

ASX Announcement

Hastings Diversified Utilities Fund (HDF)

Total pages: 2

22 December 2011

Letter to securityholders regarding APA Group's takeover offer

Attached is a letter being sent to HDF securityholders today in relation to the proposed offer by APA Group for HDF.

For further enquiries, please contact:

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22 December 2011



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THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Dear Securityholder

Takeover bid for Hastings Diversified Utilities Fund (HDF) by APA Group

On 14 December 2011, APA Group announced its intention to make a takeover offer for the securities in HDF it does not own at a price of 0.326 APA Group stapled securities and \$0.50 cash per HDF security. APA Group stated a headline value of \$2 per HDF security for its offer, however after adjusting for the interim distributions of both APA Group and HDF the headline value equates to \$1.92 based on the closing price of APA securities on 13 December 2011.

On 15 December 2011, the Board of Hastings Funds Management Limited (Hastings), as responsible entity of HDF, announced that it unanimously recommends that securityholders reject APA Group's offer.

Your Board considers that APA Group's highly conditional offer undervalues HDF securities and advises you not to accept it because:

- The offer does not account for HDF's significant cash flow growth that is both contracted and prospective.
- APA Group's stated offer value does not take into account that APA securities were trading, at the time the offer was announced, with an entitlement to APA's interim distribution of 17c per APA security. HDF securityholders who accept APA Group's offer will not be entitled to receive this interim distribution from APA Group. Adjusting for this reduces the stated headline value of APA Group's offer by 5.5c per HDF security.
- APA has stated that capital gains tax roll-over relief will not be available to HDF securityholders who accept the offer. Accordingly, significant tax liabilities may potentially be incurred by HDF securityholders in the event the takeover is successful.
- The offer is highly conditional and subject to market and regulatory uncertainty, including the requirement for ACCC and FIRB approvals. There is no guarantee these approvals will be granted. The offer is also subject to a minimum acceptance condition of 90%, a condition that the S&P ASX 200 Index does not fall to 3,800 or below for certain periods, and a number of conditions relating to specific elements of HDF's business and assets.
- APA Group's offer does not recognise the strategic value of HDF's assets or provide full value for the benefit the assets would provide to APA Group.

You should shortly receive a Bidder's Statement from APA Group which will contain the formal offer for your HDF securities. Following this you will receive a Target's Statement from Hastings, which will set out in more detail the reasons for your Board's recommendation to reject APA Group's conditional takeover offer.

Your Board recommends that you reject APA's offer.

IF YOU WISH TO REJECT APA'S OFFER, SIMPLY TAKE NO ACTION REGARDING THE OFFER.

Hastings will keep securityholders fully informed of further developments.

For further enquiries, please contact the HDF Information Line on 1800 815 610 (toll-free in Australia) or +61 2 8256 3357 (outside Australia).

Yours sincerely,



Alan Cameron
Chairman
Hastings Funds Management Limited