

APN | Funds Management

12 August 2016

Dear Investor,

APN Champion Retail Fund

As you are aware, APN Funds Management Limited (**APNFM**) is the responsible entity of the APN Champion Retail Fund ARSN 127 948 127 (**CRF**).

Background

As you would be aware from previous correspondence:

- the asset owning entity of CRF, Zenon Real Estate SA (**Zenon**) had applied to enter into 'Special Administration' (on 4 July 2016 this application was granted);
- the secured liabilities of Zenon significantly exceed its assets;
- there will be no further returns to CRF from Zenon or from CRF to unitholders; and
- On 26 April 2016 APNFM advised of the termination CRF, with the termination date scheduled to be 31 July 2016.

Termination of CRF

In accordance with the earlier correspondence, APNFM has now commenced winding up and the realisation of CRF and its subsidiaries assets. Based on all currently available information, the board has determined that this process is likely to take at least 5 years to complete. While CRF holds cash of approximately \$1 million, this cash will be required to fund the forecast operating and winding up costs of CRF and its subsidiaries during this period. Accordingly, APN FM has determined that there will not be a final distribution to CRF unitholders.

As this termination process is likely to take at least 5 years to complete, APNFM will proportionately cancel 99.9% of the units on issue in CRF on 31 August 2016 (rounded to 5 decimal places) following the publication of the Class Ruling described below. You will receive an updated unit holding statement reflecting this cancellation in due course.

In accordance with the Class Ruling described below, this means that unitholders should be entitled to a capital loss on their units cancelled, however we recommend that unitholders seek taxation advice based on their own personal circumstances.

Taxation treatment

On 30 August 2016, the Australian Taxation Office (**ATO**) will issue a Class Ruling in response to APN FM's application seeking the determination that the cancellation of 99.9% of the units on issue in CRF is a Capital Gains Tax (**CGT**) event.

As a result, unitholders that hold their investment on capital account should realise a capital loss in respect of 99.9% of their reduced cost base in CRF units. Unitholders will carry forward the remaining reduced cost base on their 0.1% holding in CRF, and will only be entitled to a capital loss for this residual amount when those remaining units are cancelled upon the finalisation of the wind up of CRF.

Unitholders should seek taxation advice based on their own personal circumstances.

Future communication

Although unitholders will continue to hold a residual 0.1% of their interest in CRF, there will be no further distributions or returns to unitholders. As such, unitholders should treat their investment in CRF as having been fully realised for all intents and purposes.

Other than as required by the Corporations Act, unitholders will not receive any further communication until the final wind up of CRF has been completed and the remaining 0.1% of units in CRF are cancelled. Please refer to the APN website for any updated information including annual progress and status reports of the winding up of CRF.

If you have any queries please contact your financial adviser or APN Investor Services on 1800 996 456 Monday to Friday between 8.30am – 5.30pm Melbourne time or email us at apnpg@apngroup.com.au

Yours sincerely



John Freemantle
Company Secretary
APN Funds Management Limited