



APN | Poland Retail Fund

ARSN 122 452 779

The APN Poland Retail Fund is a fixed-term unlisted property fund established in 2006 which holds an investment in the Manhattan Shopping Centre – Gdansk, Poland.

Fund update

Key points

- Fund unit price unchanged A\$0.00.
- Net asset deficiency A\$26.9m
- Distributions remain suspended until Fund expiry
- Fund expiry date extended to September 2016 following unit-holder vote in September 2011 (subject to revalidation in September 2013)
- Exit options are being explored with Deutsche Pfandbriefbank AG

The Fund's results for the year ending 30 June 2013 have now been completed and include the following:

- Occupancy (by income) ↑ from 95.9% to 98.0% in the twelve months to 30 June 2013
- Centre footfall ↑ an average 6.5% per month versus prior year in the twelve months to 30 June 2013
- Net operating income (NOI) ↓ from €2.7m to €2.4m in the twelve months to 30 June 2013
- Weighted average lease expiry (WALE) (by area) ↓ from 5.3 years to 4.8 years in the twelve months to 30 June 2013
- Valuation ↓ 16.0% to €24.7m (limited marketing period valuation basis) from 30 June 2012
- Net asset deficiency ↑ from A\$18.0m at 30 June 2012 to A\$26.9m at 30 June 2013

Manhattan Shopping Centre

Manhattan Shopping Centre was independently valued as at 30 June 2013 by Cushman & Wakefield at €24.7m, again adopting a restricted marketing campaign assumption reflecting the Fund's financial position. The latest valuation shows a 16.0% decrease since 30 June 2012, reflecting a deterioration in underlying market rents and that investor demand for secondary assets outside of Warsaw and core cities remains limited to opportunistic and cash buyers, with a corresponding impact on pricing.



Fund strategy

In spite of the continued improvements at an asset level, the latest valuation shows a 16.0% decrease since 30 June 2012. Given the secondary nature of the Manhattan asset along with the market pressures it is unlikely that a substantial increase in value can be achieved in the medium term, particularly in the absence of a significant capital expenditure programme.

Due to the pending debt maturity in October 2014, opportunities to sell the asset will be explored with Deutsche Pfandbriefbank AG in the coming months.

The Fund's unit price at 30 June 2013 continues to reflect the previous significant fall in the value of the Manhattan Shopping Centre and is reported at A\$Nil (the Fund reported a net assets deficiency of \$26.9m as at 30 June 2013).

Market update

Polish consumer confidence remains fragile; alongside investment, private consumption remains the weakest part of the economy. Rising unemployment, static real wages and uncertainty deterred consumers parting with their cash over the last twelve months. A mild rebound is expected during the second half of 2013 with a more substantial improvement forecast in 2014. After several months of decreasing retail sales at the end of 2012 the downward trend has gradually reversed during the first half of 2013 with retail sales turnover increasing to 4.7% year-on-year in June 2013.



Little has changed recently with regards to the occupier sentiment with a cautious mood prevailing due to the ongoing European sovereign debt crisis and ongoing economic uncertainty across the continent. Major retailers already present in the market continue to expand slowly and a few new entries have been reported in recent months. Smaller retailers remain cautious in their expansion plans, considering only prime locations with competitive rents and incentive packages.

Retail investment volumes (transactions) for the first half of 2013 amounted to €161.0m, recovering from their lowest quarterly total since 2009 in Q2 2012 of just €8.0m. The Polish market remains of particular interest to investors seeking relatively secure income streams and capital protection.

Sector allocation

Retail 85.2%
Office 14.8%

Asset allocation

100.0% European real estate

Key economic indicators at 30 June 2013

Poland	
Currency	Polish Zlotych (PLN)
Exchange rate	1€ = 4.3376 PLN
GDP annual growth (forecast 2013)	1.1%
Unemployment (May 2013)	10.7%
Inflation (year on year, to June 2013)	0.2%
Retail trade volume growth (year on year, to June 2013)	4.7%

Source: Eurostat

Key information at 30 June 2013**Financial Information**

Fund gross assets	A\$36.8million
Unit price	A\$0.00

Senior debt ratios

Loan to valuation ratio (based on unrestricted marketing period valuation)	96.1% (versus limit of 100.0%)
Interest cover ratio (times)	2.02 (versus limit of 1.05)
Currency hedging	Nil

Property Information

Location	Gdansk, Poland
Size (Gross Lettable Area)	24,650m ²
Car spaces	360
Tenants	127
Key tenants	Fashion – H&M, C&A, Kappahl Supermarket – Piotr & Pawel
Weighted average lease expiry (by area)	4.8 years
Occupancy (by income)	98.0%
Net operating income (12 months to June 2013)	€2.4 million
Independent property valuation (limited marketing period)	€24.7 million
Valuer	Cushman & Wakefield
Actual average rent	€10.7 m ² / month
Website	www.gchmanhattan.pl

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