

14 December 2018

ASX & SGX Announcement

AIMS Property Securities Fund (ASX Code: APW | SGX Code: BVP)

Chairman's Letter

Dear Unitholders,

As you may know, two meetings were recently held to decide the fate of the AIMS Property Securities Fund (“Fund”). As Chairman of AIMS Fund Management Limited (“Responsible Entity”), I’m humbled by the overwhelming support, shown to us and the future of the Fund, by our fellow Unitholders. I’d like to thank each and every one of you for the trust you’ve placed in us and we hope to continue delivering results for all our investors. Their meeting, held on Monday, 10 December 2018 showed the greatly reduced support for the windup, when compared to our meeting on Friday, 7 December 2018. Our Unitholders’ determination to keep the Fund going and their understanding of the issues was further advanced, with a 34% increase in the difference between the against vote and the for vote on the windup resolutions.

When we took over management in 2009, the Fund was almost insolvent and suffocating from a crippling debt position. Over the next four years, we systematically paid back the loans and reached a debt free position in mid-2013. Further to the debt problems of the Fund, another major issue posed to the Responsible Entity, was one of the underlying investments refusing to pay \$10 million, which was owed to the Fund. We initiated litigation and went to court on the matter. This exercise took a lot of hard work from our team and it was a stressful three-year process.

During that time, we were accused by activist Unitholders of wasting the Fund’s money. They questioned why we were spending the Fund’s resources on a court case that may not be successful. We stuck to our integrity and strong determination to protect all our Unitholders’ interests. We fought and won in front of the trial judge. The case was appealed and we lost. At that moment, we took the tough decision to proceed to the High Court, where our case was successful. We were awarded over \$17 million and the team’s effort and resolve was the primary reason behind this victory. We were true to our fundamental investment philosophy, of putting all our Unitholders’ interests first.

When the debt was paid off in 2013, the Fund was still small at the time, having approximately \$59.5 million in gross assets. Our fee was only 0.45% (equivalent to \$267,912), which was not enough to pay a senior staff member. AIMS Group had to subsidise wages and expenses, in an effort to turn the Fund around. In 2016, we even gave away this fee, as a testament to our principles that we look after all our Unitholders’ interest, not just the narrow, short-term and greed driven motivations of the few, who wish to take advantage of the rest of our Unitholders.

AIMS Fund Management Limited



AIMS Funds Management
A Member of AIMS Financial Group

Aside from paying back the debt, working hard to fight for what we're due and waiving our fees, the prudent capital reallocation of the Fund's assets produced a great long-term return. Our true achievement remains the Fund's continued growth in net tangible assets, which has risen from \$59.0 million in June 2013 to \$105.8 million in June 2018. This is coupled with a fantastic unit price growth over the past 5 years of 22.1% (with dividends reinvested), which is almost double that of the S&P/ASX 200 A-REIT Index total return. It's important to note that this was done without the use of gearing at the Fund level and is entirely organic. Our underlying investments hold prized assets, which even the activist Unitholders admit are fantastic opportunities.

Every time activist Unitholders attempt to windup our Fund, it consumes immense amounts of labour and cash resources, which would be better spent on gaining returns for all our Unitholders. Every windup attempt costs the Fund and our Unitholders a few hundred thousand dollars, which I personally feel is very painful and unfair. They are trying to take advantage of all our Unitholders' long-term benefits for their own short-term goals.

The Fund is currently strategically positioned to take advantage of a downturn in the Australian commercial real estate market, which has begun to show signs of weakening. The bank's tightening of lending will also play a large role in the downturn of the commercial real estate market. We expect the next few years to present exceptional investment opportunities for the Fund, which meet our long-term capital growth strategy.

Once again, I'd like to thank Unitholders for their decision to keep this Fund going and I'd like to take this opportunity to wish you and your families a joyous festive season.

For further information, please feel free to contact us on +61 2 9217 2727.

Yours faithfully,

A handwritten signature in black ink, appearing to read "George Wang", is positioned above the printed name.

George Wang

Chairman

AIMS Fund Management Limited

Responsible Entity

AIMS Fund Management Limited

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