



24 May 2018

APN Regional Property Fund (NSX code: APR)

Fund update

APN Funds Management Limited (the Manager) as Responsible Entity for APN Regional Property Fund (the Fund) is pleased to provide an update on the Fund strategy and proposed liquidity event.

As outlined to the market on 22 November 2016, the Board has committed to providing investors in the Fund with a liquidity event. The original timeframe for this was 30 June 2018.

Significant progress has been made on the leasing and capital expenditure projects at 26 and 28 Honeysuckle Drive, Newcastle, which will add value to the Fund and all investors. However, having reviewed the associated project timelines, completion will take longer than originally anticipated and past 30 June 2018. Therefore, the Board is now targeting to provide the liquidity event by 31 December 2018 to allow additional time to complete the required leasing and projects to add value to the Fund. The Board's view is that the deferral is in the best interests of all investors.

There has recently been significant trading activity in the Fund's units on the National Stock Exchange (NSX), and while trading prices still reflect a discount relative to the Fund's Net Asset Value (NAV), investors seeking to realise value for their units may still do so via selling them on the NSX.

Current asset management initiatives

To ensure investors receive the best value outcome on their investment, the Fund is committed to finalising the following matters prior to the liquidity event:

- **Major tenant renewal:** Management is currently in negotiation with a major tenant that accounts for over 50% of the individual property income and 30% of the portfolio income to extend their lease. The potential lease extension will see a material improvement of the Fund's Weighted Average Lease Expiry (WALE).
- **NABERS:** Management have recently completed a NABERS works upgrade program across both buildings which included installing LED lighting, optimisation of the Building Management System (BMS), and efficiency improvements to the air conditioning systems. Performance monitoring of the buildings' energy efficiency will commence shortly to assess the overall NABERS rating. The current target for both buildings is to achieve a minimum 4.5 star NABERS rating which is a baseline energy target for Government NSW tenants.

Ongoing capital expenditure program

In addition to the above, Management continue to work proactively to enhance the Fund's already strong performance through an ongoing capital expenditure program to improve asset quality and enhance tenant retention. Key short to medium term upgrades include:

- **Repainting:** Stage 1 complete, and stage 2 of the building façade repainting is to commence shortly.
- **End of trip facilities:** To enhance tenant amenity and lease retention within the buildings, Management has engaged an architect to design modern end of trip facilities.
- **Foyer upgrades:** Work is also being undertaken for a foyer refurbishment which would include new tenant directories, lighting upgrade, timber and panel detailing, and common area seating.

Current fund performance

In the meantime, the Fund continues to deliver strong returns to investors, having provided an average total return since inception of 8.87%¹ per annum. As at 31 December 2017, the portfolio's two A-grade assets had a combined valuation of \$48.6 million, an increase of 7.28% on the June 2017 valuation of \$45.3 million. As a result, the Net Asset Value of the Fund as at 31 December 2017 had increased by 11.9% to \$1.32 per unit from \$1.18 at 30 June 2017. With 100% portfolio occupancy, conservative gearing at 30.9%², and a strong distribution yield of 8.3%³ the Fund remains well positioned to continue its strong performance. The asset management initiatives underway will improve the ability to retain existing and attract new tenants to the properties over the longer term, maximising value to the Fund and its investors.

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 or contact:

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About APN Regional Property Fund

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 two A-grade office buildings located in the Newcastle CBD, New South Wales. Major tenants include various Government departments, QBE Management Services, Noble Resources, Fairfax News Media and Sparke Helmore Lawyers.

www.apngroup.com.au

¹ Fund total return based on NAV as at 31 March 2018

² Calculated as total bank debt of \$15m divided by portfolio value of \$48.6m

³ Calculated as FY18 distribution rate of 9.50 cents per unit divided by the last trading price of APR on the NSX as at 29 March 2018 of \$1.15.