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**Derivative Risk Statement
for APN Funds Management Limited, as
Responsible Entity for the below Funds
("the Funds"):**

| Fund | ARSN (if available) |
|--|----------------------------|
| APN Property for Income Fund | 090 467 208 |
| APN Property for Income Fund No.2 | 113 296 110 |
| APN International Property for Income Fund | 101 227 534 |
| APN Direct Property Fund | 113 296 432 |
| APN Diversified Property Fund | 113 296 263 |
| APN National Storage Property Trust | 101 227 712 |
| APN Regional Property Fund | 110 488 821 |
| APN Retirement Property Fund | 093 243 424 |
| APN Property Plus Portfolio | 101 227 614 |
| APN AREIT Fund | 134 361 229 |

March 2010

PART A – FUND REFERENCE

1. Name of Fund and Responsible Party

This Derivative Risk Statement (DRS) has been prepared by APN Funds Management Limited (ABN 60 080 674 479) (APN FM).

This DRS applies to the following funds:

- **APN AREIT Fund** (ARSN: 134 361 229).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 10 December 2008.
- **APN Property for Income Fund** (ARSN: 090 467 208).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 6 December 1999.
- **APN Property for Income Fund No.2** (ARSN: 113 296 110).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 24 March 2005 (registration date).
- **APN International Property for Income Fund** (ARSN 101 227 534).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 2 July 2003. **As at 30 March 2010 this fund is in the process of being wound up and capital returned to investors.**
- **APN Direct Property Fund** (ARSN: 113 296 432).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 18 March 2005.
- **APN Diversified Property Fund** (ARSN: 113 296 263).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 18 March 2005.
- **APN National Storage Property Trust** (ARSN: 101 227 712).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 10 November 2003.

- **APN Regional Property Fund** (ARSN: 110 488 821).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 25 October 2004.
- **APN Retirement Properties Fund** (ARSN: 093 243 424).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 2 March 1999.
- **APN Property Plus Portfolio** (ARSN: 101 227 614).
The Fund is a public unit trust with units offered to the public through a Product Disclosure Statement. APN FM is responsible entity for the Fund following registration of the Fund as a managed investment scheme on 25 September 2003.

2. Objective of the Derivative Risk Statement

This DRS summarises APN FM's policies covering the use of derivatives, controls on their use and the process for assessing compliance with those controls. The policies and controls are intended to ensure proper use of derivatives in accordance with obligations and limits imposed by the Constitution of the Funds, the Corporations Law and the Fund's Investment Strategy and Objectives as outlined in the Product Disclosure Statements.

This DRS is reviewed on an ongoing basis and updated for significant changes. All personnel responsible for managing, monitoring or implementing APN FM's investment process are required to read this DRS and demonstrate an understanding of its content.

Derivative Usage

APN FM may use derivatives to meet the Fund's objectives. Derivatives will not be used to provide leverage. Refer to Appendix A for the application of derivatives for each Fund. The use of derivatives, including restrictions on their use is detailed in Part B of this DRS.

3. Fund Investment Strategy

Fund investment strategies (as per Fund Product Disclosure Statements) are listed in Appendix B:

The particular objectives are achieved through the implementation of each of the Fund's investment strategies and asset allocation targets outlined in the Funds' Product Disclosure Statements.

4. Investment Managers and Managed and other Collective Investment Schemes

APN FM has not appointed any external investment manager to manage the Funds. The Responsible Entity is also the Investment Manager of the Fund. Consequently, management of the Responsible Entity and the Investment Manager is aware of the reporting requirements under this section of the ISC Circular II.D.7.

5. Identification of Investment Manager DRS

The effective date of the latest DRS of the Investment Manager is 19 April 2010. The Investment Manager confirms that this DRS is subject to external audit.

6. Authorisation of Use of Derivatives

The use of derivatives are authorised by the Constitutions of the Funds. Derivatives, if used, will only be used for purposes consistent with the strategy and objectives of the Funds.

7. Authorisation of Derivative Risk Statement

This Derivative Risk Statement was authorised by the Investment Committee of APN FM on 19 April 2010.

PART B – DETAILED STATEMENT – DERIVATIVE RISK STATEMENT

1. Responsible Party Name

The Part B DRS has been prepared by APN Funds Management Limited (ABN 60 080 674 479) (APN FM) in its capacity as the investment manager for the below Funds:

| Fund | ARSN (if available) |
|--|----------------------------|
| APN Property for Income Fund | 090 467 208 |
| APN Property for Income Fund No.2 | 113 296 110 |
| APN International Property for Income Fund | 101 227 534 |
| APN Direct Property Fund | 113 296 432 |
| APN Diversified Property Fund | 113 296 263 |
| APN National Storage Property Trust | 101 227 712 |
| APN Regional Property Fund | 110 488 821 |
| APN Retirement Property Fund | 093 243 424 |
| APN Property Plus Portfolio | 101 227 614 |
| APN AREIT Fund | 134 361 229 |

2. Objective of the Derivative Risk Statement

This DRS summarises APN FM's policies covering the use of derivatives, controls on their use and the process for assessing compliance with those controls. The policies and controls are intended to ensure proper use of derivatives in accordance with the Fund's Constitutions, Corporations Law and the Funds' investment objectives.

3. Definition of Derivatives

A derivative is defined as: "a financial contract whose value depends on, or is derived from, assets, liabilities or indices. Derivative transactions include a wide assortment of instruments such as forwards, futures, options, share ratios, warrants, swaps and other composites." (ISC Guidelines 17 February 1997 "Derivative Risk Statements for Superannuation Entities investing in Derivatives").

4. Relationship to Investment Strategy

The use of derivatives is authorised by the Constitutions of the Funds. Derivatives, if used, will only be used for purposes consistent with the strategy and objectives of the Funds.

5. Purpose of the Use of Derivatives

Derivatives will only be used to obtain exposure to the investment benefits of owning particular assets or to protect the portfolio from specific adverse movements in markets. Derivatives will not be used to provide leverage. Refer also to section 6.2 of the Part B DRS.

6. Restrictions on the Use of Derivatives

6.1 Participants in the Derivatives Management Process Investment Committee (IC)

The IC is responsible for approving the use of particular derivative instruments and establishing the policy for the use of those derivatives.

Compliance Committee

The Compliance Committee ensures that the use of derivatives complies with the Fund Constitutions.

Fund Manager

The Fund Manager carries out the investments in accordance with the instructions of the Investment Committee. The Fund Manager typically engages specialists to advise and execute on derivative transactions.

6.2 APN FM's Derivative Policy

When the IC approves the use of a derivative it shall also set out the requirements regarding its use by the Fund and the procedures required for monitoring their application.

These requirements will include:

- Derivative limits
- Execution, settlement and reporting requirements
- Monitoring of Compliance

Refer to Appendix A for Fund specific derivative policies.

7. Risk Analysis

This analysis is based on the assumption that the only derivative likely to be approved by the IC is interest rate swaps on borrowing undertaken by the Fund.

7.1 Market Risk

Represents the risk of adverse movements in the market for the derivatives or the underlying asset. It is not possible to eliminate all market risk, however by monitoring the environment in which financial markets operate the Manager will seek to minimise market risk by identifying likely market changes and then taking action designed to at least reduce the exposure of the Fund to changes that will have a negative effect on investment performance.

Any movement in interest rates could affect the value of swaps, should the Manager decide to terminate a swap contract. However, given the Manager's determination that interest rates be fixed for the term of any borrowing, there must be a trade-off between interest cost certainty and the possibility of lost advantage should interest rates fall.

Any movement in currencies could affect the value of currency related derivatives, should the Manager decide to terminate a derivative contract. However, given the Manager's determination that currency risk (in regard to capital and income) be minimised there must be a trade-off between currency related certainty and the possibility of lost advantage should currencies move unfavourably.

7.2 Liquidity Risk

The interest rate swap market is a very liquid market. Thus APN FM would have minimal liquidity risk in the event of entering into interest rate swaps. The liquidity of other derivatives that may be used will be considered on a case by case basis.

7.3 Counter Party Risk

There is a risk that the counter party will fail to perform contractual obligations. Any interest rate swap contracts will only be undertaken with major Australian trading banks.

7.4 Operations Risk

Operations risk is the risk that deficiencies in internal controls will result in a loss. The Manager will put in place strict protocols for the use of any derivatives by the Fund. Any assets of the Fund are subject to external custody.

8. Currency

The Funds invest in vehicles that manage their exposure to currency movements. With the exception of the APN International Property for Income Fund, the Funds do not invest in physical assets offshore. As a result there is no need to directly manage exposure to currency movements.

Exception

APN International Property for Income Fund invests in entities that do not hedge their capital or income against movements between the Australian dollar and the currency in which they are domiciled. Accordingly, there are some instances whereby the Fund will enter into currency hedges to achieve the Fund's objectives as articulated in Appendix B.

9. Personnel Management

Any investment in derivatives will only be undertaken by senior management and will be subject to continuous reporting to the IC. IC sign-off will be required for any derivative transaction.

9.1 Training and Re-enforcement Program

Senior managers will on an annual basis or on an as needs basis when changes are made or required, during the IC:

- Review current DRS, confirm they are familiar with the current DRS and have reviewed the document recently
- Note any current industry developments (if applicable for the period) relating to DRSs or Derivative use in general
- Identify whether any Senior Managers require any training in relation to derivatives relative to their particular fund
 - If training is required, this will be undertaken and noted on the IC minutes once completed

10. Assessment of Controls

The IC will set the operational guidelines and approve any derivative policy or transaction on a case by case basis. This will be subject to the requirements of the Constitution and be reported to the Compliance Committee.

10.1 Processes used to monitor Exchange Rate Derivatives

The control procedure is a delegated authority to the IC. If a material problem is discovered, the IC has the powers to instruct changes to correct the document.

10.2 Process used to monitor Interest Rate Risk

The control procedure is a delegated authority to the IC. If a material problem is discovered, the IC has the powers to instruct changes to correct the document.

11. External Audit

The Fund's external auditors and compliance auditor, Deloitte, will sign off on an annual basis that a DRS exists, that the major procedures laid down in the DRS have been followed and that any changes have been approved.

12. Reporting to Trustees

APN FM will make a copy of this DRS available to trustees upon request. Should any exposure to derivatives occur, a breakdown of derivative exposures can be provided.

APN FM provides a copy of the DRS to the compliance committee on an annual basis, and to those external wholesale investors requiring such disclosure as per any arrangements agreed to between APN FM and the wholesale investor or as requested. The DRS will be available on the APNFM website.

The IC monitors the availability of the DRS and confirms the adequacy of systems that update the DRS annually.

Appendix A – Application of Derivatives on a Fund by Fund basis

APN FM considers that in regard to each of the funds that the following individual circumstances apply:

APN AREIT Fund:

APN FM may use derivatives to meet the Fund's objectives. Derivatives will not be used to provide leverage. APN FM considers that there are currently no derivative instruments available in the market that would satisfy the objectives of the Fund or are appropriate and as such investment in derivatives is currently not considered.

APN Property for Income Fund:

APN FM may use derivatives to meet the Fund's objectives. Derivatives will not be used to provide leverage. APN FM considers that there are currently no derivative instruments available in the market that would satisfy the objectives of the Fund or are appropriate and as such investment in derivatives is currently not considered.

APN Property for Income Fund No.2:

APN FM may use derivatives to meet the Fund's objectives. Derivatives will not be used to provide leverage. APN FM considers that there are currently no derivative instruments available in the market that would satisfy the objectives of the Fund or are appropriate and as such investment in derivatives is currently not considered.

APN International Property for Income Fund:

APN FM may use derivatives to meet the Fund's objectives. Derivatives will not be used to provide leverage. APN FM considers that apart from currency hedge instruments which attempt to match investment and income exposures in amounts as determined based on market conditions from time to time, there are currently no other derivative instruments available in the market that would satisfy the objectives of the Fund.

APN Direct Property Fund:

At present the IC considers the only derivatives likely to be approved are interest rate swaps taken out in order to fix the rate of interest on any borrowings undertaken by the Fund.

APN Diversified Property Fund:

Derivatives will not be entered into directly by the APN Diversified Fund.

APN National Storage Property Trust

At present the IC considers the only derivatives likely to be approved are interest rate swaps taken out in order to fix the rate of interest on any borrowings undertaken by the Fund.

APN Regional Property Fund

At present the IC considers the only derivatives likely to be approved are interest rate swaps taken out in order to fix the rate of interest on any borrowings undertaken by the Fund.

APN Retirement Properties Fund:

At present the IC considers the only derivatives likely to be approved are interest rate swaps taken out in order to fix the rate of interest on any borrowings undertaken by the Fund.

APN Property Plus Portfolio

At present the IC considers the only derivatives likely to be approved are interest rate swaps taken out in order to fix the rate of interest on any borrowings undertaken by the Fund.

Appendix B – Fund Investment Strategies

APN AREIT Fund

- To provide Unit Holders with a high and consistent level of distributed income combined with potential for ongoing capital growth sourced from an appropriately wide spread of AREIT based revenue streams.
- To have a gross annual income yield (before trust management fees and expenses) that equates to at least 110% of the average yield of the Australian Stock Exchange's Property Trust Yield Series.
- To have a tax advantaged income component of distributed income.

Whilst the primary objective of the Manager is to provide Unit Holders with a relatively high level of distributed income, the Manager believes its investment strategy will provide Unit Holders with a level of capital growth which at least matches increases in the Consumer Price Index (average of all groups).

APN Property for Income Fund

- To provide Unit Holders with a high and consistent level of distributed income combined with potential for ongoing capital growth sourced from an appropriately wide spread of Australian property based revenue streams.
- To have a gross annual income yield (before trust management fees and expenses) that equates to at least 110% of the average yield of the Australian Stock Exchange's Property Trust Yield Series.
- To have a tax advantaged income component of more than 20% of distributed income.

Whilst the primary objective of the Manager is to provide Unit Holders with a relatively high level of distributed income, the Manager believes its investment strategy will provide Unit Holders with a level of capital growth which at least matches increases in the Consumer Price Index (average of all groups).

APN Property for Income Fund No.2

- provide Unit Holders with a high and consistent level of distributed income combined with potential for ongoing capital growth sourced from an appropriately wide spread of property based revenue streams predominantly from Australian listed and unlisted property securities;
- have a gross annual income yield (before management fees and expenses) that equates to at least 110% of the average yield of the S&P/ASX 200 Property Trust Dividend Yield series; and
- have a tax advantaged income component of more than 20% of distributed income.

Whilst the primary objective of the Manager is to provide Unit Holders with a relatively high level of distributed income, the Manager believes its investment strategy will provide Unit Holders with a level of capital growth which at least matches increases in the Consumer Price Index (average of all groups).

APN International Property for Income Fund

- To achieve relatively high levels of income with limited price volatility through investment in managed funds specialising in international property securities and direct property.
- To target a total return in excess of the GPR 250 Property Securities Index, ex-Australia (AUD) Yield and Total Return series.
- To provide investors with a level of capital growth that at least matches increases in the Australian Consumer Price Index (“CPI”).
- To protect returns by investing in managed funds which, as much as is economically viable, hedge against currency movements.

It is currently APN FM’s intention that the Fund will undertake no direct investment in direct property.

Qualifying investments will be added to the Fund’s portfolio over time. As the responsible entity, APN FM will only invest in funds or securities which have a strategy consistent with the Fund’s investment strategy. APN FM will continually monitor the Fund’s investments and performance of the underlying managers and their entities to ensure their continuing adherence with the Fund’s investment strategy.

APN Direct Property Fund

The Fund’s investment objectives as outlined in the Product Disclosure Statement are, over any rolling three year period:

- To provide consistent, relatively high income and some capital growth, through investment in a diversified portfolio of predominantly direct property.
- An income yield that is 1% per annum above the average Australian Government ten-year bond yield and a growth return that is 1% per annum above the CPI.

The investment strategy of the Fund is to acquire, manage and expand an underlying property portfolio of office, retail and industrial properties located in Australia. The Fund intends to invest in listed property securities or property securities funds to enhance the liquidity of the Fund while maintaining underlying returns which are property based.

APN National Storage Property Trust

The Fund's principal objective as outlined in the Product Disclosure Statement is:

- APN FM has a clear and focused strategy to grow Unitholder value. It is intended that the Trust will give consideration to additional acquisitions consistent with this transaction, by investing in property similar in nature with strong lease covenants and secure income streams provided by National Storage Operations is the lessee. This will require future additional capital raisings encompassing either equity or debt or a combination of both. Strict investment criteria have been developed to ensure that any future acquisition will enhance the prospects for long term unitholder returns.

APN Regional Property Fund

The Fund's principal objective as outlined in the Product Disclosure Statement is:

- To manage and expand a property portfolio that predominantly consists of regional based properties. APN FM will consider investing in all types of property although the current focus on retail and office is anticipated to continue.

APN Retirement Properties Fund

- The Fund's investment objectives as outlined in the Product Disclosure Statement (1 March 1999) are:
- "...to provide Investors with a high and consistent monthly income distribution that maintains its real value for the life of the Fund by investing in a portfolio of assets from which the revenue received by the Fund is review by annual reference to the CPI."

APN Property Plus Portfolio

The Fund's investment objectives as outlined in the Product Disclosure Statement (14 October 2005) are:

- "...to grow Unitholder value through investment in quality properties that are primarily retail properties or fuel outlets, which offer relatively secure income streams and have the potential for capital growth. The Responsible Entity will continue to actively pursue and investigate acquisition opportunities for the Fund. Strict investment criteria have been developed to ensure that any future acquisitions are value accretive for the Fund."
- Following an extraordinary general meeting of Unitholders on 21 June 2007, the following investment criteria were approved in respect of any future acquisitions on behalf of the Fund:

- “The Responsible Entity’s policy will be to ensure that property to be acquired will predominantly conform to the following criteria:
 - is located in Australia or New Zealand;
 - is primarily a retail property, fuel outlet, or other asset compatible with the existing portfolio;
 - is substantially leased to tenants who have strong financial standing; and
- enhances the return expectations of the Fund and / or enhances the overall quality of the Fund’s asset portfolio;”