

REAL ESTATE INVESTMENT MANAGEMENT

Date

7 July 2011

Fund

ING Real Estate Healthcare Fund

IML recommends new responsible entity for IHF

ING Management Limited (IML), the responsible entity (RE) of ING Real Estate Healthcare Fund (ASX: IHF), today announced that it has entered into an implementation agreement with APN Property Group Limited (APN) which, subject to approval by IHF unitholders, would result in the change of RE of IHF from IML to APN Funds Management Limited (APNFM) (the Proposal).

APNFM is a wholly owned subsidiary of APN, an Australian based real estate investment management business founded in 1996 and listed on the Australian Securities Exchange (ASX: APD).

Proposal background

In June 2010, ING Group (ING) announced that it was conducting a strategic review of its global Real Estate Investment Management (REIM) platform, and its position within the broader ING banking business. The Australian real estate investment management operation, ING Real Estate Investment Management Australia (REIMA), was included in the review. In February 2011, ING announced that as a result of the evaluation it would undertake a phased withdrawal from the REIMA business in a timely and controlled manner.

In parallel with the global strategic review, REIMA and IML independently explored various options for IHF. As part of this evaluation the IML Board established an Independent Board Committee (IBC) and put in place strict governance protocols to ensure that any potential conflict of interest between REIM and IML was appropriately and transparently managed. The IBC comprised only directors who are independent of ING and was supported by an independent financial adviser and legal counsel.

The Proposal is the culmination of a number of alternative initiatives explored by the IBC, including a cash offer for the units of IHF, merger with a third party, an internalisation of management and the transfer of management rights.

The Proposal is unanimously recommended by the IBC, in the absence of a superior proposal.



Proposal overview

The Board of IML believes the change of RE will be a smooth management transition given senior management of IHF will remain unchanged. APN will acquire the shares IML owns, and a proportion of the shares owned beneficially by senior management of IHF, in IHF's manager, ING Healthcare Pty Limited (IHPL).

In addition, if APNFM is approved as RE of the Fund, APN will procure for the Fund a \$5 million equity issue and/or underwriting prior to 30 June 2012, which could include an underwriting of the Distribution Reinvestment Plan (DRP) for the distribution periods ending 31 December 2011 and 30 June 2012.

Michael Coleman, Chairman of IML said "In negotiating the transaction with APN, the IBC sought to deliver a number of benefits to IHF unitholders. We believe the proposal allows for a change in RE without adversely affecting unitholders while securing an appropriate strategy for the future management of the Fund."

If approved, the Proposal is expected to deliver IHF unitholders a number of benefits:

- The appointment of APNFM removes the uncertainty created by the phased withdrawal of ING from its real estate investment management activities in Australia
 - The RE is transferred to an aligned and committed manager
 - Change of control consents have been obtained from all relevant counterparties
- Continuity of management should ensure a smooth transition for all of IHF's stakeholders
 - IHF's senior management, Chief Executive Officer Miles Wentworth and Director Acquisitions and Developments Chris Adams, will remain unchanged and will be complemented by APN's experienced management team
- The commitment from APN to procure for the Fund a \$5 million equity issue and/or underwriting prior to 30 June 2012 will assist IHF in funding its future capital requirements and may assist in reducing the gearing levels within the Fund
- The deferred management and termination fees of \$5.1 million¹ payable by IHF unitholders to ING upon replacement of IML will be extinguished

IML will convene a unitholder meeting on Wednesday, 10 August 2011 to consider the resolution to approve the appointment of APNFM as RE of IHF. Further details regarding the Proposal and unitholder meeting are provided in the attached investor presentation.

¹ As at 31 December 2010



REAL ESTATE INVESTMENT MANAGEMENT

APN overview

APNFM is owned by APN an Australian based real estate investment manager with a 15 year history and local expertise. As at 31 December 2010, APN managed \$2.3 billion of direct real estate and real estate securities across 18 actively managed real estate funds. The



REAL ESTATE INVESTMENT MANAGEMENT

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About ING Real Estate Healthcare Fund

ING Real Estate Healthcare Fund (ASX code: IHF) is Australia's only externally managed ASX-listed real estate investment trust that invests in healthcare properties. The portfolio of six properties includes hospitals, medical centres, rehabilitation facilities, laboratories and other purpose-built healthcare facilities. The Fund partners with high quality healthcare tenants with strongly diversified income streams. IHF has total assets under management of \$190.2 million with investments located in Victoria and Queensland.

About ING Real Estate Investment Management

ING Real Estate Healthcare Fund is one of three listed real estate investment trusts that are managed by ING Real Estate Investment Management Australia. ING Real Estate Investment Management is part of ING Group, a global financial institution of Dutch origin offering banking, investments, life insurance and retirement services to over 85 million private, corporate and institutional clients in more than 40 countries.

ING Real Estate Healthcare Fund

Change of responsible entity to APN
Funds Management Limited

AUSTRALIA

7 July 2011

Frankston Private, Frankston, VIC

REAL ESTATE INVESTMENT MANAGEMENT

www.ingrealstate.com.au

ING 

Agenda

1. Background to the Proposal
2. The Proposal detail
3. Fund strategy
4. Unitholder Meeting Information

Review process

Strategic review

- The global review of ING Real Estate Investment Management (**REIM**) was completed in December 2010 and implementation has commenced
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- On 15 February 2011, ING Group (**ING**) announced
 - > Sale of its European, Asian and American REIM business
 - > Phased withdrawal from the Australian real estate investment management market, in a timely and controlled manner
-
- The transition of management for ING Industrial Fund to Goodman Group and ING Office Fund to Investa were completed in March 2011
 - > These were the first steps in the implementation of ING's Australian REIM strategy
-
- This transaction with APN Property Group Limited (**APN**) and APN Funds Management Limited (**APNFM**) secures an appropriate outcome for the future management of ING Real Estate Healthcare Fund (ASX: **IHF**)
-

Background to the Proposal

Consideration of alternatives

- The Board of ING Management Limited (**IML**), the responsible entity (**RE**) of IHF, established an Independent Board Committee (**IBC**) and put in place strict governance protocols to ensure any potential conflict of interest between ING REIM and IML was appropriately and transparently managed
 - > The IBC comprised only Directors independent of ING REIM
 - > The IBC engaged independent financial advisers and legal advisers
 - > The IBC considered several alternatives for IHF and reached the conclusions:

Alternative	View of Independent Directors
Merger with another entity	<ul style="list-style-type: none">> Terms proposed by other parties were not deemed in the best interest of unitholders and ultimately discussions were unsuccessful> Scrip based proposals from unlisted entities with higher fee structures or assets inconsistent with IHF's portfolio strategy were not considered to be attractive
Cash offers or sale of assets	<ul style="list-style-type: none">> Received two indicative, non-binding and incomplete proposals> Both proposals were withdrawn by bidders> No other cash proposals have been received
Internalisation of management	<ul style="list-style-type: none">> Scale of the Fund makes an internalisation uneconomical
Change of RE	<ul style="list-style-type: none">> Change of RE to an entity with a track record in funds management will allow the Fund to continue with its strategic plan> Removes the uncertainty surrounding ING's phased withdrawal> Retains unitholders' future options to consider a unitholder transaction should one arise in the future

The IBC has carefully considered the APN Proposal with regard to other available alternatives and unanimously recommend that IHF Unitholders, subject to there being no superior competing proposal, vote in favour of the Resolution to approve the Proposal

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Proposal detail

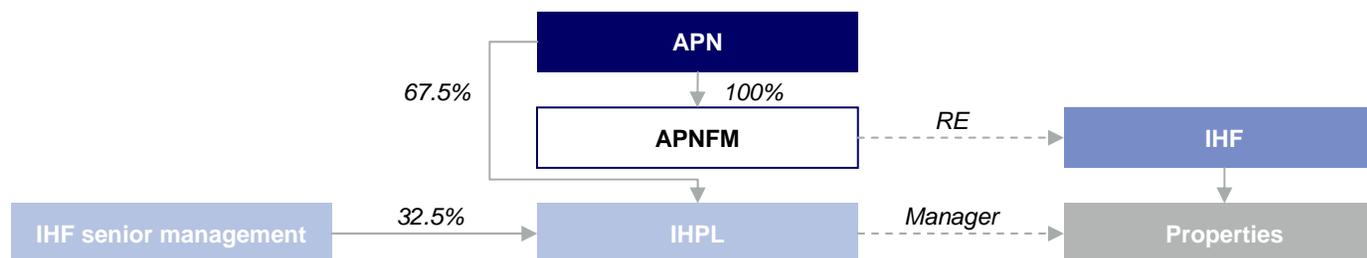
Summary

- IML as responsible entity of IHF to convene a Unitholder Meeting to vote on the change of responsible entity of IHF from IML to APNFM. If approved by unitholders:
 - > APNFM will be appointed as the new RE of IHF, change of control consents have been obtained from all relevant counterparties;
 - > APN will purchase the 60% interest in IHF's manager, IHPL owned by IML; and
 - > APN will purchase a further 7.5% interest in IHPL beneficially owned by IHF senior management, with IHF senior management to own a 32.5% interest in IHPL

Pre Appointment of APNFM as RE of the Fund



Post Appointment of APNFM as RE of the Fund



Proposal detail

Benefits

APN is a fully integrated Australian real estate investment manager with a 15 year history

- APN manages \$2.3 billion of direct real estate and real estate securities (as at 31-Dec-10) across 18 listed and unlisted funds
- Experienced management and the Board of APNFM has a majority of independent directors and an independent chairman
- Melbourne based, complementing the location of IHF senior management
- Proposal removes the uncertainty created by ING's phased withdrawal from the Australian real estate investment management market

APN is a long-time supporter of IHF

- APN and its associates are IHF's largest unitholder with a current holding of 11.8%
 - > Under the Proposal, APN and its associates interest in IHF will increase to 15.2%, providing significant alignment of the new RE with Unitholders
 - > Senior management of IHF will remain unchanged ensuring management continuity
- APN has previously supported the Fund's capital raising initiatives through subscription to entitlement offers and placements
- APN has committed to procure for the Fund a \$5 million equity issue and/or underwriting prior to 30 June 2012, which could include an underwriting of the DRP for the distribution periods ending 31 December 2011 and 30 June 2012

The Proposal eliminates \$5.1m of deferred management and termination fees payable by IHF upon replacement of IML

- The deferred management and termination fees of \$5.1 million¹ payable by IHF unitholders to ING upon replacement of IML will be extinguished.
 - > Removal of these fees provides one of several benefits to Unitholders

¹ as at 31 December 2010

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Fund strategy

Current position

The Fund owns seven properties with 94 tenants and a total property value of approximately \$180 million

- Stable NTA per unit profile over past year with regular external revaluations

Portfolio demonstrates the defensive nature of the healthcare sector with long lease terms, high tenant retention and stable income and the high quality of the Fund's assets and tenants

- Solid rental growth on like-for-like basis
- Net property income for current half year lower due to asset sales
- Continued strong occupancy

Post 31 December 2010 the Fund has negotiated a reduction and restructure of the line fee and margin charged across its two National Australia Bank facilities

- This will have a positive impact on the Fund's finance costs and net operating income

Key fund data

	6 months to 31 Dec 2010
Statutory profit/(loss) (\$m)	4.6
Operating income (\$m)	2.1
Operating income per unit (¢)	2.9

	31 Dec 2010
Net tangible assets (NTA) per unit (\$)	1.01
Total assets (\$m)	190.2
Debt to total gross assets (%)	53 ¹
Occupancy (%)	100
WALE ²	11.8

1. Excludes the restatement of the ground lease at Kelvin Grove as finance lease

2. Weighted average lease expiry

Fund strategy

Ongoing strategy

- **APN has conducted due diligence on the Fund and has stated that it will maintain the current strategic direction of IHF**
 - > Current IHF senior management remain in place
 - > Remain a pure play healthcare property specialist
 - > Continue to actively manage the property portfolio with a focus on securing rental growth and maintaining occupancy levels
 - > Continue investigation for growth and diversification opportunities to enhance unitholder returns
 - > Pursue value-adding redevelopment opportunities
- **Continuation of gearing policy**
 - > Assess the capital structure and gearing level of the Fund on an ongoing basis and implement changes as necessary based on what APNFM believes to be in the best interests of Unitholders
- **Continuation of hedging policy**
 - > Maintain a rolling interest rate hedging profile consistent with the current hedging profile of the Fund and the requirements of the facility agreements
- **Distribution policy**
 - > APNFM will determine future distribution levels having regard to the Fund's net operating income and financial position

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Unitholder meeting

- IML has agreed to convene a Unitholder Meeting to consider the retirement of IML and appointment of APNFM as the new RE of IHF
- The Unitholder Meeting will take place at Swissotel Sydney, 68 Market Street, Sydney at 10:00am on Wednesday, 10 August 2011
- A Notice of Meeting and Explanatory Memorandum will be lodged with the ASX and mailed to unitholders on or around 12 July 2011
 - > A copy of the notice of meeting and explanatory memorandum will be available on the IHF website at www.ingrealestate.com.au
- The Notice of Meeting and Explanatory Memorandum contains important information in relation to the Proposal, including the reasons for the IML Independent Directors' recommendation and a discussion of the reasons to vote for and against the Resolution
 - > The Board of IML recommends Unitholders read it carefully and in its entirety

Unitholder Resolution

Resolution: Appointment of the new responsible entity of IHF

To consider and, if thought fit, to pass the following as an ordinary resolution:

“That upon the retirement of ING Management Limited (ABN 15 006 065 032) in accordance with section 601FL of the Corporations Act 2001 (Cth), APN Funds Management Limited (ABN 60 080 674 479) be appointed as the new responsible entity of ING Real Estate Healthcare Fund (ARSN 118 712 584).”

Timetable to Implementation

Event	Date
Last date and time to lodge Proxy Forms	Monday, 8 August 2011 at 10.00am
Unitholder Meeting Record Date	Monday, 8 August 2011 at 7.00pm
Meeting Date	Wednesday, 10 August 2011 at 10.00am

If the Proposal is approved by IHF Unitholders:

Retirement of IML as responsible entity of IHF and appointment of APNFM	Friday, 12 August 2011
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Note: Dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to AEST. Any changes to the timetable will be notified to ASX and posted on IHF's website at www.ingrealestate.com.au

Disclaimer

This presentation was prepared by ING Management Limited (ABN 15 006 065 032) (the “Responsible Entity”) in respect of ING Real Estate Healthcare Fund (ARSN 118 712 584) (“IHF”). Information contained in this presentation is current as at 7 July 2011. This presentation is provided for information purposes only and has been prepared without taking account of any particular reader's financial situation, objectives or needs. Nothing contained in this presentation constitutes investment, legal, tax or other advice. Accordingly, readers should, before acting