

APN | Funds Management

8 January 2007

BSX Announcements Office
Bendigo Stock Exchange Ltd
PO Box 323
Bendigo VIC 3552

By email: announcements@bsx.com.au

Dear Sir/Madam

**APN Regional Property Fund (BSX code: APR)
Newsletter**

APN Funds Management Limited (APN FM), the Responsible Entity of APN Regional Property Fund, is delighted to provide a copy of the APN FM Newsletter sent to all unitholders of the funds managed by APN FM.

Any questions regarding this announcement should be directed to Warren Boothman, General Manager, Corporate on 03) 8656 1000.

Yours sincerely



Peter Nicholson
Company Secretary

Property Incoming

New year's resolutions should extend to new property investment thinking



Pete Morrissey
Manager, International Securities

In 2006, Australians were the second largest investors in the US property market and today Australian fund managers, including APN, are scouring markets particularly Europe, for new attractive property investment opportunities.

Investors can either ignore the trends and opportunities created by the globalization of property markets or they can seek to capture many of these opportunities. Does this mean Australian investors should suddenly sell all their Australian property investments and buy Spanish retail or Japanese office property? Certainly not, but what it does mean is that there is quite literally a much bigger universe (\$20 trillion in global commercial real estate) of property investment opportunities available today which can allow investors to invest in markets that had previously been unavailable. This should also serve to further diversify and reduce the risk for client's property investment portfolios.

Why is global property a good investment?

With the top five Australian Listed Property Trusts (LPT's) comprising over 65% of the Australian market, the most obvious benefit of global property is the enhanced diversification it can provide. These benefits are not limited to geographic diversification, with international markets providing a broad range of property sub-sectors e.g. self storage, residential and even prisons which may be currently unavailable to Australian investors. This is clearly a benefit to investors due to the retail property sectors dominance of the domestic market (circa 58%), which results in Australia being one of the world's most retail biased property securities markets in the world.

While investors are achieving exposure to international property through Australian LPT's investing offshore, most acquisitions have predominantly been in the mature US market with 32% of trust assets now held in that country (a total of 39% of Australian LPT assets are held offshore). Asia and Europe represent the most compelling investment opportunities due to their relative immaturity and low levels of securitization, yet these are not appropriately represented in most Australian trust portfolios. Investing through a global property securities manager with an 'on the ground' presence in the three main regions (Americas, Europe and Asia) provides investors with a more appropriately diversified exposure to global property securities.

What are the opportunities for global property investments?

As Australia is widely recognised as the most mature LPT market, domestic investors have both the desire and

experience to take advantage of the rapidly expanding global property market.

The evolution of the Australia LPT market is potentially a roadmap for emerging real estate securities markets, thus domestic investors have a clear edge over offshore counterparts, the majority of whom have limited investment experience in this emerging asset class. A clear example of this is the Japanese REIT or LPT market which has expanded to 40+ trusts in five years, with a consolidation cycle similar to that experienced in the Australian market potentially on the horizon.

The relative immaturity of markets in the Asian and European regions provides a huge opportunity for experienced investors with strong investment processes to better identify mis-priced property securities. In other words, where markets are undervalued, this can in some circumstances contribute to substantial returns for early investors.

How does APN add value in global property investing?

APN's International Property for Income Fund (IPFIF), is a global property securities fund that adopts similar investment objectives to the very successful APN Property for Income Fund. While global markets open up a huge new range of property investment opportunities and property markets vary in performance all over the world, what is consistent across the globe is that property markets are, at the end of the day, underpinned by the income returns derived from property assets. As a result, APN has taken its very successful Australian property investment philosophy, which focuses on income, to the global property market. APN's is therefore very focused on seeking to achieve relatively high levels of income with low price volatility. The IPFIF provides investors with strong risk-adjusted total returns, with a higher relative income component than competing global property securities funds.

The IPFIF adopts a multi-manager approach to investing in global property securities, utilizing ABN AMRO and Fiduciary both of whom are focused on achieving high income with low levels of volatility. The focus towards income and lower risk clearly differentiates the IPFIF from its peers who are increasingly investing in higher risk markets and sectors to chase additional returns.

The IPFIF's other differentiating feature is its ability to invest in unlisted property funds (max 20%), enhancing the fund's income and further reducing risk relative to peers.



Howard Brenchley
Director & Chief Investment Officer

Howard is a Director and Chief Investment Officer of APN FM. He is also an executive director of APN Property Group.

Howard has been primarily responsible for the development of APN FM's funds management business and continues to oversee all investment management and product development for APN FM.



Michael Doble
Director, Retail Funds

Michael is an executive director and Director, Retail Funds of APN FM.

Michael joined APN FM in 2003 and is responsible for APN FM's retail property securities and direct property funds. Michael has a total of 20 years property investment, valuation, consultancy and funds management experience.



Charles Raymond
Director, Listed Funds

Charles is an executive director and Director, Listed Funds of APN FM.

Charles was instrumental in the establishment of APN's European Retail Trusts and is the CFO for these Trusts.

Charles joined APN FM in December 2004 and has over 11 years experience in the property funds management sector.



Michael Hodgson
Manager, Development Fund

Michael is responsible for managing the APN Development Fund No 1. Michael has engineering and business qualifications and has significant experience in property development and construction. He has been with APN Property Group Limited for the past four years.

The APN Team

The above mentioned team is supported by other executive directors including Clive Appleton, (Managing Director) Chris Aylward, (Chairman) and 50 employees within the APN Property Group based in offices out of Melbourne, Sydney and London. This provides a considerable depth and experience as a specialist in the management of property funds.

Retail Funds



Michael Doble
 Director, Retail Funds

Unlisted Retail Funds

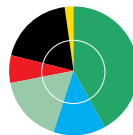
APN | Diversified Property Fund

A diversified fund investing in APN's Specialist Property Funds (4 Funds listed on pages 3 and 4).

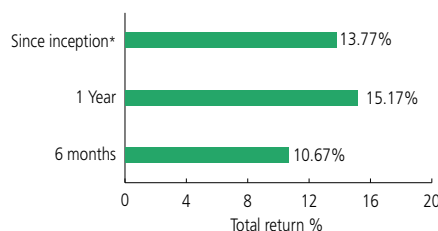
Underlying Asset Allocation

(30 November 2006)

Direct Property	42%
Australian Listed Property Trusts	13%
International Listed Property Trusts	17%
Cash & Accruals	7%
Australian Unlisted Property Trusts	19%
International Unlisted Property Trusts	2%



Performance (30 November 2006)



■ APN Diversified Property Fund
 *Inception August 2005

Recent News

Over the last few months the APN Diversified Property Fund has delivered returns in line with its objectives – providing investors with a consistent and relatively high level of income with some capital growth.

Recently the Fund has moved to decrease direct property exposure in Australia and increase exposure to international and Australian listed and unlisted property securities. By re-weighting the portfolio in this manner, the Fund has achieved greater sector, geographic and fund manager diversification.

On a sector level, recent investments have led to the introduction of unlisted retail assets to the portfolio, providing further diversification and complementing the existing mix of office and industrial property assets. The decrease in direct property exposure has improved the geographic diversification by reducing exposure to Melbourne. On a fund manager level, investors will continue to benefit from having two managers (ABN AMRO and Fiduciary) applying their global property expertise to invest in international property securities.

Optimising income and diversification remains the core focus of the Fund.



Property Securities Funds

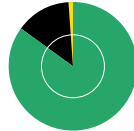


APN | Property for Income Fund

A property securities fund with total assets of \$1.8 billion predominantly investing in Australian listed property securities.

Asset Allocation (30 November 2006)

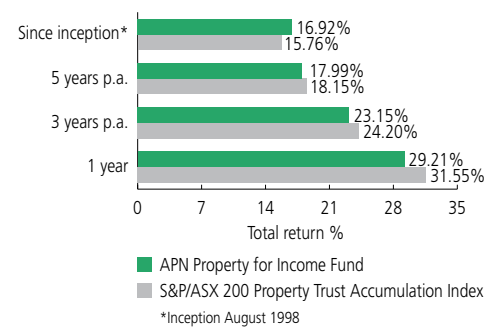
Listed Property Trusts	85%
Unlisted Property Trusts	14%
Cash & Accruals	1%



Top 5 Listed Property Securities Holdings (as at 30 November 2006)

Sector	Stock	% of the Fund
1 Diversified	DB RREEF Trust	12%
2 Retail	Centro Properties Group	11%
3 Retail	CFS Retail Property Trust	9%
4 Industrial	Macquarie Goodman Group	8%
5 Retail	Westfield Group	8%

Performance (30 November 2006)



Recent News

The APN Property for Income Fund (PFIF) has continued to benefit from the particularly strong Listed Property Trust (LPT) market in Australia over the last quarter. A continuation of strong inflows from international investors (particularly US institutions) and strong domestic buying (driven by superannuation investments) coupled with low levels of new capital raisings has delivered stellar returns for the period. The market has returned 10.28% over the three months to 30 November 2006. The PFIF has delivered a total return of 8.92%.

Whilst we are cautious about the absolute level of the LPT market with the S&P / ASX 200 Property Index at all time highs at the end of November, we remain confident about the defensive characteristics of the PFIF which does not invest based on index weightings and therefore in our view reduces the risk considerably compared to investors who simply invest in index funds. Specifically, we expect the Fund to continue to deliver on its objective of achieving strong and steady income returns with relatively low unit price volatility.

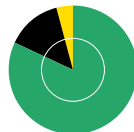


APN | Property for Income Fund No. 2

A property securities fund with total assets of \$426 million predominantly investing in Australian listed property securities.

Asset Allocation (30 November 2006)

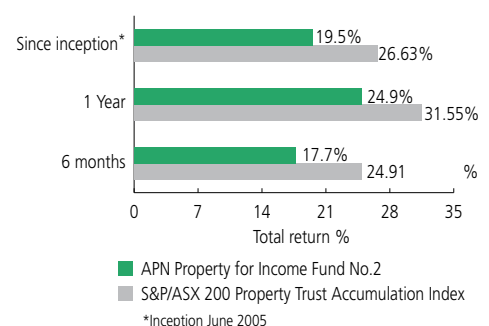
Listed Property Trusts	82%
Unlisted Property Trusts	14%
Cash & Accruals	4%



Top 5 Listed Property Securities Holdings (as at 30 November 2006)

Sector	Stock	% of the Fund
1 Diversified	DB RREEF Trust	11%
2 Office	Commonwealth Office Property Fund	7%
3 Retail	Westfield Group	6%
4 Office	Macquarie Office Fund	5%
5 Retail	APN / UKA European Retail Trust	5%

Performance (30 November 2006)



Recent News

Over the last quarter the APN Property for Income Fund No. 2 (PFIF#2) has continued to receive strong support from the retail investor market with over \$92 million of new investment over the last quarter. The Fund has now grown to \$426m. The level of support has allowed the property securities team to increase the number of investments to 40, further enhancing sector and geographic diversification.

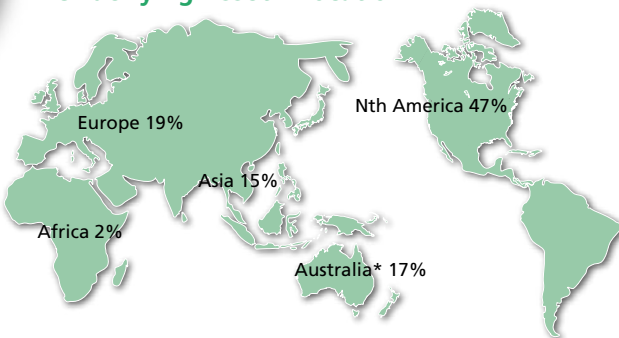
Over the year to 30 November, PFIF#2 has delivered a total return of 24.9%. In light of the extremely strong LPT market (up 31.55% over the 12 months) APN is very pleased with PFIF#2's performance given the defensive nature of the Fund. The APN philosophy and approach to property investment should hold the Fund in good stead when the LPT market reverts to more realistic behaviour. We see the last few years of "irrational exuberance" in the LPT sector as unsustainable. The Fund is continuing to achieve its objective of delivering a yield 10% greater than that of the overall LPT market.



APN | International Property for Income Fund

A property securities fund with total assets of \$62 million predominantly investing in international listed property securities.

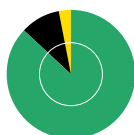
Underlying Asset Allocation



*Australian Domiciled Fund(s) with North American Assets

Asset Allocation (30 November 2006)

International Property Securities	87%
Unlisted Property Trusts	10%
Cash & Accruals	3%

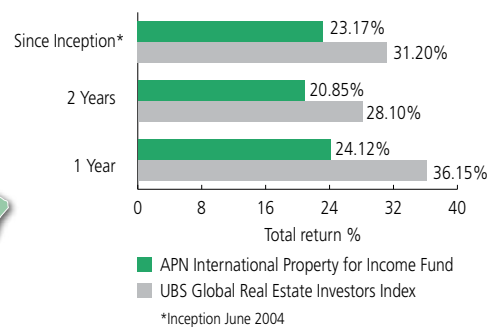


Top 5 Underlying Listed Property Securities (as at 30 November 2006)

Sector	Stock	Country	% of Fund
1 Retail	Westfield Property Group	Australia*	7%
2 Retail	Rodamco Europe	Netherlands	2%
3 Diversified	General Property Trust	Australia*	2%
4 Retail	Developers Diversified	United States	2%
5 Health Care	Health Care Property Investors	United States	2%

*Australian domiciled funds, primarily global assets.

Performance (30 November 2006)



Recent News

The Fund continues to successfully deliver on its objective of delivering relatively high income and low volatility. A key recent change in the composition of the underlying assets has been the increase in our investment in the ABN AMRO High Income Property Fund which compliments our investment in the Fiduciary Fund.

Critically, APN continues to build its global property expertise with the appointment of a new fund manager to further strengthen the property securities team. Pete Morrissey joined APN in November as Manager, International Property Securities.

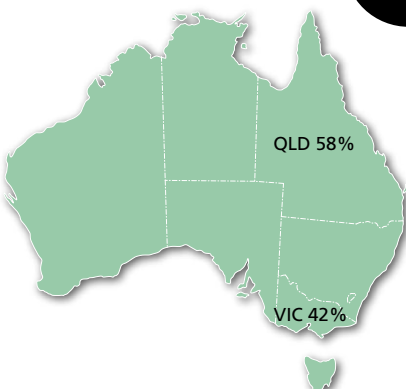
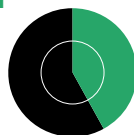
Direct Property Funds

APN | Direct Property Fund

A direct property fund with assets of \$88 million predominantly investing in retail, office and industrial properties throughout Australia.

Direct Property Asset Allocation

Office	42%
Industrial/high tech/office	58%



Recent News

Since the start of the financial year, the Trust has secured interests in two brand new properties for the Fund through its investments in the APN Wholesale Direct Property Pool (WDPP). Both properties were developed by Graystone Developments and are located in the Brisbane Technology Park. Tenants include the Queensland State Government, Queensland Motorways and Fujitsu Australia, all providing strong lease covenants. Lease terms range between 5 and 10 years.

The original investments in the WDPP continue to perform as expected. Strong Queensland CPI figures (in excess of 4%) have delivered stronger than forecast rental growth.

The Bendigo Bank Building in Docklands was re-valued in 30 June 2006 resulting in an increase in value of \$1.45 million. This represents an increase in value of 4.23% in less than 12 months. This valuation increase was achieved despite no change to the investment fundamentals of the property and is reflective of the strong demand for high quality, investment-grade property being generated by the investment market.



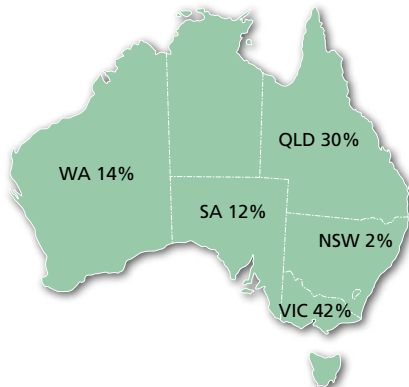


APN | National Storage Property Trust

A Direct Property Fund with assets of \$264 million invested in storage properties throughout Australia.

Asset Allocation

■ Storage 100%



Recent News

The Fund has recently acquired seven new properties across five states. The acquisitions were funded partly by borrowings and a capital raising which closed at the end of November. The geographic spread of the portfolio has been increased in the booming states of Queensland and Western Australia, whilst Victorian exposure has been proportionately reduced. The Fund's first property in NSW was included in the acquisitions with a near fully occupied centre at Tweed Heads on the North Coast.

In addition to the acquisitions, the construction program in South Australia is nearing completion with the new building at Old Reynella coming on line at the start of November. Klemzig is expected to be completed by the end of January 2007.

In addition to the construction completed this year a development approval application has been lodged with the Maroochy Shire Council to expand the asset at Tweed Heads by adding an additional level to the main building. Furthermore, we expect to initiate more construction works at centres around Perth where the strong economy is fuelling demand for storage space.



APN | Regional Property Fund

A Direct Property Fund with assets of \$78 million invested in retail and office properties in regional Australia.

Asset Allocation

■ Retail 52%
■ Office 48%



Recent News

The Coles Myer Limited re-branding exercise at Parkes Shopping Centre is complete with K-Mart closing at the end of June and Target opening the doors on 16 November 2006. Target is reportedly trading well and will enjoy the benefits of the busy Christmas period. We anticipate that turnover for the centre will increase with the new Target offering.

At Grafton Mall, Grafton Games Exchange has committed to a further three year lease, reducing the lease expiry risk of the centre. The existing pharmacist is due to complete a refurbishment of their tenancy, improving the presentation of the centre.

Greenpoint continues to perform well with Bi-Lo reporting strong sales. We expect finalisation of the butcher's new lease in the first quarter of 2007, securing all tenants until at least the 2007–2008 financial year.

The PricewaterhouseCoopers Centre and the Sparke Helmore Building in Newcastle continue perform as per expectations. An Operations Manager has recently been appointed to oversee the building management and engineering operations of both towers.



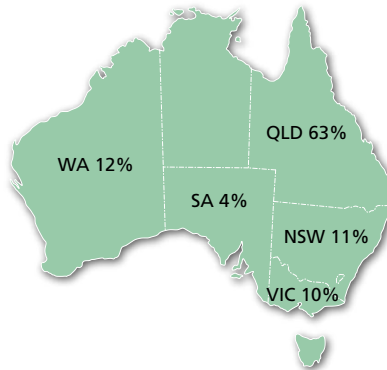


APN | Property Plus Portfolio

A Direct Property Fund with assets of \$85 million invested in retail/petrol outlet properties throughout Australia.

Asset Allocation

■ Petrol/Retail Outlets 100%



Recent News

The Fund continues to perform well and the properties remain fully leased.

Woolworths-leased properties have rent review mechanisms which are tied to the Consumer Price Index (CPI). As recent CPI figures have been in excess of 4% in Queensland, the Fund has experienced greater than forecast rental growth throughout the second half of 2006.

The recent spike and subsequent decline in retail fuel prices has had no impact on the Fund. The Fund's structure is such that all of its operating income is derived from leases which are not tied to the business performance of the tenant. This shields the investor from the business risk of the tenant and given the quality of the major tenants, provides a steady, secure income stream.

We expect that the Fund will continue to meet original forecasts.



APN | Retirement Properties Fund

A Direct Property Fund with assets of \$34 million invested in retirement properties.

Asset Allocation

■ Retirement Property 100%



Recent News

The Fund continues to perform well. Building works undertaken this year by the village manager at Meadowvale Retirement Village have greatly improved the amenity of the centre for the residents. Recent legislative changes to the Retirement Villages Act have not impacted the Fund's performance as the structure of the Fund passes all operational risk onto the Village Manager.

Retirement Villages as investment grade property assets have begun to attract attention from several of the major Australian Listed Property Trusts. This should ensure strong investment demand for the villages going forward.



APN | UKA Vienna Retail Fund

A Direct Property Fund with assets of \$152 million invested in a shopping centre in Austria.

Asset Allocation

■ Retail Property 100%



Recent News

The Manager has successfully completed the launch of a new fund investing in a shopping centre in Vienna, Austria. The Fund has an 85% interest in Shopping Centre Nord which is a centre of 20,600 square metres anchored by an Albert Supermarket. The Centre is located around six kilometres North of the Vienna CBD.

Investors are forecast to receive an annualised distribution yield for the 2007 financial year of 9% and with the property acquired below valuation this should provide for a strong rise in Net Tangible Asset Value (NTA) per unit when the first valuation is taken into account.



Charles Raymond
Director, Listed Funds

ASX Listed Property Trusts



100%

APN | UKA European Retail Trust (ASX codes: AEZ & AEZCA)

A Listed Property Trust with total assets of \$1.35 billion invested in retail properties throughout Europe.

Asset Allocation

■ Retail 100%



Performance

Since the end of the financial year to 30 November 2006, the Trust's partly paid units (ASX code AEZCA) have increased from \$0.82 to \$0.90 and the Fully paid units (ASX code AEZ) have increased from \$1.115 to \$1.20. This strong capital growth will also be enhanced by an income return (at current prices) of approximately 8.5%-9% for the 2007 financial year.

The final call on the partly paid units is due by no later than 29 December 2006. The equity raised from this call will be used the fund the acquisition of the Cuadernillos shopping centre in Madrid Spain, which will be completed around the end of the year.

Recent News

In September 2006 the Manager announced the acquisition of interests in three additional shopping centres, in Romania, Poland and Austria valued at €166 million (A\$279.4 million).

The acquisitions now give the Trust an investment in 35 quality retail assets with exposure to 748 tenancies, invested across seven countries in Europe.

Wholesale Funds



Michael Hodgson
Fund Manager, Wholesale Funds

APN Funds Management Ltd

Wholesale Property Funds



26.5%

APN | Development Fund No.1

A wholesale property development fund with total assets of \$95 million.

Asset Allocation*

■ Commercial	26.5%
■ Mixed Use	26.5%
■ Technology Parks	25.5%
■ Industrial Land Sub Division	11.5%
■ Unallocated	10%

* Based on current overall fund allocations

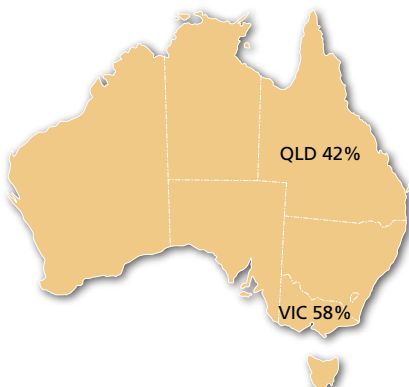


Recent News

The Fund has recently committed to Joint Venture and develop the Fun Factory site located on the corner of Toorak Road and Chapel Street in South Yarra, Melbourne. This mixed use site has development approval for 12,700m² of retail, 213 apartments, 78 serviced apartments and 666 car parking spaces. The site provides a unique opportunity to invigorate the Chapel Street / Toorak Road Street / Toorak Road precinct by creating a landmark Mixed-use project.

Investors recently received their first distribution marking a shift from investment to delivery phases for the Fund.

APN has now allocated 90% of available Funds for APN Development Fund No 1 and is preparing to launch APN Development Fund No 2.



General APN News

Recent Appointments



Pete Morrissey Manager, International Securities

Pete recently joined APN Funds Management as manager of the APN International Property for Income Fund. He is also responsible for analysing international property securities listed on the ASX as part of the broader investment universe of the APN Property for Income Fund No. 2.

He has extensive experience having worked as a senior analyst at Lonsec (specialising in Australian and global property securities), and prior to Lonsec spent several years as an analyst in the UK finance industry. Pete holds a Bachelor of Commerce, a Masters in Valuation and Property Management and a Masters of Applied Finance.

FAQ's

Q With all the media speculation about residential property not performing as well as it has in the past, is that also the case for commercial property such as shopping centres and office blocks?

A Residential property has certainly performed extremely well over recent years but increases in interest rates combined with some overbuilding particularly in apartments has contributed to a slowdown in performance in many locations. New South Wales in particular has shown significant signs of slowing while, on the other hand, Perth has performed strongly on the back of the resources boom.

Commercial property has not been affected to the same degree. Higher interest rates can impact the interest expense associated with debt that funds properties held within Listed Property Trusts (LPT's). Fortunately, good capital management means that the cost of debt within LPT's is often fixed meaning the immediate impacts on LPT's are often subdued.

With regard to the level of overbuilding, obviously this varies between different property sectors such as office, retail and industrial. It also varies by location but the most obvious level of building or lack thereof has been in the office sector.

What we are seeing in many capital cities, particularly Melbourne, Perth and Brisbane, is a significant shortage of office space. This is not just a short term dilemma. Many large office tenants like financial institutions are trying to plan for larger long tenancy requirements in cities where, even if new office towers were to commence construction today, there could be a struggle to accommodate much of the projected increase in future demand.

How to Invest

Five of the funds mentioned in this Newsletter are open to new investment.

For investment in our unlisted funds which are open to new investment, allotments or issues of securities will be made only on receipt of an application form attached to a copy of the relevant Product Disclosure Statement each of which has been lodged with the Australian Securities & Investment Commission. A copy of the Product Disclosure Statement is available from the Manager, APN Funds Management Limited, at Level 30, 101 Collins Street, Melbourne 3000 or visit www.apnfm.com.au or phone our Investor Services Line on 1800 996 456.

To invest in our listed funds such as the APN/UKA European Retail Trust (Listed on the Australian Stock Exchange) or the APN Regional Property Fund (Listed on the Bendigo Stock Exchange) please contact your stockbroker or financial adviser.

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About APN

APN Funds Management Limited specialises in managing property funds which allow both small and large investors to invest in a wide range of property investments.

APN Funds Management was established in 1997 and has received numerous industry awards for its funds management capability. The company is managed by some of the most respected property investment professionals in Australia. APN FM is owned by APN Property Group Limited, which is listed on the Australian Stock Exchange (ASX code APD). It has offices in Melbourne (Head Office) as well as Sydney and London.

The company currently manages 13 different property funds which had total assets of over \$4.4 billion as at 30 November 2006.

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