



DOMAINE SEQ GROWTH FUND

ARSN 115 639 971

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.



Geoff McMahon
Managing Director



Michael O'Reilly
Director,
Asset Management

APGF IS CONTINUING
TO FOCUS
ON PROPERTY
FUNDAMENTALS AND
PROACTIVE ASSET
MANAGEMENT
ACROSS THE
"MULTI-SPEED"
DOMESTIC PROPERTY
MARKETS.



CB1 & CB2

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

BRISBANE

Brisbane's office market rebounded quickly following the January 2011 floods, driven by positive demand for all grades of office space.

According to the Property Council of Australia, Brisbane's commercial sector is leading the recovery in Queensland, with a net absorption of 38,108 square metres in Brisbane CBD office space achieved in the six-months to July 2011 – more than triple the 20-year average.

As at July 2011, the total vacancy rate in the Brisbane CBD was 7.4%, representing a contraction of 2% compared to the previous year. In the fringe market, the vacancy rate has also dropped to 8.8%, with a net absorption of 7,053 square metres over the six months to July 2011. The inner city area experienced the lowest vacancy rate in the six months to July 2011, with a 0.4% reduction to 2.2%.

Despite the solid performance of the office market, retail property in Brisbane continued to struggle during the June 2011 quarter on the back of continued economic uncertainty. As a result, rents, yields and values are expected to remain flat in this sector for the remainder of 2011¹.

Brisbane's industrial market also remains challenging. There does, however, seem to be increased confidence in the market, with transactions totalling more than \$326 million in the first quarter². It will still be some time before confidence can sufficiently return to absorb the supply overhang experienced across the greater Brisbane area³.

Across the other sectors there was a modest market yield experienced throughout the June 2011 quarter, with enclosed shopping centres experiencing a high yield of 9%.

The Queensland Treasury has forecast 5% growth for Queensland's economy in 2012 and the Property Council of Australia expects vacancies in both Brisbane's CBD and fringe locations to continue at healthy levels, fuelled by ongoing demand from the resources sector and its associated professional services.

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 Colliers International: Research and Forecast Report: Brisbane Industrial, First Half 2011

³ Herron Todd White: A month in review, July 2011

FUND UPDATE

Investors are aware the review date for the Domaine SEQ Growth Fund is September 2012. APGF has met with the Fund's major investors and, after careful consideration, has decided it is in the best interests of investors to commence an orderly sale of assets leading up to the review date.

The sales process commenced in September 2011 with properties being marketed for sale via expressions of interest campaigns. First to market is the commercial tower at 333 Ann Street, Mt Gravatt Village Shopping Centre and the CB1 and CB2 buildings at South Brisbane.

Investors will be kept informed throughout the sale process with updates provided via APGF's website www.apgf.com.au.

ASSET MANAGEMENT

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

Calamvale Shopping Centre, QLD

Net Building Income: \$4,302,869

During the first half of 2011, APGF's asset management team further reduced the vacancy rate from 4.3% in December 2010 to 3.71% in June 2011. The Chinese massage operator, initially leasing the space on a casual basis, was converted to a five-year lease in April 2011, and new homeware retailer Cassavida commenced a five-year lease on 1 July 2011.

Negotiations are underway with a Thai takeaway operator for one of the two remaining food court vacancies, and discussions continue with an Asian grocer for 181 sqm in the fresh food precinct.

Minor capital works have been undertaken over the past half year, including contributions to the fit-outs for the newly leased tenancies and the installation of safety fencing around the irrigation dam.

APGF's asset management team is working closely with the managing agents and tenants in the centre, particularly the discount operator, to monitor rental arrears which are currently at 14.6% of billings.

The focus for the second half of 2011 is the implementation of the 2011/12 business plan designed to drive sales and improve the specialty productivity of the centre. Attracting retail tenants in the current uncertain economic climate remains both a challenge and a priority.

Mt Gravatt Village Shopping Centre, QLD

Net Building Income: \$2,801,947

The sales process commenced in September 2011 with Savills being appointed to undertake a professional marketing campaign to sell the Mt Gravatt Village Shopping Centre. The marketing campaign is scheduled to run from 14 September 2011 to 19 October 2011.

Two vacancies remain in the centre, with one tenancy currently being casually leased by a homewares operator and discussions have commenced with an Indonesian restaurant for the remaining tenancy. Leasing remains the priority for the centre to best position the property throughout the sales campaign.

333 Ann Street, Brisbane, QLD

Net Building Income: \$9,817,282

The termination of lease for the Freeman Fox tenancy was completed in April 2011 and APGF's asset management team has successfully negotiated new five to seven year lease terms with the six sub-tenants. Freeman Fox still owes approximately \$78,000 in outstanding rental payments and recovery investigations are underway.

A capital works program is being undertaken to improve the electrical performance and efficiency of the building, together with the installation of two small air conditioning chillers. The program, at an estimated cost of \$200,000, was developed in conjunction with external consultants to address the mechanical and technical issues experienced over the past year.

CB Richard Ellis has been appointed to undertake a professional marketing campaign to sell 333 Ann Street. The marketing campaign is scheduled to run from 15 September 2011 to 19 October 2011.

BRISBANE'S OFFICE MARKET REBOUNDED QUICKLY FOLLOWING THE JANUARY 2011 FLOODS, DRIVEN BY POSITIVE DEMAND FOR ALL GRADES OF OFFICE SPACE.

CB1 and CB2, South Brisbane, QLD

Net Building Income: \$7,685,991

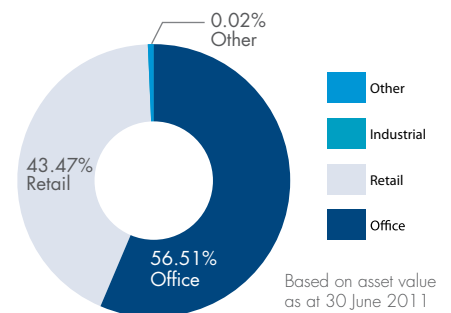
The repair and replacement works following the Brisbane flood in January 2011 have been completed. Insurance has covered 100% of the \$2.5 million cost of the reinstatement of property damage and consequential loss of income.

Leasing agent Colliers International has been appointed to secure a tenant for the sole 29 sqm vacancy on the ground floor.

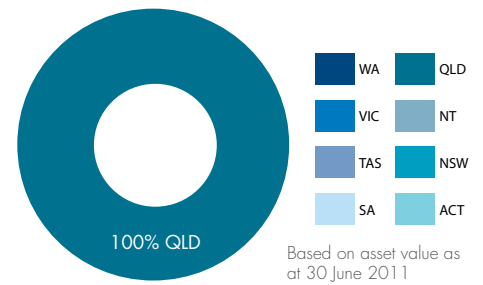
APGF's asset management team has negotiated an exit for ground floor retailer Oliver and Co and negotiations are in progress with a convenience retailer to lease the space. Oliver and Co is currently in rental arrears of approximately \$183,000, however its bank guarantee was cashed to recover the majority of these costs. Investigations are underway as to the likelihood of recovering the estimated remaining \$70,000.

CB Richard Ellis has been appointed to undertake a professional marketing campaign to sell CB1 and CB2 of the SW1 complex. The marketing campaign is scheduled to run from 15 September 2011 to 19 October 2011.

DIVERSIFICATION BY SECTOR



DIVERSIFICATION BY LOCATION



NET TANGIBLE ASSETS PER UNIT (NTA)

| | |
|------------------------|--------|
| NTA as at 30 June 2011 | \$0.52 |
|------------------------|--------|

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 valuations.



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 |
| NAB | 68%* | 67.46% | 67.46% | 65.11% | 65.11% |

* NAB requires the bank gearing covenant to be reduced to 65% by 31 December 2011. The Scheme has been making quarterly loan amortisation payments of \$1.5 million to assist in meeting this target.

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 |
|--------|------------------------------------|-----------------------------|----------------------------|
| NAB | 1.5 | 1.55 | 1.55 |



DISCLOSURE PRINCIPLE 3: SCHEME BORROWING

The Scheme's total borrowing as at 30 June 2011 is \$202,375,000. The Scheme has a single loan facility with National Australia Bank (NAB) and the loan is on a variable interest rate. Of the total borrowings, 55% is fixed through interest rate swaps which expire in June 2012 (20%) and September 2012 (35%).

The maturity date of the Scheme's borrowing facility is 30 September 2012.

DISCLOSURE PRINCIPLE 4: PORTFOLIO DIVERSIFICATION

| PROPERTY | ASSET TYPE | VACANCY BY SQUARE METRE | VACANCY RATE |
|---|---------------|-------------------------|--------------|
| Calamvale Shopping Centre, QLD | Retail | 642 | 3.71% |
| Mt Gravatt Village Shopping Centre, QLD | Retail | 59 | 0.76% |
| 333 Ann Street, Brisbane, QLD | Office | 0 | 0.00% |
| CB1 and CB2, South Brisbane, QLD | Office/Retail | 29 | 0.16% |

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

| PROPERTY | TENANT | PERCENTAGE OF SCHEME'S NET INCOME |
|----------------------------------|------------------------|-----------------------------------|
| CB1 and CB2, South Brisbane, QLD | Roche Mining | 9.26% |
| | Colorado Group* | 8.27% |
| 333 Ann Street, Brisbane, QLD | Runge Limited | 10.42% |
| | R.O. Bird & Associates | 5.41% |

*Lease is currently being assigned to Fusion Retail Group.

The occupancy rate of the Scheme's property portfolio is 98.72%

| 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 | 1.28% | 3.87% | 5.82% | 19.69% | 19.84% | 49.50% |
| WALE (by income) | 4.18 years | | | | | |



Mt Gravatt Village Shopping Centre

DISCLOSURE PRINCIPLE 5: VALUATION POLICY

The properties are valued at least once per annum unless required more frequently by the Scheme's constituent documents or financier, or if Directors believe there is a material change in market conditions.

Generally these valuations have been performed by independent registered valuers who are 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. External valuers are rotated after they have conducted three consecutive valuations of a property.

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. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the year in which they arise.

| PROPERTY | VALUATION | CAPITALISATION RATE |
|---|--------------------|---------------------|
| Calamvale Shopping Centre, QLD | \$59,500,000 (I)* | 8.25% |
| Mt Gravatt Village Shopping Centre, QLD | \$36,000,000 (I)* | 8.25% |
| 333 Ann Street, Brisbane, QLD | \$108,000,000 (I)* | 8.00% |
| CB1 and CB2, South Brisbane, QLD | \$96,500,000 (I)* | 8.75% |

* 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.

On 19 July 2011, Domaine SEQ Growth Fund provided a loan of \$300,000 to the Domaine SEQ Growth Trust. This loan is due to be fully paid in July 2013.

Amounts receivable from APGFM at 30 June 2011 are \$1,990,000. This relates to insurance proceeds that have been collected or are waiting to be collected by APGFM through its insurance policy covering the flooding at CB1 and CB2 in South Brisbane. The amounts will be paid when the insurance broker provide sufficient details to allocate proceeds to the Scheme.

Except for the management associated fees paid/payable to APGFM as Responsible Entity of the Scheme as disclosed in the Product Disclosure Statement, and the Capital Adjusted Net Return to Owners performance fee paid/payable in consultation with the Investors Consultation Committee, 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 all 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 all related party transactions are on commercial arm's length terms and all potential and actual conflicts of interests are dealt with and disclosed to ensure investors are not disadvantaged.



AS THE
ECONOMY
RECOVERS,
TENANT DEMAND
WILL LIFT AND
EVENTUALLY
FLOW THROUGH
TO RENTS
AND VALUES.

DISCLOSURE PRINCIPLE 7: DISTRIBUTION PRACTICES

As at 30 June 2011, distributions continue to be suspended. The Scheme's quarterly distributions were suspended in the December 2008 quarter. With the challenging economic and property market conditions continuing and the Scheme's own specific challenges, distributions will unfortunately have to remain suspended until such time that the new terms and conditions are being met under the facility agreement. It is unlikely distributions will be able to recommence before the Review Date of 30 September 2012.

DISCLOSURE PRINCIPLE 8: WITHDRAWAL RIGHTS

Investors in the Scheme will have an opportunity to have their units redeemed in whole or in part every seven years. The first opportunity will occur as at 30 September 2012 and each seventh anniversary thereafter (Review Date). At each Review Date, APGFM must convene a meeting of investors in the Scheme to consider its future. At each meeting following a Review Date the investors may resolve to continue or terminate the Scheme.

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

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