

APN Property Group Limited
ABN 30 109 846 068

Responsible Entity:
APN Funds Management Limited
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The Manager
Company Announcements Office
National Stock Exchange of Australia Limited
Level 2, 117 Scott Street
Newcastle, NSW 2300

Dear Sir/Madam

APN Regional Property Fund (NSX code: APR) - Strategy Update
ARSN: 110 488 821

The APN Regional Property Fund (the “**Fund**”) was established in 2002 and APN Funds Management Limited (“**APN FM**”) was appointed Responsible Entity in October 2004. The Fund was listed on the Bendigo Stock Exchange (BSX) in the same year with the objective of accessing capital and making further investments in a diversified portfolio of retail and office properties located in regional Australia. In January 2012, this listing was transferred to the National Stock Exchange (NSX).

Since listing however, trading volumes on both exchanges have remained extremely thin. As a result, accretive acquisitions have not been possible (due to a relatively high cost of capital) and investors have been unable to liquidate their investment at close to fair market value.

Further, since 2009, the terms of the Fund’s loan from Commonwealth Bank of Australia, have required that 50% of the Fund’s cash earnings must be applied to amortise debt. Under the recently announced three-year extension of this debt facility, this requirement remains while the loan to valuation ratio is above 55%. It is likely that the amortisation program will continue for a further two years before this threshold can be reached. Whilst the overall cost of debt is expected to reduce as a result of repaying debt from cashflow, distributions will continue to be restricted.

APN FM recognises that many investors require liquidity and has therefore determined to sell assets over the next three years at net tangible asset backing (subject to market conditions) and to make periodic withdrawal offers as permitted by lenders and the availability of capital.

APN FM considers that this strategy is in the best interest of investors and importantly, will provide liquidity over the medium term.

The Fund will continue paying quarterly distributions and to be actively managed by APN FM. The Fund's portfolio continues to perform solidly with an occupancy rate of 98.5% and a weighted average lease term to expiry of 3.4 years as at 30 June 2012. The audited net tangible asset backing for the Fund was \$0.7201 as at 30 June 2012 an increase of 3.4% from \$0.6967 as at 30 June 2011.

Yours sincerely



John Freemantle
Company Secretary

About APN Property Group

APN Property Group (ASX code: APD) is a specialist real estate investment manager.

Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutions, superannuation funds, high net worth and individual investors.

As a boutique asset manager, the Group's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

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