



APN REGIONAL PROPERTY FUND INVESTOR PRESENTATION

4 FEBRUARY 2019

APN | Regional Property Fund

Important notices

IMPORTANT: you must read the following before continuing.

This presentation has been prepared by APN Funds Management Limited ACN 080 674 479 (also referred to as '**APN FM**', '**the Responsible Entity**', '**we**', '**us**' and '**our**') as the responsible entity of the APN Regional Property Fund ARSN 110 488 821, APIR Code APN1341AU (**Fund**). The APN Regional Property Fund is a direct real estate fund listed on the National Stock Exchange (NSX code: "APR"). APN FM is the holder of an Australian Financial Services Licence, AFSL Number 237500. APN FM is the issuer of the Product Disclosure Statement (**PDS**) dated 4 February 2019 and of units in the Fund (**Units**). APN FM is a wholly owned subsidiary of APN Property Group Limited ACN 109 846 068 (**APN**), a company listed on the ASX (ASX Code APD). However, APN is not the issuer of the PDS.

You should read the PDS in its entirety before making a decision about whether to invest in the Fund.

Summary information

This presentation contains summary information about the Fund's activities and is current as at 4 February 2019. The information in this presentation is a general background and does not purport to be complete or provide all information that an investor should consider when making an investment decision, nor does it contain all the information which would be required in a prospectus or a product disclosure statement prepared in accordance with the Corporations Act 2001 (Cth) (Corporations Act). It has been prepared by APN FM with due care but, to the extent permitted by law, no representation or warranty, express or implied, is provided in relation to the accuracy or completeness of the information. Statements in this presentation are made only as of the date of this presentation unless otherwise stated and the information in this presentation remains subject to change without notice. APN FM is not responsible for updating, nor undertakes to update, this presentation. It should be read in conjunction with the PDS and the Fund's other periodic and continuous disclosure announcements lodged with the NSX, which are available at www.nsx.com.au or on the Fund's website at www.apngroup.com.au.

Not financial product advice

This presentation is for information purposes only and is not a prospectus, product disclosure statement or other offer document under Australian law or the law of any other jurisdiction. This presentation is not financial product or investment advice, a recommendation to acquire New Units or accounting, legal or tax advice. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information contained in the PDS having regard to their own objectives, financial and tax situation and needs, and seek legal and taxation advice appropriate to their jurisdiction. In particular, in considering whether to invest in the Fund, investors should consider the risk factors that could affect the financial performance of the Fund. Some of the risk factors affecting the Fund are summarised in Section 10 of the PDS and the Key Risks section in this presentation. APN FM recommends that before making a decision to invest in the Fund, you consult your licensed financial adviser, accountant or other professional adviser. APN FM does not guarantee the success of the Fund, the repayment of capital invested in the Fund or any particular rate of return on an investment in the Fund.

An investment in the Fund does not represent a deposit with or a liability of APN FM, APN or any member of the APN Property Group. An investment is subject to investment risk, including possible delays in repayment and loss of income or capital invested. None of APN FM, APN, any member of the APN Property Group or any of their officers, advisers, agents or associates in any way guarantees the performance of the Fund nor any return of capital. APN FM and the Fund are not licensed to provide personal financial product advice in respect of its units. Cooling off rights do not apply to the acquisition of New Units.

Financial data

All dollar values are in Australian dollars (\$) or A\$) unless stated otherwise. Investors should note that this presentation contains forecast financial information, including a forecast balance sheet as at the intended Allotment date of the Units.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

Past performance

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of APN FM or the Fund's views on its future performance or condition. Investors should note that past performance, including past unit price performance, of the Fund cannot be relied upon as an indicator of (and provides no guidance as to) future performance including future unit price performance.

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This presentation contains certain forward-looking statements. The words "expect", "likely", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "propose", "will", "predict", "forecast", "target", "outlook", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions.

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Important notices (continued)

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Diagrams, charts, graphs and tables

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Investment risk

An investment in New Units is subject to investment and other known and unknown risks, some of which are beyond the control of APN FM and the Fund, including possible delays in repayment and loss of income and principal invested. APN FM does not guarantee any particular rate of return or the performance of the Fund, nor does it guarantee the repayment of capital from the Fund or any particular tax treatment. Persons should have regard to the risks outlined in this presentation.

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Advisers

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Statements made in this presentation are made only as at the date of this presentation. The information in this presentation remains subject to change without notice. APN FM reserves the right to withdraw the Offer or vary the timetable for the Offer without notice.

APN interests

APN FM, APN and their related entities may, subject to the law and acting as an investor on its own account (whether as sub underwriter or otherwise) or in another capacity, acquire Units and in that capacity may apply for, retain, purchase or sell on its own account those Units and may offer or sell such Units otherwise than in connection with the offer under the PDS. Accordingly, references in this presentation or the PDS to the Units being offered or allocated should be read as including any offering or allocation of Units to APN FM and any of its related entities acting in such capacity. Any offer or allocation of Units to APN and its related entities will be in accordance with all applicable laws, the allocation policy in respect of the Offer and APN's Conflicts of Interests & Related Party Transaction Policy.

Investor eligibility

Determination of eligibility of investors for the purposes of participation in the Rights Issue, Public Offer and Withdrawal Offer is determined by reference to a number of matters, including legal requirements and the discretion of APN FM in respect of the Fund. APN FM and the Fund disclaim any liability in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

Acceptance

By attending an investor presentation or briefing, or accepting, accessing or reviewing this presentation you acknowledge and agree to the terms set out in these important notices.

Investment highlights

The APN Regional Property Fund owns two A-Grade office buildings in Newcastle, NSW and is seeking to raise up to \$36.0 million from new and existing investors for a five year fund term (2024)

1

7.00% forecast initial distribution yield (FY2019)

- Income and growth potential including tax deferral of over 60%¹ in FY2019 and FY2020
- Fixed annual rent reviews of 3.00 – 4.00%

2

Attractive entry price

- 7.25% cap rate, \$5,493 per square metre of net lettable area, ~\$395 per square metre net rents: attractively positioned for growth
- No acquisition or stamp duty costs: issue price minimal 2.1% premium to net asset value

3

Well placed to continue outstanding occupancy track record

- 10 year average occupancy of 99% (currently 96.3%)
- Major building upgrades – foyers, state-of-the-art end of trip facilities, energy efficiency upgrades (est. 4.5 star NABERS rating)

4

Secure income from high quality tenant base

- 96% of income from Government and national corporate tenants
- Excellent tenant retention rates

5

33% gearing (debt to valuation)

- Significant debt headroom
- Flexibility for incremental capex

6

Gain exposure to Newcastle's growth

- Australia's strongest non-metro office market and seventh largest city – major investment destination
- Rents (eg \$395 per sqm vs \$825 per sqm) and values remain at substantial discounts to Sydney A-grade Office levels

7

APN Property Group experience

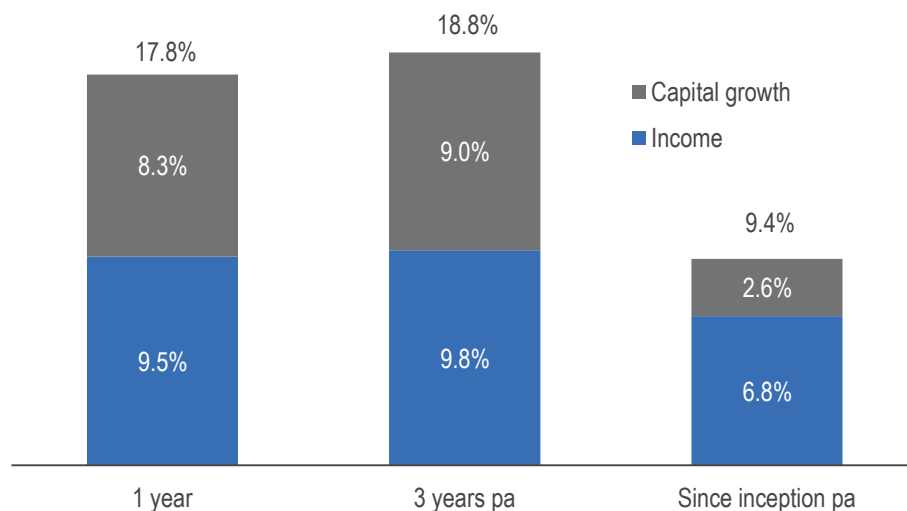
- 14 years experience in Newcastle, 20 years in commercial real estate
- Manages \$2.8 billion of investments through its independent responsible entity APNFM

1. The anticipated tax deferred has been calculated based upon either 50% of Existing Unitholders withdrawing from the Fund. For the year ended 30 June 2019 the anticipated tax deferred is only relevant for New Investors. Refer to the PDS dated 4 February 2019 for further information.

APN has a 14 year track record of successfully managing the portfolio

- Average occupancy of 99% over the past 10 years
- Strong history of tenant retention - 6 renewals over past 6 years and numerous second and third terms including Sparke Helmore's recent 8 year lease renewal
- 9.4% total return since inception including through global financial crisis
- Substantial recent asset management activity to ensure future competitiveness

Fund total returns¹



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.

PROPERTY OVERVIEW

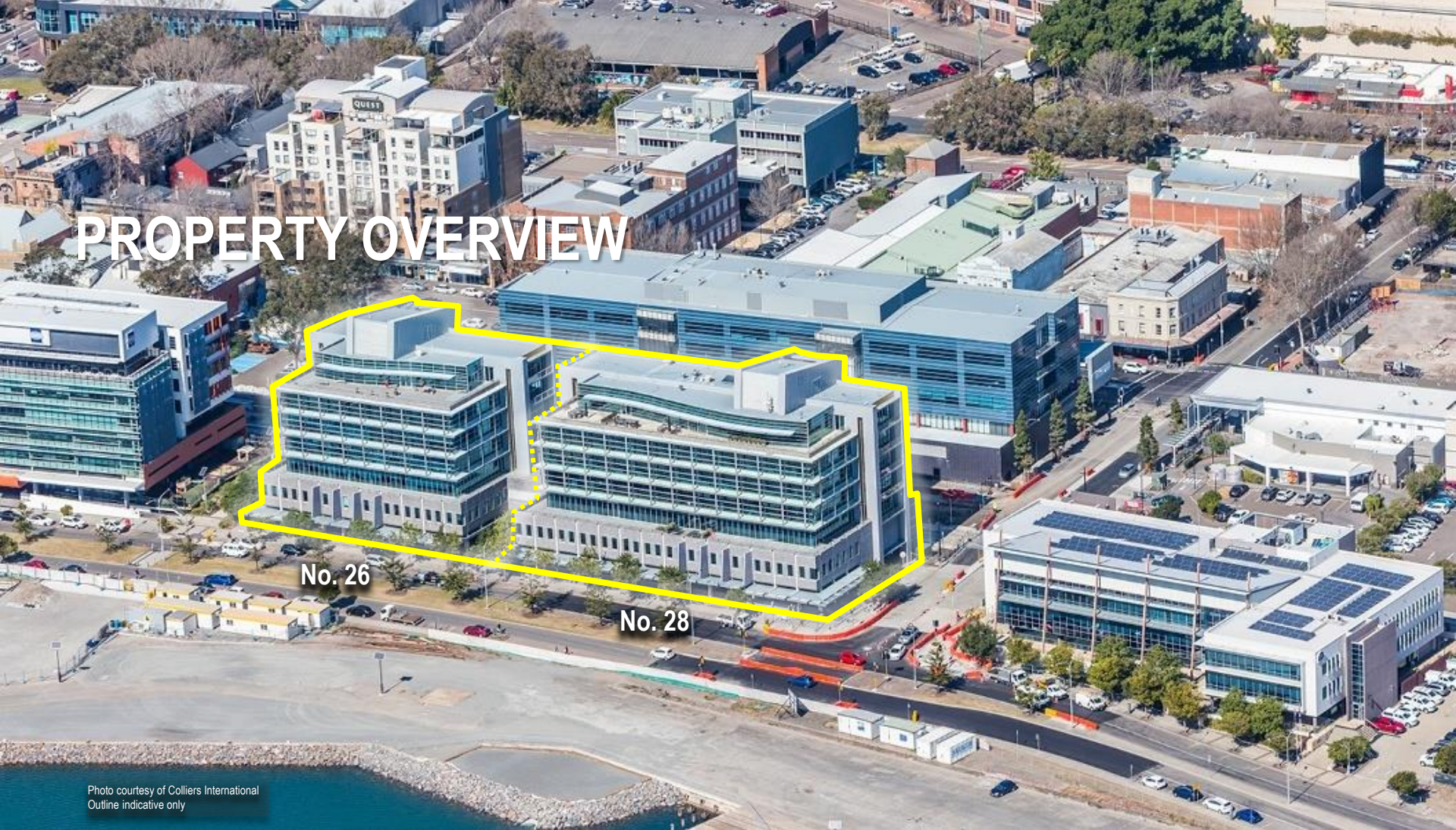
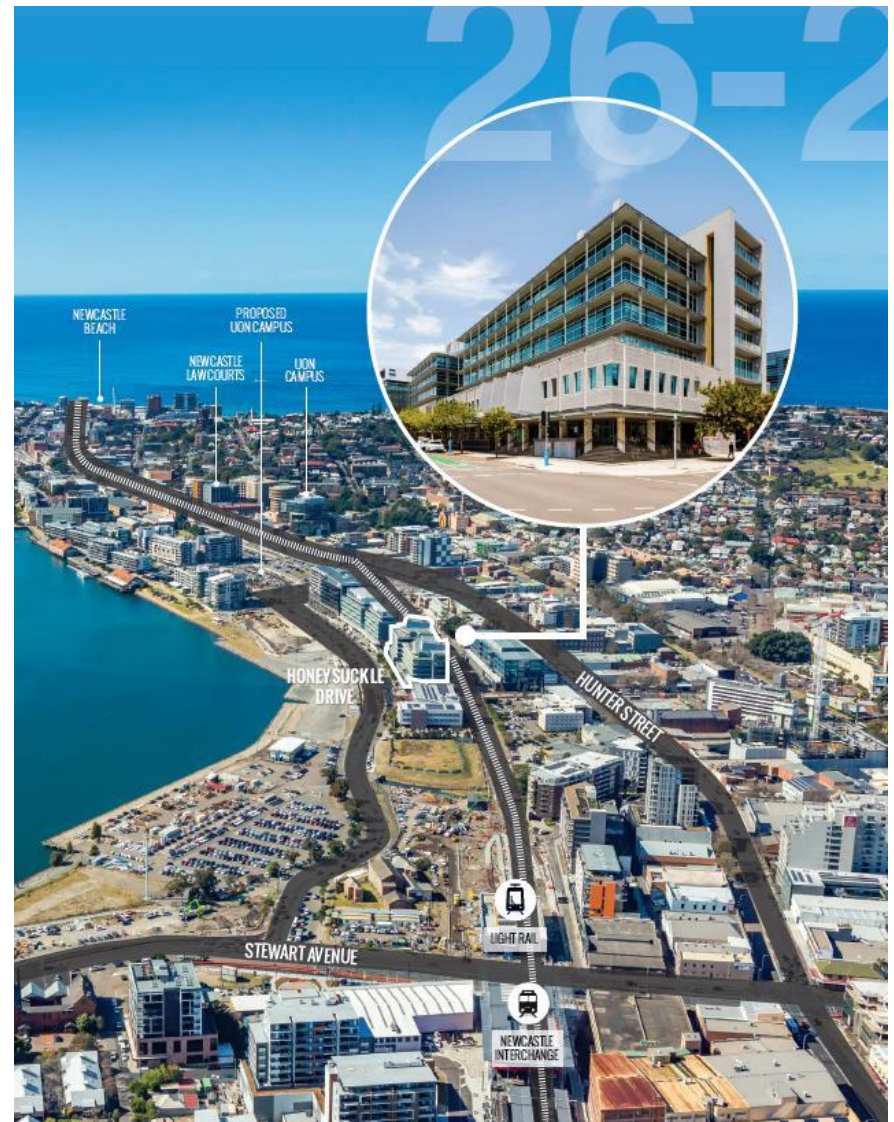


Photo courtesy of Colliers International
Outline indicative only

Property highlights

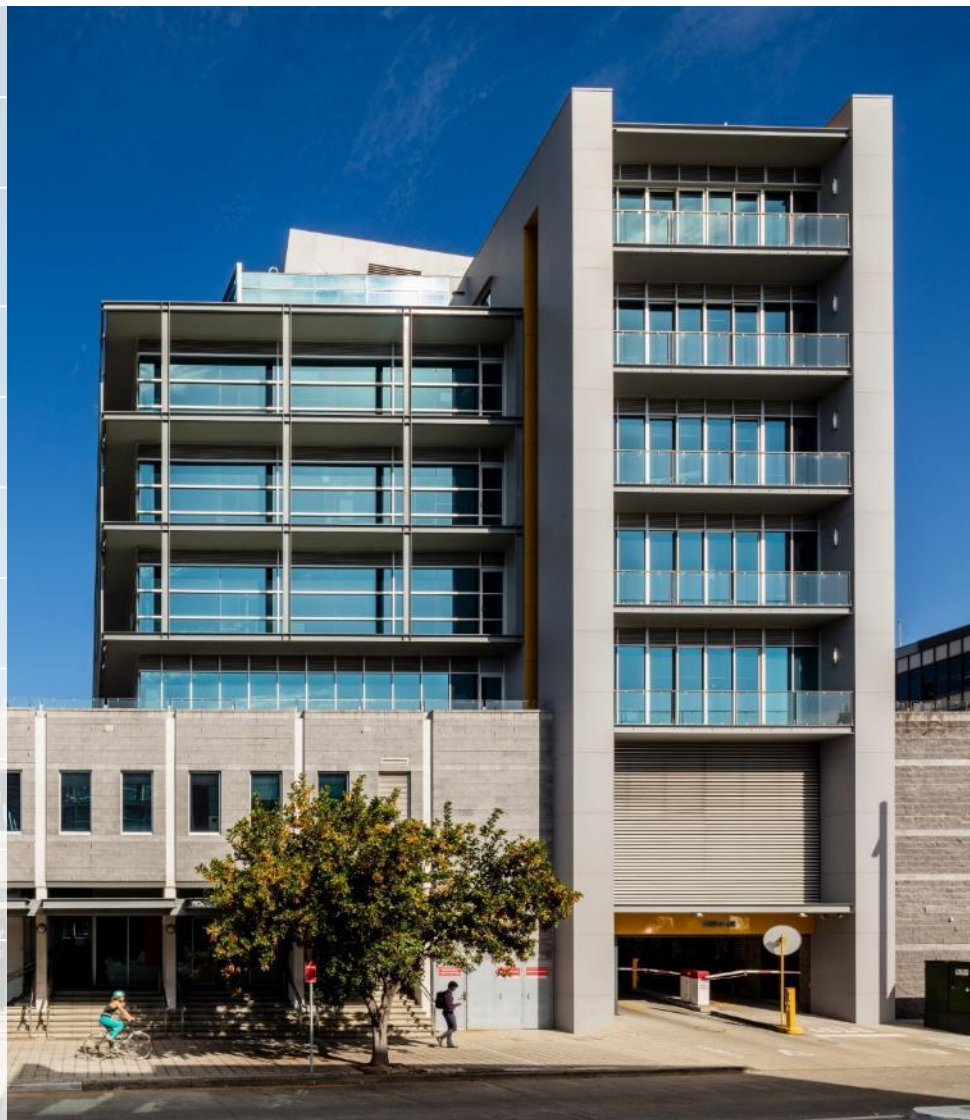
Conveniently located within the heart of Newcastle's CBD and features excellent public transport options and tenant amenity

- Properties occupy a flagship location within the Honeysuckle urban renewal precinct
- 'Honeysuckle Station' located directly behind the Properties
 - provides tenants with direct and convenient access to the light rail network
- 7 levels each building, connected via outdoor podium at level 3
- 3 levels of carparking – 164 secure spaces on site
- Each building serviced via a central core featuring two lifts that provide access to open, efficient and flexible floor plates
- 4.5 star NABERS rating (estimate)
- New end of trip facilities nearing completion

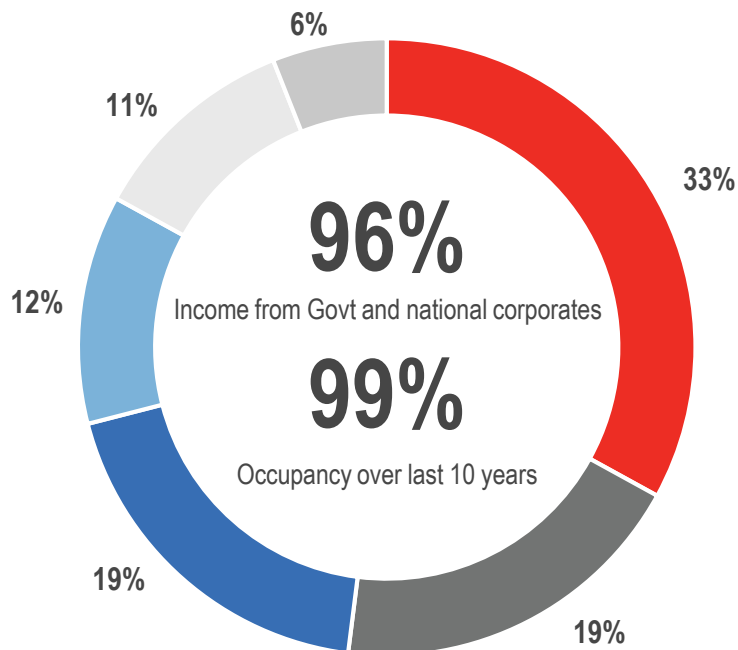


Property metrics

Independent Valuation	\$51,750,000
Title	Freehold
Valuation metrics	7.25% capitalisation rate and \$5,493/sqm of net lettable area
Property Type	A-grade office buildings
Zoning	B3 Commercial Core
Year Constructed	2002 and 2005
NABERS Energy Rating	4.5-Stars (estimated)
Occupancy	96.3%
Net Lettable Area	9,421sq m
WALE (by income)	3.2 years
Annual Reviews	Fixed 3.00% to 4.00%
Car Parking	164 secure car spaces



Secure income profile and excellent occupancy track record



Tenant profile (by passing income)

- Government Property NSW
- Sparke Helmore
- Other
- Newcastle Newspapers
- QBE Management Services
- Yancoal Aust Pty Ltd

Tenant	 Property NSW	 spARKE HELMORE LAWYERS	 Nine	 QBE	 YANCOAL 克煤澳大利亚有限公司
Description	Government	National law firm	Owned by Fairfax Media Ltd (subsidiary of Nine Entertainment)	Top 20 global insurance company	Australia's largest pure coal producer
Size / market capitalisation	AAA credit rated state government	800+ employees across Australia	~\$2.5 billion	~\$13.4 billion	~\$4.3 billion

Source: Company announcements and corporate filings

Asset enhancement program

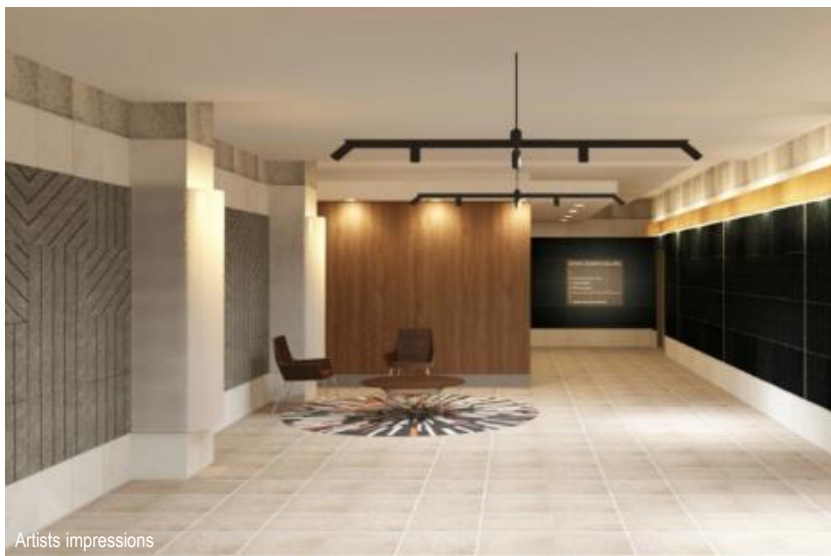
Program underway

Major \$2.4 million tenant amenity and asset enhancement program includes:

- New state of the art end of trip facilities (in progress)
- External repainting of the building's façade (completed)
- Upgrade to each of the building's entry foyer (in progress)
- Buildings energy efficiency upgrade works to achieve a minimum 4.5 star NABERS energy rating (completed)
- Ongoing upgrade program of bathroom facilities (in progress)

Expected benefits over short and longer term

- Enhance tenant retention and attract new tenants - reduces downtime and vacancy
- Delivers higher rents
- Offers high quality, modern and competitively priced space
- Achieving a minimum 4.5 star NABERS rating:
 - improves building operational efficiency and productivity
 - optimising tenants 'triple bottom line' objectives (financial, social and environmental outcomes)
 - lowering outgoings (makes space more cost competitive)



LOCATION AND MARKET OVERVIEW



Newcastle: a major growth centre

7th

Largest City in
Australia

Largest

Australian regional
economy¹

\$48.4b

Gross Regional
Product¹

651,610

people in the
Hunter Region

Photo courtesy of Colliers International

Outline indicative only

1. Hunter Region

2. Newcastle & Lake Macquarie Region, Department of Jobs and Small Business



Market overview

- Hunter Region GDP of \$48.4 billion pa, making it Australia's largest regional economy
- Newcastle 7th largest city in Australia
- Forecast employment growth of 8.1% from 2015 to 2020, with City of Newcastle population of 167k forecast to grow to 202k by 2041¹
- Over \$650 m government investment resulting in \$3 billion in CBD development activity

Significant infrastructure investment



- Light rail nearing completion in 2019
- Excellent amenity - major stop adjacent to property



- Williamtown Royal Australian Air Force (RAAF) approved for \$1.5 billion in Government Funding
- Upgrades to roads, buildings, runway and facilities for the new Joint Strike Fighter Fleet



- University of Newcastle new \$95 million development on Honeysuckle Dr for 3,000 students
- Japan based Nihon University new campus



- Newcastle Airport upgraded in 2017
- Passenger numbers forecast to increase from 1.3 million in 2017 to 2.6 million by 2036

Accessible from Sydney

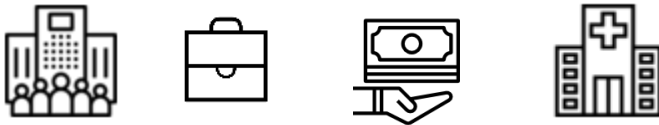


1. Source: ABS, REI NSW, Newcastle Regional Plan 2036

Market overview (continued)

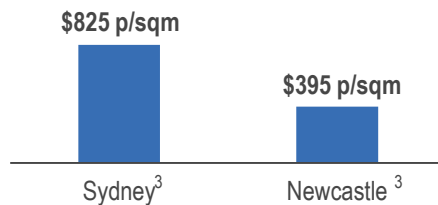
Strongest non-metro office market

- 4.26% lowest vacancy rate across A-grade office space
- Major tenants include: state and federal government, financial and insurance services, healthcare and professional services



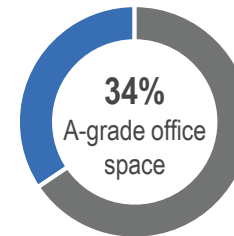
Strong tenant value proposition relative to Sydney

- Substantially lower than major CBDs
- Attractive lower occupancy costs



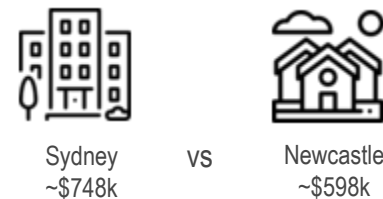
Established commercial office market

- ~105,000sqm A-grade office space¹
- ~306,000sqm total commercial office space¹
- 7.5% forecast employment growth to May 2023²



Attractive cost of living

- median house price³ \$598,000
- 25% lower than Sydney
- Excellent amenity to attract and retain employees



1. PCA forecast 1 January 2018

2. Newcastle & Lake Macquarie Region, Department of Jobs and Small Business

3. Net face rents - September 2018, Colliers International

4. Median house price as at October 2018

FUND AND TRANSACTION OVERVIEW

A photograph of a modern, multi-story office building. The building features a prominent glass facade on the upper floors, reflecting the sky, and a grey stone or concrete base. The ground floor has large windows and a covered entrance area. Several trees, including a large Norfolk Island pine in the foreground, are planted around the building. A few vehicles, including a white pickup truck and a white SUV, are parked on the street in front of the building. The sky is clear and blue.

Fund summary and investment metrics

Attractive forecast yield with conservative gearing and strong initial NAV underpin the Fund's upside potential

Fund summary	
Investment objective	To provide sustainable distributions with the potential for income and capital growth
Investment type	Australian registered managed investment scheme (unit trust)
Liquidity	To be considered illiquid, refer listing status for further information
Term	5 years Fund to be wound up if full liquidity event not provided by 31 December 2024
Listing status	Resolution to de-list to be proposed to investors (ordinary resolution requiring 50% of votes cast)
Investment metrics	
Total Offer amount (up to) ¹	\$36,000,000
Issue price	\$1.4346 per unit
NAV ¹	At least \$1.4046 per unit
Issue Price premium to NAV	2.1%
FY19 forecast Distribution Yield	7.00% pa
FY20 forecast Distribution Yield	7.10% pa
Tax Deferral ²	60% ² - 78% forecast FY2019, 64% ² - 69% forecast FY2020
Distributions	Quarterly
Initial gearing ³	33.4%
Target gearing ³ range	30% - 45%
Minimum investment	\$10,000 then \$2,500 increments

1. Assumes 100% of existing investors participate in the Withdrawal Offer.

2. The anticipated tax deferred has been calculated based upon either 100% or 50% of Existing Unitholders withdrawing from the Fund. For the year ended 30 June 2019 the anticipated tax deferred is only relevant for New Investors.

Ongoing Investors and exiting Investors may receive a separate annual tax statement with different tax components (Refer Tax Section 11.4 in the PDS for further details).

3. Calculated as Borrowings / Property valuation.



Offer structure, Liquidity Event and sources and uses

Offer structure

- Total Offer Amount of up to \$36.0 million at an Offer Price of \$1.4346 per New Unit comprising:
 - a Rights Issue to Eligible Unitholders of 9 New Units for every 11 Existing Units to raise up to \$31.0 million. Eligible Unitholders who take up their full Entitlement may also oversubscribe by applying for Additional New Units; and
 - a Public Offer to Retail and Wholesale investors for \$5.0 million plus any shortfall under the Rights Issue.
- New Units will rank equally from the date of issue with all other Units.
- The first distribution for the Fund following the Allotment Date will be for the period ending on the last day of the first calendar quarter following the Allotment Date.

Liquidity Event

- The transaction outlined including the Withdrawal Offer (**Liquidity Event**) are necessarily dependent upon capital market conditions (which vary from time to time) and investor demand at the relevant time of the capital raising.
- The transaction is currently not underwritten therefore APN FM cannot guarantee sufficient capital will be available to fund withdrawal requests.
- In the event there is insufficient capital available and the transaction does not satisfy withdrawal requests, it will not proceed and APN FM will implement an alternative such as a sale of the Fund's assets.

Sources and uses

- The size of the Total Offer Amount is subject to scale back under the Allocation Policy (as outlined in the PDS dated 4 February 2019) and will be determined by the number of Exiting Unitholders who participate in the Withdrawal Offer.

Sources of funds	\$ millions	Application of funds	\$ millions
Equity issuance proceeds (up to)	36.0	Withdrawal funding and transaction costs (up to)	38.6
Additional debt drawn	2.6	Working capital	1.1
Cash available	1.1		
Total sources of funds	39.7	Total Applications of funds	39.7

Indicative timeline

Key Items	Date
Public Offer opening date	4 February 2019
Record date	6 February 2019
Rights Issue and Withdrawal Offer open date	7 February 2019
Rights Issue closing date	25 March 2019
Withdrawal Offer closing date	25 March 2019
Public Offer closing date	Unless extended by the Responsible Entity, the earlier of 8 April 2019 and the date of the Total Offer Amount being allocated
Allotment date	Expected to be 12 April 2019

These dates are indicative only and subject to change. APN FM reserves the right to amend this timetable including the right to extend the latest date for receipt of Applications, subject to the Corporations Act. APN FM reserves the right to close the Offer early or withdraw the PDS and the Offer at any time, in which case Application Monies will be refunded to investors in full (with interest). Refer to the PDS dated 4 February 2019 for further information.



APN PROPERTY GROUP OVERVIEW



Overview – APN Property Group

Overview

**APN PROPERTY GROUP IS A SPECIALIST REAL ESTATE
INVESTMENT MANAGER:
COMMERCIAL PROPERTY**

Philosophy

PROPERTY FOR INCOME

Approach

**INVESTMENT
PERFORMANCE**



**OUTSTANDING
SERVICE**



Coburg Hill Shopping Centre, Coburg North VIC



Newcastle, NSW – APN Regional Property Fund

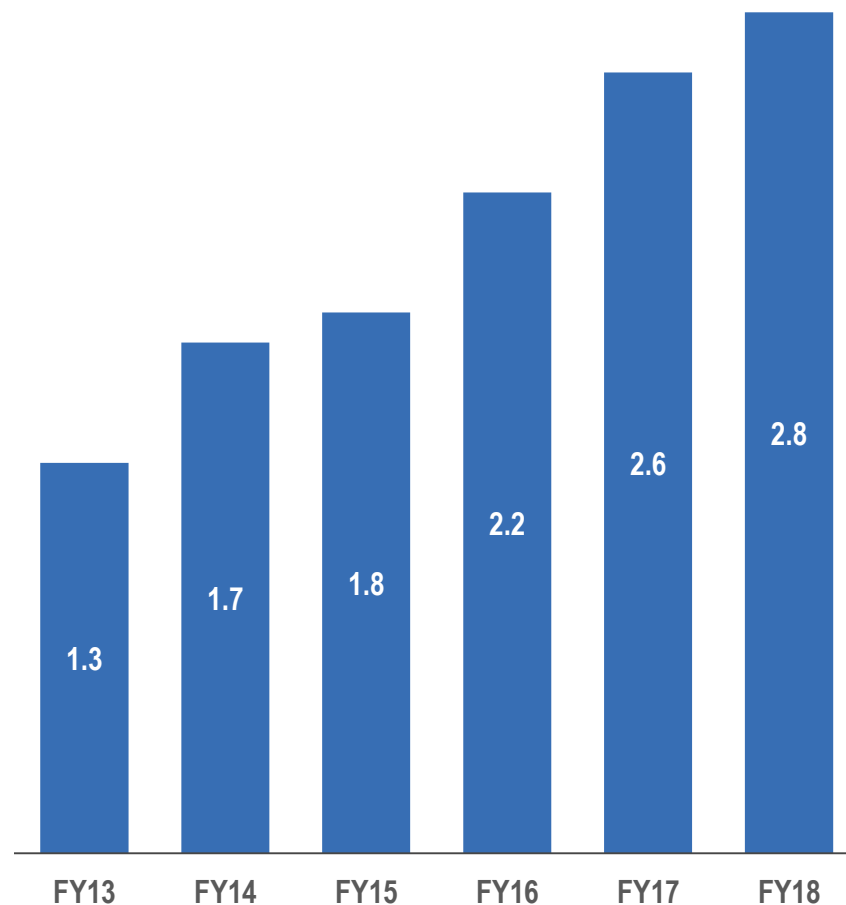


Puma Calliope, QLD – Convenience Retail REIT

Overview – APN Property Group

- Established 1996
- 11 Funds, 99 properties, \$2.8 billion assets under management
- 45 staff, headquartered in Melbourne
- Co-investment: over \$100 million manager equity co-invested
- Regulated by ASIC, ASX, independent trustee board
- Listed on Australian Securities Exchange (ASX: APD)
- Manager ~40% owned by Board and management
- Winner of multiple industry awards

Funds under management (A\$ billion)



Management team



Tim Slattery
Chief Executive Officer

- Over 14 years of experience across real estate, funds management, investment banking and law
- Previous roles at Herbert Smith Freehills and Goldman Sachs
- Real estate transactions of over \$2 billion
- BSc, LLB, MBA (London Business School)



Michael Groth
Chief Financial Officer

- Chief Financial Officer, APN Property Group
- Previously, over 7 years with KPMG Melbourne
- Over 3 years in London with various organisations including Abbey plc (Santander Group) and Ofgem



Tom Forrest
Fund Manager and
Head of Direct Property

- Over 15 years of property experience across institutional capital transactions, investment sales and property valuations.
- Previously worked at Savills and Vicinity Centres responsible for completing over \$5 billion in sales, acquisitions and joint venture establishments
- Bachelor of Business (Property), University of South Australia, Certified Practising Valuer (Associate of the Australian Property Institute), Agents representative licence



Joseph De Rango
Head of Business Development
and Corporate Finance

- Over 13 years' experience in real estate, funds management, corporate advisory and investment banking
- Previous roles at National Australia Bank and PricewaterhouseCoopers
- Experience having led and arranged equity and debt capital raisings, mergers and acquisitions and corporate restructures

APN has a team of 45 real estate investment professionals and established relationships across the Australian commercial property markets including access to the best and most cost effective local expertise where required

Governance

Board of Directors (APN Property Group Limited)

Independent / Non-Executive Majority



Chris Aylward
Non-Executive
Chairman

- Over 30 years experience in property and construction industry
- Founding director of Grocon Pty Limited
- Responsible for construction of commercial properties over \$2 billion



Howard Branchley
Independent
Director

- Over 30 years' experience analysing and investing in the sector
- Founded property research firm PIR
- Established APN's Funds Management business
- Non-Executive Director of National Storage REIT



Clive Appleton
Independent
Director

- Over 30 years experience in property and funds management
- Former CEO of Centro, AV Jennings and Gandel Group
- Non-Executive Director Gandel Group, Aspen Group, Arrow International and Perth Airports Corporation



Tony Young
Independent
Director

- Over 30 years' experience analysing and investing in the sector
- Director of Morningstar Australia
- Co-founder of Aspect Huntley
- Co-owner of Timebase Pty Ltd



Tim Slattery
Chief Executive
Officer

- Over 14 years of experience across real estate, funds management, investment banking and law
- Previous roles at Herbert Smith Freehills and Goldman Sachs
- Real estate transactions of over \$2 billion

Independent Responsible Entity – APN Funds Management Limited

Independent Responsible Entity Board



Geoff Brunsdon AM
Independent
Chairman

- Chairman since April 2012 and a Director since 2009
- Over 25 years experience in investment banking
- Until June 2009 he was Managing Director and Head of Investment Banking of Merrill Lynch Australia



Michael Johnstone
Independent
Director

- Over 40 years' experience global business experience in chief executive and general management roles
- Currently non-executive director of the Responsible Entity of the listed Folkestone Education Trust and the Folkestone Social Infrastructure Fund



Jennifer Horrigan
Independent
Director

- Over 25 years' experience across investment banking, financial communications and investor relations
- Most recently Chief Operating Officer in Australia of the independent investment bank Greenhill & Co
- Currently a director of QV Equities



Howard Branchley
Independent
Director

- Over 30 years' experience analysing and investing in the sector
- Founded property research firm PIR
- Established APN's Funds Management business
- Non-Executive Director of National Storage REIT

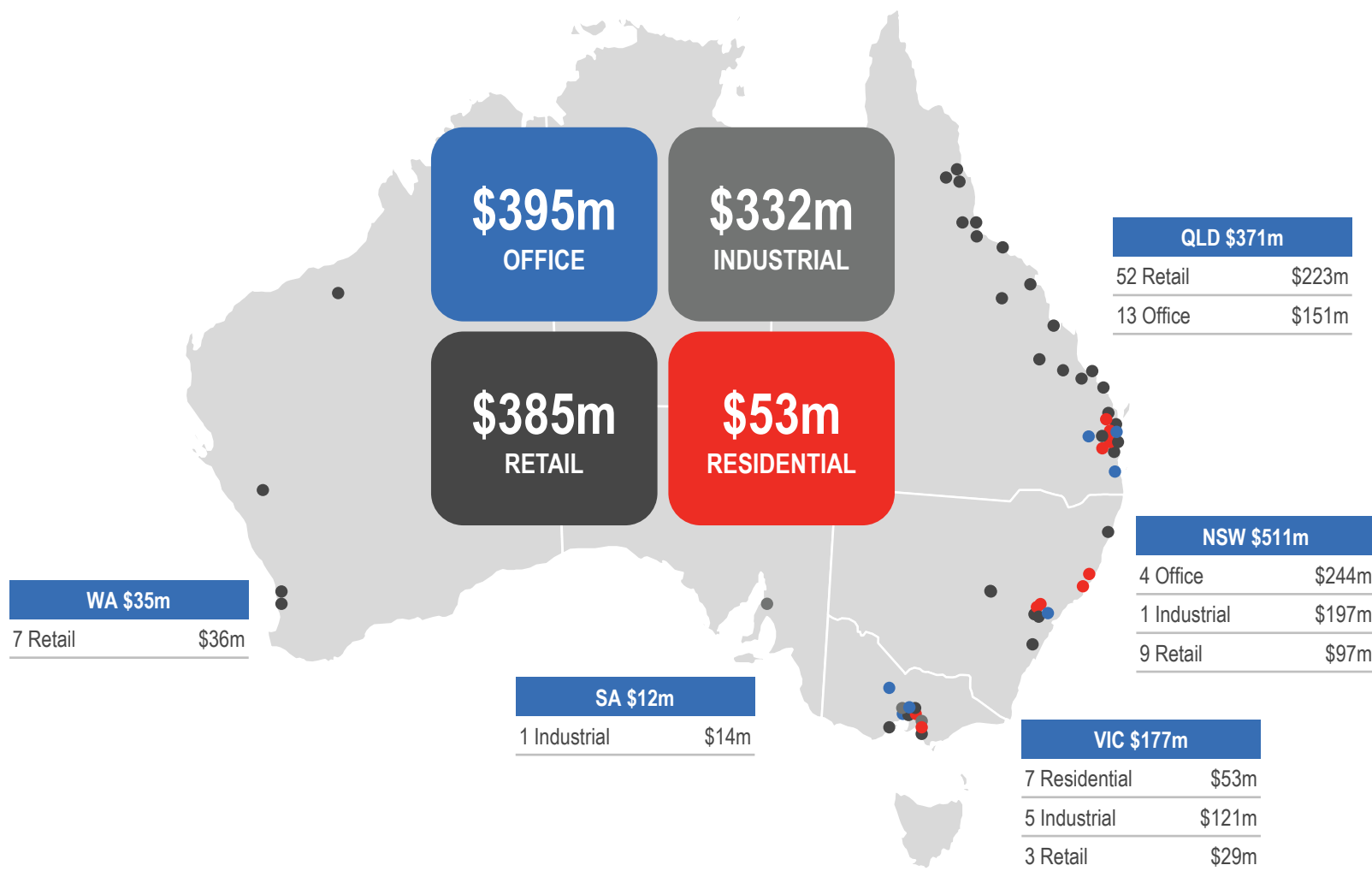


Michael Groth
CFO & Alternate
for Howard Branchley

- Chief Financial Officer, APN Property Group
- Previously, over 7 years with KPMG Melbourne
- Over 3 years in London with various organisations including Abbey plc (Santander Group) and Ofgem

Property platform with scale and multiple capabilities

\$1.2 billion of properties across platform (at 30 June 2018)





KEY RISKS

Key risks

1.0 Overview

This section discusses some of the risks associated with an investment in the APN Regional Property Fund (**Fund**). The Fund's business is subject to a number of risk factors both specific to its business and of a general nature which may impact its future performance and forecasts. Before subscribing for New Units, prospective investors should carefully consider and evaluate the Fund and its business and whether New Units are suitable to acquire having regard to their own investment objectives and financial circumstances and taking into consideration the key risks, as set out below and in the Product Disclosure Statement dated 4 February 2019.

As with all investments, an investment in the Fund will be subject to risks, some of which are outside the control of the Responsible Entity and the Directors. If these risks eventuate, forecast returns to investors may not be achieved and distributions may be reduced or suspended and/or the capital value of the Fund may be reduced.

All investments are subject to varying degrees of risk and generally go up, as well as down, in value. Asset classes perform differently at different times and have different risk characteristics and volatility. Generally, the higher the expected return of an investment, the higher the risk. When you consider an investment in the Fund, you should consider your personal risk tolerance. The Responsible Entity does not guarantee the income or the return of capital to investors.

The Responsible Entity has identified the key risks below which should be considered before choosing to invest in the Fund. This section does not purport to be a comprehensive summary of all of the risks related to an investment in the Fund. It is the Responsible Entity's current opinion that the following are key risks of an investment in the Fund:

- **general risks** – including that the economy and market conditions may affect asset returns and values;
- **real estate risks** – including the risk that property values decline and the risk that there is a decrease in Fund income; and
- **fund risks** – including the limitations on the liquidity of your investment, investment time horizon, gearing, diversification risk and the risk that additional transaction costs may be levied.

These risks are outlined in detail below. You should read the PDS in full before deciding whether to invest and consider consulting your financial adviser, stockbroker or other professional advisers should you require advice or clarification.

As well as considering the risks below, you should also consider how an investment in this product fits into your overall investment portfolio.

2.0 General risks

General risks that may affect the future performance and/or capital value of the Fund include:

- a downturn in the Australian and/or global economy in general;
- interest rate and inflation fluctuations;
- legislative changes (which may or may not be retrospective), including in relation to laws, taxation, regulatory, government policy and accounting standards; and
- natural disasters, including earthquakes, social unrest, terrorist attacks or war in Australia or overseas.

3.0 Real estate risks

These are risks that relate specifically to a direct investment in real estate:

3.1 Valuation and sale

The value of a Property is influenced by many factors including supply and demand, capitalisation rates, rentals, lease terms, tenants in occupation, property markets and economic conditions that exist at the time of valuation and/or sale. There is no guarantee that a property valuation will not fall as a result of assumptions upon which the relevant valuation is based upon proving to be incorrect or that a Property will achieve a capital gain on sale.

3.2 Revenue

The Fund's forecast income is largely dependent on tenants paying rent in accordance with agreed contractual terms. There is a risk that if these contractual terms are breached, rental demand or rental renewal rates fall or tenant incentives rise, the Fund's income may fall and/or increased costs may be incurred on re-leasing vacant space and/or pursuing enforcement action. Where there is an adverse change in sentiment toward the property such that it is unable to maintain or renew its existing leases on expiry, the income of the Fund will be lower than forecast and the value of the property will probably be affected. Should such events occur, an adverse effect on the income and/or capital value of the Fund may result.

3.3 Property liquidity

Direct real estate assets are, by their nature, illiquid assets. It may be difficult for the Responsible Entity to dispose of the Portfolio upon the winding up of the Fund or other realisation of the Portfolio in a timely manner or at its optimal sale price. This could affect the timing and/or net proceeds available for return to Unitholders when the Fund is wound up.

Key risks (continued)

3.4 Capital expenditure

There is a risk that capital expenditure could exceed forecast allowances and as such monies would need to be borrowed or retained by the Fund, result in either higher than forecast interest costs or a temporary reduction in distributions for the duration of the capital expenditure project.

3.5 Force majeure events

There is a risk that force majeure events, such as natural phenomena and terrorist attacks, may affect properties and that insurance is not available to cover those losses. Should such an event occur, a loss will result which will have a negative impact on the income and/or capital value of the Fund.

4.0 Fund risks

These risks relate specifically to an investment in the Fund:

4.1 Liquidity

The Fund is currently listed on the NSX. Investors may transfer their Units on the NSX (NSX code: APR), however, based on market and investor feedback, APN FM intends to put a resolution to investors in the Fund to delist the Fund from NSX. APN FM is committed to provide investors with a further liquidity opportunity, the process for which will have commenced by 30 June 2024, based on a price for the Units calculated by reference to NAV. This will allow existing investors the opportunity to either redeem their Units or continue their investment within the Fund (subject to the level of redemption requests).

4.2 Investment timeframe

APN FM will target commencement of preparations for the next liquidity event by 30 June 2024, and intend to provide Unitholders a liquidity option at a price based on NAV. For such time as the Fund remains listed, this liquidity option will be in addition to the ability to transact their Units through the NSX. For investors that do not transact their Units through NSX, a liquidity option may not be provided until this time, and subject to any delay. There is a risk that market conditions could materially change over the five year period leading to the intended liquidity event around 2024, and that the value of the Portfolio could be adversely affected, which would impact the price offered for Units under the liquidity option, as this price will be based on NAV. If a liquidity event has not been provided by 31 December 2024 which presents an opportunity for investors to realise their full investment, APN FM will take steps to realise the Portfolio and wind up the Fund.

4.3 Property Acquisitions

The Responsible Entity may seek investment opportunities, where appropriate, in accordance with the Fund's Investment Mandate. Whilst the Portfolio supports the Responsible Entity's current forecast distribution yield for the Forecast Period, there is no guarantee that future properties will be able to be acquired on terms which achieve these forecast returns.

4.4 Leverage and interest rate exposure

The Fund is a geared investment product, which increases the potential for capital gains and losses. Changes in interest rates and the availability and cost of finance during the term of the Fund will affect operating cash flows and therefore the amount of cash available to pay distributions. As with any geared investment, a fall in the value of the Property Portfolio or its net property income could result in a breach of a debt covenant. If there is a breach of a debt covenant, the financier may be entitled to enforce its security against the Property Portfolio which, amongst other things, may allow the financier to sell properties at a time or in circumstances that may not be optimal in realising a Property's maximum value.

4.5 Refinancing risk

The Fund has secured a credit approved extension to its existing debt facility, the term of which continues until February 2022 (subject to another event occurring which triggers termination). On its expiry, the financier has no obligation to roll over the debt facility on the same terms and conditions and there is no certainty that alternative sources of finance, on comparable terms, will be available. The availability, cost, terms and conditions of finance will be dependent on the circumstances that exist in credit markets and with the Properties at the time of any refinance event. If the debt facility is not able to be renewed, the Responsible Entity may be forced to sell the Properties at a time or in circumstances that are not optimal in realising their maximum value in order to repay the financier.

There is also a risk that interest rate hedges may not be available on the same terms upon extension or refinancing, or when new hedging strategies are sought.

4.6 Legal and counterparty risks

The Fund may, in the ordinary course of business, be involved in possible litigation and disputes (for example, tenancy disputes, environmental and occupational health and safety claims, industrial disputes and legal or third party claims). A material or costly dispute or litigation may adversely affect the income or capital value of the Fund. The Fund is not a party to any current litigation.

The Fund has entered into, and may in the future enter into, legal and contractual arrangements in respect of procuring the development, acquisition or sale of the assets comprising the Portfolio and the Fund's operation, including property management arrangements, debt financing arrangements and tenancy arrangements. Should a counterparty fail to perform its obligations under these agreements, the Fund may be adversely affected.

Key risks (continued)

4.7 Diversification

Generally, the more diversified a portfolio, the lower the impact that an adverse event affecting one property or lease will have on the income or capital value of an investment in the Fund. The Fund currently owns two commercial office properties located in Newcastle, NSW that are leased to a variety of government and national corporate tenants and so is not diversified by investment class, geographic location or exposure to different property sectors. Accordingly, there may be a negative impact on the income and/or capital value of the Fund if, amongst other things, there is an adverse change in the Newcastle commercial office market.

4.8 Investment return

Neither the performance of this investment nor the repayment of Unitholder contributions subscribed is guaranteed. The tax deferred component of distributions will depend on the Fund satisfying various requirements. If the Fund does not satisfy these requirements, the tax deferred component of the distribution could be materially less. Changes to taxation laws may result in changes to the tax deferred component of distributions from the Fund.

4.9 Risk of significant duty liability

Any significant changes in the Unitholder register could give rise to significant duty liabilities for the Fund under the duty legislation of the various states and territories of Australia. For this reason, Unitholders are only permitted to transfer their Units to a third party in accordance with the terms of the Constitution and Listing Rules, and transfers will not be effective until registered by the Responsible Entity.

In certain circumstances, the Fund may be liable for a significant duty liability. In particular, the Fund would incur a significant duty liability if any one unitholder, together with its associates, acquired units entitling them to 90% or more of the property that would be distributed in the event that all of the property of the Fund was distributed. If the duty liability were to be enforced against the Fund and the Fund was not able to recover the liability (from a Unitholder who had dealt with its Units in a manner giving rise to the liability, or otherwise), it would have an adverse effect on the income and/or capital value of the Fund for those Unitholders remaining in the Fund.

4.10 Legacy risk

The Fund previously owned several regional retail assets (**Previous Assets**) which included:

- Parks Shopping Centre, Parkes NSW
- Greenpoint Shopping Village, Gosford NSW
- Grafton Mall, Grafton NSW

In 2009, 2013 and 2015 the Fund divested the Previous Assets to third party purchasers, pursuant to binding contracts of sale. While APN FM's liability (as RE of the Fund) was limited under the sale contracts in respect of what APN FM regards to be key risks in transactions of that type, there is a risk that the purchasers of the Previous Assets, or third parties, could make a claim against the Fund for a liability in relation to the Previous Assets. If such a claim were made, it may result in the Fund incurring legal fees to defend its position and/or incurring a liability to satisfy the claim. As at the date of the PDS, however, APN FM has received no notice of any such claims and is not aware of any facts or grounds that could give rise to such a claim.

4.11 Risk under Bank Facility

As set out in section 5.8 of the PDS, APN FM, as responsible entity of the Fund, has taken out the Bank Facility. As is customary for facilities of this nature, the Bank Facility contains undertakings, warranties and covenants, and a breach of these terms could constitute an event of default under the Bank Facility. There are circumstances in which such an event of default could be affected by factors outside the control of APN FM (for example, the loan to value ratio could be negatively impacted by a reduction in the valuation of the Properties). If an event of default under the Bank Facility were to occur, the financier could demand immediate repayment of the monies loaned to the Fund, together with interest. There is a risk that, if the financier's consent to the issue of Units under the PDS cannot be obtained, the issue of Units would constitute an event of default under the Bank Facility. If the Responsible Entity forms the view that such an event of default would be likely to arise if the Units were issued, the Responsible Entity may withdraw the PDS and the Offer or extend the Allotment Date.

4.12 Taxation risks

The information in PDS assumes that the Fund will continue to be treated as an Attributed Managed Investment Trust (**AMIT**). If the Fund is an AMIT, the Responsible Entity has the ability to attribute tax components to investors on a fair and reasonable basis that is consistent with constituent documents of the Fund. In the 2019 income year, the Responsible Entity intends to attribute tax components to new investors based upon tax calculations for the period following completion of the Offer and to exiting and continuing investors based upon tax calculations pre and post completion of the Offer. If the fund no longer qualifies as an AMIT as a result of the Offer (e.g. the Fund no longer satisfies the widely held and not closely held requirements or its activities change as a result of the Offer) the benefits of the AMIT regime may be lost.

It is also assumed that the Fund will be treated as a "flow-through" entity for Australian income tax purposes such that the net income of Fund will be taxable in the hands of the Unitholder. However, the Fund would lose this "flow-through" status if:

- there was a legislative change which removed the "flow-through" status of property trusts; or
- the Fund engaged in activities which lead to it being taxed on its net income at the corporate tax rate for Australian income tax purposes.

Key risks (continued)

Depending on a Unitholder's individual circumstances, a loss of the "flow-through" treatment by the Fund may adversely affect the after-tax investment returns. In addition, the taxation treatment for Unitholders is dependent upon the tax law as currently enacted in Australia. Changes in tax or stamp duty law or changes in the way tax or stamp duty law are expected to be interpreted in Australia may adversely impact the Fund's returns, the distributions made to Unitholders or the taxation outcomes outlined in Section 11 of the PDS.

4.13 Disposal of properties and CGT implications

The Offer will not reset the tax cost base of the Properties to market value. The tax cost base of the Properties will remain significantly below the current market value of the assets (Initial CGT).

If the Fund disposes of one or more of the Properties, its taxable gain or loss for tax purposes will be calculated having regard to the difference between the sale price and the tax cost base of those Properties regardless of the market value of the Properties.

Further, if the tax cost base of the Properties is further reduced (whether that change is due to a change in law, tax depreciation deductions or due to a change in the tax cost base of the Fund), the taxable gain or loss on any disposal would be calculated by reference to that adjusted tax cost base. A lower tax cost base (for any reason) would result in the taxable gain on a future disposal of the properties being higher, which may adversely impact after-tax returns of investors in the Fund.

However, should the Fund be terminated and wound up in the same tax year as the Properties are sold and the net proceeds attributed to Unitholders, the cancellation of units acquired under the Offer should give rise to a CGT loss equal to the Initial CGT exposure before taking into account the tax implications of distributions paid on the Offer units.

4.14 Tax deferred distributions and tax depreciation

As the Offer will not reset the tax cost base of the Properties to market value for tax depreciation purposes, this may impact the amount of tax deferred distributions the Fund can distribute in future periods, which may adversely impact after-tax returns of investors in the Fund.

Contact details

Contact and further information

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