



ASX Announcement

5 June 2008

Australian Social Infrastructure Fund and Api Fund Merger Documentation Lodged with ASIC

On the 7 April 2008, Austock Funds Management Limited (**AFML**), as responsible entity for each of The Australian Social Infrastructure Fund ARSN 094 614 874 (**ASIF**) and the Api Fund ARSN 112 307 114 (**Api**), announced a proposal to merge ASIF and Api to create the Austock Diversified Property Fund (**ADP Fund**) listed on the ASX. AFML has lodged the related Notice of Meeting, Explanatory Memoranda's, Product Disclosure Statement and Prospectus (**Stapling Booklet**) together with the Independent Expert's Report with ASIC. A copy of the stapling Booklet is attached.

AFML believes that it is in the best interests of Unitholders in both funds to merge. The following table summarises the current position of ASIF and Api, and the proposed position following the formation of the ADP Fund:

	ASIF	API	PROPOSED ADP FUND (PROFORMA)
Commenced	2001	2005	2008
Description of fund	Investment in social infrastructure assets via the acquisition of property and investment in listed and unlisted property funds.	A geared, ASX-listed securities fund invested in Australian listed and unlisted property and infrastructure securities.	A diversified property fund holding direct property and listed and unlisted property and infrastructure securities
Market capitalisation¹	\$71.1 million	\$14.4 million	\$85.5 million
Number of Unitholders as at 30 April 2008	1,284	656	Approximately 1,860
Number of issued Units/Stapled Securities	28,449,729	16,922,567	34,203,402
Total assets²	\$121.3 million	\$47.0 million	\$169.3 million ³
Bank debt gearing level as at 31 March 2008	39.6%	64.1%	39.2% ⁴

Note:

1 Market capitalisation for ASIF, Api, ADPL and ADP Fund based upon the terms of the stapling (i.e., \$2.50 per ASIF Unit and \$0.85 per Api Unit)

2 Total assets, being assets as per management accounts as at 31 March 2008 adjusted to reflect transaction terms.

3 The total assets proforma number does not equal the sum of the total assets of the two funds due to adjustments to deal with cross-holdings.

4 The bank debt gearing level for the ADP Fund as set out in the Proforma Balance Sheet in Section B2 of the Stapling Booklet.

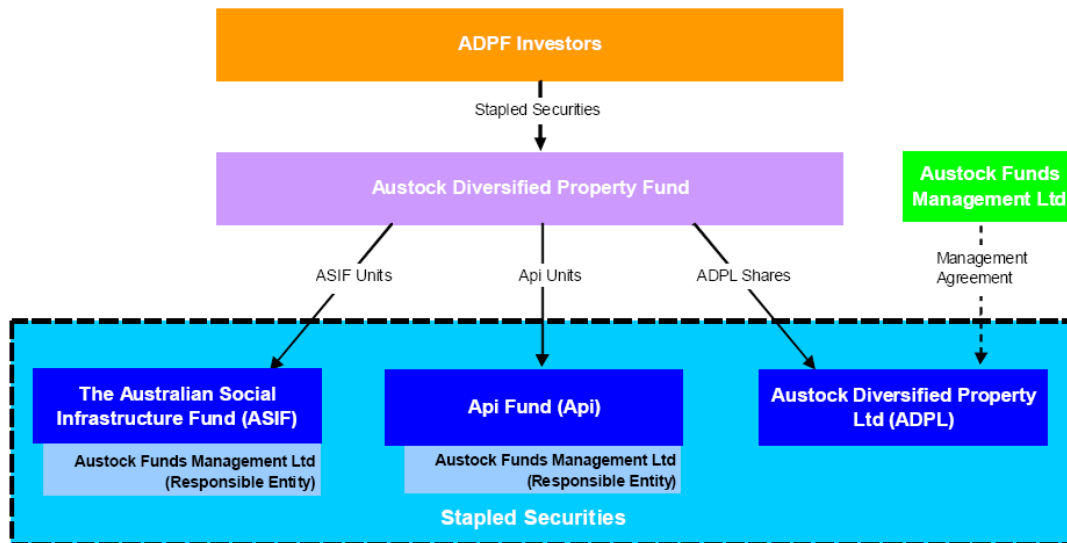


Overview of the Stapling Proposal

In addition to the stapling of ASIF and Api, the Stapling Proposal involves a stapling of a newly incorporated company known as “Austock Diversified Property Limited” (ACN 131 403 588) (**ADPL**) to ASIF and Api. ADPL will be inactive, and will own no assets, at the time of the Stapling.

Should the Stapling Proposal be approved by Unitholders and implemented, Unitholders will own Stapled Securities each comprising one ASIF Unit, one Api Unit and one ordinary share in ADPL (**ADPL Share**). These Stapled Securities will be capable of being traded as a bundle, but not capable of being traded as separate ASIF Units, Api Units or ADPL Shares.

The diagram below summarises the proposed structure of the ADP Fund.



Proposed Terms of the Stapling Proposal

The proposed terms of the Stapling Proposal have been modified after detailed consideration by the Board of AFML.

The revised terms of the Stapling Proposal attribute to ASIF a value of \$2.50 per ASIF Unit and to Api a value of \$0.85 per Api Unit.

The implementation of the Stapling Proposal will involve:

- a consolidation of Api Units on the basis that every 100 Api Units currently held will be consolidated to 34 Api Units following consolidation (**Api Unit Consolidation**), in order to equate to a value of \$2.50 per Api Unit following consolidation (rounded down to the nearest whole Unit);
- an issue of new units in both ASIF and Api so ASIF and Api Unitholders will hold one Unit in each of ASIF and Api as well as an ADPL share. The ADPL shares will be issued to ASIF and Api Unitholders for no cash consideration.



The implementation of the Stapling Proposal is subject to a number of conditions, including obtaining all necessary regulatory approvals, AFML remaining at all relevant times of the view that the Stapling Proposal is in the best interests of both ASIF and Api Unitholders, the ATO releasing draft class rulings for ASIF Unitholders and Api Unitholders and Api's existing bank debt facility either being varied or refinanced on terms reasonably acceptable to AFML (acting on behalf of both Api and ASIF).

The following table summarises the key commercial terms of the Stapling:

	Price per Unit used to determine equity value	Number of Units pre Stapling	Equity Value pre Stapling	% Value of Equity Stapled Entity	Number of Units post Stapling per value @ \$2.50	% of Stapled Units
ASIF	\$2.50	28,449,729	\$71,124,323	83.18%	28,449,729	83.18%
Api	\$0.85	16,922,567	\$14,384,182	16.82%	5,753,673	16.82%
Total			\$85,508,505	100.00%	34,203,402	100.00%

The Stapling Proposal is based on a value per Unit of \$2.50 and \$0.85 for ASIF and Api respectively. These values have been adopted after having regard to a number of factors including:

Net Tangible Asset Values

	Api (\$)	ASIF (\$)
Adjusted NTA per unit as at 31 March 2008	0.99	2.86
Value attributed	0.85	2.50
Value attributed as a % of NTA value	86%	87%

*31 March 2008 NTA figures have been adjusted as follows: Api NTA based on last bid for ASX listed securities (other than AEU units), NTA for non ASX listed securities (other than ASIF), AEU units at \$1.02 (as per terms of Call Option between ASIF and Api) and ASIF Units at \$2.50. ASIF's holding in Api is valued at \$0.85.

Review of Trading Prices

Included in the table below is a comparison of the values attributed to the ASIF Units and Api Units pursuant to the terms of the Stapling Proposal and to the recent VWAP of the Units.

Time period	Api	ASIF
Last Traded Price as at 23 May 2008	0.75	2.20
Quarterly VWAP to 31 March 2008	1.21	2.07
Quarterly VWAP to 31 December 2007	1.73	2.50
Quarterly VWAP to 30 September 2007	1.80	2.73
Value attributed	0.85	2.50
Value attributed as a % of most recent trading price	113%	114%

ASIF's Traded Price

ASIF's traded price has recently been substantially lower than its net tangible asset value of \$2.86 per Unit. The low trading price is, at least in part, a reflection of the limited liquidity available to ASIF Unitholders on the APX.



Api Traded Price

The quarterly VWAPs for Api prior to 31 December 2007 are not particularly relevant. This is because Api primarily invests in ASX listed property and infrastructure securities and the recent decline in the listed property sector has had a material negative impact on the market value of Api's investment portfolio. The market value of Api's investment portfolio declined by 24.9% between the beginning of December 2007 and the end of March 2008.

Impact on Investors in ASIF and Api

Following is a simplified example of how the Stapling Proposal would apply to an investor with 100,000 Units in either ASIF or Api:

If you are an ASIF Unitholder	Before the Stapling	After the Stapling
Units/Stapled Securities	100,000 ASIF Units	100,000 Stapled Securities
Value reflected in Stapling Proposal	\$2.50/ASIF Unit	\$2.50/Stapled Security
Implied total value	\$250,000	\$250,000
Monthly distributions	Yes	Yes
Amount of distribution (per annum) ¹	1.93 cents/ASIF Unit per month (quarter to 30 June 2008) (equivalent to 23.18 cents per annum)	Expected to be around 1.93 cents/Stapled Security ² per month applicable to the quarter to 30 September 2008 after Stapling (equivalent to 23.18 cents per annum)
ASX Listing	No	Yes

Note

1. Please note that past performance is not necessarily a guide to future performance.
2. AFML currently expects the monthly distributions for the quarter to 30 September 2008 in connection with Stapled Securities to be maintained at or around a rate equivalent to 23.18 cents per Stapled Security (p.a.) in line with ASIF's current distribution. Should the Stapling Proposal be implemented, further guidance will be provided at or around the timing of the Stapling as to distributions for the ADP Fund for the quarter to 30 September 2008.

If you are an Api Unitholder	Before the Stapling	After the Stapling
Units/Stapled Securities	100,000 Api Units	34,000 Stapled Securities
Value reflected in Stapling Proposal	\$0.85/Api Unit	\$2.50/Stapled Security
Implied total value	\$85,000	\$85,000
Monthly distributions	Yes	Yes
Amount of monthly distribution ¹	Distributions currently suspended	Expected to be around 1.93 cents/Stapled Security ² per month applicable to the quarter to 30 September 2008 after Stapling (equivalent to 23.18 cents per annum)
ASX Listing	Yes	Yes

Note

1. Please note that past performance is not necessarily a guide to future performance.
2. AFML currently expects the monthly distributions for the quarter to 30 September 2008 in connection with Stapled Securities to be maintained at or around a rate equivalent to 23.18 cents per Stapled Security in line with ASIF's current distribution. Should the Stapling Proposal be implemented, further guidance will be provided at or around the timing of the Stapling as to distributions for the ADP Fund for the quarter to 30 September 2008.



Board Recommendation

The Board of Directors of AFML:

- in AFML's capacity as the responsible entity of ASIF, believes that the Stapling Proposal is in the best interests of ASIF Unitholders; and
- in AFML's capacity as the responsible entity of Api, believes that the Stapling Proposal is in the best interests of Api Unitholders,

and that, in the given circumstances, the terms of the Stapling Proposal are fair and reasonable to both Funds and their Unitholders.

Approval of the Stapling Proposal is expected to:

- create a diversified property fund with approximately \$169.3 million of assets
- improve liquidity for ASIF Unitholders through an ASX listing, with approximately 1,860 Unitholders and a market capitalisation of ~\$85.5 million (based on a value per Stapled Security of \$2.50 as implied by the terms of the Stapling Proposal)
- provide an opportunity for a consolidated debt facility to be put in place to provide for the immediate and on-going debt requirements of the ADP Fund
- result in each of ASIF and Api paying monthly distributions to Stapled Security Holders
- provide a broader spread of direct property and property security investments, providing a platform for further growth
- be marginally earnings accretive to existing ASIF Unitholders and also result in an increase in their NTA per existing ASIF Unit
- provide Api Unitholders with a more certain future through involvement in the ADP Fund
- involve no changes to the fee arrangements charged by AFML (in its capacity as responsible entity) in connection with ASIF and Api, and a fee arrangement applying under the Management Agreement to be entered into with ADPL that is generally consistent with ASIF's fee structure.

Independent Expert's Report

The Stapling of the Funds is supported by an Independent Expert's Report from Grant Thornton Financial Services (Vic) Pty Ltd, who have concluded that the Stapling Proposal is in the best interests of ASIF and Api Unitholders.



Meetings of Unitholders

Meetings of the Unitholders of ASIF and Api will be held as follows:

	Api Meeting	ASIF Meeting
Time:	10.30 am	11.30am
Date:	14 July 2008	14 July 2008
Place:	Level 1, 350 Collins Street, Melbourne, Victoria	Level 1, 350 Collins Street, Melbourne, Victoria

The Stapling Booklet has been lodged with the Australian Securities and Investments Commission (ASIC) and the ASX, and is expected to be mailed to ASIF and Api Unitholders on or about Monday, 16 June 2008. Unitholders of ASIF and Api should consider the Stapling Booklet before deciding whether to approve the Stapling Proposal at the Unitholder Meetings of ASIF and Api to be held on 14 July 2008. Details of the Meetings are contained in the Stapling Booklet. If Unitholders have any doubt as to whether to approve the Stapling Proposal AFML recommends that Unitholders consult their investment, financial, tax or other professional adviser.

The Directors wish to thank the Unitholders of Api and ASIF for their patience and ongoing support.

Vin Harink
Chief Executive Officer

For further information contact:

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