

INVESTORS' REPORT

FIRST HALF 2011/12

MARCH 2012



Neil Summerson
Chairman



Geoff McMahon
Managing Director

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

ECONOMIC ENVIRONMENT

The global economic outlook remains clouded by the sovereign debt problems in Europe. However, there has been some improvement in sentiment over the past few months following measures by the European Central Bank and European Governments. Further measures by European policy makers will be required over the coming months for public finances in a number of countries to be placed on a sustainable path. While there is likely to be a continuing period of rolling financial issues in Europe, it appears a significant systemic failure should be avoided. The US economy has displayed tentative signs of improvement over the past few months, which has provided encouragement to the market.

The Australian economy continues to record moderate growth. However, conditions continue to vary significantly across industries and regions with the economy undergoing considerable structural change in response to high commodity prices and the accompanying high exchange rate. The very strong growth in investment in the resources sector remains a key element of the Australian economy. The high exchange rate, deleveraging by businesses and households and subdued consumer spending means overall growth outside the resources sector is expected to remain below trend.

PROPERTY MARKET

The "multi-speed" theme is also playing out in Australian property markets, with quality commercial office properties performing relatively well. However, lesser quality commercial and residential properties are still facing significant headwinds. The availability and cost of bank finance remains an issue especially as the cost of funds for the four large Australian banks is increasing as a result of the European sovereign debt problems.

Against this background of an uncertain global economic outlook and a slow and variable Australian economy, the outlook for the Australian commercial property market for the next few years remains subdued.

APGF's experienced management team is focused on maximising investor returns through proactive asset management. APGF will continue to focus on property fundamentals and maximising each individual property's net operating income. Given APGF's extensive experience across all property cycles, we believe this is the best way to deliver sustainable performance and long-term value to investors.

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FIRST HALF 2011/12 KEY FEATURES

- Net asset value per stapled security of 59 cents;
- Statutory accounting after tax loss of \$9.9 million*;
- Underlying after tax operating profit of \$4.1 million**;
- Net assets of \$134 million;
- Total assets under management of approximately \$1.4 billion;
- Further increases in the valuation of 12 Creek Street, Brisbane ("Blue Tower") and Westpac Concord Campus, Sydney;
- 102 of 104 apartments in Stage 1 of "Pavilions Palm Beach" settled and 95% of Stage 1 retail leased.

* Includes non-operating and non-cash items such as property revaluations, impairment of goodwill and write-down of tax losses totalling \$14 million.

** Underlying profit is calculated in accordance with ASIC's Regulatory Guide 230 "Disclosing non-IFRS financial information" issued December 2011. Refer to the Directors' Report in the APGF Interim Consolidated Financial Report for the half year ended 31 December 2011.

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

(CONTINUED)

FIRST HALF 2011/12 RESULT

After non-cash and non-operating items such as property revaluations, goodwill impairment and write-down of tax losses totalling \$14 million, APGF recorded a statutory accounting after tax loss of \$9.9 million.

APGF recorded an underlying after tax operating profit of \$4.1 million for the six months ending 31 December 2011.

APGF's net asset value per stapled security as at 31 December 2011 was 59 cents.

CORPORATE STRATEGY

Over the past few months, the APGF Board has considered a number of strategic initiatives aimed at maximising Securityholder value. In particular, the APGF Board has been investigating opportunities to provide a partial liquidity event for investors within the next 12 months.

To facilitate a partial capital return to Securityholders in the calendar year 2012, APGF has commenced the sale process of its headstock property assets including 12 Creek Street ("Blue Tower") Brisbane, Westpac Concord Campus, Sydney and Royal Bank Chambers, Melbourne.

These three properties are in the early stages of their marketing campaigns. The APGF Board has determined that an orderly sell-down of its headstock property assets is the best way to provide a partial liquidity event to APGF headstock investors.

The timing and amount of a partial capital return will depend on the outcome of the marketing campaigns. It is unlikely the quarterly distributions will continue after the headstock assets are sold.

Securityholders will be kept informed of the progress on the headstock asset sales process.

In addition to its headstock properties, APGF's other main business activities are its property development business and property funds management business. APGF's property development business will maintain a key focus on its "Pavilions Palm Beach" mixed retail and residential project at Palm Beach on the Gold Coast. A number of APGF managed funds have fixed maturity dates and properties in these individual funds are being sold progressively in line with these dates, with the overriding consideration being whether a sale is in the best interests of the fund's investors.

OUTLOOK

APGF has maintained a sound financial position as property markets slowly emerge from the difficult conditions of the past few years.

We would like to thank all of our stakeholders for their continued commitment and support, particularly over the past few challenging years.



Neil Summerson
Chairman



Geoff McMahon
Managing Director



Westpac Concord Campus, Sydney



12 Creek Street, Brisbane



Royal Bank Chambers, Melbourne



Pavilions Palm Beach, Gold Coast

UPDATE ON CURRENT TRUST ASSETS

12 CREEK STREET ("BLUE TOWER"), BRISBANE CBD

The Brisbane CBD office market continues to recover from the fallout of the economic downturn and is benefitting from the increasing demand from the resources sector.

This is reflected in Blue Tower's valuation which increased to \$252 million as at 31 December 2011.

As noted earlier in this report, APGF has recently placed Blue Tower on the market.

The property is well positioned for sale following completion of an \$8 million refurbishment program. The building is close to fully leased, and with a Weighted Average Lease Expiry ("WALE") in excess of five years.

Blue Tower's quality has been demonstrated by BDO Queensland's recent commitment to lease more than 6,000 square metres of office space for a 12-year term. This represents one of the largest leasing deals on existing A-grade assets in Brisbane's financial precinct in the past 12 months.

APGF is confident of a positive outcome on the sales process given the high quality of the office tower. It is an opportune time to offer the building for sale with the low vacancy rate which currently prevails in the Brisbane CBD A-grade market and a strong outlook driven by resource sector demand.

ROYAL BANK CHAMBERS, MELBOURNE CBD

APGF acquired the classic sandstone Royal Bank Chambers building in Melbourne's prestigious Collins Street in October 2007.

ANZ has a long-term lease over the retail banking chambers. As previously advised, ANZ vacated the nine upper floors in December 2009. The refurbishment and re-leasing program is proceeding in line with expectations, with three floors refurbished and re-leased as at 31 December 2011.

As at 31 December 2011, the building was valued at \$31.5 million.

As noted earlier in this report, APGF is marketing Royal Bank Chambers for sale and is currently in negotiations with interested parties.

WESTPAC CONCORD CAMPUS, CONCORD WEST, SYDNEY

Westpac Concord Campus, located in Concord West, just 1.5 kilometres from the Sydney CBD, was acquired by APGF in October 2007.

This asset is a 16,500 square metre commercial/business park development comprising office accommodation along with other facilities.

As noted earlier in this report, APGF is marketing Westpac Concord Campus for sale in line with the stated strategy of repositioning the asset in order to maximise Securityholder value.

The asset is now well positioned for sale following Westpac's recent agreement to a 10-year lease extension to 1 October 2022.

As at 31 December 2011, the building was valued at \$52 million.

APGF is confident of a positive outcome to the sale process given the bond-like nature of the investment and its attractive pricing.

UPDATE OF CURRENT DEVELOPMENT PROJECTS

PAVILIONS PALM BEACH, GOLD COAST

APGF continued to progress the development of the \$125 million "Pavilions Palm Beach" mixed retail and residential project.

Construction of Stage 1 was completed in June 2009. As at 7 March 2012, 102 of the 104 apartments have settled and the retail precinct is 95% leased.

Despite the depressed nature of the Gold Coast market, the sales and leasing success of Stage 1 reflects the quality of the project and the area's demographics very much support the project's concept.

Stage 2 of the project, comprising an additional 98 apartments and a dedicated dining and café precinct, is in the pre-selling and pre-leasing phase. To date, approximately 28 of the Stage 2 apartments are subject to a sales contract or expression of interest. Construction of Stage 2 will commence once sufficient pre-sales are secured.

For more information, please visit www.pavilionspalmbeach.com.au

ULLADULLA, NEW SOUTH WALES

Both of APGF's Ulladulla land subdivisions are quality projects but continue to be impacted by the fallout from the credit crisis and the softening of the New South Wales south coast residential market.

APGF is continuing to market the developed lots in the Springfield Meadows estate, and will look to exit the Dolphin Point land holding over the next 12 to 18 months.

APGF gained its interests in these two properties through the acquisition of a property funds management business in mid-2007.

For more information, please visit www.springfieldmeadows.com.au



PROPERTY FUNDS MANAGEMENT BUSINESS

APGF's property funds management business currently has assets under management of approximately \$1 billion, comprising approximately 45 properties (this excludes APGF's headstock assets).

It offers managed fund investment opportunities across sectors including: commercial office, retail, hotel and industrial properties. Properties are located in Sydney, Melbourne, Brisbane, Perth, Canberra, Hobart, Newcastle, Gold Coast and Cairns.

The property funds management business continues to provide stable, recurring funds management income to APGF.

APGF is continuing to focus on the proactive management of property assets to maximise net income and enhance investors' returns.

A number of APGF managed funds have fixed maturity dates and properties in these individual funds are being sold progressively in line with these dates, with the overriding consideration being whether a sale is in the best interests of the fund's investors.

Economic conditions and poor investor sentiment to the property funds management sector means that it is very difficult to establish new property funds. Directors assessed the recoverability of goodwill acquired through property funds management business acquisitions and determined to fully impair goodwill of \$13.4 million as at 31 December 2011. The reassessment of the property funds management business also resulted in \$4 million in tax losses being derecognised. APGF will continue to monitor and assess conditions in the property funds management sector and will review its corporate strategy accordingly.

DISCLAIMER

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