

NSX Announcement

28 June 2012

APGF enters into an Implementation Deed for the proposed transfer of PFA management to Charter Hall

Australian Property Growth Fund (APGF) has agreed to enter into an Implementation Deed for the proposed transfer of the management of PFA Diversified Property Trust (PFA) to Charter Hall Direct Property Management Limited (CHDPML), a wholly owned subsidiary of Charter Hall Group (Charter Hall).

APGF Management Limited (APGFM), the responsible entity (RE) of PFA, will seek Unitholder approval for CHDPML to replace APGFM as RE at a meeting to be held on 25 July 2012.

Transaction Background

APGF recently undertook a strategic review with a focus on identifying opportunities to maximise the value of Unitholders' investment in PFA.

APGF, in consultation with its advisers, conducted a detailed analysis of alternatives throughout the strategic review process.

As part of this process APGF invited a number of proposals from selected property fund managers for the role of RE. The Board of APGFM has concluded the change of RE to CHDPML offers the most attractive proposition for Unitholders and unanimously recommends Unitholders vote for the resolution to appoint CHDPML as the new RE.

APGF Managing Director Geoff McMahon said: "APGFM and CHDPML have completed a thorough review of the alternatives available to Unitholders. Both parties are of the view the change of RE secures an optimal outcome for Unitholders as it positions PFA for future growth and provides liquidity to Unitholders."

Mr McMahon said: "CHDPML's strategy, experience, industry reputation and track record as a property fund manager represents the best opportunity for PFA Unitholders."

Implementation Deed

APGFM and CHDPML have entered into an Implementation Deed which sets out the terms on which CHDPML will be appointed as RE, subject to Unitholder approval and certain third parties approval. APGFM will sell its Units in PFA to Charter Hall and be paid consideration relating to the realisation of its management rights of PFA. In addition, APGFM will enter into a consultancy arrangement with CHDPML for a period of up to six years relating to the disposal of PFA assets for which it will receive a 66% share of any performance fees and a 33% share of any disposal fees.

The proposed change of RE will not result in any increase in entitlements of the RE to fees or any costs being incurred by PFA for the convening and holding of the Unitholder meeting.

CHDPML strategy

The Board of APGFM believes the advantages of CHDPML's proposed strategy for Unitholders include:

- An industry leading property fund manager with a track record of outperformance for Unitholders;
- Strong corporate governance;
- Renegotiated and improved bank financing terms that decrease the risk for PFA Unitholders;
- A proposed annual liquidity program which may allow Unitholders to reduce or exit their investment; and
- A proposed liquidity review at 30 June 2018 which may allow investors to elect to exit their investment in PFA in its entirety should they wish to do so

Charter Hall is a leading integrated property group with funds under management of approximately \$9 billion across wholesale, listed and unlisted retail equity sources. Established in 1991, Charter Hall was listed on the ASX in 2005 as a stapled security and is part of the S&P/ASX 200 A-REIT Index.

Mr McMahon said: "CHDPML is highly experienced, has strong capabilities in the sector and a large, well-resourced and integrated property funds management platform.

The combination of CHDPML's strategy for PFA in addition to its acknowledged strengths in the sector will ensure Unitholders continue to receive high quality management both on a fund and asset level."

Mr McMahon said: "Since APGF acquired the management rights of PFA in April 2010, it had managed PFA through the impacts and consequences of the global financial crisis. APGFM adopted a proactive approach to asset management and has focused on maintaining distributions. This resulted in a number of significant achievements including:

- The sale of non-core assets, including the two Citigate Hotels;
- Repositioning PFA's property portfolio to predominantly commercial office assets located on the east coast of Australia;
- Strengthening PFA's financial metrics, in particular the loan to value ratio; and
- Refinancing the loan facility in July 2011 for a further three years."

"APGFM considers it has substantially achieved the strategic goals it established when taking over as RE," Mr McMahon said.

ENDS

For further information, please contact

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