

APN's investment philosophy is focused on generating consistent income returns by actively managing a portfolio of high yielding, Australian commercial property securities. The APN Property for Income Fund (APN PFIF) was designed with this specific mandate in mind. Established in 1998, APN PFIF invests predominantly in listed property securities and unlisted property trusts and aims to achieve relatively high income returns with lower risk than the market.

Underlying investments are carefully selected based on a highly disciplined investment approach. APN PFIF provides access to a wide spread of property-based revenue streams that are rigorously analysed, selected and weighted with the aim of delivering a high income stream over the long term. APN PFIF is suited to medium to long term investors seeking relatively high monthly income and some long term capital growth.

Performance 31 January 2018

| | 1 month | 3 months | 6 months | 1 year | 3 years pa | 5 years pa | 10 years pa | Since inception ⁴ pa | Standard deviation since inception pa |
|--|---------|----------|----------|---------|------------|------------|-------------|---------------------------------|---------------------------------------|
| APN PFIF Income ¹ | 0.43% | 1.34% | 2.82% | 5.69% | 5.86% | 6.50% | 7.13% | 7.89% | |
| APN PFIF Total return ² | (2.69%) | 0.85% | 4.30% | 7.05% | 8.09% | 10.99% | 4.16% | 8.53% | 11.30% |
| AREIT Index ³ | (3.28%) | 2.06% | 6.22% | 7.46% | 7.09% | 11.51% | 3.08% | 7.16% | 15.17% |
| Over performance/ (Under performance) | (0.59%) | (1.21%) | (1.92%) | (0.41%) | 1.00% | (0.52%) | 1.08% | 1.37% | |

1 Distributions may include a capital gains component.

2 Retail returns after all fees and expenses. Wholesale returns are slightly higher. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns. Past performance is not an indicator of future performance.

3 S&P/ASX 200 Property Trust Accumulation Index.

4 Fund inception 28 August 1998.

Fund overview

The APN Property for Income Fund ("Fund") is a property securities fund predominantly investing in listed Australian Real Estate Investment Trusts (AREITs) and unlisted property securities.

Investment objective

The primary investment objectives of the Fund are to:

- provide a high level of distributable income by achieving a gross annual income yield that is equivalent to at least 110% of the average of the S&P/ASX 200 AREIT Dividend Yield;
- maintain the tax advantaged proportion of distribution above 20%; and
- provide a level of capital growth which at least matches increases in CPI combined with a low level of price volatility.

Benefits

- Income focused.
- Distributions paid monthly.
- Access to a diversified portfolio of quality listed and unlisted property securities which offer relatively high yields.
- Actively managed portfolio whereby underlying securities are valued and re-weighted.
- Lower than market volatility.
- Nil entry and exit fees.
- Tax advantaged income component.

This Fund is suited to:

- Investors seeking relatively high levels of income.
- Investors seeking tax effective income.
- SMSF - Ideal for investors managing their own retirement.
- Investors wanting access to a diversified portfolio of listed and unlisted Australian property securities.
- Medium to long term investment.

AT A GLANCE

| | |
|--------------------------------|--|
| Type of fund | Property securities fund |
| Commencement date | 28 August 1998 |
| Fund size | \$138.71m as at 31 January 2018 |
| Investment timeframe | 5 - 7 years |
| Minimum investment amount | \$1,000 |
| Minimum additional amount | \$500 (\$100 per month with regular investment savings plan) |
| Income distribution | Monthly - payable 10 days after the end of the month |
| Unit pricing | Daily |
| Distribution reinvestment plan | Available |
| Borrowing | Nil |
| Entry and exit fees | Nil |
| Management costs | 1.05% pa (max) |
| Buy/sell spread | 0.25% buy and 0.25% sell |
| Adviser remuneration | Up to 0.275% pa trail commission |

Top 5 listed property securities holdings 31 January 2018

| Stock | Sector | % of APN PFIF | % of AREIT Index ⁵ |
|----------------------|-------------|---------------|-------------------------------|
| Scentre Group | Retail | 21% | 19% |
| Stockland | Diversified | 10% | 9% |
| Vicinity Centres | Retail | 8% | 7% |
| Dexus Property Group | Office | 5% | 8% |
| GPT Group | Diversified | 5% | 8% |

5 S&P/ASX 200 Property Trust Accumulation Index.

Top unlisted property securities holdings 31 January 2018

| Stock | Sector | % of APN PFIF ⁶ |
|-----------------------------------|------------|----------------------------|
| Goodman Australia Industrial Fund | Industrial | 7% |

6 Top five unlisted property trusts are on a look through basis.

Asset allocation 31 January 2018

| | |
|-------------------------|-----|
| AREITs ⁷ | 91% |
| Unlisted property funds | 7% |
| Cash | 2% |

7 Australian Real Estate Investment Trusts.

Note: Cash includes accrued income and accrued expenses. Asset allocations may change depending on market conditions and in accordance with the Fund's mandate.

Underlying property sector allocation 31 January 2018

| | | | |
|------------|-----|--------|-----|
| Retail | 56% | Office | 20% |
| Industrial | 19% | Other | 5% |

Research ratings

- SQM Research⁸ - Favourable rating (September 2017)
- Lonsec⁹ - Investment Grade (May 2017)

**About the Manager**

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited (ASX code: APD), a specialist real estate investment manager. An active investment manager with a concentrated focus on income, APN has a strong record of delivering a range of property based investment solutions for institutional and retail clients since 1996.

Investment team

| | |
|-----------------|---|
| Michael Doble | Chief Executive Officer, Real Estate Securities |
| Pete Morrissey | Fund Manager, Real Estate Securities |
| Mark Mazzarella | Fund Analyst, Real Estate Securities |
| Matthew Coleman | Fund Analyst, Real Estate Securities |

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8 The rating contained in this document is issued by SQM Research Pty Ltd ABN 93 122 592 036 for the APN Property for Income Fund as at September 2017. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

9 The Lonsec Rating (assigned May 2017) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold APN Property Group product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.lonsecresearch.com.au/research-solutions/our-ratings>.