

AUSTRALIAN

RESEARCH



Contents

1. Product Summary	3
2. Offer Overview	5
3. Property Portfolio	7
4. Management & Corporate Governance	11
5. Performance Analytics	12
Appendix – Ratings Process	14

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Australian Managed Investments

Unlisted Property

Government Property Trust Series 5 Preference Units

A three-year investment providing enhanced income through exposure to a relatively low-risk, defensive property portfolio

Note: This report is based on the Government Property Trust PDS, dated 23 May 2008, together with other information provided by Australian Public Trustees as at July 2008.



Offer Overview

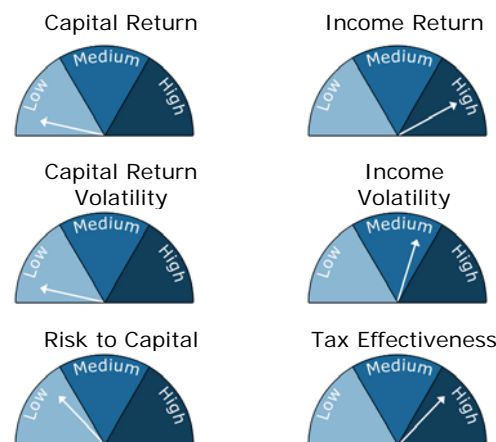
Product Summary

Australian Public Trustees Ltd (the *Manager*) is seeking to raise up to A\$20M through the issue of three-year redeemable preference units (*Series 5 Preference Units* or the *Units*) in the Government Property Trust (the *Trust*). The Units are expected to pay investors a fixed income distribution of 8.25% p.a. for three years. The distribution is expected to be partly tax deferred. Additionally, at the end of the three-year term the Units are expected to be redeemed by the Trust at A\$1.10 per unit. The income plus capital return equates to a simple rate of return of 11.6% p.a. The ability of the Trust to pay the 8.25% distribution on an annual basis is underpinned by a defensive property portfolio, which comprises nine medium-sized office properties predominantly occupied by government-sector tenants on medium- to long-term leases. The Trust also holds several indirect property investments with similar characteristics. Investors should note that the ability to pay the full distribution amount is subject to the Trust generating sufficient net rental income, while the ability of the Trust to redeem the units is likely to be a function of whether the Manager can raise additional capital towards the end of the three-year term. The funds raised through the offer will be utilised predominantly to fund potential property acquisitions and in the interim reduce gearing levels from 70% currently to an expected level of around 63%. Investors should note there is no provision to redeem funds prior to maturity. Australian Public Trustees is an independent company specialising in investing in properties where the key tenant is a government entity.

Offer Details

Offer Open	23 May 2008
Offer Close	Upon reaching A\$20M, with potential oversubscription of \$10M
Maturity	3 years
Min. Investment	A\$10,000
Liquidity	None
Distributions	Quarterly
Issue price	\$1.00 per unit

Risk/Return Profile



Investment View

Investor Suitability

The Units are designed to provide investors with a source of enhanced income and, as such, may provide a suitable complement to other income-generating investments, such as a term deposit. Investors should note that the Trust's ability to pay both the full amount of annual income and the capital-return component at maturity is contingent upon the Trust having sufficient cash resources. A key risk is the tenant vacating Penrhyn House in June 2009. The Manager has indicated that the tenant will either instigate the five-year option or agree on a new short-term lease, and anticipates healthy tenant demand for the property due to an inflow of government departments into the locality. Should there be an unexpected decrease in rental revenue or an increase in operating costs, distributions may be deferred to a later period or, potentially, may not be paid. The risk of such an outcome is significantly mitigated by the low-risk nature of the Trust's rental income, operating costs, and, largely, fixed interest rates on the Trust's debt facilities.

Recommendation

Aegis has assigned the Trust with an **Investment Grade** rating.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

Fees (paid to advisors), incl. GST, %

Upfront	2%*
Ongoing	0%

Note: All advisor fees are payable by the Government Property Trust

SWOT Summary

Strengths

- Distribution risk is significantly mitigated by low-risk rental income (long leases, fixed uplifts, government tenants), largely fixed operating costs in real terms and long-term interest rate hedges.
- The Manager has a track record of paying distributions when due for all previously issued series.
- The Fund's portfolio strongly complements the income characteristic of the Series 5 units; it is geographically diversified, occupied by government departments or government agencies, and has limited vacancy levels.

Weaknesses

- Based on the Manager's cash flow forecasts there is a thin margin between net rental cash flows and the cash amount required to fund annual distributions. This may create a particular risk during year 3.
- Historic valuations of properties; should subsequent valuations differ significantly, the LVR may be negatively affected, as well as the ability to raise any further equity.
- Notwithstanding the defensive operating model, the Trust's gearing level is relatively high. A drop in property valuations or the need to fund future capex may necessitate the sale of properties.

Opportunities

- The portfolio consists of government-tenanted properties, which offers unequivocal covenant strength. Government tenants tend to move infrequently, which decreases the potential of void periods within the properties through tenants vacating. This is of particular significance if the property market deteriorates further.
- The opportunity to earn an enhanced income of 11.6% p.a., which is competitive in the current market.

Threats

- The risk that, due to operating losses, the full distribution amount may not be paid to investors on the due date. Aegis notes that in such a situation the Manager is likely either to utilise existing cash resources (if available) to fund distribution payments or, alternatively, to defer the payment until there are sufficient funds to pay the cumulative distribution amount.
- The primary source of revenue risk relates to an upcoming renewal of the tenancy of the Dept. of Health at the Fund's Penrhyn House property (34% of gross rental income). The tenant is awaiting completion of new premises, due in approximately 18 months. It is anticipated the tenant will extend its term at lease expiry in June 2009.
- The Manager intends to fund redemptions through a further equity raising. Should equity raised be insufficient, repayment may exclude the 10% capital gain or may potentially be deferred or not paid at all.

Initial Direct Portfolio Profile

Number of direct properties	9
Number of indirect properties	1
Vacancy (incl. guarantee, %)	1
WALE (yr)	5.2
Total net lettable area (m ²)	47,111

Financial Forecasts

Income Distribution (p.a.)	8.25%
Tax advantage*	60%
Distribution frequency	Quarterly

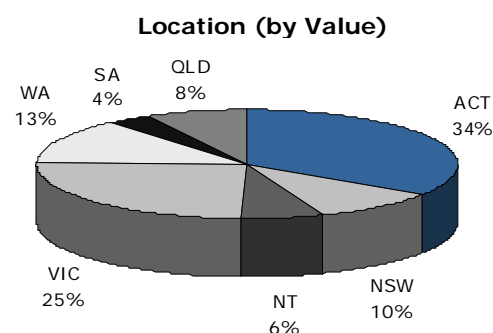
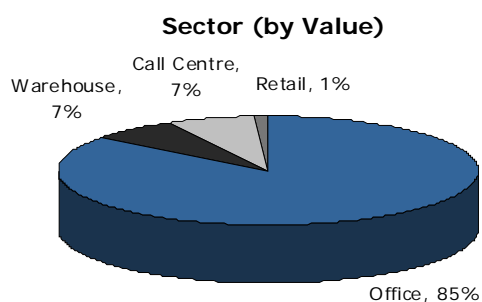
*The Manager is forecasting a rate of 60% for FY08/09

Capitalisation

Debt (A\$M)	96.8
Existing equity (A\$M)	17.3
Total (A\$M)	114.1
Property (Gross, A\$M)	133.1
Working Capital (A\$M)	1.0
Gearing (Total Assets, %)	70.1
Debt Hedging (%)	99

For Advisers Only

Income Sources (by Income)



2. Offer Overview

The Manager is seeking to raise A\$20M (with a provision to oversubscribe by A\$10M) through issuing 20M Series 5 Preference Units with a three-year term.

The Units will represent the third series of preference units currently on issue. Specifically, there are 2.45M Series 2 Preference Units and 17.97M Series 3 Preference Units on issue. With respect to distributions, all Series preference unitholders will rank ahead of ordinary unitholders.

The Series 2 and 3 units are based on the same structure as the Units. The 2.45M Series 2 units are redeemable in August 2008 and the 17.97M Series 3 units are redeemable between June and October 2009. The redemption of the Series 2 units will be funded by the issue of Series 5. The Manager intends to fund the redemption of Series 3 units by raising additional capital from the investing public. The Manager expects that a large proportion of Series 3 unit holders will opt to convert or roll over into a potential new issue, thereby reducing the amount of funding required to redeem the Series 3 units.

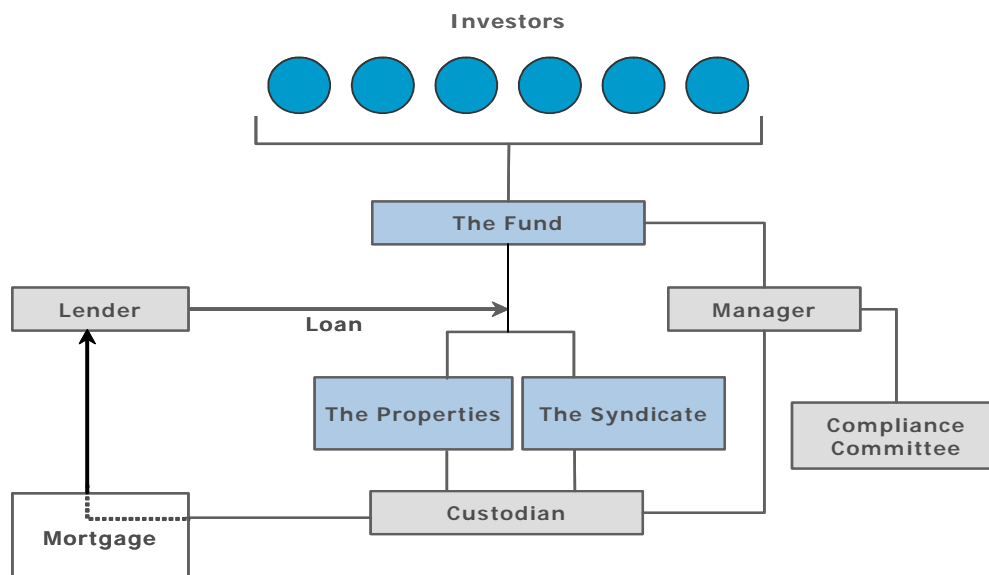
The ability for the Manager to redeem the units at A\$1.10 after the three-year period is conditional upon the Manager having sufficient cash resources to fund the redemption. To finance the redemption the Manager may issue further financial instruments, find alternative sources of finance, or sell property assets.

Distributions are cumulative. That is, if distributions are not paid in one period the distribution amount accumulates and must be paid in full before any distributions are made to ordinary unit holders. No penalty interest will be paid on any arrears of distributions.

Distributions are expected to be financed through operating profits. If, due to operating losses, the Trust is unable to pay the full amount of the distributions as they fall, the Manager may either fund the distribution from cash reserves (if available) or let the interest accumulate until there is sufficient cash.

Funds raised are expected to be used predominantly to fund potential acquisitions. In the interim the allocated funds will be invested in cash. Smaller amounts will be used to fund the Trust's purchase of an interest in the Vicroads property (A\$2.3M), debt reduction (A\$1.55M), and the redemption of Series 2 units (A\$0.95M).

Investment Structure



Key Exposure

Underlying Exposure: The Trust's direct property portfolio consists of nine predominantly office properties. The Trust also has one indirect property investment. The nine properties are detailed in Section 3 of the report, *Property Portfolio*.

FX Exposure: None

Exit Details

Exit Facility: Investment in the Trust is for a fixed period of three years. This is an illiquid scheme.

The Manager has the discretion to redeem units early by giving three months' written notice. The redemption value will be a pro-rata value of A\$1.10 for the period.

Product Leverage

	The level of leverage is only relevant to Series 5 investors to the extent that it impacts on the Trust's ability to pay income and finance the redemption amount at the end of the three-year term.
Used:	As at the date of this report the Trust's LVR is 70.1%, slightly above the Manager's target range of 60%-70%. If the capital raising reaches the desired benchmark of A\$20M the LVR will stand at 63%.
Cost (incl. Fees):	Aegis notes that 99% of the Trust's debt is based on fixed base lending interest rates beyond the three-year investment term of the Series 5 Preference Unit. Consequently, Aegis regards interest-rate risk with respect to the units to be low. The specifics of the Trust's debt are as follows. The Trust has a long-term loan facility with Capital Finance Australia Limited (CFAL), a subsidiary of HBOS plc, for \$96.84 million, with the base rate for \$76.84M hedged at 6.99% until 2017. The remainder is hedged at a base rate of 7.63% from April 2008 until June 2009 and at 6.99% plus a margin from June 2009 to November 2017. CFAL charges a margin above BBSY which is a floating rate and currently 125 basis points. Additionally, the Trust has a \$1M short-term overdraft facility used as working capital and is currently at a floating rate of 9.7% (July 2008).
Recourse:	Non-recourse to investors. The loan is limited only to the assets of the Fund.

Asset Profile

Number of Properties	The Trust consists of nine properties and exposure to one Syndicate.
Property Base Value	Including the syndicate, according to independent valuations dating from May 2007 to February 2008, the base value is A\$133.1M.
Segment Split (by income)	Office 85.3%, Retail 1.1%, Warehouse 6.8% and Call Centre 6.8%
Geographic Split (by income)	ACT 34%, NSW 15%, QLD 9%, VIC 19%, WA 13%, SA 4% and NT 8%
Tenant Profile (by income)	Government 95.6%, Private Sector 4.4%
WALE (by area)	5.2

Tax

Disclaimer:	Tax consequences depend on individual circumstances. Investors must seek their own taxation advice. The following comments show Aegis' expectation of tax for ordinary Australian taxpayers, but cannot be considered tax advice.
Capital gains:	Capital gains tax (CGT) is likely to apply upon sale of the delivery securities. Investors will likely be eligible for the 50% CGT discount upon sale of the delivery securities, if held for more than 12 months.
Distributions:	Income is expected to be partly tax deferred. The Manager is forecasting 60% tax deferred for the financial year 08/09 and a maximum of 50% over the term of the investment.

Legal Structure

Wrapper:	Unlisted Unit Trust
Custodian/Trustee:	Australian Public Trustees Limited (ABN 82 095 572 482)
Offer Document:	The PDS, dated 23 May 2008, was lodged with the Australian Securities Investment Commission (ASIC) on 28 May 2008.

Returns

Capital vs. Income:	Predominantly income. Income will be paid quarterly and will be a function of net rental income. Capital uplifts will not be returned to investors; instead the Manager offers a fixed return of 10% on the initial unit price.
Income Frequency:	Quarterly
Foreign Currency Risk:	No

Risks

Vacancy Risk	Should tenants not renew leases, subsequent periods of vacancy will affect the cash flow.
Income Risk	The ability of the Trust to pay the full distribution amount when it falls due is a function of the profitability of the Trust. If rental income falls below the projected level, or costs rise above those budgeted, distributions to preference unit holders may be deferred (either in whole or part) to a later period or ultimately may not be paid at all.
Redemption Risk	Redemption of Series 5 Preference Units at the end of the three-year term is contingent on the ability of the Trust to issue further capital-raising instruments, find alternative sources of finance, or sell assets, none of which may be possible at the time of redemption.
Outgoings Risk	Increase in maintenance and capital expenditure, from forecast levels.

3. Property Portfolio

Product Philosophy

The Trust is designed to be a defensive property investment characterised by enhanced, low-risk income with moderate capital-growth prospects.

The Trust's constitution requires the Trust to acquire only assets underpinned by government revenues. Additionally the Manager must ensure all property purchases satisfy certain criteria:

- It is preferred that the property is single tenanted and built for the tenant. Where possible, the property should be newly built, with a long letting to the Government.
- The property must be suitably located so that in the event the tenant does not renew its lease an alternative use for the property is readily available.
- The property should have a Green Star rating of at least 4.5 or should be capable of achieving a Green Star rating upon refurbishment. Wherever practical, the Australian Government has adopted policies for its office accommodation requiring 'green office' solutions. The Manager supports these initiatives and works co-operatively with the Government in this respect to help meet its needs. In existing buildings, retro-fitting may be required to bring the property up to the required standard.

Portfolio Overview

The portfolio comprises nine properties and a 25.5% share in the Government Property Syndicate No.4. The key features of the portfolio are detailed in Figure 1 below.

Figure 1. Property Portfolio Profile

Address	Location	Type	WALE	Rent (\$M)	Vacancy	No of Tenants	Market Value (\$M)	Yield	Valuation Date
Direct Held Property									
9 Scaturchio Street, Casuarina	Darwin	Office	9.5	\$0.8	24% ¹	5	\$8.00	8.50%	01-Jun-07
3-5 West Street, Pymble	Sydney	Ware-house	7.3	\$0.7	0%	2	\$8.25	7.80%	10-May-07
100 Broughton St & 101-107 Corio St	Geelong	Office	3.5	\$1.6	0%	3	\$23.00	8.25%	01-Oct-07
Part Lot 5 Wellington St	Bunbury	Call Centre	5.5	\$0.9	0%	1	\$7.75	9.00%	30-May-07
Midland	Perth	Office/Retail	3.4	\$0.8	0%	2	\$9.50	7.50%	04-Jun-07
Penrhyn House, 2 Bowes Street, Phillip	Canberra	Office	1	\$4.3	\$0	1	\$45.00	7.80%	04-Feb-08
30 Gawler Street, Salisbury	Adelaide	Office	2.3	\$0.5	0%	1	\$4.70	8.75%	25-May-07
20-24 Wirraway Parade, Inala	Brisbane	Office	4	\$1.0	0%	5	\$11.75	7.80%	25-Sep-07
464 King Street	Newcastle	Office	3.1	\$0.6	7%	1	\$10.93	8.50%	12-Jul-07
Government Property Syndicate No.4 - 25.5% Stake									
74-78 Queen Street	Bendigo	Office	12	\$0.08 ²	0%	1	\$4.22 ³	7.02%	01-Jun-07
			5.16	\$11.5			\$133.10		

¹ The property has the benefit of a rental guarantee over all vacant accommodation, until February 2009

² This figure represents 25.5% of the total annual rental income

³ This figure represents 25.5% of the total market value of the property

Source: Australian Public Trustees Ltd

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9 Scaturchio Street, Casuarina, Darwin, NT

This property comprises a three-storey office property constructed in 2003 with 89 car spaces. The property is located adjacent to Casuarina Square, the largest shopping centre in the Northern Territory, and is situated 15km to the north of Darwin's CBD. The property is principally used as a health-related centre, including use as an x-ray facility, and has been fitted out to the needs of each tenant's services.

There are presently five tenancies, including NT Dental Clinic, NT Breast Clinic and NT TAB. The lease profile is varied, with tenancies expiring between 2009 and 2018. The property presently generates rental income of \$0.85M per annum, of which around 96% is guaranteed until July 2011, which is the end of the three-year investment period. Currently 24% of the property is vacant, although 22% of this is currently under negotiation with the Northern Territory Government and an agreement is anticipated shortly. The vacant accommodation has the benefit of a rental guarantee until February 2009.

3-5 West Street, Pymble, Sydney, NSW

The property is a modern three-storey commercial building comprising a distribution centre and ancillary office accommodation, with an additional small warehouse and 42 on-site car spaces. The property is estimated to be 15-20 years old and has undergone substantial refurbishment in the past five years. The property is located approximately 18km northwest of Sydney's CBD in a mixed-use area. It also has good access to the Pacific Highway and Ryde Road, with Pymble Railway Station also in close proximity. It is fully let to Australia Post and AYR Data Systems at a passing rent of A\$0.64M per annum. Australia Post represents 81% of the income and occupies the property on a 15-year lease expiring in October 2015 with an option for two further terms of 5 years and annual rent reviews to CPI. AYR Data Systems Pty Ltd accounts for the remainder of the income and has exercised its option to occupy the property until 30 October 2010, with annual rental increases of 4%.

100 Brougham Street and 101-107 Corio Street, Geelong, VIC

The Brougham Street property comprises a modern six-storey office building of 5,740sqm plus 75 car spaces, with an additional development site to the west of the property, which is currently used for parking. The Corio Street property comprises a modern three-storey office building of 1,884sqm with 10 car spaces. Both properties were constructed in the late 1980s and although they have had no major refurbishment work, they provide the highest standard of office accommodation in Geelong.

Both properties lie on the fringe of Geelong's CBD, with 100 Brougham Street offering views of the surrounding area and waterfront. 100 Brougham Street is fully let, with 63% of the income attributable to the Commonwealth of Australia (Australian Tax Office), which occupies the property on a four-year lease until May 2011, subject to annual reviews of 3.75% per annum. The remainder is leased to Centrelink on a five-year lease expiring in June 2012, with annual rental increases of 3.75%. 101-107 Corio Street is let in entirety to the City of Greater Geelong, which has exercised its lease option to extend expiry to July 2011, with annual rent reviews to CPI. The income for this property is secure for the majority of the duration of the three-year investment term, with 51% of the income becoming unsecured as of May 2011, when the Australian Tax Office lease expires; however, the tenant has the benefit of an option for a further term of four years.

Lot 5 Wellington Street, Bunbury, WA

This property comprises a three-storey office property constructed in 2003, with undercover secure parking at ground-floor level, situated at the edge of Bunbury's CBD. The entire property is let to the Commonwealth Government as a Centrelink Call Centre on a 10-year lease expiring in November 2013, with the option of two further three-year terms. Rent is subject to a 3% uplift each year. Ownership of this property is by way of a ground lease interest. A 30-year lease has been granted from City of Bunbury commencing in November 2003. This ground lease is subject to rent reviews every five years to market rent. The current passing rent is \$33,518 per annum, with a review due in November 2008.

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Lot 400 Stafford and 5 Keane Streets, Midland, Perth, WA

5 Keane Street comprises Centrelink offices, a single-storey, high-quality, open-plan office, and Stafford Court, a two-storey property originally constructed as office accommodation but converted in the 1980s to suit a combination of retail and commercial use. Stafford Court has been refurbished and upgraded several times over the last two decades and the tenant, Eastern Region Business Enterprise and Arts Centre Inc (ERBEAC Inc), uses this property as a small business incubator to serviced offices. The site also offers 95 car spaces.

Of the generated income, 73% is attributable to the Commonwealth of Australia leasing it as a Centrelink centre. The lease is for a seven-year term, expiring in January 2009, with an option for three further three-year terms, and rent is reviewed annually with fixed increases of 3%. The remainder of the property is let to ERBEAC Inc on a five-year lease expiring in January 2010, with an option to renew for a further five-year term. Rent is reviewed annually by CPI.

The property is located approximately 18km northeast of Perth's CBD. The local area has recently been regenerated and offers a combination of retail and office uses in a less well-established residential suburb. The property also lies approximately 200m from the Great Northern Highway and Great Eastern Highway.

30 Gawler Street, Salisbury, Adelaide, SA

The property comprises a two-storey office building of 2,030sqm constructed in 1995, with 79 on-site car spaces. The property is leased solely to the Commonwealth of Australia as a Centrelink branch on a five-year lease expiring in September 2010, with an option for a further five-year term. The property is also subject to rent reviews every two years to market rent. The property is located in Salisbury, approximately 20km north of the CBD, and is opposite the Parabanks, a sub-regional shopping centre offering two department stores, two supermarkets and 70 speciality shops.

464, King Street, Newcastle, NSW

This property comprises 4,129sqm of office accommodation arranged as a one- and a two-storey office unit. The property is situated in the Newcastle West business precinct directly opposite the 'King Market' shopping complex. The locality is a commercial area and is principally tenanted by bulky goods uses. The subject property is approximately 1.5km to the east of the main shopping area of Newcastle. The property is tenanted by Health Support, which has a three-year lease expiring in August 2011. There is currently around 300sqm of vacant accommodation within the property, which represents 7% of the accommodation.

20-24 Wirraway Parade, Inala, Brisbane, QLD

This property comprises a two-storey building and a three-storey building totalling 2,909sqm and built in 1994 specifically for government-grade tenancies, offering parking for around 58 vehicles. The property is currently occupied by five tenancies, of which 88% are State and Commonwealth Government, with the remainder let to private companies that provide services for government tenancies.

Around 55% of the income is attributable to Centrelink, which has a five-year lease expiring in June 2012. The remaining tenancies expire between December 2008 and May 2011, with varying rent review provisions comprising either an uplift of 3%-5% or to market rent. The lease held by the Department of Child Safety is due to expire in December 2008 and a new lease is currently being negotiated. A general agreement has been reached for a new four-year lease with an option for two further two-year terms.

The subject property is located around 16km southwest of Brisbane's CBD and is situated next to a major sub-regional centre that forms part of the Inala Business District, neighbouring principally low-density government housing built in c1965.

Penrhyn House, 2 Bowes Street, Phillip, Canberra, ACT

The property comprises a 12,622sqm property with 131 car spaces. The accommodation is arranged as three connected office buildings, varying between four and five storeys. The property was built in 1986 and has undergone a series of refurbishments over the last 5 to 10 years, including the foyers and lifts. The subject property is positioned within the northern side of Woden Town Centre, the third-largest office precinct in Canberra, and is considered to be well located within the locality.

The property is occupied by the Commonwealth of Australia's Department of Health and Aging (DOHA) on a 12-year term expiring in June 2009, with the benefit of an option for a further five-year term. The tenant is currently awaiting the construction of a new campus-style property next door to Penrhyn House. At the time of writing, construction of the foundations has commenced and practical completion is anticipated in approximately 18 months' time.

Penrhyn House accounts for 34% of the annual rental income of the Trust. It is therefore significant whether the tenant will vacate at lease expiry, or remain in occupation for a further period. Owing to the DOHA's new premises still being under construction, we expect the tenant will either utilise the option for a further term of five years or possibly negotiate a new lease for a term of two to three years whilst it awaits completion of the new property. Assuming the tenant signs for an additional period, it is expected the Fund's current three-year cash flow forecasts will be achievable and, as such, the Fund would be able to fund the full 8.25% distribution amount in each of the three years.

Woden is to become a designated 'Health Precinct' and the government is gradually moving all health and associated departments into the locality. At present Woden has low vacancy levels, and there are existing requirements for accommodation for the Government and associated support departments. When the tenant does vacate Penrhyn House the vacancy risk will be partly mitigated by this requirement.

Government Property Syndicate No.4 - 74-78 Queen Street, Bendigo, VIC

The Trust also has exposure to the Government Property Syndicate No. 4, and currently owns 25.5%. The Syndicate comprises 100% ownership in one property located in Bendigo.

Queen Street comprises a 4,500sqm four-storey office property constructed in 2005 for the tenant, the Department of Human Services, and offers 75 car spaces. The property is located to the south of Bendigo's CBD, within close proximity to the McIvor Highway. The property is let solely to Department of Human Services, a division of the Victorian Government, for a term of 15 years, expiring in June 2020. The tenant also has the benefit of an option for two further five-year terms. The rent is increased annually by 3%, except in the tenth year, when it will be reviewed to market rent. The tenant is responsible for all outgoings.

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4. Management & Corporate Governance

History

Australian Public Trustees was founded in 2003 by Mr Darren Olney-Fraser, who was a legal specialist in government privatisation transactions and viewed there to be value in gathering assets with government-based revenue streams. He believed that assets secured by the government would have minimal tenant default, which is one of the major property investment risks.

Board of Directors

The board consists of six directors, all offering a wealth of experience and a wide range of skills covering finance, law, accountancy and tax.

Mr Don Hayward – Chairman

Mr Hayward was a Member of the Victorian Parliament from 1979 until 1996 and Minister for Education from 1992 until 1996. Before entering Parliament, Mr Hayward was a senior executive of General Motors Corporation in Australia and Asia and was managing director of General Motors Philippines Corporation from 1972 to 1976. Mr Hayward holds a Bachelor of Law degree from the University of Melbourne and was a member of the Faculty of Law at the University of Melbourne for a number of years. Mr Hayward is currently also on the Executive Board of Representatives of Abigroup Ltd.

Mr Darren Olney-Fraser – Chief Executive Officer

Mr Olney-Fraser has extensive experience in corporate law and the financing of government assets and transaction management. Mr Olney-Fraser was a corporate lawyer with Baker & McKenzie and Blake Dawson Waldon, and was a partner at Andersen Legal. Mr Olney-Fraser holds a Bachelor of Science and Law from Monash University and a Masters in Law from the University of Melbourne. He is a founding director, and as well as being Chief Executive Officer is a non-voting member of the compliance committee.

Mr Don Christie – Director

Mr Christie is a lawyer with experience in business and compliance. He has worked in compliance and regulatory roles for the predecessors of ASIC (NCSC and ASC) and has been seconded to the Tricontinental Royal Commission. Mr Christie holds a Bachelor of Law, a Masters in Law and Tax and a Diploma from the Securities Institute of Australia. Mr Christie was Managing Director of Equity Trustees Ltd from 1999 to 2002 and is a former President of the Australian Trustee Corporations Association. He is also Chairman of the compliance committee.

Mr Dale Larkin – Director

Mr Larkin has extensive experience in public asset management, particularly in the public transport sector. Mr Larkin was previously a senior executive in TransAdelaide from 1986 to 1996, and in late 1996 he played an important role in introducing the Connex Group to the Asia Pacific area. He served as Chief Executive Officer of the Connex Group until 2000.

Mr Michael Beer – Director

Mr Beer has extensive experience within corporate finance involving a wide range of M&A and equity-raising transactions, including those in the Australian property sector. He has 10 years' experience with PriceWaterhouse, a further 10 years with BP Group and 5 years in corporate advisory roles in the stockbroking industry. Mr Beer has a Bachelor of Business and is a Chartered Accountant and a former State Chairman (Victoria) of the Institute of Chartered Accountants. Mr Beer oversees all financial matters for the Government Property Trust, including debt management and general commercial control.

Mr Adrian Olney – Director

Mr Olney is an engineer with property management experience and a background in design and construction management. Mr Olney holds a Bachelor of Engineering and a Graduate Diploma of Management. He has worked for over 10 years in consulting engineering firms at Connell Wagner, Young Consulting Engineers and Arup. Mr Olney has carried extensive responsibility for the management of the Australian Public Trustees property portfolio for five years.

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5. Performance Analytics

Expected Future Performance

The ability of the Trust to pay the full distribution amount when it falls due is a function of the profitability of the Trust. If rental income falls below the projected level, or costs rise above those budgeted, distributions to preference unitholders may be deferred (either in whole or part) to a later period, or ultimately may not be paid at all.

Figure 2 presents the Manager's income and expenditure forecasts for the June to December 2008 period, as stated in the PDS. Based on these forecasts there is a level of net income that more than covers the required distribution amounts for the three series of preference units.

Figure 2. Forecast Income and Expenditure (1HFY08f) (A\$M)

Property	Income	Expenditure	
Darwin	0.43	0.07	
Sydney	0.34	0.00	
Geelong	0.83	0.00	
Bunbury	0.47	0.10	
Perth	0.41	0.02	
Canberra	2.17	0.36	
Adelaide	0.27	0.05	
Brisbane	0.48	0.03	
Newcastle	0.44	0.06	
Other	0.68	0.04	
Interest Expense		4.00	
Total	6.52	4.72	
Net Income			1.80
Distributions			
Series 2 Preference Units			0.01
Series 3 Preference Units			0.74
Series 5 Preference Units			0.62
Total Distributions			1.37
Net Income less Distributions			0.43

Source: Australian Public Trustees Ltd

Moving forward, of the nine properties two have lease expiries during the three-year investment term of the Units, specifically Penrhyn House and the Centrelink building in Adelaide.

The key risk to rental income and, hence, the ability to pay distributions, relates to the Penrhyn House lease expiry, with the property representing 34% of total income. As discussed on page 10, the DOHA is awaiting completion of a purpose-built property. Construction of the property is expected to take a minimum of 18 months, possibly longer. It is considered likely the tenant will activate its option and extend the lease for a term that will exceed the length of the investment period.

With respect to the Adelaide property, 30 Gawler Street represents a relatively immaterial 4% of total rental income. It is the Manager's view that the existing tenant Centrelink will remain in the property at lease to expiry, owing to low vacancy rates in Adelaide.

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Aegis has reviewed the Manager's longer-term forecasts and generally regards the key underlying assumptions as achievable. The Manager is forecasting a steady increase in operating profits, which would support the Trust's ability to pay distributions as they fall due.

With respect to the Manager's key rental income assumptions, for the 7 of 9 properties that do not have lease expiries during the three-year term, rental growth is based on contractual stipulations, generally a review to CPI or market. For Penrhyn House, the Manager has assumed a rental increase at lease expiry in June 2009, based upon the property reverting to market rent.

The Manager has forecast 0% increase in operating costs in FY09 and 3% p.a. thereafter, broadly consistent with inflation. The risks to these assumptions would appear to be to the downside (higher costs). However, the degree of operating risk is mitigated by the fact that a large proportion of the Trust's operating costs is essentially fixed in nature, as well as the fact that for many of the tenancies the tenant has full liability for outgoings. This limits the risk of any additional costs for the landlord.

Regarding interest-rate risk, as previously noted much of the debt is hedged until November 2017 at a fixed rate plus a margin, currently 125 basis points above BBSY. Risk is partly mitigated by the majority of the debt being at a fixed rate for the duration of the three-year investment term, but an increase in interest rates margins would still result in increased debt costs for the Trust. Conversely, a decrease in interest rate margins would result in reduced outgoings.

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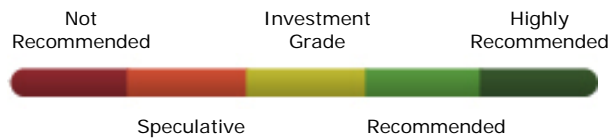
Appendix – Ratings Process

Aegis has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors.

Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

The Ratings

Our rating is based on the following scale:



Highly Recommended: indicates that Aegis believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and scored exceptionally in a number of categories. It has an attractive risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors.

Recommended: indicates that Aegis believes this is an above average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above average risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors.

Investment Grade: indicates that Aegis believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation parameters. The product may provide unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off; however, we caution that the risk/return trade-off will not be suitable for all investors. In the previous five category rating system, this category was termed 'Approved'.

Speculative: indicates that Aegis believes this is a product that has a number of positive attributes; however, there are a number of risks that make investing in this product a speculative proposal. While Aegis does not rule out investing in this product, investors should be very aware of, and be comfortable with, the specific risks. The product may provide unique diversification opportunities; however, concerns over one or more features means that it may not be suitable for most investors.

Not Recommended: indicates that Aegis believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. However, this does not mean that the product is without merit.

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The offer of the securities is made in the Product Disclosure Statement (PDS), and anyone wishing to acquire the securities should complete the application form in the PDS.

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