

28 July 2010



**Officium Property Fund
Investment Manager's Annual Letter 2009/10**

Dear Investor,

Although not as eventful as financial year 2009, the 2010 financial year was littered with noteworthy developments. The first quarter of the year saw both the United States and Japan announce that their economies had returned to growth in the June quarter of 2009 as government stimulus measures and monetary policy actions appeared to place the global economy on a recovery path. Corporate earnings also tended to rebound strongly in the first quarter, which led to improvements in investor sentiment. However in the following quarters, debt issues, firstly in Dubai and then in Greece and Southern Europe, saw hopes of a global economic recovery begin to wilt and investor risk aversion return to markets.

In this environment the listed property market, as measured by the S&P/ASX 300 A-REIT Accumulation Index increased by just over 30% in the first quarter, before finishing with a full year return of 20.3%. This constituted a 7.3% outperformance of the domestic equity market, as measured by the S&P/ASX 300 Accumulation Index. It is estimated that the Morningstar Unlisted and Direct Property Index returned a more subdued 3.2% in the 12 months to the end of June, as there was little overall movement in unlisted property valuations throughout the year.

PORTFOLIO SUMMARY

The Officium Property Fund is a diversified mix of Australian and international listed property and property related Funds, direct and unlisted property Funds and cash. The Fund returned 13.8% in the 12 months to June 30 2010. The major holdings contributing to this performance include:

LISTED PROPERTY EXPOSURE

APN AREIT Fund

The APN AREIT Fund is a core holding in the Officium Property Fund. The Officium Property Fund increased exposure to this holding throughout the year, with the APN AREIT Fund accounting for 19.5% of Fund assets at the end of June. The APN AREIT Fund provides exposure to high quality Australian Real Estate Investment Trusts that derive the majority of their earnings from traditional rental sources rather than non-recurring corporate earnings and developments. For the 12 months to the end of June, the APN AREIT Fund returned 24.6%, outperforming the benchmark S&P/ASX 200 A-REIT Accumulation Index which returned 20.4%. The largest holdings in the portfolio at the end of the financial year were Westfield Group, CFS Retail Property Trust, Dexus Retail Property Trust, Challenger Diversified Property Group and Cromwell Group.

Resolution Capital Global Property Securities Fund

The Resolution Capital Global Property Securities Fund was added to the Officium Property Fund in September. The Officium Property Fund has continued to increase exposure to this holding since then, with the holding constituting 8.0% of the Officium Property Fund at the end of June. The Resolution Capital Global Property Securities Fund provides the Officium Property Fund with the benefits of an actively managed, concentrated portfolio of global real estate investment trusts. Resolution Capital have

a bias towards high quality property portfolios that are located in markets with strong underlying fundamentals, are owned by entities with appropriate and sustainable capital structures and are operated by disciplined management teams. For the 12 months to the end of June, the Fund returned 33.6%.

CFS Global Listed Infrastructure

During the financial year the listed infrastructure investments held by the Officium Property Fund in the Hastings Diversified Utilities Fund was exited and the position in the Ethane Pipeline Income Fund was reduced. The proceeds from these transactions were primarily used to establish a position in the more diversified Colonial First State Global Listed Infrastructure Fund. This Fund invests in a globally diversified portfolio of listed infrastructure and infrastructure related securities and aims to provide investors with strong capital growth and inflation protected income. For the 12 months to the end of June, the Fund returned 18.4%.

UNLISTED PROPERTY EXPOSURE

LEX

The Officium Property Fund has been a long-term investor in the LEX Retail Property Trust and the LEX Property Fund. These Funds hold the IKEA buildings in Adelaide and Perth respectively. Combined these investments account for 16.3% of the Officium Property Fund at the end of June and are the largest unlisted holdings in the Officium Property Fund. The LEX Retail Property Trust (Adelaide) increased its full year distribution to 11.25 cents per unit for the year, while it was announced in July that the net asset value of the Fund declined by 8.4% in the 12 months to the end of June. The LEX Property Fund (Perth) also increased its distribution in the 2010 financial year and reported a 13.4% increase in the net asset value of the property in July.

FKP

The FKP Core Plus Fund has been a long-term core holding within the Officium Property Fund. The FKP Core Plus Fund was established by FKP Funds Management in December 2005 to provide wholesale investors with a property investment opportunity that provided exposure to core rental properties (Active Core Property Investments) and participation in property development projects on a joint venture basis with FKP Limited (Eligible Developments). For the 12 months to the end of June the FKP Core Plus Fund has provided an estimated return of 6.5%. The Officium Property Fund is also invested in the FKP Core Plus Two Fund, which operates on a similar basis as the FKP Core Plus Fund. The FKP Core Plus Two Fund is estimated to have provided a return of 3.1% for the 12 months to the end of June. Combined these two Funds account for 10.3% of the Officium Property Fund, as at the end of the financial year.

REMAINING HOLDINGS

Along with the sell down of the listed infrastructure securities, the position in the listed Commonwealth Office Property Fund was also exited during the financial year. This left the Fund with investments in the listed Australian Property Growth Fund, Multiplex European Fund and Multiplex Acumen Property Fund. Combined these holdings accounted for 6.1% of the portfolio at the end of June. The Fund also has small holdings in the Abacus Diversified Income Fund II and Colonial Diversified Property Pool.

MARKET OUTLOOK

The listed property sector has been through a particularly tumultuous time and we are pleased to see overall gearing levels return to more sensible levels. We are also pleased to see a much stronger emphasis on the rent collection side of the business rather than funds management and development. With this more conservative approach we expect the listed property sector to be considerably less volatile than it

has been in recent times. Unlisted property has had a year of consolidation from which we expect to see reasonable returns from current levels. The Fund remains well diversified across both these markets and has a high cash weighting which will be used to take advantage of investment opportunities as they arise.

We thank you for your continued support through what has been a volatile 12 months. If you have any questions regarding the Fund please do not hesitate to contact me at admin@officiumcapital.com.au or by phone on (07) 3876 4333. Also, please visit our website, www.officiumcapital.com.au to view the latest unit prices, performance data, product disclosure statements and monthly investment reports.

Yours sincerely

John Nunan

Important Information

This report is provided for the information of clients and is not intended to provide advice. Whilst all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), no person including Officium Capital or any other affiliated company accepts responsibility for any loss suffered by any person arising in reliance on this information other than under law which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment.

The product disclosure statement ("PDS") for the Officium Property Fund is issued by Officium Capital. The PDS details the terms of the offer and if you wish to invest in the Fund, then you should consider the contents of the PDS, consider whether or not an investment in the Fund is appropriate for you and complete the application form accompanying the PDS. You should also consider the PDS in deciding whether to continue to hold an interest in the Fund.

Past performance should not be taken as an indication of future performance. This information does not take into account your investment objectives, financial situation or particular needs. Before making any investment decision, you should obtain and carefully consider the PDS, having regard to your investment objectives, financial situation and particular needs.