

17 August 2011

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Dear Argosy Unitholder,

## Re Argosy Property Trust ("Argosy") AGM and Resolutions

You will have recently received correspondence from Argosy on a range of resolutions to be voted upon at a meeting to be held 30 August 2011.

We do not agree with the analysis provided in the report commissioned from Grant Samuel in relation to whether the Argosy manager's proposal to internalise the management of Argosy ("Proposed Internalisation") is in the best interests of Argosy unitholders. Nor do we agree with comments about the DNZ merger proposal<sup>1</sup>.

How Argosy should be governed and the best way of achieving the desired governance structure, are matters that are now before us all as unitholders.

Resolutions 1-3 relate to the Proposed Internalisation. There are two significant issues that face unitholders in voting on the Proposed Internalisation:

- the \$20 million cost to unitholders
- the lost opportunity to properly consider the benefits of alternative options

**Voting AGAINST resolutions 1-3 immediately avoids a \$20 million payment of your money to OnePath (shareholder of the Manager) where you end up retaining:**

- the same Directors
- the same management team
- the same Trustee

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<sup>1</sup> Please see the important notice at the end of this letter regarding the DNZ proposal.

How does this improve the governance structure? The Trustee's and Directors' attitude to you, their unitholder, is best reflected by:

- both the Trustee and directors of the Manager have stated they will ignore the results of a number of unitholder resolutions if passed, **clearly ignoring your wishes**
- the resolution to **increase director fees by 98%**
- the increase in the Argosy bank loan to meet the costs of the termination payment to the Manager's shareholder, OnePath

None of the evidence provided by the Manager or the commissioned report provides a satisfactory explanation as to why Argosy is not moving to the best possible governance structure, being a public company, which provides **full accountability of the directors and management to you, their investors.**

We amongst several other professional investors in Argosy have forced Argosy to tender a range of other resolutions to be voted upon by all Argosy unitholders. Many of our fellow institutional unitholders are unhappy at the performance of Argosy that in their view has made some poor investments.

**Voting FOR resolutions 5-10 & 13 requested by expert independent professional unitholders will ensure you are presented with the options and will allow you to have your say.**

As you are no doubt aware, DNZ approached the independent directors of the Manager with a proposal to merge Argosy and DNZ<sup>2</sup> earlier this year. Despite significant efforts on DNZ's part, the directors of the Manager have not engaged constructively with Argosy in relation to the DNZ merger proposal, citing their desire to remain focussed on pursuing the Manager's own proposal to internalise the management of Argosy. In the absence of that engagement, the DNZ proposal has not been able to be fully formulated as a definite transaction.

I urge you to consider the benefits that could be available if a merger with DNZ were to be progressed by Argosy with DNZ ahead of internalising the Argosy management contract, which include:

- Lower costs for internalising management through a merger with DNZ
- Higher distributions through lower management costs, savings on costs of funds and greater liquidity brought about by the scale of the merged business
- A premium to Argosy investors from DNZ
- Improved governance structure

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<sup>2</sup> Please see the important notice at the end of this letter regarding the DNZ proposal.

I know many of you will look at the Grant Samuel report that looks at the options available to Argosy. This report has been compiled by Grant Samuel without them even talking to DNZ.

Given the lost benefits and lack of engagement to date I can also confirm DNZ will have little appetite for any merger post internalisation while Argosy retains its current management and governance structures.

Yours faithfully



Tim Storey  
Chairman  
**DNZ Property Fund Limited**

***IMPORTANT NOTICE: If at any future point the DNZ merger is able to be progressed, Argosy unitholders would be provided with a Simplified Disclosure Prospectus. This would be part of the information provided to unitholders prior to seeking the approvals for any merger proposal. At this time no DNZ shares are available for subscription by any Argosy unitholders and, for the avoidance of doubt, at this time no money is currently being sought and no applications for DNZ shares will be accepted or money received.***