

AUSTGROWTH PROPERTY SYNDICATE NO. 22

ARSN 107 016 044

DECEMBER 2010

QUARTERLY INVESTORS' REPORT

March 2011



Geoff McMahon
Managing Director



Bridget Woods
Investor Relations
Manager

WHILE THE AVAILABILITY AND COST OF BANK FINANCE REMAINS AN ISSUE, MOST PROPERTY MARKETS ARE IN A HEALTHY POSITION AS STOCK SUPPLY AND DEMAND ARE IN BALANCE.

ECONOMIC UPDATE

The global economy grew at an above-trend pace in 2010 and this growth is expected to continue over the next two years. Importantly, there are signs of improvement in the United States and the Asia Pacific region continues to lead the world in economic growth and performance.

Despite this positive outlook, the potential constraints to global economic growth include lingering sovereign debt problems in Europe, the uncertainty created by significant natural disasters globally, and recent political unrest in the Middle East and North Africa, which may have implications for the oil price.

The Australian economy continues to perform soundly and is expected to maintain this momentum over the next two years. Australia's economy remains the envy of most advanced economies, with the country's strong economic fundamentals including economic growth of approximately 3% per annum, underlying inflation of 2.25% per annum and unemployment of 5%.

The medium-term outlook continues to reflect the expected strong mining investment and high commodity prices. However, Australia is presently experiencing a "multi-speed" economy with conditions in sectors such as retailing, tourism and construction remaining subdued as a result of interest rate rises, increased savings rates and recent natural disasters.

Against this economic background, the prospects for Australian property are more promising than they have been in recent years. While the availability and cost of bank finance remains an issue, most property markets are in a healthy position as stock supply and demand are in balance. It appears we are at, or close to, the lowest point in the commercial property valuation cycle.

APGF remains cautiously optimistic about a recovery in rents and capital values over the next 12 to 24 months, although forced sales by banks and the wind-up of unlisted property funds may place some pressure on non-prime property valuations.

This is not an asset of the Fund

INVESTORS WILL NOW RECEIVE REPORTS FOR THE SIX MONTHS ENDING JUNE AND DECEMBER, MAILED IN SEPTEMBER AND MARCH RESPECTIVELY.



1 Skyline Place, Frenchs Forest



1 Skyline Place, Frenchs Forest

INVESTOR REPORTS

As referenced in the September 2010 Quarterly Investors' Report, APGF has amended its investor reporting cycle to half-yearly reports. Investors will now receive reports for the six months ending June and December, mailed in September and March respectively. Fund summaries, including Net Tangible Assets per unit, will be updated on a quarterly basis and will be available online at www.apgf.com.au in addition to being published in the half-yearly reports. APGF will continue to keep investors informed on a timely basis of any important information that occurs between the half-yearly reports by letter, investor bulletin and the APGF website. APGF's Investor Relations Team can be contacted during business hours on 1300 668 698 or by email at info@apgf.com.au.

REGISTER REQUESTS

In December 2010 changes were made to the Corporations Act regarding third party register requests. When requesting a copy of a register of members, a person must provide their name, address and satisfy the proper purpose test for seeking a copy of the register. Improper purpose includes the solicitation of a donation, solicitation by a broker, gathering information about personal wealth and making an unsolicited offer to purchase financial products off-market. Register requests must be submitted in writing to the relevant fund registrar and investors should note a fee will be charged. For more information contact APGF's Investor Relations Team on 1300 668 698 or by email at info@apgf.com.au.

PROPERTY MARKET UPDATE

SYDNEY

During the six months to January 2011, Sydney recorded its strongest tenant demand for office space in the past three years, according to the Property Council of Australia. The vacancy rate declined during the period from 8.5% to 8.2%. Net absorption for the period was 62,417 square metres. During the period there was also an addition of 66,434 square metres, offset by 15,501 square metres of space which was withdrawn. There will be an additional 186,555 square metres of new office stock entering the market in 2011, with approximately 58% already pre-committed.

The anticipated improvement in the financial services sector is expected to continue driving demand for prime office space in the Sydney CBD. However, there is plenty of evidence that in the short-term, companies remain reluctant about committing to premium rental levels due to uncertainty about the economy. An improvement in investor demand is anticipated as cashed-up property trusts continue to snap up assets and overseas investors seek opportunities. Any upswing in transaction activity in 2011 is not expected to lead to yield compression. Owners can expect to see some improvement in total returns in 2011, with the improvement in net effective rental rates driving capital value and income growth.

Sydney's retail property market had a relatively subdued 2010. The recently redeveloped Pitt Street Mall, together with stage one of the new Westfield Sydney in the CBD, rejuvenated the new super prime retail space located within in the area.

During the December 2010 quarter, super prime net rents for the Sydney CBD retail property market ranged between \$5,000 per square metre and \$13,600 per square metre in the Pitt Street Mall, and between \$750 per square metre and \$4,000 per square metre for other prime CBD retail property. Pitt Street Mall achieved yields ranging between 5.5% and 6.5% and other CBD retail achieved yields between 5.5% and 8%.

Sydney's industrial market appears to be entering a recovery phase with increased sales volumes and growth in rents along with higher levels of development activity.

Throughout 2010, industrial property yields firmed, rents stabilised and incentives started to fall. There are expectations that rents may increase around 3% in 2011. Supply is forecast to more than double across the metropolitan market, with more than 900,000 square metres of new space expected to be completed in the current year, which is approximately 25% higher than the five-year average.

Many developments which were put on hold during the global financial crisis have now commenced in the metropolitan area. The majority of new development proposals have centred on the M7/M4 and M7/M5 intersections due to the demands of occupiers wishing to reduce transport costs.

With credit availability remaining an issue, speculative construction remains subdued. A-Grade warehouses are experiencing firming yields to around 8.73%, with continued contraction expected over the next two years.

The retail investment market is also showing signs of improvement, with local conditions in better shape than some other markets. There has been a resurgence in international investors along with a number of private buyers and syndicators.

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 by email to info@apgf.com.au or phone 1300 668 698.



ASSET MANAGEMENT

Note: Net building income is for the 12 months to 31 December 2010.

1 Skyline Place, Frenchs Forest, NSW

Net Building Income: \$641,705

Zimmer, the property's sole tenant, has a lease to March 2012. Negotiations have recommenced with Zimmer's tenant representative regarding its make good obligations and the asset management team is close to reaching agreement.

As reported in the September 2010 Quarterly Investors' Report, the property is currently being prepared for sale. Jones Lang LaSalle has been appointed as the sales agent and the marketing campaign calling for expressions of interest is expected to commence shortly. Investors will be kept informed throughout the sale process.

FUND UPDATE

The Fund has a final disposal date of 23 August 2012. This means the property must be sold by 23 August 2012 with capital returned to investors and the syndicate wound up by this date.

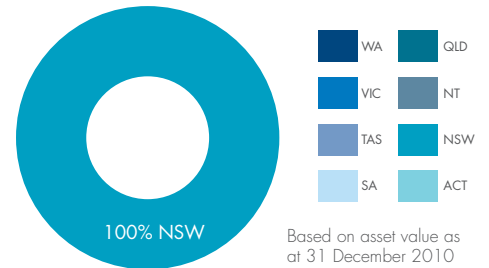
As outlined in the Asset Management section, an extensive professional marketing campaign to sell the property is scheduled to commence shortly.

APGF Management Limited would like to take this opportunity to assure investors we will continue to work to maximise their returns through an exit from the Fund.

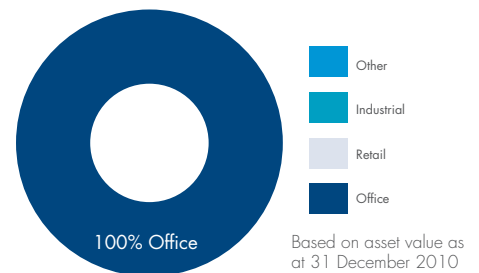
NET TANGIBLE ASSETS PER UNIT (NTA)

NTA as at 31 December 2010 \$0.58

DIVERSIFICATION BY SECTOR



DIVERSIFICATION BY LOCATION



1 Skyline Place, Frenchs Forest



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 Fund based on ASIC’s eight disclosure principles is for the reporting period ended 31 December 2010.

DISCLOSURE PRINCIPLE 1: GEARING RATIO

LENDER	BANK GEARING COVENANT	ACTUAL GEARING RATIO	
		Book Value 31 December 2010	Per Bank Accepted Valuations
CBA	65%	64.9%	64.9%

The Fund’s actual loan to value ratio may be calculated differently to the RG 46 definition.

DISCLOSURE PRINCIPLE 2: INTEREST COVER

The Fund’s interest cover ratio for the 12 months to 31 December 2010 is outlined below. The Fund’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
CBA	1.5	2.1

DISCLOSURE PRINCIPLE 3: SCHEME BORROWING

The Fund sources borrowings from the Commonwealth Bank of Australia (CBA) in the amount of \$3,891,000. The facility agreement expires in June 2011. As the property is being marketed for sale, APGF is in discussions with CBA to provide short-term extensions until the property is sold.

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%.

WEIGHTED AVERAGE LEASE EXPIRY BY NET LETTABLE AREA	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	1.25 years					



1 Skyline Place, Frenchs Forest



DISCLOSURE PRINCIPLE 5: VALUATION POLICY

Each property is valued at intervals of no longer than two 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.

Subject to the accounting standards adopted by the Trust, any revaluation decrement/impairment will be either recorded in the Income Statement as an income/expense, or disclosed in the notes to the financial statements.

PROPERTY	VALUATION	CAPITALISATION RATE
1 Skyline Place, Frenchs Forest, NSW	\$6,000,000(I)*	9.00%

*I = Independent Valuation, D = Directors' Valuation

DISCLOSURE PRINCIPLE 6: RELATED PARTY TRANSACTIONS

As at 31 December 2010, the Fund 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 31 December 2010.

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 arms 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 Fund'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 Fund 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 Fund.

Distributions continue to be paid on a quarterly basis at 7.0 cents per unit per annum.

DISCLOSURE PRINCIPLE 8: WITHDRAWAL RIGHTS

The Fund is a fixed-term Fund with no withdrawal rights prior to the termination of the Fund. The Fund's maturity date is 6 August 2012. The maturity date indicates the latest date by which the Manager must have completed the Scheme's wind up process.

THE AUSTRALIAN
ECONOMY
CONTINUES
TO PERFORM
SOUNDLY AND
IS EXPECTED TO
MAINTAIN THIS
MOMENTUM
OVER THE NEXT
TWO YEARS.

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 December 2010 Quarterly 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

