

APN | Regional Property Fund

ARSN: 110 488 821 APIR Code: APN1341AU

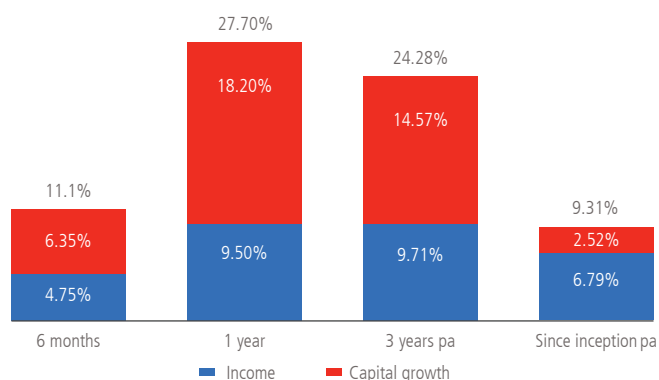
Fund overview

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 (October 2004). The graph below reflects total performance to 30 June 2018.



Manager's report

The Fund's portfolio was revalued by an independent valuer at \$51.1 million as at 30 June 2018. This is a \$2.5 million (5.1%) increase in value compared to 31 December 2017. The valuation increase is mainly due to a 50bps capitalisation rate compression on 26 Honeysuckle and 25bps compression on 28 Honeysuckle, reflective of strong transaction outcomes recently achieved in comparable property markets. As at 30 June 2018, the weighted average capitalisation rate of the portfolio stands at 7.50%.

Following the higher valuation, the net asset value per unit has increased to \$1.41 from \$1.32 as at 31 December 2017. Similarly, the Fund's gearing has reduced from 30.9% to 29.4%.

To assist with tenant retention and the long-term marketability of the assets, APN has committed to a number of capital expenditure projects. These include upgrades to the foyers of both 26 and 28 Honeysuckle Drive, the upgrade and expansion of the end of trip facilities, new dedicated accessible toilet and shower facility, refurbishments to the female and male and accessible toilet facilities across three levels of 28 Honeysuckle Drive.

Following building upgrade works, an indicative NABERS energy reading of 4.4 stars has been received. This is expected to improve over the upcoming 12-month period.

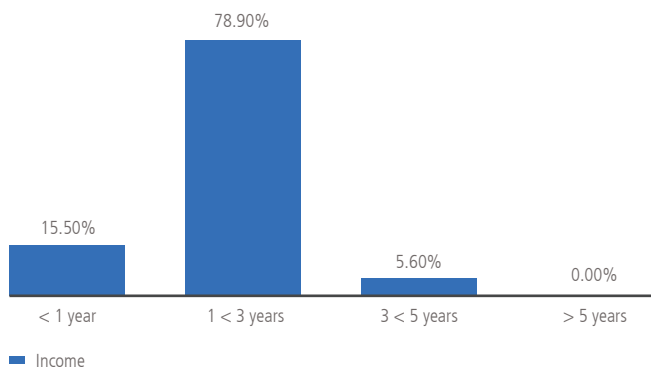
AT A GLANCE as at 30 June 2018

NAV	\$1.41
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	\$51.1 million
Borrowings (loan to value ratio)	29.4%
Weighted Average Lease Expiry (WALE)	1.9 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 ¹	8.6%
Distribution payments	Quarterly
Distribution reinvestment	Not available
Sector allocation by value	100% Office
Geographic allocation (by value)	New South Wales: 100%

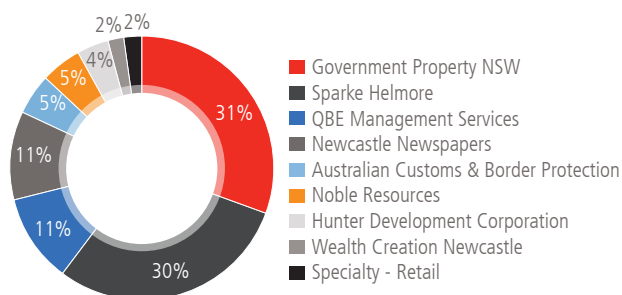
As outlined to investors on 24 May 2018, the Board is targeting a liquidity event by 31 December 2018 to allow time to finalise a number of projects that are being undertaken in order to increase value to unit holders. A major tenant renewal as well as the aforementioned capital expenditure projects and NABERS works are well underway and the Board is confident that the new timing remains achievable.

¹ Calculated as FY18 distribution rate of 9.5 cents per unit divided by last trading price of APR in FY18 of \$1.11.

Expiry profile by income



Income split by tenant



Important distribution details / dates

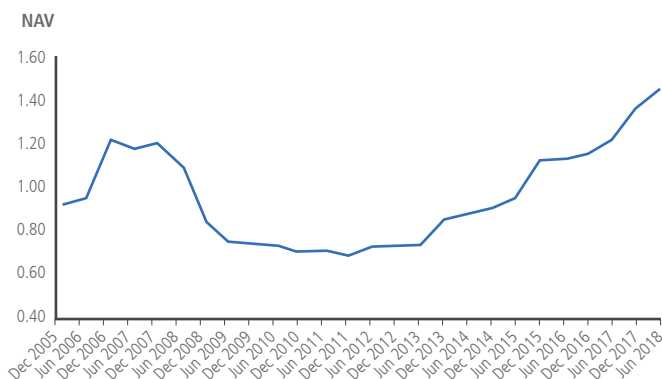
Distribution payment Accruing at the end of each quarter ending September, December, March and June. Payment is made on the 25th day following quarter's end, unless that day is a non-business day in which case the distribution will be paid on the following business day.

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 30 June 2018) 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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