

APN | Regional Property Fund

ARSN 110 488 821

Fund overview

The APN Regional Property Fund (Fund) is a direct real estate fund listed on the National Stock Exchange (NSX code: APR). The Fund is invested in a portfolio of retail and office properties located in regional New South Wales.

The Fund comprises one retail asset and two A-grade office buildings located in regional New South Wales. Major tenants include various Government departments, Coles, Target, Noble Resources, Sparke Helmore Lawyers and PricewaterhouseCoopers.

Manager's report

APN is pleased to report on a number of important achievements for the Fund over the period, which has enabled an increase in distributions to investors and has driven strong growth in the Fund's net asset value per unit and total return over the period.

The Fund had a number of highlights during the half year to 30 June 2014, including the following:

- Grafton Shopping Mall asset sold for \$10.6 million in November 2013, representing a 13.4% premium to book value;
- Occupancy across the office assets maintained at 100% at 30 June 2014 (by area) and 94.8% across the whole portfolio (by area);
- 627 sqm of office space at 26 Honeysuckle Drive was leased which not only kept occupancy at 100% but staggered the lease expiry profile of the building;
- The Fund's WALE (by area) is approximately 3.4 years;
- Good progress in enhancing the attractiveness of future development options for the Parkes property; and
- Arrears at 30 June 2014 were minimal at 0.1% of gross passing income.

The Fund's portfolio was re-valued at 30 June 2014, resulting in a tightening of the portfolio's weighted average cap rate from 9.97% to 9.66% and an increase in the portfolio's value (on a like for like basis) of 6.3% to \$48 million.

Distributions to investors were increased in December 2013 taking the full year's distribution for FY14 to 7.28 cents per unit (CPU), which is a 100% increase over the previous 12 months, reflecting a yield of approximately 8.5% on June 2014 net asset value (NAV) or 7.3% on original \$1.00 unit price.

Over the period the Fund's net asset value (NAV) per unit increased by 17.6% to \$0.8563 as a result of the sale of Grafton at a significant premium to book value. The Fund's gearing has been successfully reduced with its key loan to valuation ratio decreasing to 41.9% from 57.1% at the start of the period as a result of the sale of the Grafton property (with proceeds being applied to reduce debt).

In May 2014, the Fund's existing debt facility was successfully refinanced with an extended maturity date in May 2017 and a material reduction in the Fund's interest rate margin. The refinanced facility and extended maturity date provide additional flexibility to enhance the potential sale prospects for the portfolio and are expected to provide the opportunity for capital returns to equity investors through more flexible loan provisions.

APN Property Group

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited, an ASX listed company (ASX code: APD) that manages \$2.0 billion (as at 30 June 2014) of real estate and real estate securities on behalf of institutional and retail investors. Please refer to www.apngroup.com.au or contact us if you would like more information on APN.

AT A GLANCE as at 30 June 2014

Fund size (total assets)	\$49.1 million
Borrowings (loan to value ratio)	41.9%
Weighted Average Lease Expiry (WALE)	3.5 years
Fund commenced	28 October 2004 (listing on NSX)
Minimum investment	No minimum. This Fund is available to new investment by investing via the National Stock Exchange (NSX)
Redemption facility	Investors wishing to sell their investment in the Fund may seek to sell their units via the NSX
Distributions	Paid quarterly
Unit price revaluation	There is no daily unit price as the underlying assets are valued periodically. The units are listed on the NSX. Please refer [over page] to view historical unit prices
Distribution reinvestment	Not available
Sector allocation by value	Office: 78% Retail: 22%
Geographic allocation by value	New South Wales: 100%

Performance

The Fund made a distribution of 7.28 cents per unit for the 12 months ending 30 June 2014.

The data below represents performance to 30 June 2014.

	Income	Growth	Total Return ¹
6 months	4.20%	2.90%	7.10%
1 year	7.28%	17.64%	24.91%
3 years pa ²	4.71%	7.11%	11.82%
Since inception pa ²	5.68%	(1.59%)	4.09%

- 1 Performance is based on units purchased at \$1.00. Figures may not sum exactly due to rounding. Past performance is not necessarily a guide to future performance.
- 2 Denotes annualised figures.

Historical distributions

Date	Distribution cents per unit APR (fully paid units)	Distribution cents per unit APRCA (partly paid units)	Tax deferred
12 months to 30 June 14	7.28	N/A	N/A
12 months to 30 June 13	3.6300	N/A	100.00%
12 months to 30 June 12	3.2500	N/A	100.00%
12 months to 30 June 11	3.0000	N/A	69.86%
12 months to 30 June 10	1.5000	N/A	100.00%
12 months to 30 June 09	4.2500	N/A	100.00%
12 months to 30 June 08	8.8500	N/A	100.00%
12 months to 30 June 07	8.8300	N/A	100.00%
12 months to 30 June 06	8.8000	N/A	100.00%
12 months to 30 June 05 ⁴	5.6000	4.704	100.00%

- 3 Tax deferred component calculated at 30 June 2014.
- 4 Part year.

Investment team members

Chris Aylward | Executive Chairman
 Tim Slattery | Executive Director
 Jufri Abidin | Assistant Fund Manager

Historical unit values

The Fund is listed on the National Stock Exchange (NSX code: APR). For your reference we have provided the historical Net Asset Value (NAV) per unit.

Date	Net Asset Value per unit
30/06/14	\$0.8563 (audited)
31/12/13	\$0.8322
30/06/13	\$0.7279
31/12/12	\$0.7200
30/06/12	\$0.7202
30/12/11	\$0.6790
30/06/11	\$0.6947
31/12/10	\$0.6999
30/06/10	\$0.7186
31/12/09	\$0.7356
30/06/09	\$0.7396
31/12/08	\$0.8285
30/06/08	\$1.0698
31/12/07	\$1.1769
30/06/07	\$1.1513
31/12/06	\$1.1900
30/06/06	\$0.9295
31/12/05	\$0.9326 ⁵
30/06/05	93% ⁶
31/12/04	91% ^{6,7}


- 5 Now expressed as a monetary value due to units being fully paid.
- 6 NAV is unit holders' equity divided by the total number of units on issue (to the paid up amount). In this instance expressed as a percentage due to there being both partly and fully paid units.
- 7 \$0.84 issue price for partly paid units and \$1.00 issue price for fully paid units (December quarter 2004).

Important distribution details / dates

Distribution Payment Accruing at the end of September, December, March and June and payable on the last business day of the month following the end of the quarter, unless that day is a non-business day which will then revert to the following business day.


Distribution Statements Dispatched January, April, July and October.

Tax Statements Dispatched annually by end of August.

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