



AUSTGROWTH PROPERTY SYNDICATE NO. 21

ARSN 107 016 044

JUNE 2011

INVESTORS' REPORT

October 2011

ECONOMIC ENVIRONMENT

The term "multi-speed" best reflects the current state of the global economic recovery and domestic property markets, with strong and weak indicators evident in both arenas.

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 has become a dominant theme in the current challenging global environment, with gross disparities between some regions and countries. The Asia Pacific region continues to lead the global economy, while the US, Europe and Japan lag behind. There are now real concerns about how this slow down will impact the Asia Pacific region, in particular commodity prices and the Chinese manufacturing sector.

The Australian economy continues to perform soundly, however evidence of the "multi-speed" economy persists as conditions in sectors including retailing, tourism and construction remain subdued.

Concerns about the global economic outlook and signs the domestic employment rate may have peaked have dampened consumer confidence and retail sales. As a result of these fears the household sector is paying down debt and increasing savings.

While Australia's economy remains the envy of most advanced economies, the outlook is far less certain given the backdrop of global economic volatility.

APGF is continuing to focus on property fundamentals and proactive asset management across the "multi-speed" domestic property markets.

While quality commercial office properties are performing relatively well, lesser quality commercial and residential properties still face significant challenges. The availability and cost of bank finance remains an issue however credit conditions have improved over the past twelve 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 some pressure on non-A grade property valuations.

A continued focus on maximising each individual property's net operating income to deliver sustainable performance and long term value to investors remains APGF's priority.



Luis Garcia
Senior Manager
Funds Management



Bridget Woods
Investor Relations
Manager

INVESTOR REPORTS

APGF has amended its investor reporting cycle to half-yearly reports. Investors now receive reports for the six months ending June and December. In addition, APGF will continue to keep investors informed of important information with updates available online at www.apgf.com.au, by letter or investor bulletin. APGF's Investor Relations Team can be contacted during business hours on 1 300 668 698.

WEBSITE

APGF has recently upgraded its website www.apgf.com.au. Visit your fund page under the Unlisted Funds heading for the latest financial information and asset management updates. The new-look website aims to facilitate timely and relevant communication with investors and we welcome your feedback to info@apgf.com.au.

OFFICE CLOSURE

APGF will close for the Christmas period at 2.00pm on Friday, 23 December 2011 and will re-open on Tuesday, 3 January 2012. We wish investors a safe and happy holiday season.



Grafton & Florence Streets, Cairns

ASSET MANAGEMENT

Note: Net building income is for the 12 months to 30 June 2011.

Grafton & Florence Streets Cairns, QLD

Net Building Income: \$963,465

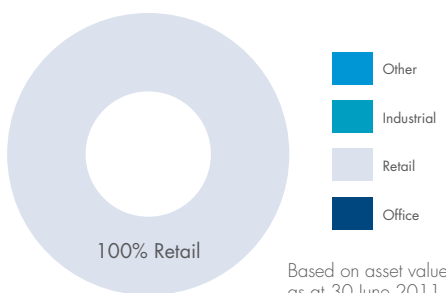
APGF's asset management team has successfully negotiated a new five-year lease with a five-year option with the ground floor pharmacy commencing May 2012, and QML on the ground floor has exercised its five-year option effective May 2012. The leases to Ramsay Healthcare and the ground floor medical centre expire in May 2012 and negotiations are continuing. It is anticipated both options will be exercised prior to December 2011.

The building façade was painted in April 2011 to improve the presentation of the property prior to sale, at a cost of approximately \$50,000.

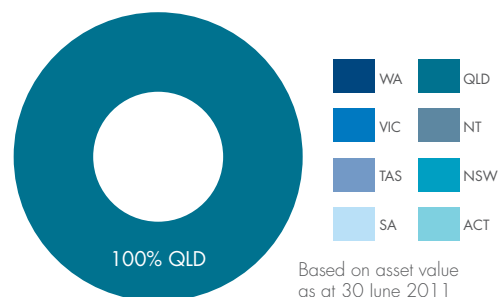
FUND UPDATE

As outlined in the letter to investors dated 1 August 2011, APS 21 has a first disposal date of 5 February 2012. The Manager is working towards the sale of the property following the first disposal date and the completion of leasing negotiations. It is likely the property will be marketed for sale in the second quarter of 2012 and investors will be kept informed throughout the sale process.

DIVERSIFICATION BY SECTOR



DIVERSIFICATION BY LOCATION



NET TANGIBLE ASSETS PER UNIT (NTA)

NTA as at 30 June 2011	\$1.52
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The NTA does not represent the return an investor will receive on final settlement as it does not consider future performance, distributions, disposal costs or achieved sales price. The NTA should be used as a guide only and is calculated using the latest valuation.

REGULATORY GUIDE 46 DISCLOSURE PRINCIPLES

Pursuant to Australian Securities and Investment Commission (ASIC) Regulatory Guide 46 (RG 46): "Unlisted property schemes – improving disclosure for retail investors", these disclosures can help retail investors understand the inherent investment risks and decide whether these investments are suitable for them.

Information relative to the Scheme based on ASIC's eight disclosure principles is for the reporting period ended 30 June 2011.

DISCLOSURE PRINCIPLE 1: GEARING RATIO

Gearing covenants generally refer to the maximum permissible level of gearing as measured against an asset's value, usually called a loan to value ratio (LVR). Each lender imposes its own maximum LVR. These are important, because if an LVR covenant is breached, then this could lead the lender to take steps under its security to recover the loan.

PROPERTY MARKET UPDATE

CAIRNS

The Cairns commercial property market has seen a 10% increase in yields since the low experienced in 2008, with yields of retail premises now holding steady in the 7.5% to 8.5% range.¹

The vacancy rate for the Cairns retail market remains balanced, with an oversupply of available property relative to market demand. The market will, however, struggle to improve while the general economic outlook for the Cairns area remains subdued. There have also been recent signs of a decline in the volume of retail property sales.²

The announcement in August 2011 that the joint owners of Cairns Central Shopping Centre, Westfield and Lend Lease, have placed the retail asset on the market has attracted considerable attention. The 53,500 square metre centre has an estimated value of \$450 million and its potential sale will act as a litmus test for the local retail market.

The market update published in this report relates to the property market(s) relative to this Fund. Should you wish to read our complete property market update which covers Sydney, Melbourne, Brisbane, Perth, Cairns, Gold Coast, Canberra and Hobart, please request a copy at either info@apgf.com.au or call 1300 668 698.

¹ Herron Todd White: A month in review, June 2011

² Herron Todd White: A month in review, June 2011

The table below highlights the covenant and actual gearing ratios.

LENDER	BANK GEARING COVENANT	ACTUAL GEARING RATIO			
		Book Value	Per Bank Accepted Valuations	RG 46 Gearing Ratio	RG 46 At Fair Value
ST GEORGE BANK	60%	43.24%	43.24%	67.18%	42.05%

DISCLOSURE PRINCIPLE 2: INTEREST COVER

Information on a scheme's interest cover indicates the Scheme's ability to meet interest payments from earnings. The lower the interest cover, the higher the risk that the Scheme will not be able to meet its interest payments.

The Responsible Entity monitors the Scheme's interest cover ratio on a regular basis to ensure it complies with bank loan covenants and to indicate the Scheme's overall financial performance.

The Scheme's interest cover ratios for the 12 months to 30 June 2011 are outlined below. The Scheme's actual interest cover ratio is measured on a 12-month rolling basis and may be calculated differently to the RG 46 definition.

LENDER	BANK INTEREST COVER RATIO COVENANT	ACTUAL INTEREST COVER RATIO	RG 46 INTEREST COVER RATIO
ST GEORGE BANK	1.6	2.66	2.15

DISCLOSURE PRINCIPLE 3: SCHEME BORROWING

The Scheme sources borrowings from the St George Bank in the amount of \$4,800,000. The facility agreement expires in February 2012.

DISCLOSURE PRINCIPLE 4: PORTFOLIO DIVERSIFICATION

PROPERTY	ASSET TYPE	VACANCY BY SQUARE METRE	VACANCY RATE
Grafton and Florence Streets, Cairns, QLD	Retail	0	0.0%

Tenants that constitute 5% or more of the Scheme's net income are as follows:

PROPERTY	TENANT	PERCENTAGE OF SCHEME'S NET INCOME
Grafton and Florence Streets, Cairns, QLD	Nicholl Holdings Pty Ltd	17.36%
	Peter Enright (Apothecary)	8.06%
	Queensland Medical Services P/L	20.89%
	Ramsay Healthcare	53.69%

The occupancy rate of the Scheme's property portfolio is 100%

LEASE EXPIRY	VACANT	WITHIN 1 YEAR	BETWEEN 1 AND 2 YEARS	BETWEEN 2 AND 3 YEARS	BETWEEN 3 AND 4 YEARS	MORE THAN 4 YEARS
Net Lettable Area	0.00%	100%	100%	0.00%	0.00%	0.00%
WALE (by income)	0.86 years					

DISCLOSURE PRINCIPLE 5: VALUATION POLICY

Each property is valued at intervals of no more than three years, unless requested earlier or more frequently by a lender.

Where valuations are performed by independent registered valuers, they are required to be appropriately qualified to undertake the valuation, based on the type and locality of the property being valued. The valuation reports are prepared by valuers in compliance with all relevant industry standards and codes.

Investment property is stated at cost less accumulated depreciation on the building in the financial statements. The fair value of investment properties is disclosed separately in the notes to the financial statements.

The value of investment properties is measured on a 'fair value basis', being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. Changes in fair value of investment properties are not reflected in the profit or loss.

PROPERTY	VALUATION	CAPITALISATION RATE
Grafton and Florence Streets, Cairns, QLD	\$11,100,000 (I)*	8.75%

* I = Independent Valuation D = Directors' Valuation

DISCLOSURE PRINCIPLE 6: RELATED PARTY TRANSACTIONS

As at 30 June 2011, the Scheme does not lend, invest in, or provide any other form of financial accommodation to APGFM or its associates.

Except for the management fees paid/payable to APGFM as Responsible Entity of the Scheme as disclosed in the Product Disclosure Statement, or as otherwise disclosed, there are no other related party transactions for the period ended 30 June 2011.

APGFM maintains a Register of Related Party Transactions and a Potential and Actual Conflicts of Interests Register which records and details any of the Scheme's dealings with related parties and potential and actual conflicts of interests. These are constantly monitored by APGFM and its independent Compliance Committee to ensure that any related party transactions are on commercial arm's length terms and any potential and actual conflicts of interests are dealt with and disclosed to ensure that investors are not disadvantaged.

DISCLOSURE PRINCIPLE 7: DISTRIBUTION PRACTICES

The Scheme's objective is to pay distributions on a quarterly basis. Distributions are generally sourced from realised income. Occasionally, a distribution may include a component sourced from capital (either from borrowings and/or equity), where APGFM considers this is appropriate and prudent. For example, a rent-free period may be offered to attract a new tenant and this may lead to a slight reduction in the realised income of the Scheme for a particular period. In that situation, APGFM might decide to supplement a particular distribution with an amount sourced from equity, or from Scheme borrowings. However, APGFM will only do this where APGFM considers it will not have a materially adverse impact on the Scheme.

Distributions continue to be paid on a quarterly basis at 10.5 cents per unit per annum.

DISCLOSURE PRINCIPLE 8: WITHDRAWAL RIGHTS

The Scheme is a fixed-term scheme with no withdrawal rights prior to the termination of the Scheme. The Scheme's maturity date is 5 February 2013. The maturity date indicates the latest date by which the manager must have completed the Scheme's wind up process.

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.

APGF Management Limited (APGFM) ACN 090 257 480, AFSL No. 229287 holds an Australian Financial Services License authorising it to only provide general financial product advice limited to its own funds. For further information, please refer to the APGFM Financial Services Guide at www.apgf.com.au.

We welcome your feedback on this June 2011 Investors' Report. You can contact us at info@apgf.com.au.

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