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23 May 2012

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4, Exchange Centre
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

APN introduces a permanent liquidity solution for APN Property for Income funds

APN Property Group is pleased to announce the introduction of a permanent liquidity solution for those investors wishing to withdraw funds from APN Property for Income Fund and APN Property for Income Fund No.2 (the '**Funds**').

As investors are aware, many property and mortgage funds were frozen as a result of the GFC. Consistent with this, the Funds were forced to suspend daily redemptions in October 2008 as a result of them becoming illiquid under the Corporations Act. Since this time, APN has been working hard to deliver an equitable liquidity solution as well as providing several periodical withdrawal offers since November 2009.

Under the new liquidity solution, redemption requests will be satisfied in cash each quarter (approximately 75%¹) with the balance to be paid in the form of units in a new unlisted fund – the APN Unlisted Property Fund. This new fund will hold the illiquid component (i.e. unlisted property trusts) of an investor's investment. APN aims to progressively sell down the assets of the new fund over the next 3-5 years to maximise value and provide further liquidity for investors.

The first quarterly withdrawal period will open on 12 June 2012 and close at 12 noon AEST on 31 August 2012. Redemptions will be processed quarterly thereafter.

APN's Chief Investment Officer, Mr. Howard Brenchley said "This development is an important milestone in providing liquidity to investors and returning the Funds to 'business as usual'. This solution provides the fairest possible outcome for all investors - those investors seeking to exit the Funds will be able to receive the vast majority of their investment in cash whilst the long term integrity of the Funds is preserved.

We remain fully committed to delivering on the Funds' objective which is to ensure a consistent level of income and some capital growth over the long term."

APN has worked closely with the regulators in finalising a permanent liquidity solution. The Australian Securities & Investment Commission (ASIC) has granted the requisite relief under the Corporations Act, enabling APN Funds Management as responsible entity of the Funds to provide this solution.

¹ As at 23 May 2012. The extent to which the proceeds will be paid by cash and units in the APN Unlisted Property Fund respectively will depend on the value and proportion of liquid and illiquid investments in the Funds as at the date of the closing of the quarterly withdrawal offer.

"Investors in the Funds can be confident that at a minimum they will always be able to withdraw a large proportion of their investment in cash; equivalent to the percentage of liquid assets within the Funds. And when the Funds ultimately return to optimal asset allocations, investors will be able to receive 100% of their withdrawals in cash on a daily basis.

Despite the uncertainty in global financial markets, underlying commercial property fundamentals remain sound. The current gap between Australian Real Estate Investment Trust (AREIT) yields and cash yields provides a supportive case for the AREIT sector", commented Mr. Brenchley.

"We are confident that well managed income-focussed AREITs whose returns are derived from strong, sustainable rental earnings are likely to deliver a yield of around 7% over 2012" said Mr. Brenchley.

Together, the Funds have more than \$764 million of investor assets (as at 30 April 2012). The APN Property for Income Fund, one of Australia's largest property securities funds, was first established in August 1998. It has delivered a total return of 7.06%² pa since inception to 30 April 2012, outperforming the AREIT Index³ by 2.64% pa.

A copy of the letter that will be sent to all investors explaining the change is attached to this announcement. Further information on the liquidity solution is also available on www.apngroup.com.au.

APN earns management fees from its role as manager of the Funds. Any reduction in funds under management as a result of redemption requests will reduce management fees earned. APN cannot determine what level of redemption requests will result from this liquidity solution but advises that for every \$1 million of redemption requests received (of which approximately 75% will be returned as cash), management fees will reduce by approximately \$5,500 pa. APN will update the market to the extent that any reduction in funds under management and therefore management fee revenue is material.

Further enquiries

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About APN Property Group Limited

APN Property Group (ASX code: APD) is a specialist real estate investment manager.

Since 1996, APN has been actively investing in, developing and managing real estate and real estate securities on behalf of institutions, superannuation funds, high net worth and individual investors.

As a boutique asset manager, the Group's focus is on delivering superior investment performance and outstanding service. Performance is underpinned by a highly disciplined investment approach and a deep understanding of commercial real estate.

www.apngroup.com.au

² Fund inception: 28 August 1998. 5 year total return of (8.81%) pa to 30 April 2012, outperforming the AREIT Index by 4.16% pa over the same period. Past performance is not indicative of future performance. Wholesale returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns.

³ As measured by the S&P/ASX 200 Property Trusts Accumulation Index.



23 May 2012

Important changes to the APN Property for Income funds

APN Property for Income Fund | ARSN: 090 467 208
APN Property for Income Fund No.2 | ARSN: 113 296 110

Dear Investor

APN is pleased to announce some important changes to APN Property for Income Fund and APN Property for Income Fund No.2 ("**Funds**").

As you may be aware, under the Corporations Act, daily redemptions were suspended in October 2008 due to the Funds' illiquid portfolio exceeding the 20% threshold.

Since that time, APN has been working hard to deliver a liquidity solution that is fair and equitable to all unitholders. In addition, various withdrawal offers have been made since November 2009.

APN can confirm that a *permanent liquidity solution* will be made available each quarter for those investors wishing to withdraw from the Funds. Redemption requests will be satisfied by a combination of cash (approximately 75%, based on the Funds' current portfolios), with the balance to be paid in the form of units in a new fund. This new fund will hold the illiquid component of an investor's underlying investment in the Funds. The assets within this new fund will be sold progressively in order to maximise value and provide liquidity for investors.

The permanent liquidity solution will replace the monthly Managed Redemption Offer currently offered by the Funds.

Following extensive discussions, the Australian Securities & Investments Commission ("**ASIC**") has granted relief under the provisions of the Corporations Act enabling APN to offer this permanent liquidity solution.

In our view, this liquidity solution is the fairest possible outcome for all unitholders. The ongoing integrity of the Funds is preserved for remaining unitholders and those seeking to exit the Funds will be able to receive the vast majority of their investment in cash.

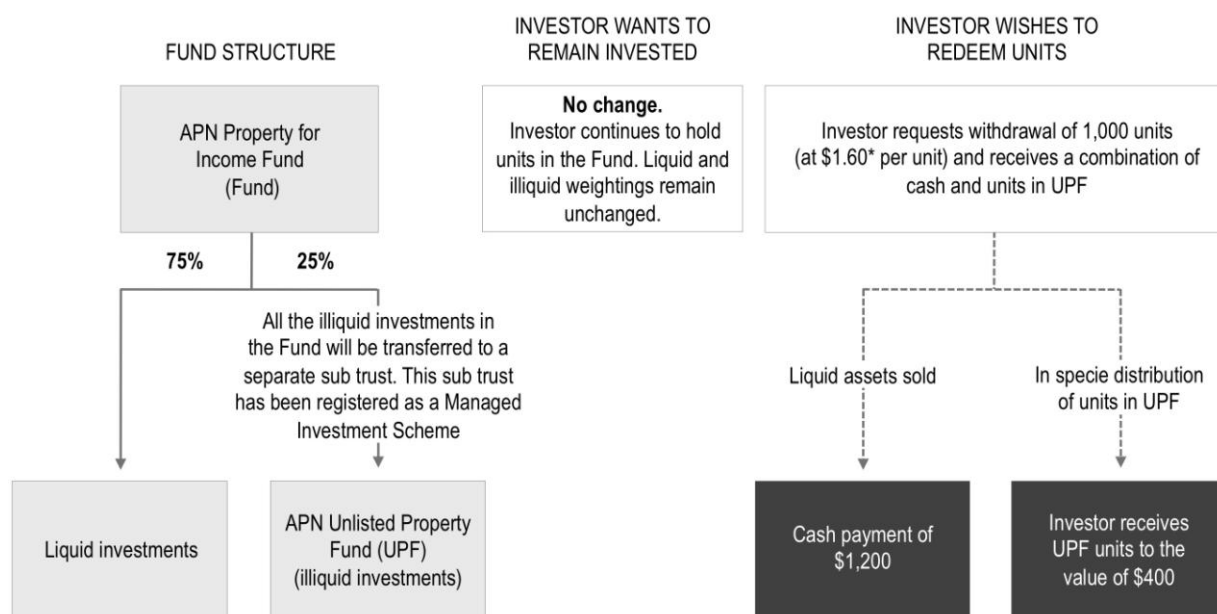
How the liquidity offer works

All the unlisted property trust assets (illiquid investments) of the Funds will be transferred into a separate fund called the *APN Unlisted Property Fund* ("**UPF**"). The UPF is an illiquid fund.

Investors wanting to withdraw from the Funds will have redemptions satisfied by a combination of cash (approximately 75%, based on the Funds' current portfolios) and units in UPF (approximately 25%).

The assets in the UPF will be progressively sold over the next 3-5 years as direct real estate values recover and proceeds returned to UPF unitholders. However, APN cannot guarantee that the assets of UPF will be realised within that time frame.

An example of how the liquidity offer works



* Please note this is an example only. Unit prices fluctuate daily.

Rolling quarterly timetable

Redemption requests will be accepted from 12 June 2012, with the first period closing at 12 noon AEST on 31 August 2012. Redemptions will be **processed quarterly thereafter**. Investors may submit a withdrawal form at any time, however, they will be processed quarterly.

What this change means if you wish to remain invested in the Funds

If you wish to remain invested in the Funds, ***you don't need to do anything***. Your investments remain unchanged and will continue:

- paying monthly distributions; and
- to be actively managed according to the Funds' original investment objective - to provide relatively high income and some capital growth aligned to CPI over the long term, with lower than market risk.

What to do if you want to redeem

If you want to withdraw part or all of your investment, you will need to:

- refer to the enclosed Withdrawal Offer document;
- read and consider the APN Unlisted Property Fund PDS available from www.apngroup.com.au; and
- complete the enclosed Withdrawal Form.

Alternatively, you can request hard copies of all withdrawal documents by contacting the APN Investor Services hotline on 1800 996 456.

Managed Redemption Offer (MRO) to cease

The MRO that is currently in place will discontinue from 24 May 2012. MRO applications received after this date will no longer be accepted and investors will be advised to submit a withdrawal request under the new liquidity offer.

Why remaining invested in the Funds is compelling¹

We would like to take this opportunity to remind investors of some of the key benefits of remaining in the Funds.

Monthly distributions	The Funds are income focussed and pay monthly distributions.
Capital growth potential	With the Australian Real Estate Investment Trust (AREIT) sector priced at a discount to Net Tangible Assets (NTA) value, APN's view is that the upside potential for both capital and income growth over the next few years is encouraging. The AREIT sector is expected to deliver a total return of around 9-10% over 2012.
Regular income	The Funds' underlying income is predominantly generated from long term lease contracts with high quality tenants. This helps insulate investors from the broader economic fluctuations.
Quality underlying assets	The Funds' underlying assets are high quality and are generally performing well.
Real estate fundamentals in order	In APN's view, real estate fundamentals are in order - with low vacancy rates, rental growth, demand/supply equilibrium and valuations edging upwards.
Defensive style investment	AREITs today generally have strong balance sheets and modest gearing levels. With AREITs refocused on passive rental income, the sector is delivering lower volatility than the broader Australian equity market.
Active management	APN has a team of investment specialists that actively manage the Funds to maximise returns and lower risk.
Ongoing liquidity	Investors now have the ability to withdraw a significant portion of an investment in cash each quarter.

¹ Similar to other managed funds which invest in listed and/or unlisted property securities, an investment in the APN Property for Income Fund, APN Property for Income Fund No. 2 or the APN AREIT Fund is subject to risks relating to the general market and economic conditions, the management of the fund and the underlying investments of the fund. The expected returns in a fund may not arise and your investment in the fund may even fall. APN does not guarantee the performance of any fund. Please refer to the product disclosure statement for the relevant fund located at www.apngroup.com.au to review the benefits, features and risks before making an investment decision in relation to a fund.

Option to reinvest cash proceeds into the APN AREIT Fund

If you choose to redeem your investment, you may like to consider reinvesting your cash proceeds into the APN AREIT Fund; **a fully liquid property securities fund** that invests in listed AREITs.¹

Established in early 2009, the fund is highly rated by independent researchers and holds more than \$218 million funds under management.² Currently yielding 8.93%³ pa, the fund has returned 15.33%⁴ pa to 30 April 2012 since inception and is open to daily applications and withdrawals.

To find out more about the APN AREIT Fund or to make an investment, contact our APN Investor Services hotline on 1800 996 456, visit www.apngroup.com.au, or contact your financial adviser.

Further information

Further information including FAQs and historical communications regarding the Funds' liquidity status are available on our website at www.apngroup.com.au.

We recognise the hardship experienced by those investors wanting to access their capital since the Funds were first closed to withdrawals. We are grateful for your support and patience through this extremely challenging period as we've worked hard to deliver a fair solution for all investors.

If you have any questions, please don't hesitate to contact your financial adviser or the APN Investor Services hotline on 1800 996 456.

Yours sincerely



Howard Brenchley
Executive Director and Chief Investment Officer
APN Property Group Limited

² Funds under management as at 30 April 2012. Independently rated by Standard & Poor's, Lonsec, Adviser Edge, Zenith and Morningstar.

³ Annualised distribution rate divided by the latest current unit price as at 23 May, 2012. Past performance is not indicative of future performance.

⁴ Fund inception 19 January 2009. Past performance is not indicative of future performance. Wholesale returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns.