



9 November 2010

Monthly withdrawals reinstated Managed Redemption Offer (MRO)

APN Property for Income Fund No. 2 | ARSN 113 296 110

- **Monthly withdrawals** available from **1 December 2010**
- **No action** is required if you wish to remain invested in the Fund
- Redemptions capped at **5% pa** of total Net Asset Value of the Fund
- Redemption requests will be scaled back on a **pro-rata basis** if requests exceed the capped amount
- To redeem, refer to the **Supplementary PDS** and **Withdrawal Application Form** available from www.apngroup.com.au

Dear Investor

Monthly withdrawals reinstated

We are pleased to announce that monthly withdrawal offers will be made available for the APN Property for Income Fund No.2 (Fund) via a *Managed Redemption Offer* (MRO). The MRO allows those investors who require access to their funds to apply for redemption from 1 December 2010. Total funds available to satisfy redemption requests will be capped at 5% pa, pro rated on a monthly basis of the Net Asset Value (NAV) of the Fund. If requests exceed the capped amount, redemptions will be scaled back on a pro rata basis.

As you would be aware, in October 2008 the Fund became technically illiquid under the Corporations Act, forcing withdrawals from the Fund to be suspended. Since this event, we have analysed a large number of liquidity options.

You may recall we recently announced a listed class proposal. This solution has been shelved due to regulatory impediments that are unlikely to be resolved in the near term. In the interests of delivering a timely and equitable solution, we believe the MRO is the most suitable liquidity alternative for investors.

Current asset allocations

The proportion of illiquid assets in the Fund currently stands at around 25%. This allocation of course varies from day-to-day according to movements in the Australian Real Estate Investment Trust (AREIT) market but remains outside the mandated maximum long term asset allocation of 20% and falls outside the strategic asset allocation to illiquid assets of 15%.

While the sale of unlisted property trust units at substantial discounts may achieve our goal of reducing the unlisted component to below 20%, selling at steep discounts would permanently devalue

the holdings of all investors. We are continually seeking ways to improve liquidity and whilst opportunities to redeem illiquid assets have been difficult to date, prospects for restoring the Fund's liquidity are steadily improving as the market continues to strengthen.

Key dates and how the MRO works

Event	Dates
First monthly withdrawal offer	Opens 1 December 2010 and closes 24 December 2010
Subsequent monthly withdrawals	Open from the 25 th of each month (starting from 25 December 2010), closing on the 24 th of the following month
Redemption pool	<ul style="list-style-type: none"> ▪ Calculated on the basis of the Fund's NAV on the 23rd of the month (i.e. the day before each monthly window closes) ▪ The total amount available to satisfy redemptions is capped at 5% pa pro rated on a monthly basis of the NAV of the Fund
Redemption price	Calculated on the basis of the Fund's NAV on the 24 th of the month
Payment of withdrawal requests	<ul style="list-style-type: none"> ▪ Paid within 10 business days of the closing period ▪ If total withdrawal requests exceed the capped amount (5% pa) withdrawal requests will be scaled back on a pro rata basis ▪ If a withdrawal request is not fully satisfied, investors will need to submit a new withdrawal request (ie, a withdrawal request will not roll over to the next month)

The availability of withdrawal offers and the total amount of funds available to satisfy withdrawal offers will depend on the level of liquidity in the Fund. If illiquid assets exceed 30% of the portfolio, monthly withdrawal offers cannot be guaranteed. Liquidity is dependent upon the value of the underlying AREITs held by the Fund, the value of unlisted assets and inflows into the Fund.

What do you need to do?

You do not need to do anything if you wish to remain invested in the Fund.

If you wish to redeem units, please refer to the Supplementary Product Disclosure Statement (SPDS) and complete the Withdrawal Application Form. Both documents are available from our website at www.apngroup.com.au or alternatively, you can request a copy by contacting APN Investor Services on 1800 996 456.

Managing the fund back to business as usual

The MRO is a timely, equitable and practical liquidity solution for investors and is an important step in managing the Fund back to "business as usual" whereby normal redemption procedures apply and optimal asset allocations are restored.

Positively, the commercial property market continues to stabilise. Having undergone a significant transformation in the wake of the Global Financial Crisis, the AREIT sector is returning to its traditional, defensive and lower risk investment style. We remain positive about the commercial real estate outlook and believe there is significant long term value in the sector.

Thank you for your ongoing support and patience during a period that has been particularly challenging for the property funds management industry.

If you have any queries please contact your financial adviser or APN Investor Services on 1800 996 456 or email us at apnpg@apngroup.com.au.

Yours sincerely



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