

10 January 2017

Dear Investor

Amendment of Fund constitution

We refer to the notice posted on the website for the APN Coburg North Retail Fund (**Fund**) on 20 October 2016, which foreshadowed proposed amendments to the Fund's constitution.

As described in the website notice, APN Funds Management Limited (ACN 080 674 479) as the responsible entity (**Responsible Entity**) for the Fund proposed to amend the Fund's constitution to allow the Fund to opt-in and apply the new taxation regime under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016* (Cth). This new tax regime introduced the concept of an 'Attribution Managed Investment Trust' (**AMIT**). The Responsible Entity believes the new AMIT regime will produce more equitable and fair tax outcomes for the Fund's unitholders for the following reasons:

- Under the AMIT regime, the Responsible Entity will have the ability to attribute the Fund's taxable income to unitholders on a 'fair and reasonable' basis having regard to the unitholder's rights under the constitution including, specifically, their rights to the income of one particular class of units to the exclusion of others. So, under this approach, the Fund can attribute the net taxable income that is relevant and applicable to each different class of units to the unit holder who holds an interest in that class of units. This means that the taxable income relevant to a class is attributed to the unitholders in that particular class, without being impacted by any other classes. In the Fund's case, such an election would mean that:
 - income from a particular class in which a unitholder has an interest, that relates to a specific underlying property, can be attributed to the unitholder who has an interest in the particular class; and
 - losses from a particular class in which a unitholder has an interest, which relates to a specific underlying property, can be quarantined in that class and applied against future income derived in the particular class (as opposed to being applied against the Fund's income on a whole of fund basis, which may lead to the tax effect of those losses benefiting unitholders with interests in other classes).
- The Responsible Entity believes that this should result in a fairer tax outcome for all the unitholders, and gives a better reflection of the economic performance of each underlying property investment and the relative risk taken on by each individual unitholder.
- The AMIT regime provides confirmation in legislation of the approach which the Responsible Entity can adopt to deal with under-or-over distributions of income from an earlier income year. Presently, this is based on an administrative practice of the Australian Taxation Office which is not likely to continue. This change will provide additional certainty to the Responsible Entity and to unitholders.

Importantly, the amendments to the constitution solely reflect the technical changes required to allow the Fund to operate as an AMIT.

As the Responsible Entity did not receive a request from 5% or more of the total number of unitholders to call and arrange to hold a meeting of the Fund's members to consider and vote on a special resolution to modify the constitution, the Responsible Entity has made the relevant amendments to the constitution without member approval in compliance with ASIC Corporations (Attribution Managed Investment Trusts) Instrument 2016/489.

If you have any questions, please contact APN Investor Services on 1800 996 456.

Yours sincerely

A handwritten signature in cursive script that reads "Chantal Churchill".

Chantal Churchill
Company Secretary
APN Funds Management Limited