DOMAINE LAND FUND STEEL RIVER PROJECT

December 2009 **QUARTERLY INVESTORS' REPORT**

March 2010

Luis Garcia
General Manager
Funds Management

Bridget Woods
Investor Relations Manager

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 $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, and 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 property 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.

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. APGF remains focussed on maximising investors' value and we look forward to a more positive year ahead.

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.

APGF Australian Property Growth Fund

PROJECT UPDATE

Sales

Stage 7: Contracts have been issued to a local bus company for its offer to purchase Lots 68 and 69 for $1.6 million.

Stage 8A: Lots 80-82 and 89-91 are under offer with a prospective purchaser. An offer for Lot 85 at $830,240 has been agreed and contracts have been issued.

Stage 8B: Lots 92, 95, 96 and 97 are under offer to a prospective purchaser.

Stages 9, 10 and 11: Negotiations are continuing with Knauf to acquire the remaining stages. Knauf is presently waiting on approval to purchase the site from its international Board, which is due to meet in late March 2010. While BHP has not agreed to all of Knauf's demands, Knauf has decided to proceed to Board approval given the significant capital (human and financial) already committed to the project. If the Knauf Board approval is forthcoming, we can expect an immediate exchange with settlement in June 2010.

Development

Stage 7: This development stage is complete.

Stage 8A: Development work is completed and the stage has been registered.

Stage 8B: Development work is completed and the stage has been registered.

Stages 9, 10 and 11: The subdivision plans have been registered.

Sales Report by Number of Lots

	As at 31 December 2009			
Stage	Settled	Exchanged	Under Negotiation	Available
7	18	0	2	0
8a	2	0	10	0
8b	0	4	2	0
9	0	0	10	0
10	0	0	16	0
11	0	0	5	0
Total	20	4	45	0

REGULATORY GUIDE 46 KNOWING YOUR INVESTMENT

Regulatory Guide 46, titled "Knowing Your Investment", will be available to download from APGF's website at www.apgf.com.au by the end of March 2010 In line with ASIC's requirements, this document will be updated each half year as at 30 June and 31 December. The 30 June version will be sent to investors towards the end of September 2010. If you do not have access to the internet and would like a copy of the 31 December 2009 report, please contact our office on our national call number 1300 668 698 and request a copy to be sent to you.

FUND SUMMARY As at 31 December 2009	
Number of investors	109
Equity invested	$14.9 million
Return of capital to date (cents per unit)	$0.40
Forecast additional return (cents per unit)	$0.02

We welcome your feedback on this December 2009 Quarterly Investors' Report. You can contact us at **info@apgf.com.au**

Aerial view of the Steel River Project

Australian Property Growth Fund

AUSTRALIAN PROPERTY GROWTH FUND
Suite 902, Level 9/50 Berry St
North Sydney, NSW 2060
T: [02] 9959 1400
F: [02] 9925 0488
E: info@apgf.com.au
www.apgf.com.au