

ING Real Estate Healthcare Fund

Half Year Review

31 December 2006

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PERFORMED

- > Successful launch of the Fund, attracting a broad base of investors.
- > Distributable income of \$1.45m, ahead of the launch forecast.
- > Enhanced profile of the Fund, providing a strong flow of investment opportunities.
- > Since listing in May 2006 the Fund has progressively diversified its tenant base, geographic location and service type.

ACQUIRED

- > The Fund acquired Epworth Rehabilitation Camberwell, Victoria, a 74 bed rehabilitation hospital.
- > The Fund has contracted to acquire the purpose-built Australian Red Cross Blood Service Queensland Headquarters in Kelvin Grove, Brisbane (construction due for completion in April 2008).
- > Post 31 December 2006, the Fund has contracted to acquire two further properties: Pacific Private Clinic, on the Gold Coast, Queensland and the Harvester Centre, Sunshine, Victoria.

MANAGED

- > Three senior appointments to create the leading healthcare property team.

Manager's Report

PERFORMANCE

The progress of the Fund since its launch has been very pleasing on all fronts.

The Fund has received strong interest from the public, attracting a broad spectrum of investors. The appeal of the Fund is both as a financial investment, but also because healthcare is a subject which touches all investors.

During its first half year, the reputation of the Fund and its experienced management team has grown amongst healthcare operators and other customers, resulting in a strong flow of opportunities. In particular, the partnering approach where the expertise of the team and financial resources of the Fund add significant value to its operators, in addition to providing space, has been extremely well received.

Four properties have been acquired since the Fund's launch, diversifying its portfolio geographically, by asset and tenant type. IHF has built on its strong relationship with Epworth HealthCare, teaming up with this market leader in the sector to acquire Cedar Court Rehabilitation Hospital.

Recent acquisitions have introduced important healthcare partners such as Healthscope, Melbourne Health and the Australian Red Cross Blood Service.

Active management of the Epworth Freemasons Hospitals, and in particular the leasing up of vacant space, has increased the Fund's earnings for the six months above the forecast on launch. Recent acquisitions will increase earnings further, and forecast distributions to unitholders for the year ending 30 June 2008 have increased from 8.6 to 8.7 cents per unit.

The Fund aims to provide secure and growing income for unitholders. As at 31 December 2006 the occupancy rate for the Fund was 99.4% with a weighted average lease term of 12.7 years.

ACQUISITIONS

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In August 2006 the Fund announced the acquisition of Epworth Rehabilitation Camberwell including three associated ancillary buildings, providing a rental income of \$1.3 million pa. The facility is situated in Melbourne's eastern suburb of Camberwell and comprises a 74 bed rehabilitation hospital specialising in neurological, respiratory, cardiac, orthopaedic, muscular skeletal and associated inpatient and outpatient services, for the specific purpose of rehabilitation after major surgery, accident or other illness. The acquisition diversifies the asset profile into the rehabilitation hospital sector with Epworth HealthCare, the operator, contracting an initial lease term over the hospital for 15 years, with three further options of five years each. Epworth HealthCare is a not-for-profit organisation and a well established provider of rehabilitation services. The inclusion of this facility complements Epworth HealthCare's existing strong positioning in the provision of rehabilitation services, increasing its market share to approximately 35% of all rehabilitation beds in Victoria, making it the single largest provider of rehabilitation services in the State.

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In January 2007 the Fund announced the acquisition of Pacific Private Clinic, an established medical facility accommodating a surgical hospital (31 inpatient beds and three operating theatres), day oncology, pathology, radiology, pharmacy and a number of specialist medical consulting services. There are a total of 34 tenant leases in the fully occupied seven level facility (with three levels of basement car parking) with a net lettable area of 7,954 square metres. The net income is \$2.5 million pa and the weighted average lease term is 8.2 years (at settlement on 5 February 2007). The tenant covenants are considered particularly strong, with approximately 75% of income derived from subsidiaries of significant industry providers including Healthscope Limited, DCA Group and Symbion Health Limited. The property is located in a designated medical precinct and is immediately adjacent to the 400 bed Gold Coast Public Hospital, servicing the considerable area of South-East Queensland.

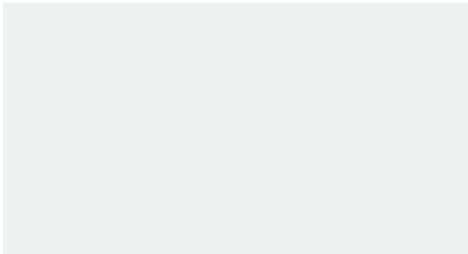
Manager's Report

Also in January 2007, IHF announced the acquisition of the Harvester Centre, a two level medical office building (with a three level car park) comprising a net lettable area of 4,413 square metres. The facility is a recently refurbished, highly presentable historic building which is currently 83% leased. The majority of tenants provide outpatient community health services with the main tenant covenant being Melbourne Health, a significant public healthcare provider in Victoria. The 17% of currently vacant space is the subject of a two year rental guarantee provided by the vendor. The net rental income is \$1.1 million pa (including rental guarantee) and the weighted average lease term is 5.65 years.

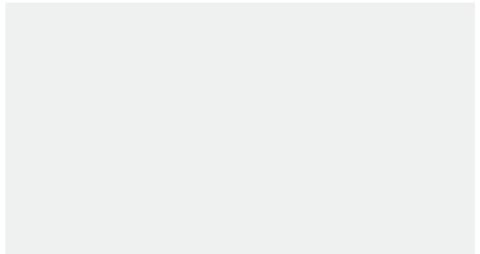
One of the Fund's most exciting transactions occurred in August 2006 with the announcement of the contract to acquire the Australian Red Cross Blood Service (ARCBS) Queensland Headquarters. Currently being constructed, this will be a purpose building facility comprising a total floor of approximately 20,000 square metres.

The Fund has taken an 80 year ground lease over the land from the land owner, Queensland University of Technology (QUT), to commence from the date of practical completion.

The area to be occupied by the ARCBS will comprise 7,887 square metres with an initial lease term of 20 years. QUT will also be co-located within the facility and will provide bio-mechanic research and related health facilities. QUT will separately acquire 8,253 square metres of exclusive space and have a lease over their proportion of common areas and car parks for a term of 80 years. The remaining space will be leased to ancillary office and retail tenants. The building is scheduled for completion in April 2008.



Harvester Centre, Sunshine, Melbourne



Pacific Private Clinic, Gold Coast

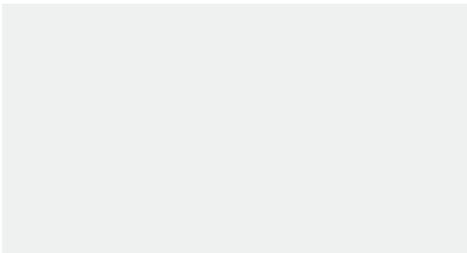
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Epworth Rehabilitation Camberwell, Victoria	15.7	14.8 years	October 2006	
ARCBS Headquarters, Queensland	63.5	21.2 years	Estimated April 2008	
Pacific Private Clinic, Queensland	31.7	8.0 years	February 2007	
Harvester Centre, Victoria	13.6	5.7 years	February 2007	

TENANT SUMMARY

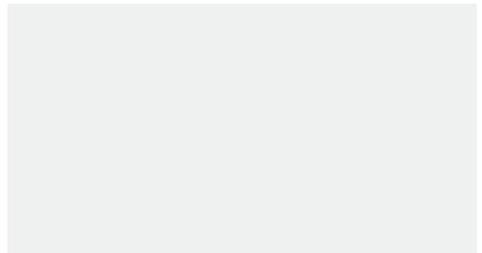
Epworth HealthCare (the operating business/trading name of the Epworth Foundation) is a well established not-for-profit provider of an extensive range of healthcare services to the Victorian community. It is widely regarded as a leading hospital operator in Australia and is Melbourne's largest private hospital operator, managing six (surgical, medical and rehabilitation) hospitals with over 1,100 beds. Epworth HealthCare is Victoria's largest provider of rehabilitation beds, operating three rehabilitation hospitals with a combined total of approximately 230 beds.

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Queensland Surgicentre Pacific Pty Limited (QSP) is a 100% owned subsidiary of ASX listed Healthscope Limited, a leading private healthcare provider and Australia's second largest private hospital operator. Healthscope generates annual revenues of in excess of \$1 billion and has current net equity of over \$700 million.



Epworth Freemasons Private Hospital and Medical Centre, East Melbourne



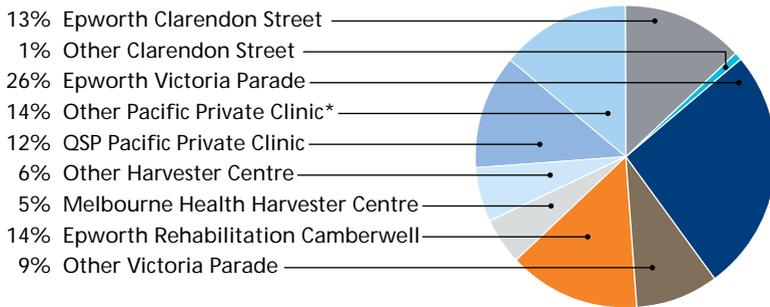
Epworth Freemasons Private Hospital, East Melbourne

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QML Pathology is owned (through Symbion Pathology) by Symbion Health Limited, an ASX listed diagnostics and wellness company. Symbion Pathology is Australia's second largest provider of pathology services. QML (a subsidiary of Symbion Pathology) is one of Queensland's largest private pathology providers with 25 laboratories, over 200 collections centres and in excess of 2,000 staff.

Melbourne Health is a major public health provider in Victoria, employing more than 7,000 staff across its range of services and managing over 1,000 beds in the provision of acute, sub-acute and community health services.

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* Includes QML

CAPITAL MANAGEMENT

The Fund raised \$30.5 million through its initial Public Offer in May 2006. Since then the acquisition of Epworth Rehabilitation Camberwell was fully funded through debt, resulting in a gearing level of 49% at 31 December 2006. The Fund currently has 97% of its borrowings hedged for an average term of 4.7 years at a rate of 6.07%, excluding margin and line fees.

A capital raising to reduce debt will be undertaken with the issue of a Product Disclosure Statement in February 2007.

OUTLOOK

The provision of healthcare is a fast growing sector, driven by increasing life expectancy, an ageing population and advances in medical procedures and technologies. The Fund is the only listed property trust specialising in healthcare real estate, and is well placed to benefit from the opportunities arising in this dynamic sector, providing attractive, risk-adjusted investment returns to unitholders.

On behalf of the Directors and ING Management Limited we thank you for your support and look forward to a successful year ahead.

A handwritten signature in black ink, appearing to read 'Miles Wentworth', with a large, stylized flourish above the name.

Miles Wentworth
Chief Executive Officer
ING Real Estate Healthcare Fund

Financial Information

For a copy of the Half Year accounts, please visit our website

www.ingrealestate.com.au/investment

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	\$'000	
For the six months ended 31 December 2006		
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Rental income		2,678
Interest income		91
		2,769
Net gain on fair value adjustments to derivatives		637
Property expenses		(460)
Finance costs		(588)
Responsible Entity's fees		(155)
Other		(113)
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Distributions per unit		4.2
Distributable income per unit		4.8
Earnings per unit - basic and diluted		6.9
For the six months ended 31 December 2006		
Distributable income is calculated as follows:		
Net profit for half-year attributable to unitholders		2,090
Adjusted for:		
Net gain on fair value adjustments to derivatives		(637)
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Distributable income brought forward		114
Distributions paid or payable		(1,280)
Distributable income carried forward		287

Financial Information

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As at 31 December 2006	\$'000	\$'000
Cash	2,326	1,542
Receivables	70	3,817
	2,396	5,359
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Investment properties	58,556	41,470
Properties under construction	14,334	-
Derivatives	751	114
Other	308	-
	73,949	41,584
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Payables	7,128	4,886
Provision for distribution	1,280	397
	8,408	5,283
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Borrowings	37,467	12,000
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Issued units	29,432	29,432
Retained profits	1,038	228
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Net asset value per unit	\$1.00	\$0.97

Investor Relations

ENQUIRIES

Enquiries relating to the ING Real Estate Healthcare Fund can be directed to the ING Real Estate Enquiry Line on 1300 653 497, or for overseas callers, +61 2 8280 7057. This service is available from 8:30am to 5:30pm (Sydney time) on all business days. Information relating to ING Real Estate Healthcare Fund can be found at www.ingrealestate.com.au/investment.

DISTRIBUTION PAYMENTS

Distributions are paid at the end of each half year period in February and August. Unitholders can receive their distribution by direct credit into their nominated bank account. Unitholders wishing to change their method of payment should contact the ING Real Estate Enquiry Line on 1300 653 497, or for overseas callers +61 2 8280 7057.

2007 UNITHOLDER CALENDAR

Distribution paid for the half year ended 31 December 2006	28 February 2007
Distribution paid for the half year ended 30 June 2007	31 August 2007
Tax statement for the year ended 30 June 2007	31 August 2007
Annual Report published	28 September 2007

The above dates are indicative only and are subject to change. An ASX announcement will be lodged prior to the end of each period confirming the dates of distribution payments.

Other Investment Opportunities

ING Real Estate in Australia is one of the leading property fund managers in Australia. In addition to the ING Real Estate Healthcare Fund we manage both listed and unlisted funds across all major property sectors – industrial, office, retail, seniors and student housing and entertainment.

ING Office Fund (IOF)

Total assets	\$3.2 billion
Annualised yield on closing price	6.8%
No. of properties	24
Tax deferred	40%*
No. of unitholders	29,576
Total return to investors (5yrs to 31 Dec 2006)	13.8%pa

The ING Office Fund invests in office properties in established global markets. The Fund owns a diversified portfolio across Australia, USA and Europe, drawing on ING Real Estate's global platform, which utilises local market expertise to source, secure and manage investments on its behalf.

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ING Real Estate Community Living Fund (ILF)

Total assets	\$1.1 billion
Annualised yield on closing price	8.5%
No. of properties	104
Tax deferred	92%*
No. of unitholders	3,170
Total return to investors (Since ING Real Estate became manager in June 2005)	9.1%pa

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The ING Real Estate Community Living Fund is the only Australian listed property trust that invests solely in the growing sectors of seniors and student housing. The Fund owns a diversified portfolio of assets across Australia, USA and New Zealand.

ING Real Estate Entertainment Fund (IEF)

Total assets	\$340 million
Annualised yield on closing price	8.3%
No. of properties	28
Tax deferred	55%*
No. of unitholders	2,478
Total return to investors (3yrs to 31 Dec 2006)	16.3%pa

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The ING Real Estate Entertainment Fund is a listed property trust that invests in the real estate associated with hotels, clubs and entertainment venues in key markets both in Australia and overseas. The Fund invests in properties that demonstrate a sound trading history and the potential to provide superior growth for the operator and the Fund.

*Estimate only

Directory

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MB Easson AM

PM Clark

PJ Scully

PJ Redmond

HS Thomson (alternate for DP Blight)

AL Astridge (alternate for DP Blight)

HS Thomson

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ING REAL ESTATE GLOBAL NETWORK

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