



AUSTGROWTH PROPERTY SYNDICATE NO.4

ARSN 103 224 880

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, and 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.

PROPERTY MARKET UPDATE

MELBOURNE

Melbourne remains one of the strongest performing capitals in Australia's property sector.

According to the Property Council of Australia, during the June 2011 quarter, the Melbourne CBD office market boasted the lowest vacancy rate of any Australian capital city, at 6.3%. Strong demand is expected to continue over the next three years on the back of limited supply¹ and, with only one building completed in the past six months, no new stock is scheduled to enter the market until 2013².

The tightening vacancy rate in Melbourne's CBD is having a flow-on effect into other major precincts including the Southbank waterfront and St Kilda, which are experiencing increased demand³.

Despite being renowned for its retail market, Melbourne is not immune to the lack of consumer confidence impacting the rest of Australia. There is, however, notable increased interest in new and expansionary accommodation by global and national retailers. Spanish fashion label Zara has leased space along Melbourne's super prime Bourke Street Mall. This has resulted in increased rental prices for super prime CBD space, with net rents ranging from \$5,500 to \$9,000 per square metre⁴.

Overall, there is a 6% vacancy rate in Melbourne's retail market, despite some of the more historic retail areas such as Bridge Road experiencing vacancy rates of up to 10%.

According to industry research, Melbourne has led the country in relation to industrial rental growth in 2011 as developers reconsider new projects in key transport hubs. This increase in demand, coupled with limited additional supply coming into the market, is expected to see the vacancy rate decrease, thereby keeping pressure on rentals for prime assets located close to key transport networks⁵.

With limited supply and little development of quality industrial land forecast over the next 12 months, it is expected there will be continued pressure on maintaining or increasing rents, which should see increased interest from investors.

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.

658 Church Street, Richmond, VIC

Net Building Income: \$2,349,771

APGF's asset management team has successfully negotiated a two year extension, including a further two year option, with tenant Clemenger Harvie Edge (CHE) commencing in December 2011. Mood Media has exercised its three year option which will commence in January 2012.

The building management system upgrade, including the air-conditioning works, is in progress and completion is expected in late October 2011.

As CHE and Mood Media have agreed to lease extensions it is likely St George Bank will cancel the sinking fund requirement under the loan facility agreement, however all monies held in the sinking fund will be directed to funding the capital works required.

FUND UPDATE

As outlined in the letter to investors dated 9 August 2011, the final disposal date for the Fund is 6 June 2012. The property is currently being prepared for sale and a NABERS rating assessment is currently being undertaken prior to placing the property on the market in late 2011/early 2012. Investors will be kept informed throughout the sale process.

DISTRIBUTIONS

As outlined in the letter to investors dated 9 August 2011, as a result of the upcoming sales campaign, recent outgoings audit, repayment of loans to the Responsible Entity and capital expenditure requirements it is unlikely distributions will be reinstated before the property is sold.

¹ Colliers International: Research and Forecast Report: Melbourne CBD Office: First Half 2011

² Colliers International: Research and Forecast Report: Melbourne CBD Office: First Half 2011

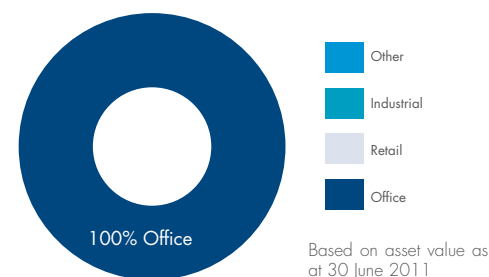
³ Colliers International: Research and Forecast Report: St Kilda Road and Southbank Office: First Half 2011

⁴ Herron Todd White: A month in review, July 2011

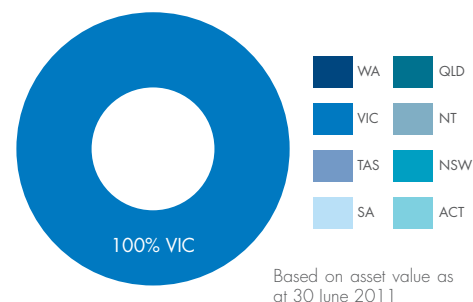
⁵ Colliers International: Research and Forecast Report: Melbourne Industrial: First Half 2011

⁶ Herron Todd White: A month in review, July 2011

DIVERSIFICATION BY SECTOR



DIVERSIFICATION BY LOCATION



NET TANGIBLE ASSETS PER UNIT (NTA)

NTA as at 30 June 2011	\$1.15
------------------------	--------

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.

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%	56.47%	56.47%	55.54%	55.54%

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	1.77	1.51

DISCLOSURE PRINCIPLE 3: SCHEME BORROWING

The Scheme sources borrowings from St George Bank in the amount of \$16,800,000. The facility agreement expires in September 2012.

As outlined in the Asset Management section, St George Bank is considering cancelling the sinking fund requirements following the lease extensions with CHE and Mood Media. All monies accumulated in the sinking fund will be used to fund the required capital works.

DISCLOSURE PRINCIPLE 4: PORTFOLIO DIVERSIFICATION

PROPERTY	ASSET TYPE	VACANCY BY SQUARE METRE	VACANCY RATE
658 Church Street, Richmond, VIC	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
658 Church Street, Richmond, VIC	Country Road	68.95%
	Clemenger Harvie Edge	29.79%

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%	1.16%	0.00%	98.84%	0.00%	0.00%
WALE (by income)	2.5 years*					

*Includes recent CHE two year extension however does not include Mood Media's extension which increases the WALE to 2.54 years.

DISCLOSURE PRINCIPLE 5: VALUATION POLICY

Each property is valued at intervals of not 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.

At all times Directors must ensure that properties are carried at fair market value. 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 are recognised in profit or loss in the year it occurs.

PROPERTY	VALUATION	CAPITALISATION RATE
658 Church Street, Richmond, VIC	\$29,750,000 (I)*#	8.75%

* I = Independent Valuation D = Directors' Valuation

Note the December 2010 Investors' Report incorrectly stated the valuation as \$27,750,000

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.

In December 2010, APGF Management Limited (APGFM) deferred its management fees (on interest free terms) to enable the Scheme to continue making distribution payments to investors. This was around the time the distribution rate was reduced from 8.5 cents per unit per annum to 5.5 cents per unit per annum following the required implementation of the sinking fund by St George Bank.

In addition to the deferred management fees, APGFM has paid the Scheme's audit, compliance, legal and reporting fees since December 2010 (interest free).

From 1 July 2011 the monies owed to APGFM were converted into a loan subject to a commercial interest rate of Bank Bill Swap Bid Rate (BBSY) plus 2%.

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 monthly 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 were suspended on 1 July 2011 as advised to investors on 9 August 2011.

As a result of the upcoming sales campaign, recent outgoings audit, repayment of loans to the responsible entity and capital expenditure requirements, it is unlikely distributions will be reinstated before the property is sold.

DISCLOSURE PRINCIPLE 8: WITHDRAWAL RIGHTS

The Scheme is a fixed-term fund with no withdrawal rights prior to the termination of the Scheme. The Scheme's maturity date is 6 June 2012. 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.

AUSTRALIAN PROPERTY GROWTH FUND, Level 15, 12 Creek Street, Brisbane QLD 4000
GPO Box 3119, Brisbane QLD, 4001, T: 1300 668 698 E: info@apgf.com.au, www.apgf.com.au

