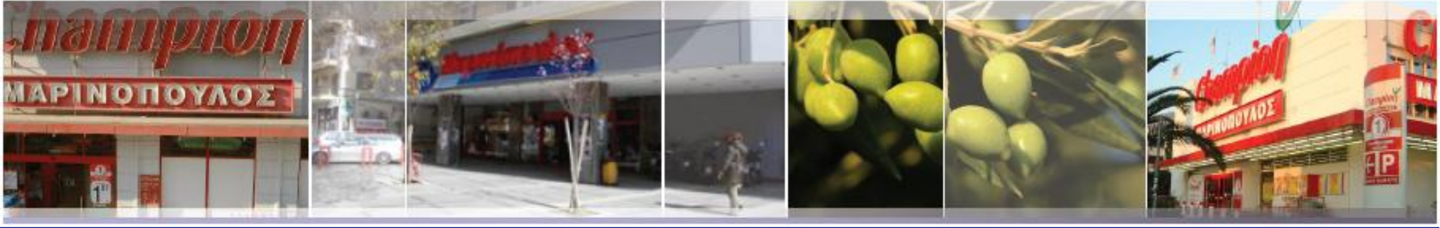


June 2013 **UPDATE**

APN | Champion Retail Fund

ARSN 127 948 127

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

- Portfolio valuation at 30 June 2013 €16.3m (based on a sale completing within a period of less than 12 months)
- Unit price unchanged A$Nil
- Negotiating debt facility workout options with lender
- Portfolio is being marketed for sale
- Distributions suspended

The Fund's results for the year ended 30 June 2013 have now been completed and include the following:

- Occupancy unchanged at 100.0%
- Weighted average lease expiry (WALE) (by area) ↓ from 10.5 years to 9.5 years in the twelve months to 30 June 2013
- Net operating income (NOI) ↓ 15.6% to €3.8m (€4.5m for the twelve months to 30 June 2012)
- Property valuation ↓ 53.4% to €16.3m from €35.0m at 30 June 2012

The portfolio

The Champion Portfolio comprises 17 individual assets totalling 51,615m^2, with 16 operating as supermarkets under the brand name 'Carrefour-Marinopoulos' and one being a plot of land adjacent to the Agrinio property. All of the properties in the portfolio are leased to Carrefour Marinopoulos S.A., the Greek joint venture of the Carrefour Group, the world's second largest retailer.

The underlying performance of the portfolio (and Carrefour's operating business) has suffered as a result of the on-going economic difficulties in Greece, forcing a decline in rental income following the renegotiation of the leases and the additional cost of austerity taxes imposed by the Greek Government. Overall NOI has declined by 15.6% compared to the year ending 30 June 2012, falling from €4.5m to €3.8m.

The effective collapse of the Greek real estate market has driven a significant outward movement in yields which has seen the independent valuation fall 53.4% from €35.0m to €16.3m in the year to June 2013. As a result, the Fund remains in a net liability position and the Fund's unit price at 30 June 2013 is reported at A$Nil (30 June 2012: A$Nil). This, coupled with the amortisation plan agreed with the lender, unfortunately means there will be no further distributions to unit holders for the remaining life of the Fund.

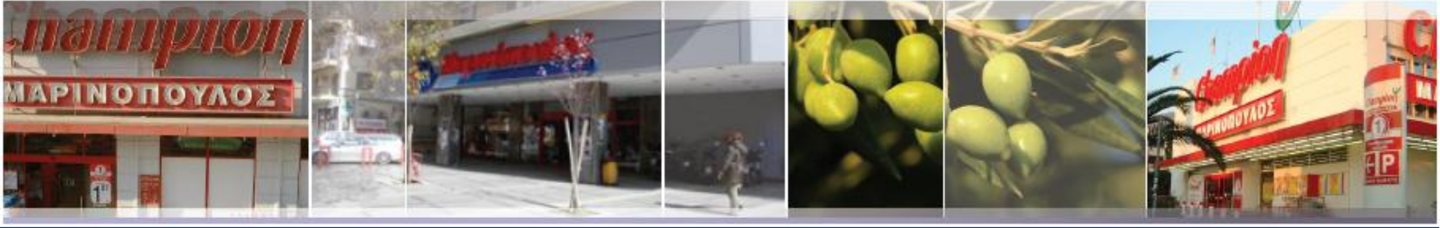
Fund strategy

The CMBS debt facility has remained in breach with the Royal Bank of Scotland (RBS) in its capacity as servicing agent for the loan bondholders, reserving its rights throughout the year to 30 June 2013. Negotiations with RBS have continued during the period in order to try and facilitate a managed solvent exit. RBS does not have the delegated authority to approve a discount to the full debt repayment. Consequently, unless the portfolio can be sold at a level that allows for the full repayment of the debt, the consent of the CMBS bondholders will be required via a structured voting process.

The marketing campaign for the sale of the portfolio commenced in June 2013. Potential investors have been requested to submit their invitations to tender by the end of September 2013.

Market update

Greece has made substantial progress in strengthening its fiscal position and increasing its competitiveness, but it still needs to plough on with productivity enhancing structural reforms to boost growth and generate jobs. Real GDP is projected to fall by 4.2% in 2013, the sixth consecutive year of recession in Greece although there are signs the Greek economy is slowly beginning to rebalance. Domestic demand in Greece continues to fall, albeit at a moderating pace and the high unemployment rate is exerting downward pressure on wages.



The risk of a Greek exit from the Euro zone has been greatly reduced since June 2012, a new tranche of funding was released at the end of last year and a large number of bailout conditions were relaxed. Risks to future growth are thus more balanced, albeit they have not diminished completely. Austerity fatigue, which may trigger political instability, patchy implementation of structural reforms and a lack of long-term policy action for improving competitiveness are the main concerns with regards to future recovery.

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 vacancy is 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 economic indicators at 30 June 2013	
Greece	
Currency	Euro
Exchange rate	1A$ = €0.7057
GDP growth (forecast 2013)	(4.2%)
Unemployment (April 2013)	26.9%
Inflation (year on year, as at June 2013)	(0.3%)
Retail trade volume growth (year on year, to May 2013)	(2.5%)

Source: Eurostat/European Central Bank

Key information at 30 June 2013	
Financial information	
Fund gross assets	€21.0 million
Unit price	A$Nil
Senior debt ratios	
Loan to valuation ratio (based on valuation assumption of a sale completing within 12 months)	230.2% (versus limit of 80.0%)
Interest cover ratio (times)	1.9 (versus limit of 1.75)
Currency hedging	Nil
Property information	
Properties	16
Size (Gross Lettable Area)	51,615m²
Tenants	1
Weighted average lease expiry (by area)	9.5 years
Occupancy (by income)	100.0%
Net operating income (12 months to 30 June 2013)	€3.8 million
Independent property valuation	€16.3 million (assuming sale within 12 months)
Valuer	Cushman & Wakefield

Sector allocation
Retail 100.0%

Asset allocation
100.0% European real estate

Adviser Services Hotline
1300 027 636

Investor Services Hotline
1800 996 456

apnpg@apngroup.com.au

@apngroup