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AUSTRALIAN PROPERTY GROWTH FUND
BSX CODE: APF

The following is a copy of the Chairman's presentation by Neil Summerson for the Annual General Meeting of Australian Property Growth Fund to be held at 10am on 23 November 2010 at the River Room, Stamford Hotel, Brisbane.

"Ladies and Gentlemen,

My report to you this year is one of subdued optimism but at the same time expressing caution about the future.

The commercial property sector continues to suffer from the effects of a credit contraction and the effects of the global financial crisis. Most of the problems in the sector have been caused by the lack of and cost of credit and the fact that banks are unwilling to lend to developers due to the uncertainty in their customers' ability to sell the developed product.

As a consequence many property developers have been caught with non income producing assets in a rising interest rate climate. There are literally hundreds of developers who have collapsed financially over the past three years. Banks are therefore extremely cautious in lending into the sector.

Australia has close to full employment with an unemployment rate of 5.4% but the hours worked by those in employment have fallen significantly. Therefore disposable income has reduced which in turn has meant that almost all sectors of the Australian business community have been affected by a slow -down in consumer spending. The stimulus packages introduced by the Government have seen certain industries benefit but have generally not been of an enduring nature to benefit the commercial property sector.

However, it would appear as though the sector may have reached the bottom of the valuation cycle evident by the fact that the latest valuations undertaken by us as at 30 June 2010 declined by less than half a percent in the six month period since ended 31 December 2009 across the Fund's \$1.8 billion property portfolio. This is significantly different to the trends experienced since the last quarter of 2007.

My positive view of valuations comes with some caution about the future. The outlook for the Australian property market remains subdued and it will be another 18 months or so before the sector returns to some normality. Financing constraints will remain the most significant issue confronting the sector. The Banks are re-pricing for risk and there are still a large number of bank customers holding property assets that are under considerable stress. These assets will need to be sold over the next year or so. As a result,

valuations are not expected to move significantly during this phase of the property cycle.

Significantly, the 2009/2010 financial year saw APGF return to profitability with a profit after tax of \$700k. This result represents a financial turnaround of \$64.7m on the result for the year ended 30 June 2009. Whilst the quantum of the 2009/2010 profit after tax is minimal, it is a key sign to our investors that we are hopefully in a recovery mode.

I will leave the detailed financial results to our Managing Director to discuss further in his address.

The Board meets regularly to assess the financial position of the Group. It has spent considerable time in the last twelve months carefully reviewing operations, cash flow projections, corporate strategy and looking for opportunities to increase profitability and therefore to increase cash distributions.

As a result the Fund has made another strategic acquisition in the year under review which will provide a very healthy return on equity employed. Again, I will leave the details to Geoff McMahon to explain the details.

Despite the fact that many property trusts were unable to make distributions APGF has continued to do so throughout the credit crisis that has engulfed the sector. It is the intention of our Board to payout the maximum amount we can but at the same time be prudent with our cash reserves.

The Fund has been very careful in managing expenses and I want to point out that for the year ended 30 June 2010 salaries were kept to 2009 levels. No bonuses were paid. The Directors have kept their remuneration fixed at 2008 levels and this will remain so until the next Annual Meeting.

Ladies and Gentlemen, the Fund is very well managed by a great team ably led by Geoff McMahon, its Managing Director. I want to thank the whole management team for a great job under extremely difficult circumstances.

I also want to thank my fellow Board members for the tremendous support given during the year.

Finally and most importantly, I want to thank our investors for their patience and continuing support. I hope I can give you a more upbeat address next year.

Neil Summerson
Chairman
23 November 2010"

Should you have any queries or require further information please contact the undersigned on 07 3004 1222.



Adriano Cragnolini
COMPANY SECRETARY