ASIC REGULATORY GUIDE 46 DISCLOSURE

UNLISTED PROPERTY SCHEMES | IMPROVING DISCLOSURE FOR RETAIL INVESTORS

SECTION 2: DISCLOSURE PRINCIPLES AS THEY APPLY TO FUNDS

APN Coburg North Retail Fund

ARSN 601 833 363

APN Funds Management Limited
ABN 60 080 674 479
Australian Financial Services Licence (No. 237500)

REPORTING DATE: 31 DECEMBER 2016

The practical application of the enhanced disclosure principles and benchmarks as required by RG 46 for the APN Coburg North Retail Fund is presented below. An overview of each of the principles and benchmarks, including detailed explanations and definitions can be found here.

Fund overview

The APN Coburg North Retail Fund is a single asset, closed-end unlisted property trust that invests in a shopping centre in Coburg Hill, Melbourne.

The principal activity of the Fund is to invest in a single asset, which offers a sustainable income yield and has the potential for capital growth. The Fund will seek to increase its value by actively managing the asset, leasing the vacant space and extending the lease term of the major tenant to maximize the weighted average lease expiry ("WALE") profile.

The information set out below has been calculated based on the latest financial statements for the period ended 31 December 2016.

Gearing

Disclosure principle 1: Gearing ratio

Gearing ratio: 48.30%

Look-through gearing ratio: N/A

As at the reporting date the Fund complies with its gearing related financial covenants for its financing facilities. The Fund does not have any off-balance sheet financing.

Benchmark 1: Gearing policy

Benchmark: The responsible entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility level.

Met or not met: APN FM as responsible entity complies with Benchmark 1 and meets the Gearing requirements.

Interest cover

Disclosure principle 2: Interest cover ratio

Interest cover ratio: 2.9 times

As at the reporting date the Fund's interest cover ratio exceeds the minimum interest cover covenants contained in its financing facilities.

Benchmark 2: Interest cover policy

Benchmark: The responsible entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility level.

Met or not met: APN FM as responsible entity complies with Benchmark 2 and meets the Interest Cover requirements.

Interest capitalisation

Benchmark 3: Interest capitalisation

Benchmark: The interest expense of the fund is not capitalised.

Met or not met: APN FM as responsible entity complies with Benchmark 3.

Borrowings

Disclosure principle 3: Fund borrowing

3.1 Refinancing risk – total credit facility and expiry profile

As at the reporting date, the maturity profile and undrawn credit facilities is as follows:

1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	5+ years $'000	Total $'000	Undrawn credit facilities $'000
-	9,450	-	-	-	9,450	-

3.2 Interest rate risk

Percentage of borrowings subject to fixed interest rates: 100%

3.3 Currency risk

The Trust is not exposed to currency risk.

Portfolio diversification

Disclosure principle 4: Portfolio diversification

As at the reporting date the Fund's investment portfolio comprised the following:

Geographic allocation

State	Value $m	Allocation % (based on value)	No. of properties
NSW	-	-	-
QLD	-	-	-
SA	-	-	-
VIC	$19.30	100%	1
WA	-	-	-
Total	$19.30	100%	1

Sector allocation

State	Value $m	Allocation %	No. of properties
Retail	$19.30	100%	1

Valuations

The investment portfolio consists of 1 property a shopping centre located in the inner city suburb of Coburg Hill, Melbourne which was independently valued as at 31 December 2016. The Fund's external valuation was performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment property valued. This independent valuation was performed by m3property and dated 31 December 2016. Weighted average capitalisation rate adopted: 6.75%.

Valuations of significant properties

Property	State	Valuation amount $m	Cap rate %
153-157 Elizabeth Street, Coburg North	VIC	$19.30	6.75%

Weighted average lease expiry (WALE)

The weighted average lease expiry for directly held property is:

- 11.99 yrs (by income)
- 13.56 yrs (by net lettable area (NLA))

5 year lease expiry profile for directly-held property assets

Lease expires	FY2016/17	FY2017/18	FY2018/19	FY2019/20	FY2020/21+
As % of net income	0.29%	0.00%	10.20%	14.20%	75.31%
As % of NLA	0.02%	0.00%	6.26%	10.83%	82.89%

Occupancy

Occupancy rate: 97.33%

Tenancy

The portfolio consists of 1 shopping centre. The shopping centres major tenant is Woolworths, an ASX 100 Company and one of the leading supermarket/grocery store chains in Australia. Woolworths accounts for 55% of net income. Four other speciality tenants (Jetts Fitness, Regency Pharmacy, Coburg Hill Oral Care and Degani Café) account for a further 31% of net income. No other tenant accounts for more than 5% of net income.

Property development

There are no property developments being undertaken within the Fund at this time.

Valuations

Benchmark 4: Valuation policy

Benchmark: The responsible entity maintains and complies with a written valuation policy that requires the following:

a. a valuer to:

   i. be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and

   ii. be independent;

b. procedures to be followed for dealing with any conflict of interest;

c. rotation and diversity of valuers;

d. valuations to be obtained in accordance with a set timetable; and

e. for each property, an independent valuation to be obtained:

   i. before the property is purchased, for a development property on an 'as is' and 'as if complete' basis, and for all other property, on an 'as is' basis; and

   ii. within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.

Met or not met: APN FM as responsible entity complies with Benchmark 4.

The investment portfolio consists of 1 property a shopping centre located in the inner city suburb of Coburg Hill, Melbourne which was independently valued as at 31 December 2016. The Fund's external valuation was performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment property valued. This independent valuation was performed by m3property and dated 31 December 2016. Weighted average capitalisation rate adopted: 6.75%.

Related party transactions

Disclosure principle 5: Related party transactions

Related party transactions are disclosed in the Fund's annual financial statements including details of investments in loans, guarantees and fees to any related party. The most recent disclosure available can be found in the latest annual report for each fund, available from our website: www.apngroup.com.au

See page 19 of the APN Coburg North Retail Fund 2016 Annual Report.

Benchmark 5: Related party transactions

Benchmark: The responsible entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflict of interest.

Met or not met: APN FM as responsible entity complies with Benchmark 5.

Distribution practices

Disclosure principle 6: Distribution practices

The Fund maintained payment of monthly distributions to unitholders during the period ended 31 December 2016.

Benchmark 6: Distribution practices

Benchmark: The fund will only pay distributions from its cash from operations (excluding borrowings) available for distribution.

Met or not met: APN FM as responsible entity complies with Benchmark 6.

Withdrawal arrangements

Disclosure principle 7: Withdrawal arrangements

The Fund is a fixed term Fund for which there is no current redemption or withdrawal facility available to unitholders. Due to the nature of the Fund and its underlying asset, the Fund is considered "illiquid" based on the definition in the Corporations Act. Accordingly, APN FM does not propose to offer a redemption facility to investors, although it has the power to make withdrawal offers under the Funds' constitution and the Corporations Act. The Fund should be considered as medium to long term investment, with the ability to withdraw only upon the termination of the Fund.

Net tangible assets

Disclosure principle 8: Net tangible assets

31 December 2016: $0.8916

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