



14 April 2020

Dear Investor

APN Property for Income Fund No.2 | ARSN 090 467 208

To say that markets have been volatile lately doesn't do this period justice. It's a challenging time for us all, health-wise, socially and financially. The global financial crisis feels like a walk in the park compared to this.

As APN's CEO of Real Estate Securities, I'd like to explain our approach during the virus crisis and offer a few points to help you get through it, hopefully with a little more tranquility and confidence.

1. The APN Property for Income Fund No. 2 is tailor-made to survive a crisis

Backed by real assets and low levels of debt with a focus on sustainable income, the AREITs held in the APN Property for Income Fund No. 2 are well-positioned to survive this storm. These assets have been integral to Australia's business and economic success and will continue to be so post COVID-19.

The APN Property for Income Fund No. 2 is managed with an intense focus on the cash earnings from its investments. This is why it has significantly lower holdings in AREITs that generate a substantial portion of their earnings from non-rental income sources like property development and funds management. Conservatively run with experienced management teams, the holdings in the APN Property for Income Fund No. 2 are built to survive times like these and prosper beyond them.

2. Our focus is on property for income. Always.

Whilst we can't guarantee the fund's unit price won't fall further or that it may become necessary to reduce the current rate of distributions, I can assure you that we have always aimed to hold investments well placed to deliver strong and sustainable rental income streams. This has not changed.

Recent portfolio changes have been made with exactly this objective in mind. Our focus has always been on property for income and always will be.

3. High yielding stocks will return to favour

When we emerge from this crisis, rates will be even lower. If ever there was a time that regular cash distributions would be highly valued, we believe it will be in the coming months and years. Markets consistently overreact to uncertainty but can come 'roaring back' when clarity improves, as it will. It's important to see past the panic and not react to it.

4. High emotion makes for poor decisions

No one has experienced an investing environment quite like this, where the threat is both financial and existential. It's a period tailor-made to encourage investors to make poor decisions.

The biggest risk now is in crystallizing losses before the expected rebound. We know that the pandemic will end at some point. Governments and central banks, meanwhile, are doing their level best to ensure this happens sooner rather than later. Looking past the crisis to this point will help you avoid that risk.

In recent weeks, my team has been evaluating every holding, making the portfolio as defensive as possible. Our focus has always been on 'property for income' and that's where it will stay. Our job now is to set up the portfolio for future outperformance. Given the opportunities around, I'm confident we can do that.

5. Is liquidity an issue and will the Fund be frozen again?

We have been working hard to ensure the Fund is able to remain liquid and avoid closing the ability to redeem. In order to do so, we have undertaken an orderly sell-down of the unlisted investments which has received some interest to date. We expect the process to conclude before the end of April and we will be providing investors with an update once a successful sale has occurred. Once the sale completes, the Fund will own a portfolio of listed investments and therefore be 100% liquid.

If you'd like more information about how we're approaching this period, please check out our recent investor communications at <https://apngroup.com.au/blog/>

Stay well and all the best for the months ahead.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Pete Morrissey', enclosed within a faint, light-colored oval shape.

Pete Morrissey
CEO, Real Estate Securities
APN Property Group