single tenant is Carrefour Marinopoulos SA. The Fund is scheduled to operate until October 2013.

Fund update

Key points

- Greek market remains paralysed
- Portfolio valuation at 30 June 2012 €36.9m
- Fund unit price A$0.00
- Renegotiating debt facility covenants with lender
- Distributions suspended

The Fund's results for the year ended 30 June 2012 have now been completed and include the following (comparisons are to June 2011):

- Occupancy unchanged at 100%
- Net operating income ↓ 18.2% to €4.5m (€5.5 million at June 2011)
- Property valuation ↓ 45.7% to €36.9m (€68.0 million at June 2011)
- Unit price ↓ to $0.00 ($0.5904 at June 2011)

The performance of the underlying portfolio (and specifically Carrefour's operating business) has deteriorated further through the second half of FY12 as a result of the ongoing economic difficulties in Greece. The reduction in contract rent to €4.65m, as reported last December, together with the additional cost of austerity taxes imposed by the Greek Government has seen overall net operating income decline by 18.2% compared to FY11. Whilst the tenant continues to honour the new rental agreement, the wider market turbulence has driven Carrefour to announce their withdrawal from the Greek market and the Carrefour Marinopoulos joint venture. Subject to approval from the local competition authorities, the Marinopoulos Group now own 100% of the Company but will continue to trade under the Carrefour franchise.

The effective collapse of the Greek real estate market has caused a significant increase in yields which, together with the reduction in rental income has caused the independent valuation to fall 45.7% from €68.0m to €36.9m in the year to June 2012. As a result, this has placed the Fund in a net liability position and the Fund's unit price at 30 June 2012 is reported at $0.00 (30 June 2011: $0.5904). This, coupled with the amortization plan agreed with the lender to remedy the loan to value breach last December (including minimum quarterly payments of €150,000 and any surplus cash generated) means no further distributions can be made to unit holders for the remaining life of the Fund other than the June 2012 distribution of 0.7497 cpu that will be paid shortly.

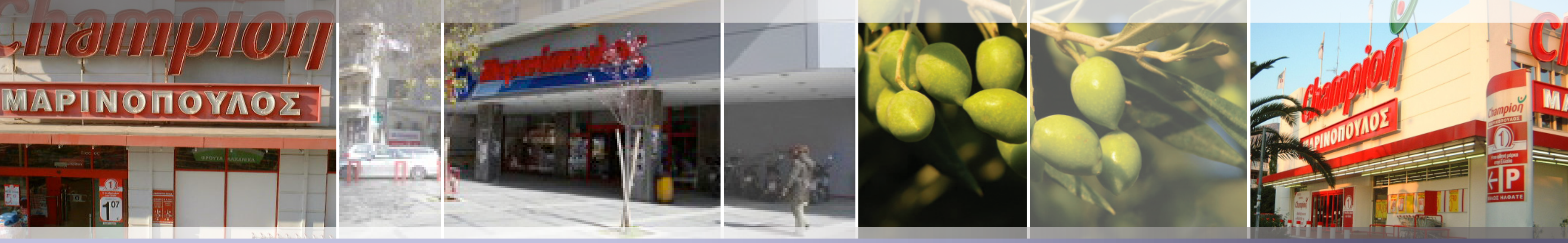
The sharp decline in the property valuation at June 2012 has also led to a further breach of the loan to value covenant of the Fund's senior debt facility (109.2% vs. 80% threshold agreed last December). As such, management is currently in negotiations with the Fund's finance provider, RBS, as to whether this breach can be waived until Fund expiry or, if sooner, such time as the properties can be sold.

Sector allocation

Retail 100%

Asset allocation

100% European real estate



Market update

The Euro zone sovereign debt crisis has continued to dominate headlines throughout 2012. Investor concerns have been exacerbated by election results in France and Greece where the austerity drive became politically unpopular resulting in those advocating a switch in strategy benefitting from public sentiment. Market reactions to policy change and incoherent strategies however, have been largely negative.

Following George Papandreou's resignation in November 2011 to make way for an emergency national unity government, Greece required two elections (in May and June 2012) to establish that there was no majority vote of confidence in any single political party. A fragile three-party coalition government is now in charge led by Greece's major conservative party.

The parlous state of Greece's public finances has not improved in the interim. The "troika" of the European Central Bank (ECB), the International Monetary Fund (IMF) and the European Commission continue to oversee the government's balance sheet and are drip feeding aid, most latterly in conjunction with significant losses taken by private bondholders of Greek debt. GDP continues to contract and unemployment continues to rise as austerity measures forced upon the population stymie growth.

The turbulence is expected to continue in the Greek economy throughout the rest of 2012 and into 2013. Weak confidence and subdued domestic and external demand will continue to weigh on investment, exports and consumption, with the latter additionally affected by unemployment continuing to rise in both private and public sectors. The decline is not likely to be accompanied by successful fiscal consolidation (balancing of the books) in the short term, which will further erode trust in the economy and increase the risk of an exit from the Euro zone.

Occupier activity has continued to slow, with very few retailers looking to expand. Numerous insolvencies and store closures have been reported in recent months and vacancies are increasing even in the most traditionally sought-after areas. This in turn leads to further downward pressure on rents.

The uncertain economic climate, near non-existent availability of financing and an ever-changing tax and statutory environment continue to deter investors and transactional activity remains subdued. Yields have increased accordingly across all retail property classes.

Key information at 30 June 2012

Financial information	
Fund gross assets	€39.7 million
Unit price	$0.00
Senior debt ratios	
Loan to valuation ratio	109.2% (versus limit of 80.0%)
Interest cover ratio (times)	2.0 (versus limit of 1.75)
Currency hedging	Nil
Property Information	
Properties	16
Size (Gross Lettable Area)	51,615m²
Tenants	1
Weighted average lease expiry	10.5 years
Occupancy (by income)	100.0%
Net operating income (full year to June 2012)	€4.5 million
Independent property valuation	€36.9 million
Valuer	Cushman & Wakefield
Average rent	€7.5/m²/month

Key economic indicators at 30 June 2012

Greece	
Currency	Euro
Exchange rate	1A$ = €0.8079
GDP growth (annual change to June 2012)	(6.2%)
Unemployment	22.5%
Inflation (annual)	1.0%
Retail trade volume growth (year-on-year to May 2012)	(10.3%)

Source: Eurostat

Contact details for investors

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

Contact details for advisers

› **Adviser Services Hotline** 1300 027 636 › **Email** apnpg@apngroup.com.au

Peter Mill
National Business Manager, Retail Distribution
M 0409 209 036
E pmill@apngroup.com.au

Tanya Hoshek
Business Manager, Retail Distribution
M 0400 595 886
E thoshek@apngroup.com.au