



23 May 2012

Important changes to APN Property for Income Fund

ARSN 090 467 208

Dear Investor

APN is pleased to announce some important changes to APN Property for Income Fund (“**Fund**”).

As you may be aware, under the Corporations Act, daily redemptions were suspended in October 2008 due to the Fund’s illiquid portfolio exceeding the 20% threshold.

Since that time, APN has been working hard to deliver a liquidity solution that is fair and equitable to all unitholders. In addition, various withdrawal offers have been made since November 2009.

APN can confirm that a *permanent liquidity solution* will be made available each quarter for those investors wishing to withdraw from the Fund. Redemption requests will be satisfied by a combination of cash (approximately 75%, based on the current Fund portfolio), with the balance to be paid in the form of units in a new fund. This new fund will hold the illiquid component of an investor’s underlying investment in the Fund. The assets within this new fund will be sold progressively in order to maximise value and provide liquidity for investors.

The permanent liquidity solution will replace the monthly Managed Redemption Offer currently offered by the Fund.

Following extensive discussions, the Australian Securities & Investments Commission (“**ASIC**”) has granted relief under the provisions of the Corporations Act enabling APN to offer this permanent liquidity solution.

In our view, this liquidity solution is the fairest possible outcome for all unitholders. The ongoing integrity of the Fund is preserved for remaining unitholders and those seeking to exit the Fund will be able to receive the vast majority of their investment in cash.

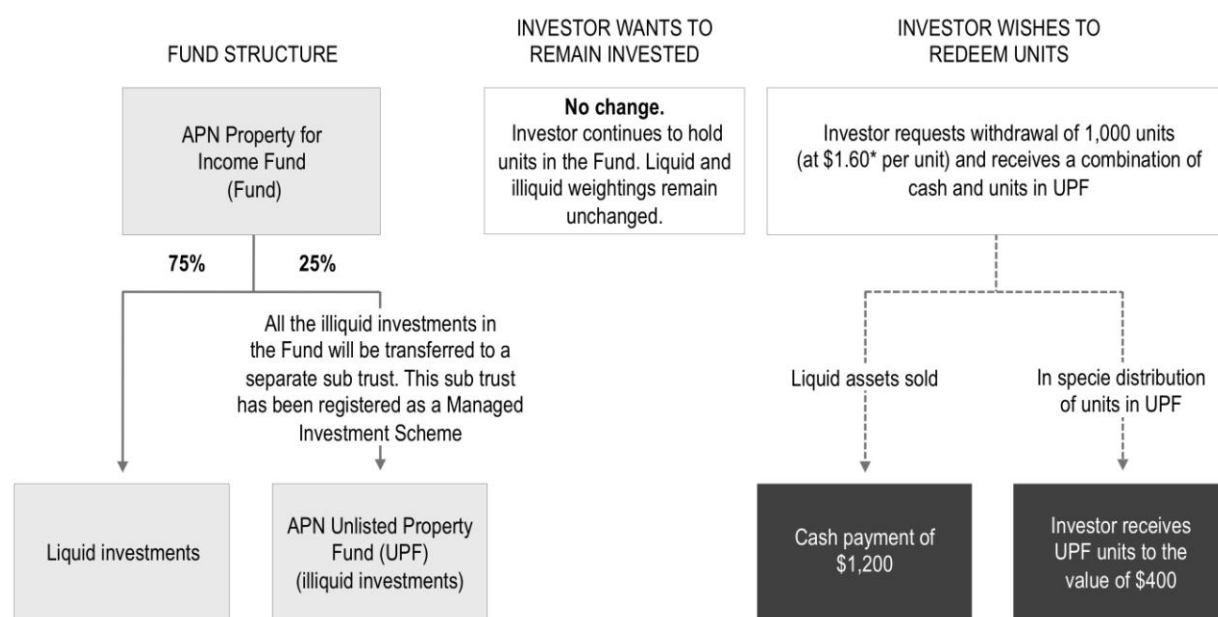
How the liquidity offer works

All the unlisted property trust assets (illiquid investments) of the Fund will be transferred into a separate fund called the *APN Unlisted Property Fund* (“UPF”). The UPF is an illiquid fund.

Investors wanting to withdraw from the Fund will have redemptions satisfied by a combination of cash (approximately 75%, based on the current Fund portfolio) and units in UPF (approximately 25%).

The assets in the UPF will be progressively sold over the next 3-5 years as direct real estate values recover and proceeds returned to UPF unitholders. However, APN cannot guarantee that the assets of UPF will be realised within that time frame.

An example of how the liquidity offer works



* Please note this is an example only. Unit prices fluctuate daily.

Rolling quarterly timetable

Redemption requests will be accepted from 12 June 2012, with the first period closing at 12 noon AEST on 31 August 2012. Redemptions will be **processed quarterly thereafter**. Investors may submit a withdrawal form at any time, however, they will be processed quarterly.

What this change means if you wish to remain invested in the Fund

If you wish to remain invested in the Fund, **you don't need to do anything**. Your investment remains unchanged and will continue:

- paying monthly distributions (currently yielding 7.74%¹ pa); and
- to be actively managed according to its original investment objective - to provide relatively high income and some capital growth aligned to CPI over the long term, with lower than market risk.

¹ Annualised distribution rate divided by the current unit price as at 22 May 2012. Past performance is not indicative of future performance.

What to do if you want to redeem

If you want to withdraw part or all of your investment, you will need to:

- refer to the enclosed Withdrawal Offer document;
- read and consider the APN Unlisted Property Fund PDS available from www.apngroup.com.au; and
- complete the enclosed Withdrawal Form.

Alternatively, you can request hard copies of all withdrawal documents by contacting the APN Investor Services hotline on 1800 996 456.

Managed Redemption Offer (MRO) to cease

The MRO that is currently in place will discontinue from 24 May 2012. MRO applications received after this date will no longer be accepted and investors will be advised to submit a withdrawal request under the new liquidity offer.

Why remaining invested in APN Property for Income Fund is compelling²

We would like to take this opportunity to remind investors of some of the key benefits of remaining in the APN Property for Income Fund.

Monthly distributions	The Fund is income focussed and pays monthly distributions.
Capital growth potential	With the Australian Real Estate Investment Trust (AREIT) sector priced at a discount to Net Tangible Assets (NTA) value, APN's view is that the upside potential for both capital and income growth over the next few years is encouraging. The AREIT sector is expected to deliver a total return of around 9-10% over 2012.
Regular income	The Fund's underlying income is predominantly generated from long term lease contracts with high quality tenants. This helps insulate investors from the broader economic fluctuations.
Quality underlying assets	The underlying Fund assets are high quality and are generally performing well.
Real estate fundamentals in order	In APN's view, real estate fundamentals are in order - with low vacancy rates, rental growth, demand/supply equilibrium and valuations edging upwards.
Defensive style investment	AREITs today generally have strong balance sheets and modest gearing levels. With AREITs refocused on passive rental income, the sector is delivering lower volatility than the broader Australian equity market.
Active management	APN has a team of investment specialists that actively manage the Fund to maximise returns and lower risk.
Ongoing liquidity	Investors now have the ability to withdraw a significant portion of an investment in cash.

² Similar to other managed funds which invest in listed and/or unlisted property securities, an investment in the APN Property for Income Fund or the APN AREIT Fund is subject to risks relating to the general market and economic conditions, the management of the fund and the underlying investments of the fund. The expected returns in a fund may not arise and your investment in the fund may even fall. APN does not guarantee the performance of any fund. Please refer to the product disclosure statement for the relevant fund located at www.apngroup.com.au to review the benefits, features and risks before making an investment decision in relation to a fund.

Option to reinvest cash proceeds into the APN AREIT Fund

If you choose to redeem your investment, you may like to consider reinvesting your cash proceeds into the APN AREIT Fund; **a fully liquid property securities fund** that invests in listed AREITs.²

Established in early 2009, the fund is highly rated by independent researchers and holds more than \$218 million funds under management.³ Currently yielding 8.93%⁴ pa, the fund has returned 15.33%⁵ pa to 30 April 2012 since inception and is open to daily applications and withdrawals.

To find out more about the APN AREIT Fund or to make an investment, contact our APN Investor Services hotline on 1800 996 456, visit www.apngroup.com.au, or contact your financial adviser.

Further information

Further information including FAQs and historical communications regarding the Fund's liquidity status are available on our website at www.apngroup.com.au.

We recognise the hardship experienced by those investors wanting to access their capital since the Fund was first closed to withdrawals. We are grateful for your support and patience through this extremely challenging period as we've worked hard to deliver a fair solution for all investors.

If you have any questions, please don't hesitate to contact your financial adviser or the APN Investor Services hotline on 1800 996 456.

Yours sincerely



Howard Brenchley
Executive Director and Chief Investment Officer
APN Property Group Limited

³ Funds under management as at 30 April 2012. Independently rated by Standard & Poor's, Lonsec, Adviser Edge, Zenith and Morningstar.

⁴ Annualised distribution rate divided by the latest current unit price as at 23 May, 2012. Past performance is not indicative of future performance.

⁵ Fund inception 19 January 2009. Past performance is not indicative of future performance. Wholesale returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns.