

PENRITH PROPERTY SYNDICATE

December 2009 QUARTERLY INVESTORS' REPORT

March 2010



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OVERVIEW

2010 potentially offers a year of more certainty for the Australian economy, the commercial property market and investors generally.

The Australian economy has improved markedly with the general view being that the bottom of the downturn has been reached and the strong economies of our Asian trading partners will continue to drive domestic growth. At the opposite end of the spectrum, there is a wide range of views among experts about the durability and strength of the growth of the domestic economy now that the impact of the government's stimulus package begins to fade. It is the balancing of these two views that will affect the pace of interest rate adjustments by the Reserve Bank of Australia.

One of the effects of the Global Financial Crisis (GFC), and the consequential credit squeeze, has been that the commercial property market has morphed into two distinct sectors – one for lower value properties and the other for higher values. Buyers and lenders can still be found for lower value transactions, however it is much more difficult to achieve transactions in excess of about \$10 million. The main drivers for the split in the market are the lack of debt and to a lesser extent, equity. In 2007 there were 48 potential property lenders whilst today there are potentially four. This highlights the lack of bank debt available for commercial property.

Because of the continuing credit constraints being placed on real estate and despite the vastly improved economic outlook, APGF remains cautiously optimistic about the pace of recovery this year, but believes that continued constrained credit supply for commercial property will delay the sector's recovery.

On the positive side, the higher lending margins and low debt availability triggered a major trend towards new equity raisings in the listed real estate trust sector during the second half of 2009. Some of this new capital could well be diverted to the purchase of property assets in 2010.

Throughout the GFC, APGF has maintained an emphasis on pushing through the cycle and focussing on long-term property fundamentals. It is this emphasis that has driven our strategy and recommendations not to divest of real estate at the low point of the cycle, if it could be avoided, in order to take advantage of the emerging recovery. We will continue to focus on fundamentals in the year ahead by minimising lease expiries and elongating debt maturities. APGF is confident that we have the property and funds management skills and experience to continue to actively manage our syndicates and funds to take advantage of the emerging recovery.

Having been through the worst of the GFC over the past two years, this focussed approach has ensured that the majority of our managed property funds are in a position to take advantage of recovering values over the next 12 to 24 months.

During 2010, APGF will be making a number of attractive investment offerings during the first half of the year, with yields of up to 10% pa. These are very limited offerings with yields unlikely to be repeated and we suggest that interested investors be quick to secure entitlements. Hopefully these offerings will mark the turning point in the cycle and be followed by other new products as the year progresses.

APGF would like to take this opportunity to thank investors for their ongoing support,

particularly during a time when the world was experiencing one of its most difficult periods, both financially and economically. We understand that some of the decisions made by APGF may not have been suited to everyone. Nonetheless, they were decisions that had to be made under difficult and challenging circumstances with the best interests of all investors in mind. APGF remains focussed on maximising investors' value and we look forward to a more positive year ahead.

PROPERTY UPDATE

598 High Street, Penrith, NSW

Net Building Income: \$688,886

Vacancy Rate: Nil

As previously reported, we have finalised terms and conditions for a new lease with Centrelink. The new lease is for a seven-year period commencing in October 2010. We await the issue of the final lease documentation for execution, which we expect to have completed during the first half of 2010. A new long-term lease should be positive for the property's value.



PROPERTY UPDATE CONTINUED

It is proposed to schedule a meeting of investors in the next few months. Prior to the meeting, the manager will provide a detailed report on the position of the Syndicate and its recommendation to enable investors to make an informed decision on the future of the Syndicate.

Recent construction of a neighbouring commercial building caused minor damage to the western boundary wall during the demolition process. The damage has been repaired to our satisfaction and the new office building, which replaced a dilapidated vacant building, has greatly improved the appearance along this stretch of High Street, Penrith

Note: Net building income figure is for the 12 months to 31 December 2009.

FREQUENTLY ASKED QUESTIONS

Q: When can I expect to get my money out from a closed syndicate/fund?

A: It is the manager's recommendation not to sell any property until market conditions improve. If your syndicate/fund is due to wind-up within the next

12-18 months and has not already been extended by the manager, it is likely that the manager will extend the term as permitted under the syndicate/fund's Constitution. However, if the syndicate/fund has already been extended, the manager will make a recommendation to further extend the term or wind-up the syndicate/fund, which will ultimately be decided upon by the investors at a General Meeting.

Q: Will I receive all of my capital when the property/properties are sold?

A: The return to investors will be determined by the sale price of the property/properties and the expenses (legal fees, selling agent fees, accounting/auditor fees etc) in order to wind-up the syndicate/fund. This is the reason the manager does not recommend investors vote to wind-up the syndicate/fund and place the property for sale on the market when market conditions are depressed.

Q: Can the manager redeem my units under special circumstances i.e. medical, financial hardship etc?

A: No. The manager must ensure that all investors are treated equally and as such, is prohibited from redeeming investors' units, regardless of investors' personal circumstances.

Q: Can I sell my units privately?

A: Yes, however APGF cannot find a buyer for your units as this is considered "creating a market", which is prohibited by ASIC. If you are successful in negotiating the sale of your units, you will need to complete an Australian Standard Transfer form, which can be obtained from Registries Limited. APGF is happy to assist you in completing this form if you require assistance. APGF also holds a register of investors wishing to sell their units privately and, if contacted by a potential buyer, will place them in touch with you.

Q: Has the manager reduced its fees and/or made fees more performance driven?

A: APGF's management fees are already performance driven. The management fee is based on the gross value of the assets of the Fund. The decrease in the valuation of properties has reduced the management fees charged to the syndicates/funds.

Q: Is APGF financially stable?

A: APGF has no exposure to international debt markets or international real estate. It has cash on deposits of \$20 million and no major property investment bank loan maturities until late 2011. APGF is well positioned to not only survive the Global Financial Crisis, but also to take advantage of opportunities in the current weak market.

Q: Is my syndicate/fund affected by the performance of other syndicates/funds?

A: The syndicates/funds are managed independently of one another and therefore are not affected by the performance of other investments within the APGF portfolio.

Q: Does APGF plan to issue new products in the near future?

A: APGF is considering a capital raising and/or merger of some of its syndicates/funds and it is also likely that a new product will be offered during 2010. Existing investors will be notified of any possible investment opportunities.

FUND SUMMARY As at 31 December 2009

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| Net Asset Value Per Unit | \$0.82 |
| Loan to Value Ratio (LVR) | 53.2% |
| Interest Cover Ratio (ICR) | 3.5 times* |
| Distribution Rate (cents per unit) per annum | 4.0cpu |
| Distributions paid | Monthly |
| Property valuation / date valued | \$7,000,000 / 31 December 2009 |
| Maturity Date | To be determined at an investor meeting following the extension of lease with Centrelink |

* For the six months to 31 December 2009.

DISCLAIMER

The 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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We welcome your feedback on this December 2009 Quarterly Investors' Report.
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