



APN REGIONAL PROPERTY FUND INVESTOR UPDATE

30 September 2018

APN | Property Group

At a Glance

\$51.1m

PORTFOLIO VALUE

2

A-GRADE OFFICE PROPERTIES

9,471

SQUARE METRES

\$1.41

NET TANGIBLE ASSETS PER
SECURITY

7.92%

DISTRIBUTION YIELD¹

9.33%

TOTAL RETURN P.A.
SINCE INCEPTION²

80%

INCOME FROM GOVT OR
NATIONAL TENANTS

100%

OCCUPANCY

29.4%

GEARING³

1. Calculated as FY18 distribution rate of 9.50 cents per unit divided by the last trading price in September of \$1.20.
2. Fund total return based on NAV.
3. Calculated as total bank debt of \$15m divided by portfolio value of \$51.1m.

Update – 30 September 2018

Financial

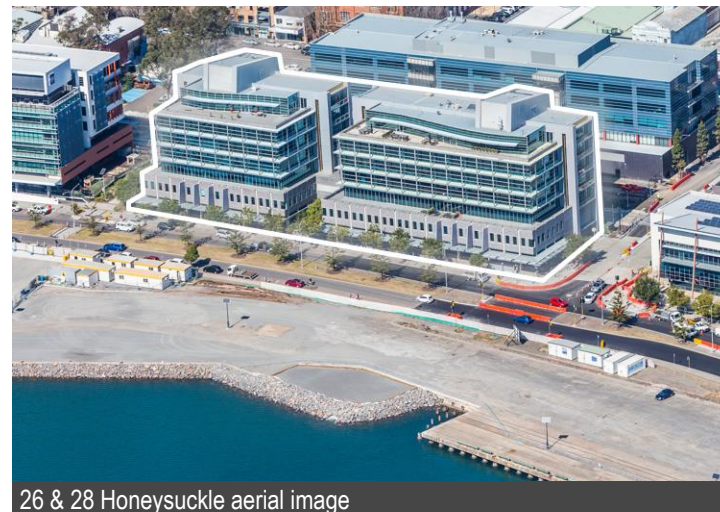
- FY19 distribution of 9.5 cents per unit, reflecting a distribution yield of 7.9% pa⁽²⁾ (paid quarterly)
- NAV per unit of \$1.41
- Fund gearing of 29.4%⁽¹⁾
- Fund WALE of 1.66 years (by income)

Operational

- Both 26 & 28 Honeysuckle Drive remain 100% occupied
- 80% of the income is secured by government and national corporate tenants
- Painting of the external façades is now complete
- Upgrades to the building foyers and end of trip facilities have commenced and are due for completion in early 2019
- Interim NABERS reading of 4.5 stars

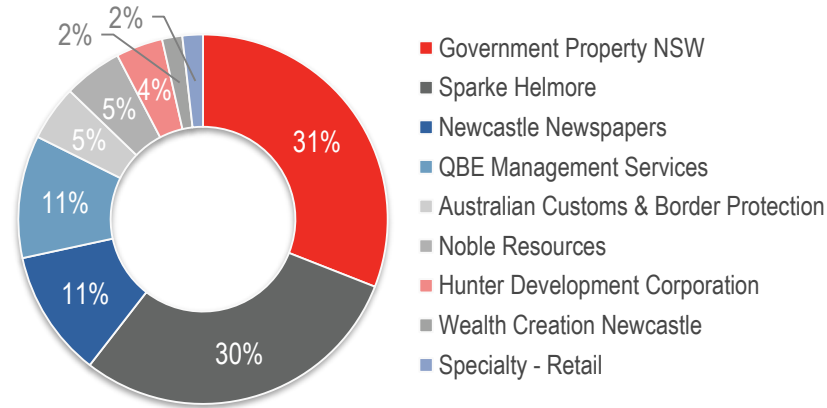
1. Calculated as total bank debt of \$15m divided by portfolio value of \$51.1m.

2. Calculated as FY19 distribution rate of 9.50 cents per unit divided by the last trading price in September of \$1.20.

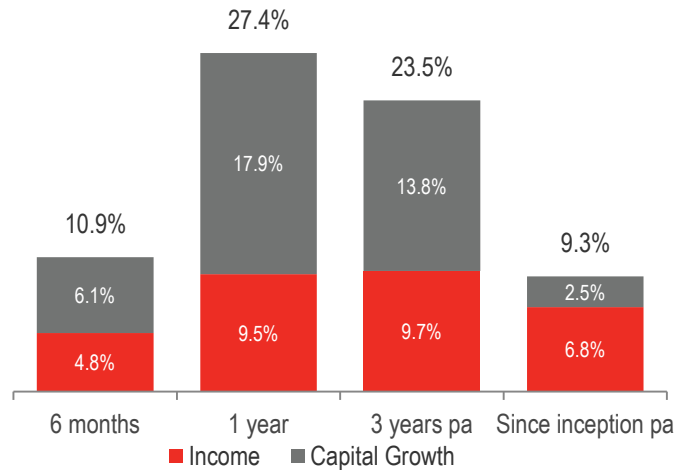


Fund Key Metrics

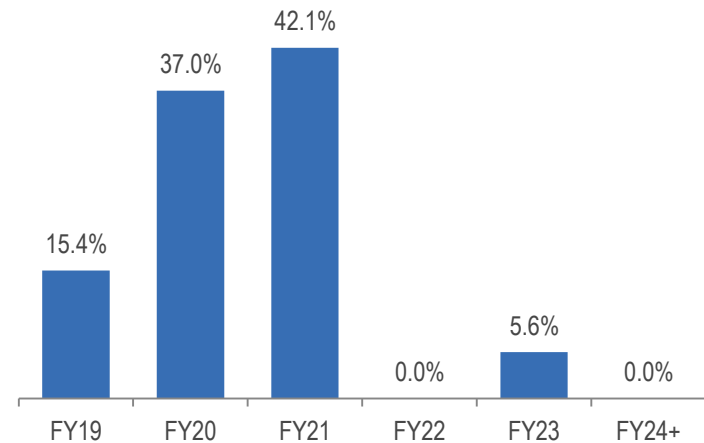
Tenant Profile by Income



Fund Total Return^(1,2)



Expiry Profile (by income)



1. Performance is based on original fully paid units at \$1.00. Past performance is not necessarily a guide to future performance.

2. Fund inception date of 28 October 2004.

Property 1 – 26 Honeysuckle Drive

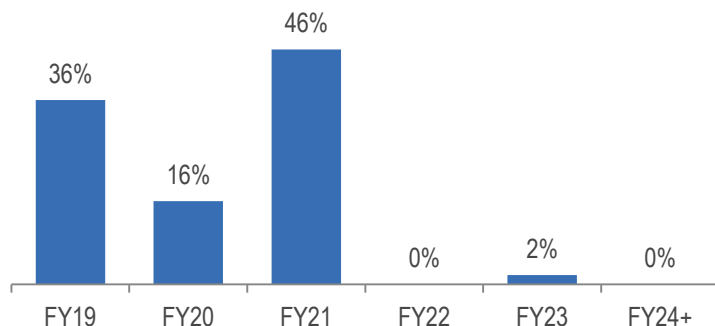
Overview

- Modern building within the Honeysuckle Precinct, located 1.5km to the west of the Newcastle City Centre
- Five commercial tenancies and two retail tenancies over seven storeys
- 80% of the rental income sourced from various NSW Government tenants
- WALE 1.45 years (by income) as at 30 September 2018
- 100% occupancy

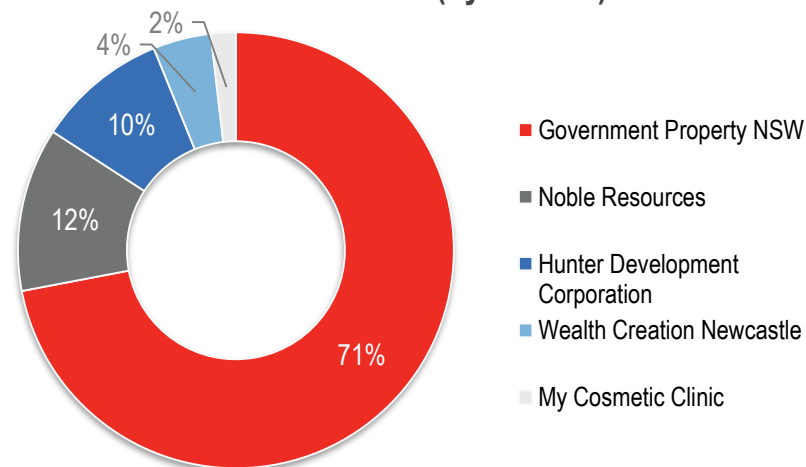
Valuation metrics as at 30 June 2018

Independent Valuation	\$21,900,000
Capitalisation rate	7.50%
Net Lettable Area	4,141 sq m
Valuation of NLA	\$5,289/sq m
Car parking	72 secured spaces
Net property income (annual)	\$1.76 million
Annual reviews	Fixed (3.50% – 5.00%)
Occupancy	100%

Expiry Profile (income)



Tenant Profile (by income)



Property 2 – 28 Honeysuckle Drive

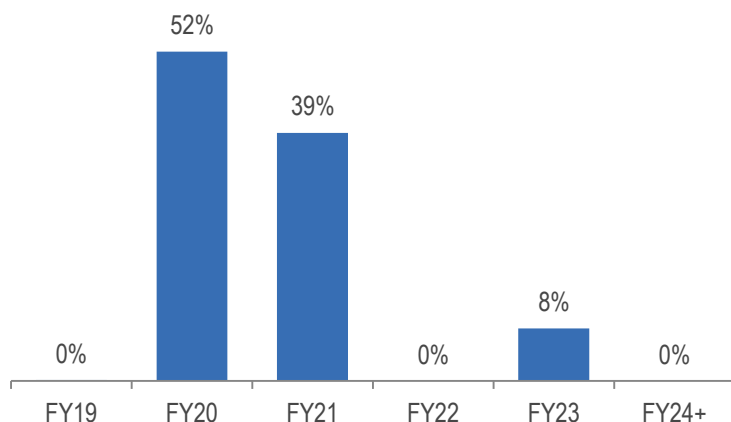
Overview

- Built in 2002, comprising seven storeys
- Five commercial tenancies, a single retail tenancy and a rooftop telecommunications tenancy
- 48% of the rental income sourced from a single tenant, who has been in occupation since the building was constructed
- WALE 1.81 years (by income) as at 30 September 2018
- Construction has begun on a number of capital expenditure projects to enhance tenant retention

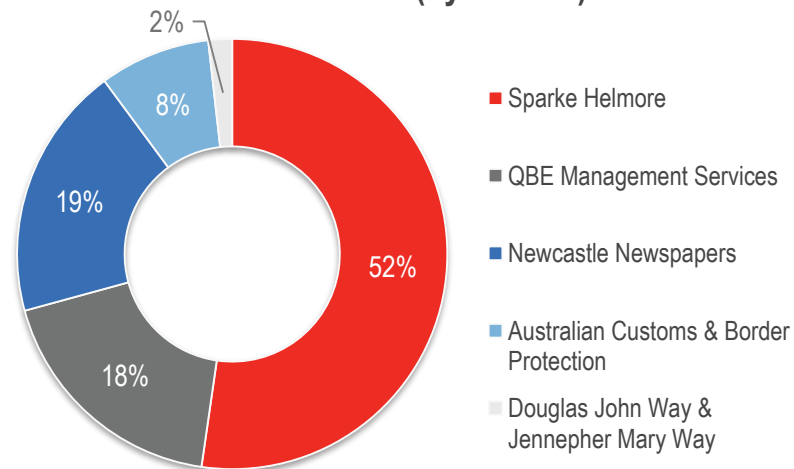
Valuation metrics as at 30 June 2018

Independent Valuation	\$29,200,000
Capitalisation rate	7.50%
Net Lettable Area	5,330 sq m
Valuation of NLA	\$5,478/sq m
Car parking	92 secured spaces
Net property income (annual)	\$2.40 million
Annual reviews	Fixed (3.50% – 5.00%)
Occupancy	100%

Expiry Profile (income)



Tenant Profile (by income)



Asset Management Update

- Energy efficiency improvements have continued over the past 12 months and a preliminary NABERS reading of 4.5 stars has been received
- Construction has begun on the foyer upgrades to both buildings along with the upgrade and expansion of the end of trip facilities. The works are due for completion in early 2019.
- Repainting of the external façades for both 26 and 28 Honeysuckle Drive has been completed.
- Major tenant, Government Property NSW, are undertaking a new fit-out to one level of their tenancy.
- Management continue to evaluate further opportunities to enhance the building amenity in order to improve tenant wellbeing and retention



Architect impression: Foyer – 28 Honeysuckle Drive



Architect impression: End of trip facilities

Ongoing Fund Strategy

- As outlined in our FY18 results presentation, the Board continues to target a liquidity event for the Fund as an alternative to units being sold via the National Stock Exchange (NSX).
- Since the last investor update, we have progressed the key Fund objectives including:
 - Enhance tenant retention and amenity by finalising the design and tender of the end of trip facilities and foyer upgrades with construction having commenced on both; and
 - Advanced a major tenant renewal within the building.
- Completion of the above noted initiatives are important steps in finalising our strategy to deliver the maximum value for investors in advance of providing investors with the proposed liquidity event.



Newcastle NSW

Additional Information

For additional information on the Fund including the audited financial statements for the year ended 30 June 2018, please visit the **APN** Property Group website at www.apngroup.com.au

Disclaimer

This presentation has been prepared by APN Funds Management Limited (ACN 080 647 479, AFSL No. 237500) (the "Responsible Entity") as the responsible entity and issuer of the financial products in respect of APN Regional Property Fund (ARSN 110 488 821). The APN Regional Property Fund is a direct real estate fund listed on the National Stock Exchange (NSX code: "APR"). Information contained in this presentation is current as at 30 September 2018. The information provided in this presentation does not constitute financial product advice and does not purport to contain all relevant information necessary for making an investment decision. It is provided on the basis that the recipient will be responsible for making their own assessment of financial needs and will seek further independent advice about investments as is considered appropriate. This presentation does not constitute an offer, invitation, solicitation or recommendation with respect to the subscription for, purchase or sale of any security, nor does it form the basis of any contract or commitment.

Except as required by law, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions, or as to the reasonableness of any assumption, contained in this presentation. By reading this presentation and to the fullest extent permitted by law, the reader releases the Responsible Entity and their respective affiliates, and any of their respective directors, officers, employees, representatives or advisers from any liability including, without limitation, in respect of any direct or indirect or consequential loss, damage, cost, expense, outgoing, interest, loss of profits or loss of any kind ("Losses") arising in relation to any recipient or its representatives or advisers acting on or relying on anything contained in or omitted from this presentation or any other written or oral opinions, whether the Losses arise in connection with any negligence, default or lack of care on the part of Responsible Entity or any other cause.

The forward-looking statements, opinions and estimates provided in this presentation are based on estimates and assumptions related to future business, economic, market, political, social and other conditions that, while considered reasonable by the Responsible Entity, are inherently subject to significant uncertainties and contingencies. Many known and unknown factors could cause actual events or results to differ materially from estimated or anticipated events or results reflected in such forward-looking statements. Such factors include, but are not limited to: operating and development risks, economic risks and a number of other risks and also include unanticipated and unusual events, many of which are beyond the Responsible Entity ability to control or predict. Past performance is not necessarily an indication of future performance. The forward-looking statements only speak as at the date of this presentation and, other than as required by law, the Responsible Entity disclaim any duty to update forward looking statements to reflect new developments. To the fullest extent permitted by law, the Responsible Entity makes no representation and gives no assurance, guarantee or warranty, express or implied, as to, and takes no responsibility and assumes no liability for, the authenticity, validity, accuracy, suitability or completeness of, or any errors in or omission, from any information, statement or opinion contained in this presentation.

The Responsible Entity or persons associated with it, may have an interest in the securities mentioned in this presentation, and may earn fees as a result of transactions described in this presentation or transactions in securities in APR.