

# APN | Property Group

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Dear Investor

## APN Property for Income Fund No. 2 now open to new applications

APN Property for Income Fund No.2 | ARSN 113 296 432

We're pleased to advise that APN's award winning real estate investment fund, APN Property for Income Fund No.2 (Fund) which invests predominantly in listed and unlisted real estate securities is now open to applications.

Whilst the Fund remains temporarily closed to withdrawals, investors with a medium to long term perspective will benefit from the relatively high, tax effective income and steady capital growth.

### Markets can bounce-back sharply

History shows that markets can move rapidly – both on the way down and on the way back up. Whilst no one can predict the pace or extent of an upturn, the Australian Real Estate Investment Trust (AREIT) market has demonstrated a sharp bounce over the past eight months, having increased 60% to the end of November 2009 off its record lows recorded in March.

The AREIT sector is demonstrating strong signs of long term recovery. As balance sheets have been restored (albeit at a cost), credit markets thaw and investor confidence returns, the sector is now clearly on a more sustainable footing, having confronted the full impact of the Global Financial Crisis (GFC).

Pleasingly we are seeing the return of the traditional real estate investment model which focuses on income derived from the rent collected on commercial property. We expect this will deliver lower volatility, relatively high income (7 to 8% pa) and capital growth aligned to CPI over the longer term. It is the conservative and traditional model that APN has always strongly supported.

### Direct commercial property ripe for opportunity

There are strong indications that direct commercial property market values are now at, or very close to a bottom.

A strengthening retail sector and expectations that vacancy levels and rents in most major office markets are stabilising, provide a strong case for an upswing in property values over the next 18 months. Furthermore, early signs of renewed GDP growth, a shortfall in supply (caused by lack of construction during the credit squeeze), more buyers and increasing availability of credit provide further support for capital appreciation.

The pricing of the unlisted property trusts within the Fund are based on valuations largely completed as at 30 June 2009. These valuations reflect values based on the difficult market environment of 2008 and early 2009 where there were many more sellers than buyers.



- APN | Property for Income Fund No.2
- Monthly, tax advantaged income
  - 7.19%\* pa income since Fund inception
  - Premium quality real estate investments
  - Actively managed
  - Rigorous investment selection process

# APN | Property Group

A specialist real estate investment manager

## Taking a long term view to investing

Whilst the AREIT sector has delivered outstanding returns since March, the AREIT Index still remains a long way from the highs of 2007. We understand that investors may be disappointed with the total performance of their investment over the last 18 months. However, distributions have continued to be paid every month providing investors with relatively high, tax effective income.

With the recovery in AREITs over the last eight months and improvement in the underlying conditions for direct property, we would expect to see unlisted property emerge as a strong performer as the cycle moves into its next phase. Indeed, we are already seeing Net Tangible Asset values increase in various unlisted holdings within the Fund. The rebuilding of the real estate sector and positive economic outlook provides a solid foundation for steady capital appreciation.

Investors who maintain a medium to long term investment horizon will continue to benefit from monthly, tax effective income as well as expected long term capital growth.

## So what are your options?

### 1) Apply for a new investment

To apply for additional units in the Fund or make a regular monthly investment, simply download the Supplementary Product Disclosure Statement (SPDS) from [www.apngroup.com.au](http://www.apngroup.com.au) or alternatively, contact APN Investor Services on 1800 996 456 to order a hard copy. The SPDS provides important information and should be read in conjunction with the PDS.

### 2) Distribution Reinvestment Plan (DRP)

You can also opt to reinvest your monthly distributions in the form of additional units in the Fund. By reinvesting your monthly distributions, you are taking advantage of the well known investment technique known as 'dollar cost averaging'. Regularly buying units in the Fund ultimately averages out the entry price at which you invest, thereby smoothing out market volatility.

Please note that if you had a DRP in place prior to the temporary suspension of the Fund, your monthly distributions have been paid in cash since 24 October 2008 and the DRP will not automatically be reactivated. If you wish to reactive the DRP, please complete the enclosed election form.

## Temporary suspension of withdrawals

As you would be aware, the Fund was temporarily suspended to applications and withdrawals in October 2008 due to the unlisted portion of the Fund reaching unacceptable levels as a result of the economic events that led to major declines in the value of the AREIT market and surge in redemptions in the wake of the introduction of the Federal Government's bank deposit guarantee. The Fund's illiquid status under the provisions of the Corporations Act forced the temporary suspension of applications and redemptions of the Fund.

It has always been our intention to provide investors with an opportunity to redeem at the earliest opportunity, without compromising the value or portfolio structure for remaining unitholders. The first Limited Liquidity Opportunity was offered to those investors wishing to redeem a portion of their investment in September 2009. When the real estate market stabilises and optimal asset allocations and cash flows return, normal application and redemption procedures are expected to be restored. In order to support a full reopening of the Fund to "business as usual", the unlisted (illiquid) portion of the Fund needs to return to less than 20%. We are continually seeking ways in which to improve the liquidity position of the Fund.

If you have any further queries, please feel free to contact APN Investor Services on 1800 996 456 between the hours of 8:30am - 5:30pm (AEST) weekdays or email us at [apnpg@apngroup.com.au](mailto:apnpg@apngroup.com.au)

Yours sincerely

**APN Property Group**



Howard Brenchley  
Chief Investment Officer and Executive Director

\*Fund inception 06 June 2005. Past performance is not necessarily an indication of future performance. Returns and values may rise and fall from one period to another. Returns shown are net of fees and costs and are annualised for periods greater than one year. Investors' tax rates are not taken into account when calculating returns. The information provided in this correspondence does not constitute financial product advice and does not purport to contain all relevant information necessary for making an investment decision. It is provided on the basis that the recipient will be responsible for making their own assessment on financial needs and will seek further advice about the investments as is considered appropriate.