



Fund overview

The APN Regional Property Fund is a fixed term, unlisted property fund that is due to expire in June 2024. The properties are located at 26-28 Honeysuckle Drive, Newcastle, New South Wales and comprises two A-grade commercial office buildings situated within the CBD. The Fund aims to provide Unitholders with sustainable distributions with the potential for income and capital growth from commercial property investments.

Manager's report

The planned liquidity event for investors in the APN Regional Property Fund was completed in April 2019 following a successful capital raising. In addition, and as outlined within the Product Disclosure Statement (PDS), an extraordinary general meeting was held on 28 May 2019 to delist the Regional Property Fund from the NSX and was approved by unitholders (99.3%). Trading resumed briefly on the NSX with the withdrawal of the Fund from the NSX occurring on 21 June 2019.

APN continues to deliver on its active asset management strategy by completing several capital expenditure projects including the end of trip facilities, foyer upgrades, bathroom upgrades and repainting of the external facade.

Following Sparke Helmore's eight year lease renewal on levels 6 and 7, and subsequent surrender of level 5 (1,000 sq. m) at 28 Honeysuckle Drive, APN has successfully leased 588sqm to Yancoal on a 10-year lease term. This leaves approximately 334sqm of level 5 vacant which our appointed managing agent Colliers are actively marketing.

Colliers, recently received notification from Property NSW that the Department of Transport, who occupy level 6, 26 Honeysuckle Drive, will be vacating the premises at expiry on 30 June 2019. We are pleased to advise that we have executed a heads of agreement with an ASX listed company to occupy the premises from 1 September 2019 on a 3 year lease term with a 2 year option. This is a positive outcome for the Fund, generating higher rental income, less downtime and leasing costs relative to the PDS forecasts.

There are two upcoming tenant expiries that APN are working through, including Bell Partners and Noble Resources, with the latter having a four year option period. We are pleased to advise that a heads of agreement has been executed with Bell Partners to extend their lease for a further 5 years, subject to negotiating lease renewal documentation.

Subject to both heads of agreement being successfully negotiated, the Fund's occupancy will increase from 88% to 96% as at 1 September 2019.

APN has completed base building works to improve the energy efficiency of the buildings and are seeking a minimum 4.5 star NABERS, however are targeting a 5 star rating. APN has engaged consultant WSP Global to finalise the official NABERS rating and advise on the necessary actions to achieve a 5 star rating if it is not attained initially.

The Fund's independent portfolio valuation was \$51.75 million as at 31 January 2019 and reflects a portfolio capitalisation rate of 7.25%. The Fund's gearing remains conservative at 33% however is expected to increase to 40% to cover the costs associated with the capital improvement works or tenant incentives as new leases are negotiated.



AT A GLANCE as at 30 June 2019

| | |
|--------------------------------------|--|
| NAV ¹ | \$1.4046 per unit |
| Unit price revaluation | Changes to Net Asset Value per unit are advised following the completion of the audited Annual and Half-Yearly financial reports |
| Property value | \$51.75 million |
| Borrowings (loan to value ratio) | 33% |
| Weighted Average Lease Expiry (WALE) | 3.3 years (by income) |
| Occupancy | 88% (96% if both heads of agreement are successfully negotiated) |
| Fund commenced | 28 October 2004 |
| Annual distribution | 10.04 cpu for FY19 increasing to 10.20 cpu for FY20 |
| Distribution yield ² | 7.00% for FY19 increasing to 7.10% in FY20 |
| Distribution payments | Quarterly |
| Sector allocation by value | Office: 100% |
| Geographic allocation (by value) | New South Wales: 100% |

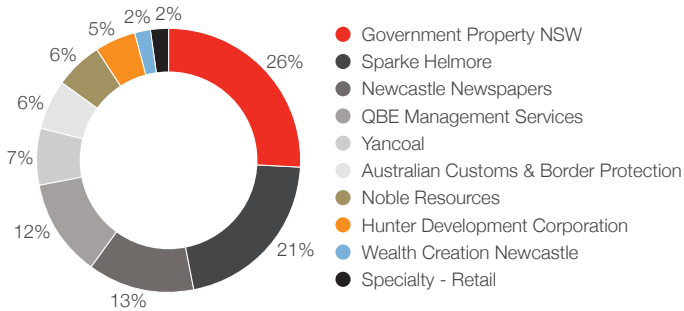
1. NAV based on the forecast within the PDS dated 4 February 2019. NAV as at 30 June 2019 will be finalised once the annual audited financial reports are complete.

2. Annualised distribution as forecast within the PDS dated 4 February 2019.

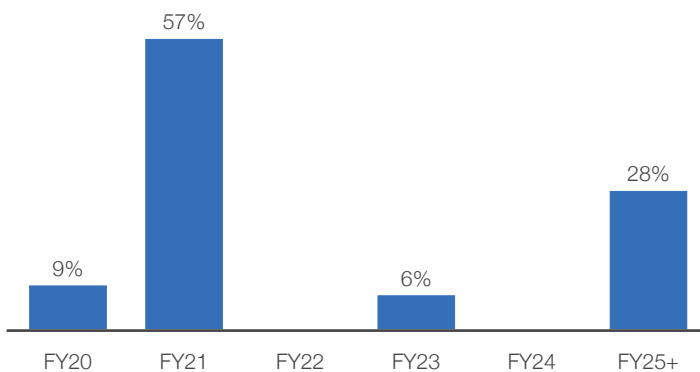
Since the successful recapitalisation of the Fund in April 2019, an annual distribution rate of 10.04 cents per unit (annualised, from 13 April 2019 to 30 June 2019) has been paid. In line with the PDS, and from 1 July 2019, the Fund will be paying an annual distribution rate of 10.20 cents per unit.



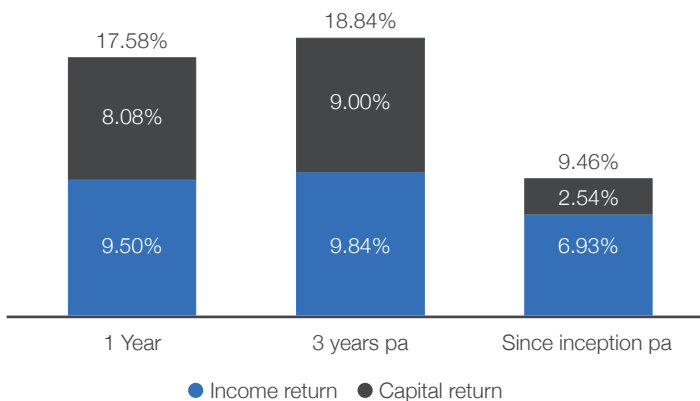
Income split by tenant



Expiry Profile by income



Total Fund Return³



3. Performance is based on original fully paid units at \$1.00. Past performance is not necessarily a guide to future performance. Fund inception October 2004.

Historical unit values

There is no defined unit price for the Fund. For your reference we have provided the historical Net Asset Value (NAV) per unit.

| Date | Net Asset Value (NAV) per unit |
|------------------------------|--------------------------------|
| 30 June 2019 | TBA |
| 4 February 2019 ⁴ | \$1.4046 |

4. NAV based on the forecast within the PDS dated 4 February 2019. NAV as at 30 June 2019 will be finalised once the annual audited financial reports are complete.

Important distribution details / dates

| | |
|------------------------|--|
| Distribution payment | Accruing at the end of each quarter ending September, December, March and June. Payment is made on the last day of the month (or next business day) following the end of each calendar quarter |
| Distribution statement | Dispatched at the time of payment above |
| Tax statement | Dispatched annually (by end of August) |

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 approximately \$2.8 billion (as at 31 December 2018) of real estate and real estate securities on behalf of institutional and retail investors. APN FM is an active investment manager with a concentrated focus on income, and has been investing on behalf of its clients in commercial real estate since 1996.

Investment team members

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