

INVESTORS' REPORT FIRST HALF 2012/13

APRIL 2013

ECONOMIC OUTLOOK

Global economic conditions have, on balance, improved since mid 2012 reflecting more positive global economic data. However, the fundamental long term sovereign debt issues in Europe and USA remain.

Australia's economy continues to perform soundly as it navigates complex structural and cyclical forces.

The transition of Australia's main driver of economic growth in coming years from mining and energy investment to the non-resource sectors of the economy presents a major challenge to the domestic economic outlook.

FIRST HALF RESULTS 2012/13

The most significant transactions in the first half of 2012/13 were the sale of Blue Tower for \$241.6 million on 31 October 2012 and the payment of 18.5 cents per stapled security to investors on 2 November 2012.

APGF recorded a loss after tax of \$5 million for the six months ended 31 December 2012. The items that contributed most to this loss were the costs associated with the disposal of Blue Tower of approximately \$3 million and the write-down of tax losses carried forward of \$1.4 million.

APGF's net asset value per stapled security as at 31 December 2012 was 29.5 cents (after payment of 18.5 cents to investors on 2 November 2012).

CORPORATE OUTLOOK

Investors are aware the Directors of APGF have determined an orderly sell down of the headstock property assets and the gradual winding down of the property funds management business as the optimum way to provide liquidity for investors. In line with this strategy, Blue Tower was sold on 31 October 2012 and an interim return of 18.5 cents per stapled security was paid to investors on 2 November 2012.

The Directors understand the majority of investors wish to liquidate their investment in APGF as soon as possible. With this in mind, the Directors are proposing a partial off-market buyback of stapled securities as an opportunity to accelerate the return of some further funds to investors.

The Directors are also proposing a preference share issue which will occur prior to the partial off-market buyback. The preference share issue is a mechanism for closely aligning investors' interests in the stapled securities to the value of the underlying assets as well as satisfying investors' distribution entitlements from the Blue Tower sale.

Both of the proposed transactions are directed at delivering the highest after tax return to investors through the gradual wind down process.

APGF investors will receive documentation accompanying this Investors' Report that details these proposed transactions. Investors will have the opportunity to vote on a number of resolutions in relation to the proposals.

It is anticipated a further distribution will be made to investors following the sale of 287 Collins Street, Melbourne which is likely to be in 2014. A further payment to investors is likely on the completion of Stage 2 of Pavilions Palm Beach which is expected to occur within the next few years.

APGF will continue to keep investors informed regarding the progress of the gradual wind-down process.



UPDATE ON TRUST ASSETS

12 CREEK STREET ("Blue Tower"), BRISBANE CBD

As noted earlier in this report, Blue Tower was sold for \$241.6 million with settlement occurring on 31 October 2012.

\$5 million of the sale proceeds were retained at settlement to guarantee the warranties that APGF provided to the purchaser in the sale contract. \$4.82 million is due to be released to APGF on 31 October 2013 with the remaining \$0.18 million due to be released in the subsequent year.

As part of the sale contract, APGF provided a rent guarantee to the purchaser for Levels 18 and 19 of Blue Tower for one year. Level 19 is currently leased, however Level 18 remains vacant and is being marketed for sub-lease.

In November 2012 APGF relocated its Head Office from Level 15 of Blue Tower to a smaller tenancy on Level 5. APGF's former tenancy on Level 15 is also being marketed for sub-lease.

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 and three of the nine upper office floors are also leased.

A new leasing campaign has resulted in securing Heads of Agreements to lease two of the remaining six vacant floors. It is hoped these will be converted into executed leases in the coming weeks.

Final refurbishment of the remaining four office floors has also recently been completed.

Focus remains on securing further leasing in the building prior to marketing the property for sale, which is anticipated in 2014.

As at 31 December 2012, the building was valued at \$30.7 million.

UPDATE ON CURRENT DEVELOPMENT PROJECTS

PAVILIONS PALM BEACH, GOLD COAST

Construction of Stage 1 of the \$125 million "Pavilions Palm Beach" mixed retail and residential project was completed in June 2009. As at 1 April 2013, 103 of the 104 apartments have settled and the retail precinct is 100% leased.

Stage 2 of the project comprises approximately 100 additional apartments and a dedicated retail and café precinct. It is likely an amended Development Approval will be submitted in 2013 to reposition Stage 2 to ensure the project is ready to commence marketing once more favourable conditions return to the Gold Coast apartment market. All of the existing Stage 2 pre-sale apartment contracts are likely to be rescinded during 2013 as the contracts are all approaching their sunset expiry dates.

ULLADULLA, NEW SOUTH WALES

APGF gained its interests in two land subdivisions at Ulladulla through the acquisition of a property funds management business in mid-2007.

APGF is continuing to market the developed lots in the Springfield Meadows Estate with 16 of the 63 Stage 1 lots settled. It is intended to commence developing the first stage of Dolphin Point in late 2013, prior to selling the land holding in coming years.

UPDATE ON PROPERTY FUNDS MANAGEMENT BUSINESS

As investors are aware, this business is being wound down in a gradual and orderly fashion. Properties in the individual managed funds are being sold progressively with the overriding consideration being whether a sale is in the best interest of the Funds' investors.

In August 2012, APGF sold the management of PFA to Charter Hall for \$10 million with \$5.2 million of the consideration being received at settlement. The remaining \$4.8 million will be paid over six years from a share of PFA's asset disposal and performance fees.



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