

A MESSAGE FROM THE INDEPENDENT DIRECTORS

Dear Unitholder

Update on the internalisation of the management rights

Support for internalisation proposal

We are writing to update you on the progress, and our current thinking, in respect of the proposal to internalise the management rights in respect of Argosy Property Trust ("Argosy"), currently held by Argosy Property Management Limited, a wholly owned subsidiary of OnePath (NZ) Limited ("OnePath"). That proposal will be considered by unitholders at a meeting of unitholders to be held in July or early August.

We are confident that internalisation is the right strategy and is the best value enhancing opportunity available to unitholders. The Independent Directors believe there are a number of benefits that will flow to unitholders from working with OnePath to progress the current opportunity to internalise.

In summary, internalisation will:

- **Place control of Argosy firmly in the hands of unitholders, preventing the sale of the management rights to a third party**
- **Provide unitholders control of the board of the new manager and any future corporate activity**
- **Provide unitholders earnings accretion and deliver on-going cost savings**

While we understand OnePath has explored other potential sale options, it has conditionally agreed to a proposal to internalise the manager. We believe that entering into a proper and commercial process with OnePath, given it is a willing party, is the most appropriate and least disruptive way of securing the internalisation outcome.

Process for internalisation

Internalisation will be achieved by the agreed termination of Argosy Property Management Limited's rights to manage the Trust and the appointment of a new manager. The new manager will be owned for the benefit of the Trust. The current fee structure will be removed and the new manager will operate on a cost recovery basis only.

In due course you will receive a notice of meeting for the meeting of unitholders which will include full details of the internalisation proposal, including an independent assessment by Grant Samuel & Associates on the merits of the proposal. The notice will also include our final recommendation to unitholders.

The conditional proposal provides for a payment of \$32.5 million to terminate the current manager's rights to manage the Trust. We are seeking confirmation from the Inland Revenue Department that the \$32.5 million payment will be tax deductible – the impact of which would provide additional value to unitholders. At the meeting unitholders will be asked to approve changes to the Trust Deed to give effect to the proposal. If approved by unitholders and the Trustee, it is likely that the proposal will become effective on or around 31 August 2011.

The internalisation proposal is being advanced by the Independent Directors with financial advice from First NZ Capital and legal advice from Harmos Horton Lusk.

Funding for the internalisation proposal

The transaction will be funded from the Trust's on-going property sales and from existing banking facilities. In addition the Trust's maximum banking loan to value ratio is in the process of being increased from 45% to 50%, providing additional flexibility. The Trust's objective remains to maintain its gearing at less than 40% of property assets over the medium term.

DNZ proposal

Unitholders may also be aware that DNZ Property Fund has approached the Independent Directors with a proposal involving a takeover of Argosy by DNZ.

We have an open mind to a potential future merger with DNZ should that be earnings and value accretive to unitholders. At this time, however, our central focus remains on the strategic initiative to internalise the management contract in the most effective and timely manner. Not proceeding down this track reopens the ability for OnePath to sell the manager/management contract to a third party.

We are firmly of the view that internalising the management contract is likely to create the greatest value and strongest position for unitholders from which to consider all future proposals, including that outlined by DNZ. We see no compelling reason to act with the haste DNZ is urging. Moreover, should any discussions be advanced they will be done so on a basis that recognises Argosy's relative strengths.

Further Information

If you have questions regarding the internalisation proposal or any other issues relating to Argosy, please contact the Independent Directors (contact details are provided below).



Trevor Scott



Peter Brook