

APN | Regional Property Fund

ARSN 110 488 821

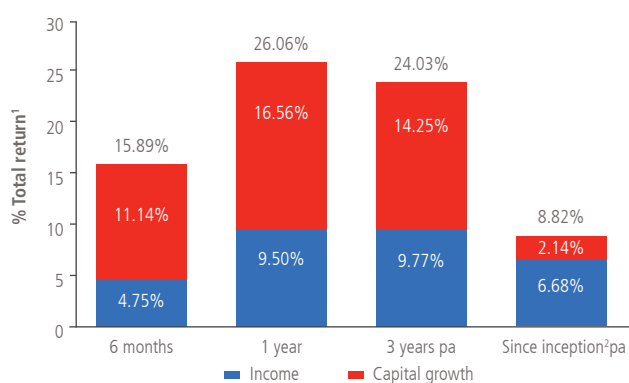
Fund overview

The APN Regional Property Fund (Fund) is a direct real estate fund listed on the National Stock Exchange (NSX code: APR). The Fund is invested in two A-grade office buildings located in the Newcastle CBD, New South Wales.

Major tenants include various Government departments, QBE Management Services, Noble Resources, Fairfax News Media and Sparke Helmore Lawyers.

Performance update

The Fund has delivered steady returns since its inception. The graph below reflects performance to 31 December 2017.



1 Performance is based on original fully paid units at \$1.00. Past performance is not necessarily a guide to future performance.

Manager's report

As previously communicated, APN has extended the lease to insurance provider QBE Management Services for a further three years until 31 October 2020. In addition, a new lease has been entered into with Ansari & Family, a cosmetic clinic, for 97sqm of ground floor retail space. As a result of these two events, the properties are now 100% occupied and the weighted average lease expiry (WALE) stands at 2.4 years.

The Fund's portfolio was revalued by an independent valuer at \$48.6 million as at 31 December 2017. This is a \$3.3 million (7.3%) increase in value compared to 30 June 2017. The significant valuation increase is mainly due to a 50 bps capitalisation rate compression at both properties, reflective of strong transaction outcomes recently achieved in comparable property markets. As at 31 December 2017, the weighted average capitalisation rate of the portfolio stands at 7.85%.

Following the higher valuation, the net asset value per unit has increased to \$1.32 from \$1.19 as at 30 June 2017. Similarly, the Fund's gearing has reduced from 33.1% to 30.9%.

Works to enhance the portfolio's energy efficiency are nearing completion. The \$205,000 capital project is projected to deliver energy savings enabling a minimum 4.5 star NABERS rating to be achieved. The reduced energy consumption is also expected to lessen outgoing expenses and thereby make the properties more attractive to existing and prospective tenants.

AT A GLANCE as at 31 December 2017²

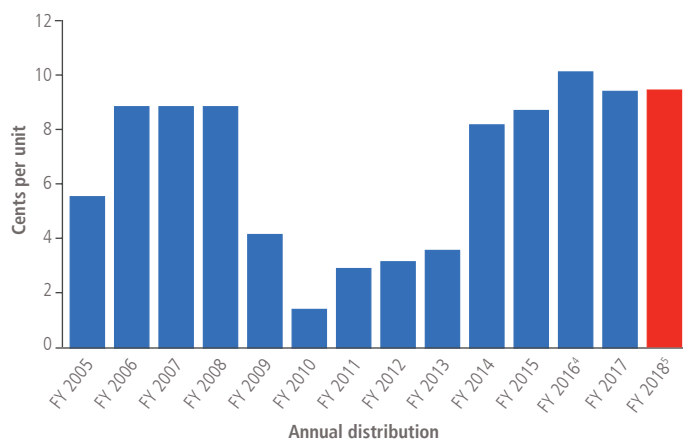
NAV	\$1.32
Unit price revaluation	The underlying assets are valued six monthly through the Fund's financial statements. Daily unit price is reflected by pricing on the NSX.
Property value	\$48.6 million
Borrowings (loan to value ratio)	30.9%
Weighted Average Lease Expiry (WALE)	2.4 years (by income)
Occupancy	100%
Fund commenced	28 October 2004 (listing on NSX)
Minimum investment	No minimum. This Fund is available to new investment by investing via the NSX
Redemption facility	Investors wishing to sell their investment in the Fund may seek to sell their units via the NSX
Annual distribution	9.50 cpu
Distribution yield ³	8.7%
Distribution payments	Quarterly
Distribution reinvestment	Not available
Sector allocation by value	100% Office
Geographic allocation (by value)	New South Wales: 100%

² Since inception 28 October 2004.

³ Calculated as FY18 distribution rate of 9.5 cents per unit divided by last trading price of APR in 2017 of \$1.09.

Another capital works project recently commenced which involves a repair and repaint of the exterior façade as well as the ground floor foyers. These works are anticipated to be completed in February 2018

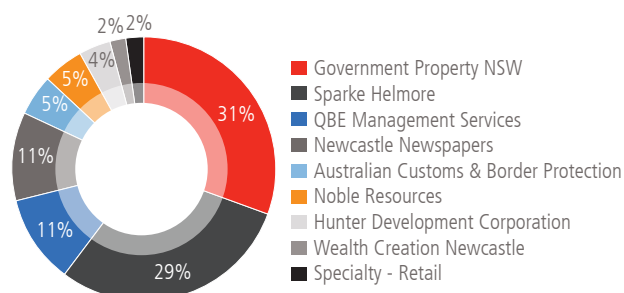
Historical distributions



Annual distribution

- 4 FY2016 included a special distribution to investors of 1.15 cents per unit on top of the annual distribution of 2.25 cents per unit
5 Full year forecast distribution for FY2018.

Income split by tenant

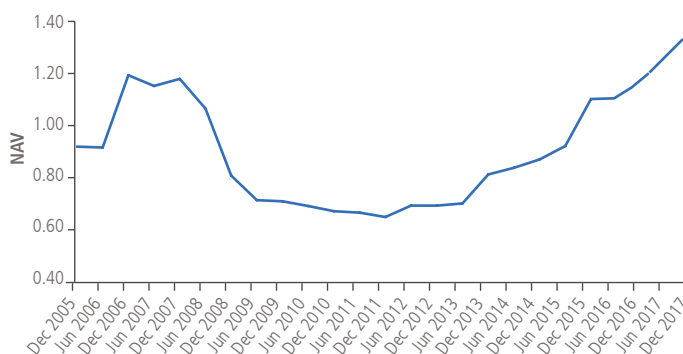


Important distribution details / dates

Distribution payment	Accruing at the end of each quarter ending September, December, March and June. Payment is made on the 25th day following quarter'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 above.
Tax statement	Dispatched annually (by end of August).

Historical unit values

The Fund is listed on the National Stock Exchange (NSX code: APR). For your reference we have provided the historical Net Asset Value (NAV) per unit.



Investment team members

Tim Slattery | Chief Executive Officer
Tom Forrest | Head of Direct Property

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 2017) 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.

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