



## Fund overview

The APN Regional Property Fund (“Fund”) is a fixed term, unlisted property syndicate due to expire in June 2024. The properties are located at 26-28 Honeysuckle Drive, Newcastle, New South Wales and comprise 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.

## Manager’s report

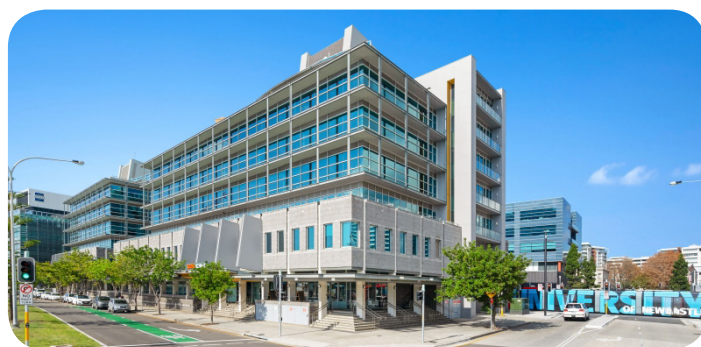
We hope all investors are keeping safe during these unprecedented times imposed as a result of COVID-19.

The Fund performed in line with the FY20 budget expectations, providing investors with a distribution yield of 7.27% (based on NAV) or 10.20 cents per unit. We are pleased to announce that, despite turbulent economic conditions, the distribution rate will be maintained for FY21.

Since the March update, we are pleased to report that a number of leasing outcomes have been achieved. Highlights include:

- A Heads of Agreement (HOA) has been executed with QBE that will see a twelve month lease extension granted on their current premises in 28 Honeysuckle Drive, before they move their entire operations across to 26 Honeysuckle Drive on a new seven year lease. This will increase their occupation from 1,000sqm to 1,500sqm as they consolidate their Newcastle operations into one building.
- As previously communicated to investors, Property NSW did not take up their five year option. APN have agreed a lease extension to 31 May 2021 for levels 4 and 5 with Property NSW, with QBE to move into this space after they vacate. Property NSW has also requested a short-term lease extension over their other two levels (levels 2 and 3), however APN has not yet agreed given we are dealing with a number of active lease requirements that could provide long term income security.
- As a result of COVID-19, we have provided rent relief to MJ’s Café and My Cosmetic Clinic. As part of the agreement the tenants have agreed to extend their leases by 6 years and 2 years respectively, thus improving the Fund’s cash flow in the medium to long term whilst providing short-term relief for their businesses.
- Newcastle Newspapers has given notice that they will be vacating their premises at lease expiry in November 2020. We are in advanced discussions with a replacement tenant to backfill this level, which is 1,000 square metres and represents approximately 12% of the Fund’s rental income. We remain optimistic of a positive outcome.

As a multi-let building, leasing and proactive asset management are ongoing and are critical to ensure we have an attractive proposition for tenants, whilst also generating an attractive income yield for investors. We are very pleased with the recent leasing activity, which is evidence our approach continues to be successful, and we remain focused on generating positive outcomes on the near-term expiries which equates to 53% of the Funds rental income.



### AT A GLANCE as at 30 June 2020

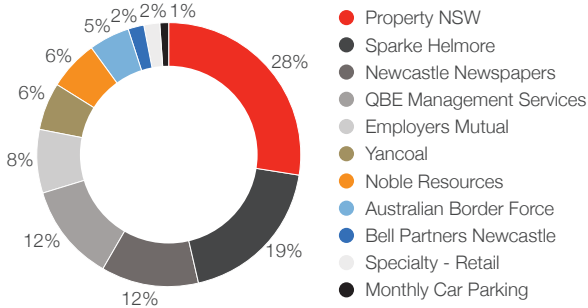
|                                      |  |
|--------------------------------------|--|
| Net Asset Value (NAV)                | \$1.4037 per unit  |
| Unit price revaluation               | Changes to Net Asset Value per unit are advised following the completion of the audited Annual and Half-Yearly financial reports |
| Property value                       | \$51.75 million  |
| Borrowings (loan to value ratio)     | 33.9%  |
| Weighted Average Lease Expiry (WALE) | 2.7 years (by income)  |
| Occupancy                            | 96.4%  |
| Fund commenced                       | 28 October 2004  |
| Annual distribution                  | 10.20 cents per unit   |
| Distribution yield (to NAV)          | 7.27%  |
| Distribution payments                | Monthly  |
| Sector allocation (by value)         | Office: 100%   |
| Geographic allocation (by value)     | New South Wales: 100%  |

An internal Director’s valuation was undertaken as at 30 June 2020. The valuation result, which has been adjusted for leasing outcomes listed above and future risk considerations, remains in line with the most recent independent valuation completed as at 31 January 2019. Gearing remains conservative at 34%, compared to the debt covenant of 55%, and the interest coverage ratio (ICR), which measures the Funds ability to service the interest expense, is at 5.8x, well below the debt covenant of 2.0x.

At 30 June 2020, the Net Asset Value (NAV) for the Fund is \$1.4037 per unit and is largely in line with that noted in the 31 December 2019 half year accounts of \$1.4062.



## Income split by tenant



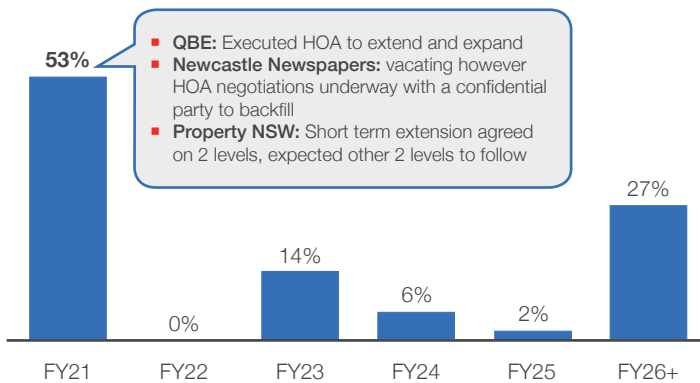
## Historical unit values

For your reference we have provided the historical NAV per unit.

| Date                         | NAV per unit |
|------------------------------|--------------|
| 30 June 2020                 | \$1.4037     |
| 31 March 2020                | \$1.3979     |
| 31 December 2019             | \$1.4062     |
| 30 September 2019            | \$1.4000     |
| 30 June 2019                 | \$1.3970     |
| 4 February 2019 <sup>2</sup> | \$1.4046     |

2. NAV based on the forecast within the PDS dated 4 February 2019.

## Expiry profile by income

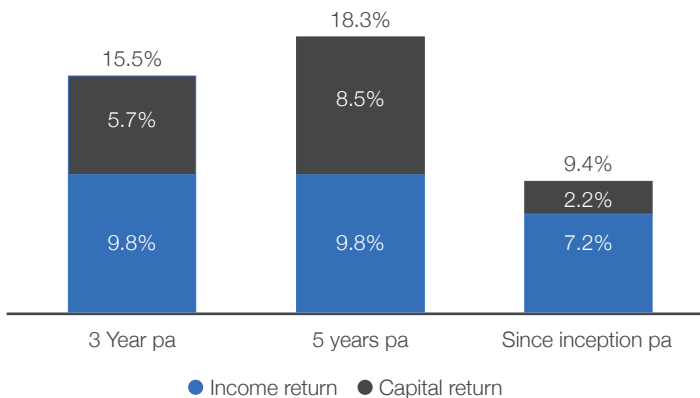


## Important distribution details / dates

|                        |   |
|------------------------|---|
| Distribution payment   | Accruing at the end of each month. Payment is made on the 10th day following month's end unless that day is a non-business day in which case the distribution will be paid on the following business day. |
| Distribution statement | Dispatched at the time of payment.  |
| Tax statement          | Dispatched annually (by end of August)  |

## Total Fund Return<sup>1</sup>

The Fund has delivered steady returns since its inception. The graph below reflects performance to the quarter end on 30 June 2020.



1. 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.

## 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 \$2.7 billion (as at 30 June 2020) of real estate and real estate securities on behalf of institutional and retail investors. APN 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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**Alex Abell** Head of Direct Property

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