AUSTGROWTH PROPERTY SYNDICATE NO. 22

ARSN 109 579 366

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 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.

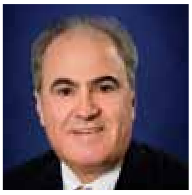
While Australia's economy remains the envy of most advanced economies, the outlook is far less certain given the backdrop of global economic volatility.

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 1300 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.

PROPERTY MARKET UPDATE

SYDNEY

Sydney's exposure to the global economy makes it sensitive to headwinds in financial markets and this flow-on effect was evident in the CBD office market during the first half of 2011.

According to the Property Council of Australia, of all the nation's capitals, Sydney was the only CBD market to record an increase in vacancy rates in the six months to July 2011 – increasing from 8.3% to 9.3% to record its highest vacancy rate in five years.

Net absorptions across the CBD totalled 5,509 square metres during the same period, with supply additions totalling 111,552 square metres – 44% more than the 20-year average.

Investment continued to remain strong across all metropolitan office markets. The most significant transaction during the first six months of 2011 was the sale of 259 George Street for $395 million – the largest transaction to have occurred in the Sydney CBD since November 2009[1].

Yields remained stable during the year to date, reflecting the nature of the tightly-held Sydney CBD market together with the continued challenges with obtaining finance despite resurging investor appetite[2]. Within the Sydney CBD, market yields for the June 2011 quarter ranged between an estimated 6.75% and 7.25% for prime assets, while secondary asset yields ranged between 7.5% and 9%.

According to the National Australia Bank June 2011 quarter commercial property survey, CBD retail property was identified as the best-performing property type, with the super prime Pitt Street Mall retail strip experiencing vacancies of just 0.9%.

Outside the CBD, demand for retail has softened with rental rates dropping across both prime and secondary space[3], despite the recent number of sales of neighbourhood activity centres.

Retail remains the weakest performer in the property space as retailers continue to suffer from low retail sales turnover and weak consumer confidence[4].

While Sydney's industrial property market has stabilised, it experienced a fragmented performance over the past 12 months[5]. The high Australian dollar is continuing to put pressure on local manufacturers, with a number of large South Sydney tenants moving to cheaper markets in the western suburbs keeping a lid on rent growth in 2011[6].

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, Canberra, Gold Coast, and Hobart, please request a copy at either info@apgf.com.au *or call 1300 668 698.*

ASSET MANAGEMENT

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

1 Skyline Place, Frenchs Forest, NSW

Net Building Income: $669,717

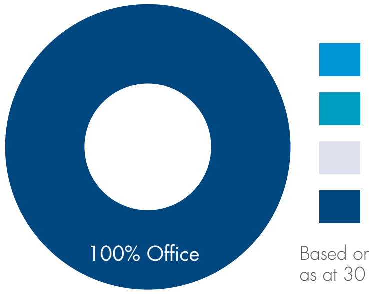
APGF's asset management team has successfully negotiated a lease extension with the property's sole tenant, Zimmer, to 30 June 2013.

A professional marketing campaign for the sale of the property was undertaken by Jones Lang LaSalle in June 2011 however it did not generate any acceptable formal offers. The property remains for sale and APGF's asset management team is working together with the sales agent on a new marketing strategy with a view to remarket the property in early 2012. Investors will be kept informed throughout the sale process.

FUND UPDATE

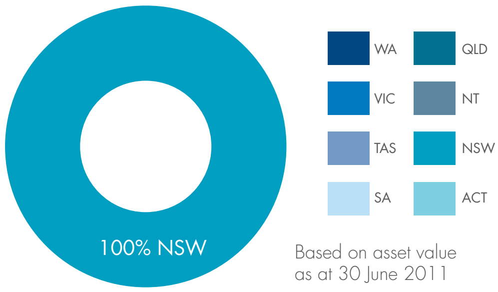
The Fund has a final disposal date of 23 August 2012. APGF is working towards the sale of the property in early 2012 as the property must be sold prior to 23 August 2012, with capital returned to investors and the syndicate wound up by this date.

DIVERSIFICATION BY SECTOR



Based on asset value as at 30 June 2011

DIVERSIFICATION BY LOCATION



Based on asset value as at 30 June 2011

NET TANGIBLE ASSETS PER UNIT (NTA)

NTA as at 30 June 2011	$0.72

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.

1 *Preston, Rowe Paterson Property Market Report: Sydney Commercial Office Market*
2 *Preston, Rowe Paterson Property Market Report: Sydney Commercial Office Market*
3 *Herron Todd White: A month in review, June 2011*
4 *Property Observer: 'Apart from Pitt Street mall, NSW retail outlook bleak: NAB' (28 July 2011)*
5 *Herron Todd White: A month in review, July 2011*
6 *CBRE: Media Release (Melbourne emerges as Australia's industrial powerhouse)*

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.

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
CBA	65%	63.18%	57.64%	60.45%	55.37%

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
CBA	1.5	1.99	1.99

DISCLOSURE PRINCIPLE 3: SCHEME BORROWING

At 30 June 2011 the Scheme sourced borrowings from the Commonwealth Bank of Australia (CBA) in the amount of $3,891,000. The facility agreement expired in August 2011 and the Scheme refinanced with St George Bank. The new facility agreement expires in August 2012.

DISCLOSURE PRINCIPLE 4: PORTFOLIO DIVERSIFICATION

PROPERTY	ASSET TYPE	VACANCY BY SQUARE METRE	VACANCY RATE
1 Skyline Place, Frenchs Forest, NSW	Office	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
1 Skyline Place, Frenchs Forest, NSW	Zimmer Pty Ltd	100%

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%	0.00%	100%	0.00%	0.00%	0.00%
WALE (by income)	2.0 years					

1 Skyline Place, Frenchs Forest

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 property are not reflected in the profit or loss.

PROPERTY	VALUATION	CAPITALISATION RATE
1 Skyline Place, Frenchs Forest, NSW	$6,500,000(I)*	9.25%

** I = Independent Valuation, D = Director's 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 Trust'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 7.0 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 23 August 2012. The maturity date indicates the latest date by which the manager must have completed the Scheme's wind up process.

APGF Australian Property Growth Fund

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