AIMS Funds Management
A Member of AIMS Financial Group

20 December 2016

ASX Code: APW
SGX Code: AIMS Property

ASX Announcement

AIMS Property Securities Fund

Independent Director's Letter and the Fund Presentation.

For your review and consideration, please find attached the following documents: Independent Director's Letter and the Fund Presentation.

If you have any queries please contact Peter Gan on +61 2 9217 2727.

Yours sincerely

AIMS Fund Management Limited as the responsible entity of AIMS Property Securities Fund

Peter Gan
Company Secretary
AIMS Fund Management Limited

APW is one of Australia's top performing REITs

Vote <u>AGAINST</u> the resolution

LETTER FROM INDEPENDENT DIRECTORS

Dear Unitholders,

As you may know, a few minority unitholders (led by Samuel Terry Asset Management – STAM) have requested that the responsible entity call a meeting, to consider and vote on a wind up of the AIMS Property Security Fund (APW or the Fund). Over the past weeks, we have noticed that STAM has made unclear comments regarding the Fund and we believe it is timely to address and clarify some key points, which all unitholders should consider before voting. Further to the Notice of Meeting (released on 7 December 2016), we reiterate our recommendation to vote **<u>AGAINST</u>** the resolution to wind up the Fund.

STAM and their associates are short-term and opportunistic unitholders, whose interests may not align with all the other unitholders in the Fund. They principally began investment in APW, at a relatively low entry price. In 2013, their associates called for a similar meeting to wind up the Fund, which unitholders overwhelmingly rejected. Now they have called for another wind up meeting, looking to extract short-term profits, without consideration of all the other unitholders' interests.

The following reasons are why we believe that a vote **<u>AGAINST</u>** the resolution to wind up APW, would be in the best interests of all unitholders:

1. **Fund performance.** Since AIMS Fund Management Ltd (AIMS) took over management, the following has been achieved:

    a. Net Tangible Assets (NTA) have risen from $1.17 (Sep 13) to $2.05 (Dec 16), representing a compound annual growth rate of 19.5% per annum. This growth in dollar terms equates to approximately $40 million over that period (75% total increase);

    b. The discount of unit price to NTA has fallen from 72% (Jun 09) to 23% (Dec 16);

    c. Unit price has increased from $0.67 (Jun 13) to $1.57 (Dec 16), representing a total return over that period of 134% (representing an annual compound rate of 27.5% p.a.);

    d. Annualised distribution yield has risen from 0% in Jun-13 to 5.14% in Sep-16, which is line with other property groups, for example Dexus (4.6% for Dec-16), GPT (4.75% for Dec-16) and Westfield (3.8% for Dec-16); and

    e. Debt was reduced to zero in 2013 and has stayed at this level since that time.

2. **Fund performance relative to Benchmark.** APW has consistently outperformed the S&P/ASX 200 A-REIT total return index. Since debt was repaid in 2013, APW's performance has been double that of the index. The Fund is one of the best performing REITs in the country.

3. **Wind up will destroy the Fund's value.** A wind up of APW will result in a sale of the underlying assets and realisable value will be significantly less than expected. The wind up will be public information and any disposals initiated by such a wind up would be treated by the market as a fire sale. This will significantly erode the realisable value of APW's assets.

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Further to the destruction of value are the costs of undertaking the wind up process. APW is a fund of funds and it is in the nature of our structure that we hold units in other funds. The cost of disassembling fund structures and disposing of units in other funds is a damaging, costly and time consuming exercise, which will be significant and will substantially impact final distributions to unitholders.

4. **Long term strategy.** STAM and their associates do not have all the unitholders' interests at heart. They are a short-term investor, looking to make quick profits. They came in at an attractive price and are now looking to exit, without consideration for the long-term value-add strategies of the underlying assets. Their associates attempted a similar wind up in 2013, which was overwhelmingly rejected by unitholders. The results of that decision allowed the Fund to produce the returns highlighted in points 1 and 2 above. So as to continue the proven success of the Fund's patient and prudent strategy, investing in income producing assets with long-term upside, we believe it is in the best interests of unitholders to vote **<u>AGAINST</u>** the resolution to wind up the Fund.

5. **Manager alignment.** AIMS Group is aligned to all unitholders' interests in several ways:

    a. AIMS Capital Management is the holder of approximately 38% of all the units in APW. Being the largest, its interests are wholly aligned with all unitholders. AIMS would not act in any way that would undermine or reduce the value of APW, as this would directly and materially impact its share; and

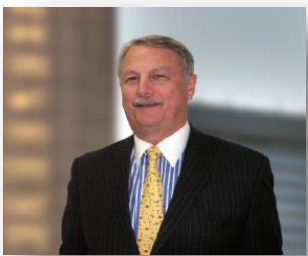
    b. AIMS does not receive a fee to manage APW and merely operates on a cost recovery basis. Any expenses are charged directly to APW, with AIMS gaining no benefit.

For these reasons, we believe it is in the best interests of all unitholders to vote **<u>AGAINST</u>** the resolution to wind up the Fund.

We wish you all the best for the Festive Season and a very happy new year for 2017.

Yours faithfully,

John Love – Independent Director
AIMS Fund Management Limited



Richard Nott – Independent Director
AIMS Fund Management Limited

PERFORMANCE – NET ASSET VALUE INCREASED BY 56%

- Net Asset Value has grown strongly from $59m to $92m, representing an annual growth of 16% (total increase of 56%). The fund has been debt free since 2013.

PERFORMANCE – NET TANGIBLE ASSET (NTA) PER SECURITY INCREASED BY 75%

Net Tangible Asset per Security (NTA) increased by

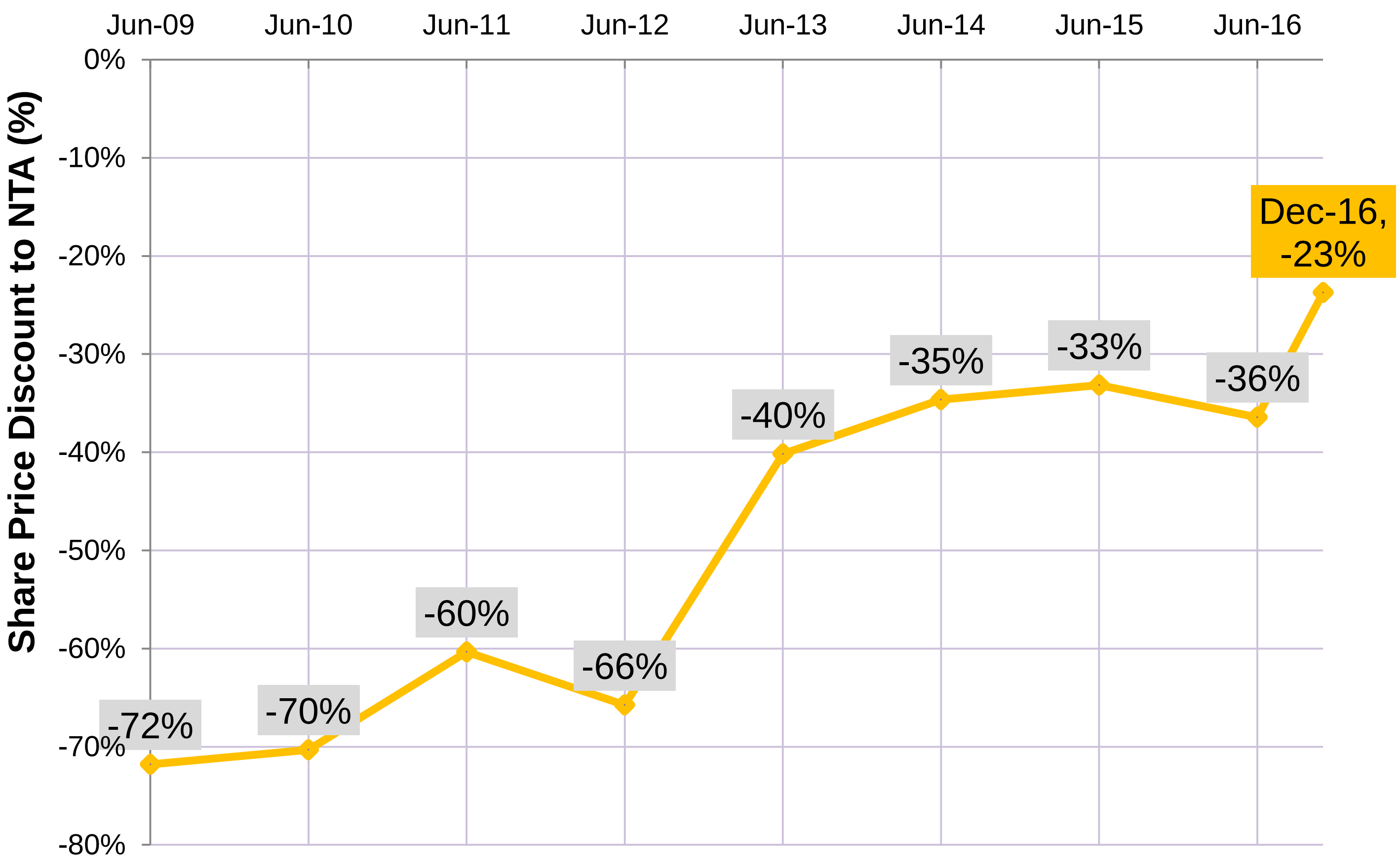
75%

since 2013

* The NTAs have been adjusted for unit consolidation.

PERFORMANCE – SHARE PRICE DISCOUNT TO NTA REDUCED FROM 72% TO 23%

- Reduced share price discount to Net Tangible Asset (NTA) from 72% in June 2009 to 23% in December 2016 (5 Day VWAP - 1/12/16).



PERFORMANCE – SHARE PRICE INCREASED BY 134%

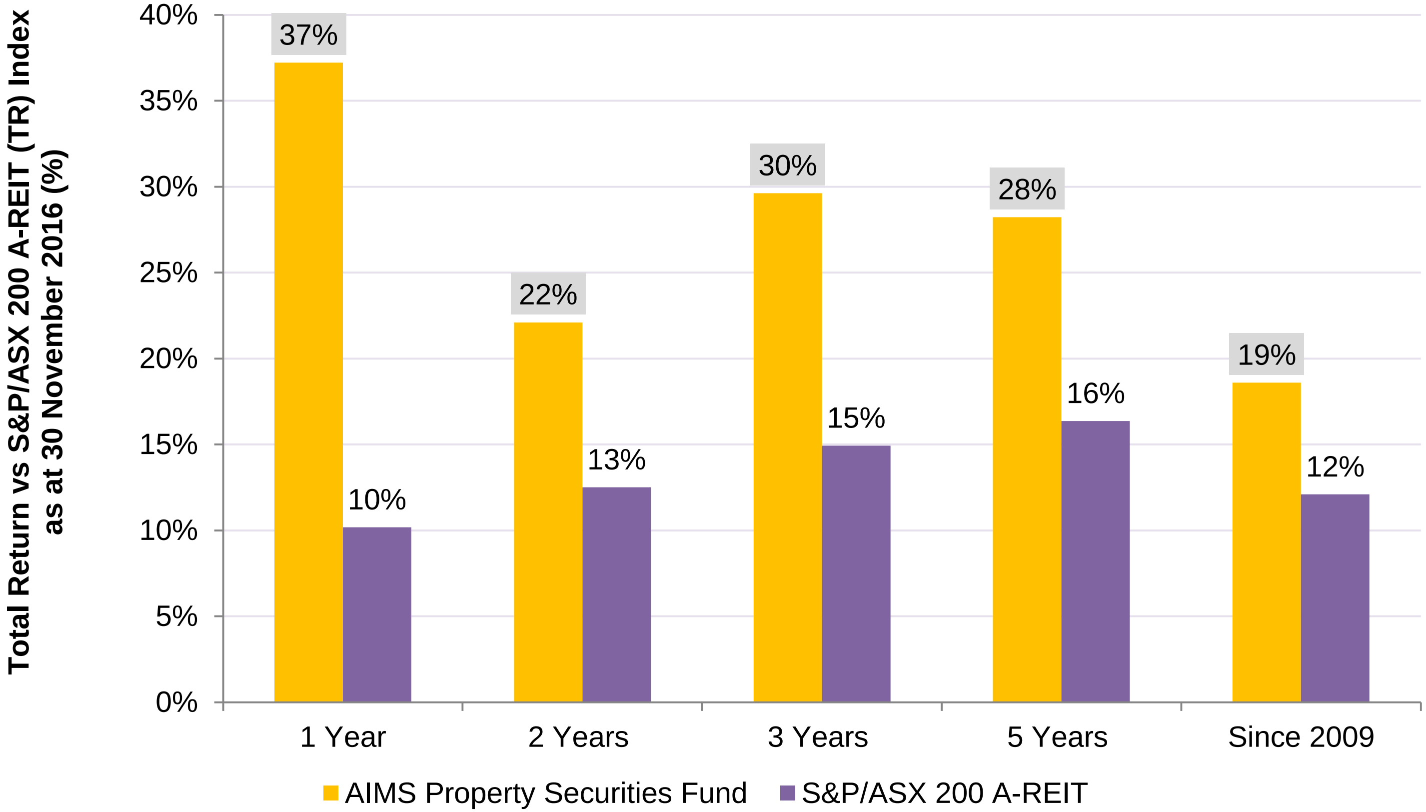
Share Price increased by 134%

since 2013

* Historical share prices have been adjusted for unit consolidation.

PERFORMANCE – OUTPERFORMANCE TO THE BENCHMARK

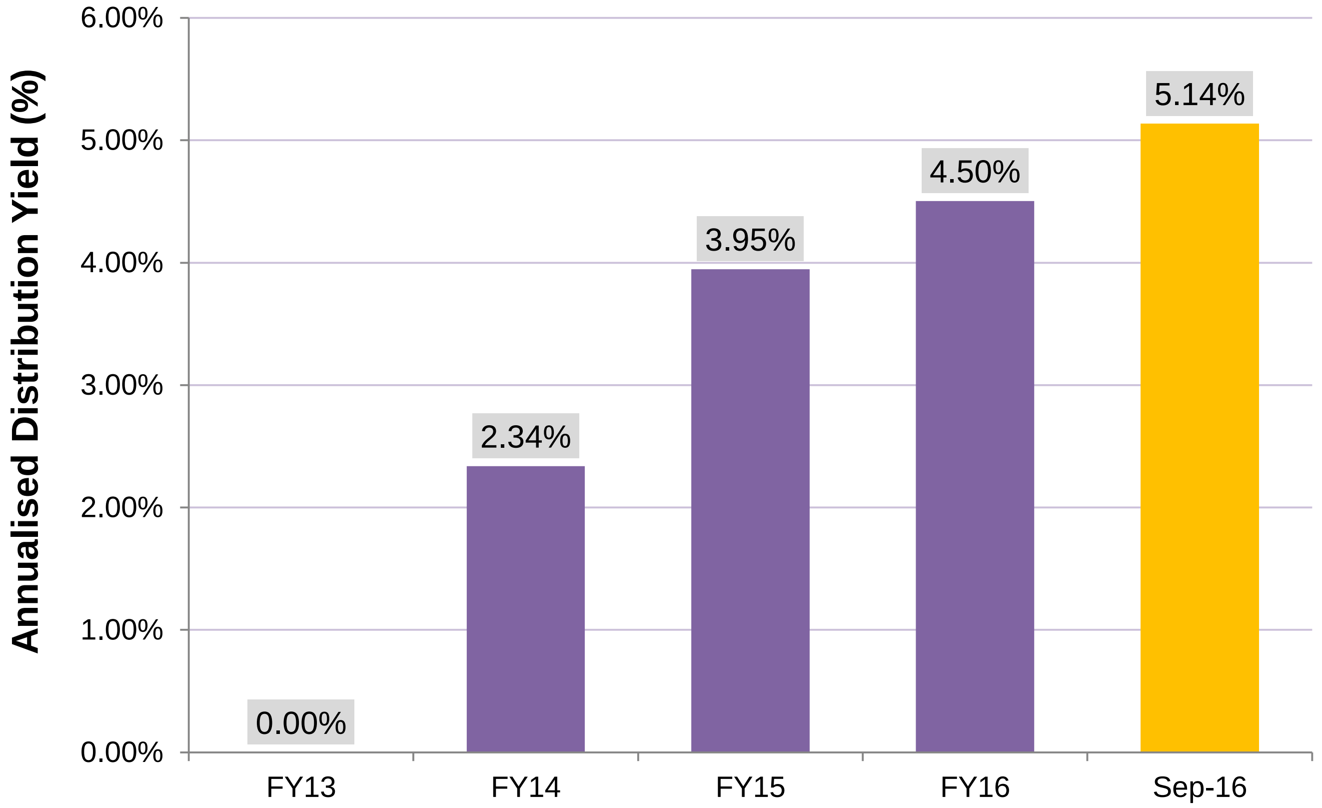
- Total return has outperformed the S&P/ASX 200 A-REIT total return index as of November 2016.



*The figures are annualised, based on the assumptions that distributions were reinvested and rights issues were fully taken-up.

PERFORMANCE – DIVIDEND YIELD INCREASED FROM NIL TO 5.14%

- Annualised distribution yield increased from nil in 2013 to 5.14% in September 2016 at a target payout ratio of 80%.



* APW's distribution yields are in line with other property groups: (Goodman 3.57%, Westfield 3.80%, Investa 4.34%, Dexus 4.60%, GPT 4.75% and Mirvac 4.83% as at December 2016)