

The APN Asian REIT Fund (Fund) is a property securities fund that invests in a quality portfolio of Asian REITs, listed on the securities exchanges of the Asian Region (including, but not limited to, Hong Kong, Singapore, Malaysia, Japan and New Zealand, but excluding Australia), as well as cash and fixed interest investments.

The Fund aims to deliver a competitive yield with lower risk than the market. Underlying stocks are selected based on a highly disciplined investment approach that has been in place since 1996. The Fund provides access to a wide spread of property-based revenue streams that are specifically analysed, selected and weighted with the aim of delivering strong and sustainable income returns.

The Fund is suited to medium to long term investors seeking a relatively high income and some capital growth over the long term.

Current running yield

APN Asian REIT Fund **6.01% pa¹** Asia REIT Index⁴ **4.38% pa¹**

Performance 30 September 2016

	1 month	3 months	6 months	1 year	3 years pa	Since inception ⁵ pa	Standard deviation since inception pa
APN Asian REIT Fund Income ²	0.49%	1.49%	3.25%	7.94%	7.04%	6.55%	
APN Asian REIT Fund Total return ³	(0.70%)	1.42%	9.06%	12.83%	14.50%	16.82%	9.40%
Asia REIT Index ⁴	(1.53%)	0.20%	9.49%	16.99%	15.03%	16.05%	10.57%
Over performance / (Under performance)	0.83%	1.22%	(0.43%)	(4.16%)	(0.53%)	0.77%	

- As at 30 September 2016. Current running yield is calculated daily by dividing the annualised distribution rate by the latest entry unit price. Distributions may include a capital gains component. Distributions are not guaranteed and past performance is not an indicator of future returns..
- Distributions may include a capital gains component.
- Returns shown are net of fees and expenses and are annualised for periods greater than one year. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns. Past performance is not an indicator of future performance.
- Bloomberg Asia REIT Index.
- Returns calculated since 19 July 2011 (when the Fund commenced).

Fund overview

The APN Asian REIT Fund (Fund) is a property securities fund that primarily invests in a quality portfolio of Asian Real Estate Investment Trusts (REITs).

Investment objectives

The primary investment objectives of the Fund are to:

- Provide investors with a consistent and relatively high level of income compared to the Benchmark⁴, combined with some capital growth, derived predominantly from investing in Asian REITs;
- Have a gross annual income yield (before management fees, expenses and taxes) that equates to at least 110% of the average yield of the Benchmark⁴;
- Provide investors with some capital growth over a 5-7 year time horizon; and
- Provide lower than market volatility.

Benefits

- Access to a diversified portfolio of underlying Asian commercial real estate.
- Unlike many property securities funds which invest significantly on the basis of index weighting, APN determines the relative value of each property security.
- Disciplined investment strategy designed to reduce both market and specific risk.
- Monthly distributions.
- Limited exposure to higher risk earnings.
- Nil entry and exit fees.

This Fund is suited to:

- Medium to long term investors.
- Investors seeking consistent and high levels of income and the potential for some long term capital growth.
- Investors seeking tax effective income.
- SMSFs - investors managing their own retirement.
- Investors wanting access to a diversified portfolio of quality Asian REITs.

AT A GLANCE

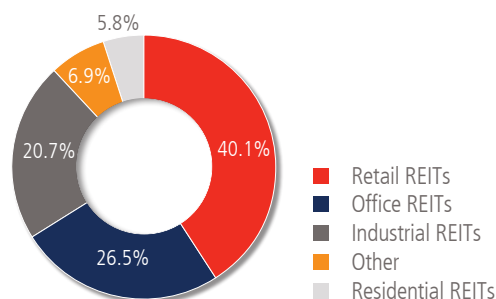
Type of fund	Property securities fund
Commencement date	19 July 2011
Fund size	\$9.40m as at 30 September 2016
Investment timeframe	5 - 7 years
Minimum investment amount	\$1,000
Income distribution	Monthly
Unit pricing	Daily
Withdrawals	Daily
Distribution reinvestment plan	Available
Fund gearing	Nil
Hedging strategy	Unhedged
Management costs	1.20% pa
Buy/sell spread	0.30% buy and 0.30% sell

Research ratings

- SQM Research⁶ - 'Favourable' 3.75 Star rating (June 2016)
- Australian Fund Monitors⁷



Sector allocation 30 September 2016



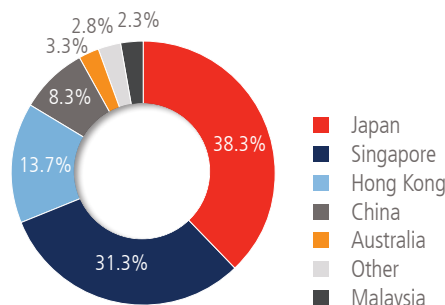
Note: Asset allocations may change depending on market conditions and in accordance with the Fund's mandate.

Top 5 Asian REIT holdings 30 September 2016

Stock	Sector	% of APN Asian REIT Fund	% of Asia REIT Index ⁸
Gip J-REIT	Logistics	4.48%	1.54%
Japan Retail Fund Investment	Retail	4.36%	3.10%
Ascendas Real Estate Inv Trust	Diversified	4.30%	2.28%
Prosperity REIT	Office	3.92%	0.29%
Mapletree Greater China Comm	Diversified	3.74%	1.00%

8 Bloomberg Asia REIT Index.

Geographic allocation 30 September 2016



Platform availability

ASX mFund, netwealth, Macquarie Wrap

About the Manager

APN Funds Management Limited (APN FM) is a wholly owned subsidiary of APN Property Group Limited (ASX code: APD), a specialist real estate investment manager. An active investment manager with a concentrated focus on income, APN has a strong record of delivering a range of property based investment solutions for institutional and retail clients since 1996.

Investment team

Corrine Ng Portfolio Manager, Asian Real Estate Securities
 Anyu Tan Fund Analyst, Asian Real Estate Securities
 Pete Morrissey Fund Manager, Real Estate Securities

Adviser Services Hotline
1300 027 636

apnpg@apngroup.com.au

@apngroup

apngroup.com.au

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7 Australian Fund Monitors considers the Fund a suitable investment in a diversified portfolio for investors seeking exposure to global/ Asian Real Estate Investment Trust (REIT) companies, in a disciplined, income-focused investment strategy. Australian Fund Monitors Pty Ltd, holds AFS Licence number 324476. The information contained herein is general in its nature only and does not and cannot take into account an investor's financial position or requirements. Investors should therefore seek appropriate advice prior to making any decisions to invest in any product contained herein. Australian Fund Monitors Pty Ltd is not, and will not be held responsible for investment decisions made by investors, and is not responsible for the performance of any investment made by any investor, notwithstanding that it may be providing information and or monitoring services to that investor. This information is collated from a variety of sources and we cannot be held responsible for any errors or omissions. Australian Fund Monitors Pty Ltd, A.C.N. 122 226 724. For full details and disclaimer please see www.fundmonitors.com.

Quarterly fund commentary

APN ASIAN REIT FUND ARSN 162 658 200

How the Asian REIT Fund performed - Quarterly ending June 2016

The Asian REIT Fund has two main objectives: to offer Australian REIT investors international diversification while delivering a superior yield (relative to the Index), and to do so without too much price volatility.

The fund continues to track well on both objectives. The yield of 6.00%¹ at the end of June handily beat our reference index (the Bloomberg Asian REIT Index), which returned 4.36% (as at 30 June 2016). For Australian investors struggling on term deposit rates, either figure would be attractive but the Asian REIT Fund especially so. When a third of bonds traded on global markets feature negative rates, a 6.00%¹ yield is no mean feat.

Naturally, investors have not missed this point, which explains why the capital growth in the fund has been strong. Over the last three months capital growth was 5.88%, lifting the 2016 return to 8.92% thus far. Together with income, that produced a total return for the fund of 7.53%² for the last quarter and 13.63%² since the start of 2016.

That is satisfying in its own right, but when compared with the general Asia Pacific equity market return over the last 6 months of 3.82%³, even more so. Asian REITs have once again proven their defensive value. Investors in the Asian REIT fund continue to enjoy good returns with lower-than-market volatility. So, for this period at least, the fund has more than delivered on its promises.

How was this performance delivered? The Asian REIT fund invests primarily in Asia's global cities – Singapore, Tokyo and Hong Kong. Over the last quarter the fund's largest component, Singapore REITs, returned 7.15%, Japan 9.95% and Hong Kong 18.65% (in AUD terms).

Hong Kong's impressive performance was driven by large cap Link REIT, which rallied on the 'lower for longer' (interest rates) theme that also drove the Singapore REIT market. This may well continue. Brexit is a persuasive factor in the 'even lower for even longer' case, reflected in ever lower bond rates.

The Japan REIT market was similarly boosted by the Brexit vote. Triggering a flight to quality, a strong Yen drove fund returns, although our underweight position to JREITs meant the fund did not benefit to the same extent as the JREIT component of the Bloomberg Index. That's not a problem. The dividend yields on offer in Japan aren't as compelling as those in Singapore and Hong Kong REITs. Yield is our focus, not predicting currency movements.

Whilst the implications of Brexit will take time to unfold, global interest rates will almost certainly remain even lower as a result. That's good news for real estate, given downward pressure on bond yields make property yields (and dividend yields from REITs) even more attractive. And it's even better news for Asian REIT investors, who have the advantage of being remote from European troubles. The world's fastest growing region – or at least the most developed parts of it – is now seen as a safe haven.

In other news, the Qatar sovereign wealth fund, one of the most active sovereign investors in the world, announced the acquisition of the 1.2m sq ft Asia Square Tower One for S\$3.5bn (S\$2,700 per square foot (PSF)). This marked the largest single-tower sale in Singapore by value, and one of the largest in the Asia Pacific region in recent years.

Meanwhile, one of the fund's overweight positions, Capitaland Commercial Trust, has proposed to acquire the remaining 60% stake in prime office building CapitaGreen in a deal that values the office tower at slightly over S\$1.6 billion, or S\$2,276 PSF. The third major transaction announced in the quarter was that of the Straits Trading Building in Battery Road, at S\$560 million or S\$3,524 PSF, a record PSF price for a Singapore office building.

What does this flurry of investment sales in Singapore's office market mean? Despite oversupply concerns that have dampened rents and sentiment, these transactions should offer investors confidence that capitalisation rates in the office sector are sustainable and have likely compressed even further. When compared with the negative yields on offer in bond markets, a rental yield of 3-4% for prime commercial real estate in a global financial hub like Singapore is an attractive home for global capital.

With central banks poised to deliver additional liquidity and potentially even lower rates, the Asian REIT Fund is in an enviable position. With exposure to three key Asian commercial real estate markets that will benefit directly from lower bond yields, and from capital seeking refuge from European turmoil, that 6.00% pa¹ yield begins to look even more attractive.

That's why we're confident the Fund can continue to build on its strong performance to date. Since inception in 2011, the Asian REIT fund has delivered a total return of 17.41% pa² – 10.84% pa capital growth and 6.57% pa⁴ in income. With a focus on consistent, reliable returns over many years, situated in what is now perceived as a safe haven, APN's Asian REIT Fund is in the right place at the right time. It's going to be an interesting financial year.

For more details about the APN Asian REIT Fund and its performance, visit our website at www.apngroup.com.au. To receive further updates and insights from the APN team, sign up for Review, our monthly email newsletter by visiting our 'Education Hub' on our website.

- 1 As at 30 June 2016. Current monthly distributions (annualised) divided by the latest entry unit price. Distributions may include a capital gains component. Past performance is not an indicator of future performance.
- 2 Returns after all fees and expenses. Assumes distributions are reinvested. Investors' tax rates are not taken into account when calculating returns. Past performance is not an indicator of future performance.
- 3 In AUD.
- 4 Distributions may include a capital gains component.



Adviser Services Hotline
1300 027 636



apnpg@apngroup.com.au



@apngroup



apngroup.com.au

This summary has been prepared for general information only and without taking your objectives, financial situation or needs into account. You should consider these matters and read the product disclosure statement for the APN Asian REIT Fund (PDS) in its entirety before you make an investment decision. The PDS is issued by APN Funds Management Limited ABN 60 080 674 479 (AFSL No. 237500) and contains important information about risks, costs and fees associated with an investment in the Fund. For a copy of the PDS and more details about the APN Asian REIT Fund and its performance, visit our website at www.apngroup.com.au.