

INVESTORS' REPORT

2010/11

SEPTEMBER 2011



Neil Summerson
Chairman



Geoff McMahon
Managing Director

CHAIRMAN AND THE MANAGING DIRECTOR'S REPORT

ECONOMIC ENVIRONMENT

The outlook for the global economy has recently deteriorated as downside risks have increased. Worsening US economic data and ongoing European sovereign debt concerns have resulted in declining investor confidence and volatile financial markets. Investors now fear the US economic recovery may be unraveling, prompting concerns of a "double dip" economic recession.

The "multi-speed" economic recovery, featuring major disparities between regions and countries, has become a dominant theme in the current challenging global environment. The Asia Pacific Region continues to lead the global economy, while the US, Europe and Japan are lagging. There are now real concerns about how this slow down will impact on the Asia Pacific Region, in particular the Chinese manufacturing sector and commodity prices.

The Australian economy continues to perform soundly, however evidence of the "multi-speed" economy also persists as conditions in sectors such as retail, tourism and construction remain subdued. There is also disparity in the performance of Australia's states. Concerns about the global economic outlook and signs of a peak in Australia's employment rate have also dampened consumer confidence and retail sales. The household sector is paying down debt and lifting its savings rate as a result of these fears. While Australia's economy remains the envy of most advanced countries the outlook is far less certain given the backdrop of global economic volatility.

PROPERTY MARKET

The "multi-speed" theme is also playing out in Australian property markets. Quality commercial office properties are performing relatively well while lesser quality commercial and residential properties are still facing significant headwinds. While the availability and cost of bank finance remains an issue, credit conditions have improved over the past 12 months.

APGF remains cautiously optimistic about a continued recovery in commercial property rents and capital values over the next few years, although forced sales by banks and the wind up of unlisted property funds may place pressure on non A grade property valuations.

2010/11 KEY FEATURES

- Profit after tax of \$3.5 million;
- Net asset value per stapled security of 65 cents;
- Net assets of \$148 million;
- Assets under management of approximately \$1.6 billion;
- Compliance with all headstock bank loan covenants;
- Increase in the valuation of 12 Creek Street, Brisbane ("Blue Tower") indicates the bottom of the valuation cycle has passed for quality commercial properties; and
- 100 of 104 apartments in Stage 1 of Pavilions on 5th, Palm Beach settled and 100% of Stage 1 retail leased.

CHAIRMAN AND THE MANAGING DIRECTOR'S REPORT (CONTINUED)

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 understand that this is the best way to deliver sustainable performance and long-term value to investors.

2010/11 RESULT

APGF continues to progress its recovery and is rebuilding value through this phase of the property cycle. This is evidenced by the Fund's reported profit after tax of \$3.5 million for 2010/11. This result substantially exceeds the after tax profit of \$0.7 million delivered in 2009/10.

APGF's net asset value per stapled security as at 30 June 2011 is 65 cents (30 June 2010, 67 cents).

CAPITAL MANAGEMENT

APGF continues to respond proactively to the challenging credit and property market conditions to minimise risk and efficiently manage its capital base.

The Fund continues to comply with all of its headstock debt covenants and has maintained a sound capital position.

APGF's capital management strategy is to target distributions that are in line with underlying profits with the aim of ensuring sustainable investor returns. The distribution rate was maintained at 3.5 cents per stapled security per annum in the 2010/11 financial year.

CORPORATE STRATEGY

Over the past few years, APGF has successfully acquired and integrated property funds management businesses. Attractive counter-cyclical acquisition opportunities have continued to emerge, albeit at a slower pace, in the current market.

APGF continues to maintain a close watching brief on potential earnings accretive acquisitions in the property funds management sector.

The APGF Board is conscious of the impact of dilutive and discounted equity raisings on existing security holders. It is for this reason APGF has not undertaken an equity raising during the past three financial years.

However, the APGF Board is committed to providing a liquidity event for investors within the next 12 months and is currently investigating a number of options to achieve this outcome.

OUTLOOK

The Fund is in a sound financial position and well placed to restore investor value as it emerges from the challenging economic and property 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. The Board will continue to focus on ensuring the momentum of APGF's recovery is maintained and investors' returns are maximised over the longer term.



Neil Summerson
Chairman



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Managing Director



UPDATE ON CURRENT TRUST ASSETS

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

Blue Tower's \$8 million services upgrade was completed in May 2011.

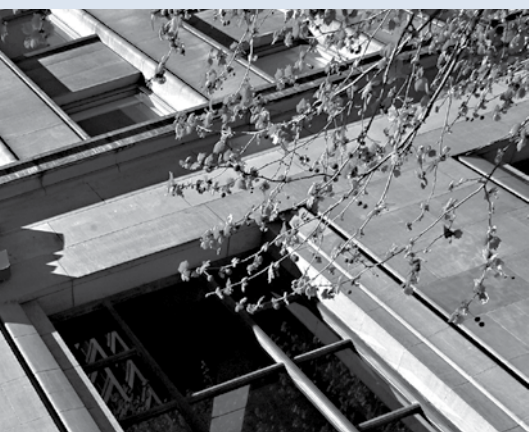
The two lowest levels of the building's car park were inundated in Brisbane's January 2011 floods. While the building performed well with a relatively quick reopening following the flood, a number of improvements have been undertaken which will be beneficial in the event of a future flood event.

A substantial new lease was secured with BMA Coal in early February 2011, which has resulted in the building's vacancy rate now being less than 1%.

The Brisbane CBD office market continues to recover from the fallout of the economic downturn as a result of the credit crisis. This is reflected in Blue Tower's valuation which increased from \$240 million at 30 June 2010 to \$250 million at 30 June 2011. This supports APGF's view that we have passed through the lowest point in the commercial property valuation cycle for quality properties.



Pavilions on 5th



Royal Bank Chambers

WESTPAC CONCORD CAMPUS, CONCORD WEST, SYDNEY

Westpac Concord Campus, located in Concord West, just 15 kilometres from the Sydney CBD, was acquired by APGF in October 2007.

This is a 16,500 square metre commercial/business park development comprising office accommodation along with other facilities and is fully-leased to Westpac Bank until October 2012. The property has good long-term prospects for repositioning. Negotiations are on-going with Westpac in relation to the lease.

The property's \$49 million valuation remained unchanged as at 30 June 2011.

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 four floors being refurbished and re-leased as at 30 June 2011.



Westpac Concord Campus



12 Creek Street

As at 30 June 2011, the building was valued at \$31.275 million, an increase compared to its 30 June 2010 valuation of \$30.3 million. This reflects the building's prime location and the relative strength of the Melbourne CBD leasing market.

UPDATE ON CURRENT DEVELOPMENT PROJECTS

PAVILIONS ON 5TH, PALM BEACH

APGF continued to progress the development of the \$125 million Pavilions on 5th mixed retail and residential project in 2010/11.

Construction of Stage 1 was completed in June 2009. As at 7 September 2011, 100 of the 104 apartments have settled and the retail precinct is fully leased.

Despite the economic environment of the past 12 months and the depressed nature of the Gold Coast market, the sales and leasing success of Stage 1 reflects the quality of the project and confirms the area's demographics 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 29 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.pavilionson5th.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 continues 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 \$1.2 billion, comprising approximately 50 properties. 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 funds management business is performing well, providing an attractive after tax return on equity. The 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.

The Fund has developed a reputation as a consolidator within the industry following several acquisitions including: the Elderslie property funds management business in June 2007; the Domaine property funds management business in March 2009; and the PFA property funds management business in April 2010.

APGF benefits from its substantial property funds management business in several ways, including:

- Attractive return on equity;
- Stable recurring funds management fee income;
- Approximately 10,000 investors throughout Australia;
- Attractive project pipeline; and
- Geographic and property sector diversification.

APGF has a strong brand in property funds management and has increased its market share during the sector's recent cyclical low.

The increase in market share provided by recent acquisitions places APGF in a strong strategic position in the property funds management sector and enhances our ability to continue to grow and increase the profitability of the business as market conditions improve.

APGF Management Limited (APGFM) completed its proposal to merge up to 10 of its managed Funds in March 2011. The ultimate merged fund comprised three Funds accounting for more than 50% of the gross assets and 55% of investors in the eligible Funds.

Despite a number of APGFM Funds becoming the subject of predatory action from a competitor during the period under review, APGFM was successful in maintaining its role as responsible entity and manager for seven of the 10 Funds under takeover. The three Funds which voted to change responsible entity represented approximately 2% of APGF's total funds under management. APGFM maintained 71% of the assets and 77% of investors in Funds, which were under takeover.

APGF STAPLED SECURITIES

Should you be interested in acquiring more APGF Stapled Securities, please register your interest at info@apgf.com.au

DISCLAIMER

This information is provided without taking into consideration your objectives, financial situation or needs and is not intended as financial product advice or a recommendation. You should obtain independent financial advice before making any investment decision. Past performance is not indicative of future performance.

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