



APGF

Managing Director's Presentation 2010 Annual General Meeting

23 November 2010



PRESENTATION OVERVIEW



- Executive Summary
- Economic Conditions
- 2009/10 Results
- Update on Current Projects
- Outlook and Future Strategy



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EXECUTIVE SUMMARY



- Global Financial Crisis (GFC)
 - Financial landscape changed in 2008
 - Worst is past but outlook remains uncertain and subdued
 - Resulted in credit squeeze in Australia
 - Close to or at the lowest point in property valuations

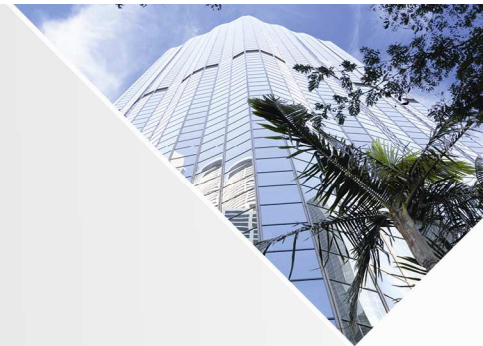
EXECUTIVE SUMMARY (CONTINUED)



- What did the GFC mean for APGF?
 - APGF headstock properties devalued by 17% (from peak valuations to 30 June 2010)
 - Now at or close to bottom of valuation cycle
 - Bring DPS in line with EPS
 - DPS of 3.5 cents per annum to be maintained in 2010/11
 - Excellent acquisition opportunities (acquired Domaine and PFA)
 - Returned to profitability in 2009/10
 - Recovery and rebuilding value



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GLOBAL ECONOMY



- Continues to recover following the sharp retraction in late 2008/early 2009
- Performed much better than was feared likely
- Expected 4% growth in next couple of years which is the average pace of growth over the past decade
- Advanced economies likely to remain subdued for some time
- Relatively strong growth expected in Asia



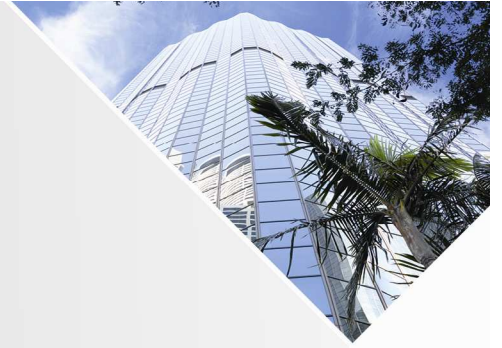
GLOBAL ECONOMY (CONTINUED)



- Whilst outlook has improved, significant uncertainties remain:
 - Sovereign debt risk
 - Durability of the recovery (impact of temporary government assistance and inventory cycle expansion is waning)
 - Chinese economy over heating
 - USA's economy is very weak
 - Talk of double dip recession
 - Bank credit growth is very weak



AUSTRALIAN ECONOMY



- Only one of few countries to avoid a recession in 2009
- Economy has slowed significantly
- Unemployment rate 5.4% (peaked at 5.75%)
- GDP forecast 3.25% in 2010 and 4% in 2011
- Underlying inflation forecast 2.5% for the second half of 2010
- RBA cash rate now 4.75%
- Major positive influences:
 - Strong commodity prices
 - China
 - Strong domestic banking sector



AUSTRALIAN PROPERTY OUTLOOK



- Supply continues to be on hold
- Financing still a struggle
- Demand for space slow
- Fundamentals sound:
 - Unemployment comparatively low
 - Prospect of economic growth positive
- Likely to result in improvement in demand
- However, subdued outlook for next 12 to 18 months



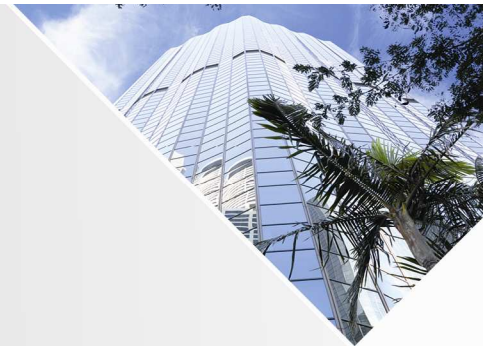
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2009/10 RESULTS



- Underlying net profit after tax of \$8.6 million
- Accounting profit after tax of \$0.7 million (which includes non-operating and non-cash asset devaluations and impairments of \$7.9 million)
- Net asset value 67 cents per stapled security
- Net assets \$153 million
- Assets under management \$1.8 billion



2009/10 KEY FEATURES



- Return to profitability
- Valuations declined by less than half a percent in six months from December 2009 to June 2010
- Recovery and rebuilding value
- Acquired the PFA property funds management business in April 2010
- Other excellent acquisition opportunities are emerging



APGF POSITION



- Australian assets; no exposure to USA or Europe
- No exposure to international debt markets
- No bank major investment properties loan maturities before late 2011
- Compliance with all bank loan covenants
- Cash at June 2010 - \$17 million



VALUATIONS



- Capital rationed and more expensive
- More sellers than buyers
- Significant drop in property valuations but now at or close to bottom
- APGF headstock properties devalued by 17% (from peak valuations to 30 June 2010)
- Devaluations/impairments resulted in net asset value of 67 cents per stapled security



CAPITAL MANAGEMENT



- Pre GFC paying Distribution per Stapled Security (DPS) in excess of Earnings per Stapled Security (EPS)
- In post GFC financial environment must bring DPS in line with EPS
- DPS of 3.5 cents per annum to be maintained in 2010/11



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PROPERTY TRUST ASSETS

Blue Tower, Brisbane CBD



- Iconic Brisbane CBD commercial office building
- Net lettable area 32,000 square metres
- Current valuation \$240 million
- \$8 million capital expenditure nearing completion
- Blue chip tenants including Macquarie Bank, Optus, Reserve Bank of Australia



PROPERTY TRUST ASSETS

Melbourne Street, South Brisbane



- Commercial office building at South Brisbane
- Net lettable area 6,145 square metres
- Sold in September 2010 for \$28.5 million
- \$2.5 million over the December 2009 valuation
- Reduce debt and provide additional working capital



PROPERTY TRUST ASSETS

Royal Bank Chambers, Collins Street Melbourne



- Current valuation \$30.3 million
- Prime Collins Street location
- Banking chamber 10 year ANZ lease
- Nine upper office floors – ANZ lease expired 31 December 2009
- Refurbishment and re-leasing is proceeding in line with expectations

PROPERTY TRUST ASSETS



Westpac Concord Campus, Concord Sydney



- 16,900 square metre office campus
- Current valuation \$49 million
- Leased to Westpac until October 2012
- Good prospects for repositioning

PROPERTY TRUST ASSETS



Pavilions on 5th, Palm Beach Gold Coast



- 9,800 square metre prime site
- Mixed retail (5,200 square metres) and residential (194 apartments)
- End value approximately \$125 million.

PROPERTY TRUST ASSETS



- Stage One:
 - Construction completed June 2009
 - 93 apartments settled (total 104)
 - 100% of retail leased (includes Coles supermarket)
- Stage Two:
 - Construction to commence in 2011
 - 30 apartments with sales contracts or expressions of interest (total 90)

PROPERTY FUNDS MANAGEMENT BUSINESS



- Performing profitably (after tax return on equity 17%)
- Stable recurring funds management income
- 10,000 investors
- \$1.4 billion assets under management
- 60 properties
- Project pipeline
- Geographic and property sector diversification
- Excellent platform for expansion
- 2 residential land subdivisions on the NSW South Coast



PFA PROPERTY FUNDS MANAGEMENT BUSINESS



- Business purchased from Mirvac in April 2010
- Attractive return on equity
- \$545 million diversified property trust
- Other acquisition opportunities are emerging



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OUTLOOK AND FUTURE STRATEGY



- APGF is well positioned in current climate
 - Australian assets; no exposure to USA or Europe
 - No exposure to international debt markets
 - No major bank property investment loan maturities before late 2011
 - Cash at June 2010 - \$17 million
- Portfolio of quality properties
- Strategy:
 - Focus on property funds management business
 - Counter cyclical acquisition opportunities
 - Attractive return on equity and stable revenue streams
 - Merger of existing property syndicates
 - Establish new property syndicates





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