

Property Syndicate No. 2

Fund Fact Sheet – 30 September 2009



Inception date	24 July 1998
Applications	Closed to applications
Withdrawals	On termination only
Income distributions	Quarterly

Overview of changes since last update

This Fund Fact Sheet has been updated as at 30 September 2009 (from its previous issue on 31 March 2009) to reflect an update to the Syndicate's underlying property valuations, tenant information and borrowings position. Refer to page 2, 3 and 4 for further details.

About the Syndicate

The Australian Unity Property Syndicate No.2 is a direct property investment with five properties. The Syndicate is a fixed term investment scheduled to expire on 30 September 2011.

What is the Syndicate's investment strategy?

The Syndicate acquired its five properties at commencement. The Syndicate's properties are managed to maximise rental income and some capital expenditure may be undertaken to enhance their value.

Structure of the Australian Unity Property Syndicate No.2

Investor applications and borrowings are pooled together to purchase direct property assets. Cash is used to meet the Syndicate's day to day operating needs.

Rent from the Syndicate's properties and interest earned on cash holdings generate income for the Syndicate. This income is used to meet interest expenses on borrowings, management fees and ongoing Syndicate expenses. We may also retain some income as a provision for future expenses, capital expenditure or to reduce borrowings. Once these costs are met, the remaining income is distributed to investors.

The capital growth (or loss) on your investment is attributed to movements in the Syndicate's underlying assets and the level of borrowings the Syndicate has.

Borrowings

The Syndicate borrows to finance existing assets and to maintain those assets.

Generally, interest costs relating to the borrowings will be met from the gross distributions of the Syndicate prior to the payment of the net distributions to investors.

The lender's rights to recover the total due under the loan, and then the rights of any creditors of the Syndicate, will rank ahead of all investors. Importantly the lender does not have any recourse to investors.

Distributions

Distributions are currently met from net realised income and are paid quarterly.

It is not our intention to source distribution payments from sources other than net realised income, although we may do so if we consider it to be in the interests of our investors (for example if rental income is suddenly reduced unexpectedly) and where payment from that source is sustainable. We would notify investors if this occurred.

Withdrawals

The Syndicate is a fixed term investment. Withdrawals are not provided for. Investors will receive proceeds of their investment after the termination date and the sale of the properties, unless investors decide to extend the Syndicate.

Who are the people managing your investment

Australian Unity Property Limited is the investment manager. We are careful, sensible and successful property managers and our property team is one of the most experienced in the market.

We have a long track record in managing property in all the major sectors and understand the markets and environment they operate in.

These key people are responsible for managing the Syndicate:



David Bryant
Head of Australian Unity Investments

Mr Bryant is the Group Executive - Investments and Chief Investment Officer of Australian Unity Investments, which has more than A\$7.6 billion in funds under management (as at 31 August 2009). Australian Unity Investments manages money on behalf of both institutional and retail investors in the areas of Australian and international equities, property, fixed interest and cash securities, and mortgages.

Mr Bryant joined Australian Unity Investments in 2004 and is a director of all of its major operating companies, their investment subsidiaries and is a member of their respective investment committees. He is responsible for the commercial development and profitability of the business, including investment and lending decisions, and all related support services such as business development, marketing, distribution, product development, compliance, administration and treasury.

Mr Bryant is a member of the Investment & Financial Services Association Investment Board Committee, and has over 25 years experience in investment and financial services with organisations such as Westpac, State Street Bank, Perpetual and Intech.



Martin Hession
Head of Property
Australian Unity Investments

Mr Hession joined Australian Unity in 2002 and has responsibility for Australian Unity Investments' property portfolio, valued in excess of \$1.1 billion (as at 31 August 2009). His experience in property includes portfolio management, commercial and land development, and real estate agency management over 30 years.

Prior to joining Australian Unity Investments, Mr Hession was General Manager - Property at AXA Australia. Earlier roles include Managing Director of LJ Hooker (Victoria); Managing Director of Baillieu Knight Frank (SA); and Chief Executive of Hillier Parker (Victoria).



Chris Smith
Portfolio Manager – Healthcare &
Industrial Property

Mr Smith joined Australian Unity Investments in 2001. He has responsibility for the performance and management of Australian Unity Investments' healthcare and industrial property portfolio.

Mr Smith has over 20 years experience in portfolio and property management, gained during his time in senior roles with Jones Lang LaSalle and Coles Myer. Chris recently completed a Post Graduate Certificate of Business Administration, through RMIT University.

Portfolio details

The Syndicate has five direct properties located in Melbourne, Victoria and Sydney New South Wales.

Information about the individual properties is contained in the 'Direct property portfolio' table at the end of this document.

The details in the tables below are taken from the Syndicate's latest audited financial statements for the year ending 30 June 2009 unless otherwise stated.

Asset allocation as at 30 June 2009

Direct Property	98.55%
Cash & cash equivalents	1.45%
Total	100.00%

Borrowing details as at 30 June 2009

Total Syndicate size (Gross Assets)	\$25.10m ⁽³⁾
Gearing ratio ⁽¹⁾	52.75% ⁽³⁾
Interest cover ratio ⁽²⁾	1.60 times
% of borrowings hedged	98%
Borrowing facility limit	\$13.29m
Borrowing facility drawn amount	\$13.24m
Borrowing facility maturity	30 Sept 2011
Hedge facility expiry	30 Sept 2011

⁽¹⁾ The gearing ratio is calculated as total interest bearing liabilities divided by total assets, and indicates the extent to which the Syndicate's assets are expected to be funded by external liabilities (borrowings). Generally, a higher gearing ratio means that a Syndicate is exposed to a higher level of risk.

⁽²⁾ The interest cover ratio measures the ability of the Syndicate to service the interest on borrowings from net earnings. This calculation shows that the Syndicate generates income after fees which is 1.60 times the level of interest payments due. This means that the Syndicate can service interest payments despite reasonable changes to the interest rate and occupancy rate.

⁽³⁾ These figures represent the amounts used for unit pricing and fund valuation purposes and vary slightly from the annual financial accounts due to adjustments in the annual financial accounts required by the International Financial Reporting Standards.

Borrowing covenants

We are within the limits of our borrowing facilities and have no breaches of any financial covenants at the date of this document.

Direct property occupancy and lease details as at 30 June 2009

Occupancy rate by area	100%	
Weighted average lease expiry by income	3.47 years	
Major tenants and % of net base rental income	Key plastics	25.24%
	Reitem P/L	16.26%
	Wilson's Sporting Goods	14.92%
	Focus Paper (Aust) P/L	14.72%
	Unimin Australia Ltd	14.04%
	Cash Resources	7.90%

Direct property lease expiry profile as at 30 June 2009



Valuation of properties

Regular valuation of underlying property assets is an important aspect of managing the Syndicate in the best interests of all investors. The valuations are conducted by

qualified independent valuers in accordance with industry standards.

We have a policy of generally obtaining independent valuations on our properties each year.

Related party transactions

All transactions we enter into in relation to the Syndicate, including those with related parties, are on arm's length commercial terms (i.e. on an arm's length basis).

Entities within the Australian Unity Group provide property management, registry, accounting and tax services to the Syndicate for fees charged at a commercial rate.

Policies and procedures are in place to manage the risk of any actual or perceived conflict of interest as a result of a related party transaction. Related party transactions with Australian Unity Group entities are reviewed and approved by senior management with clearly identified governed policies and guidelines. All decisions in relation to conflicts of interest and all related party transactions are documented. Policies and guidelines are generally reviewed annually.

Details of material related party transactions are reported yearly as part of the Syndicate's audited annual accounts. The latest annual audited accounts for the Syndicate can be found on our website australianunityinvestments.com.au

Contact us

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Direct property portfolio as at 30 June 2009

Property	Independent valuation			Book value	Major tenant	Lease period
	Date	(\$m)	Cap rate %	(\$m)		
110 Airds Rd, Minto NSW	May 2009	5.60	9.50	5.60	Key Plastics P/L	15 years to 2014
5/658 Church St, Richmond, Victoria	May 2009	7.80	8.25	7.80	Reitem P/L	1.5 years to 2010
49-55 Woodlands Dr, Braeside, Victoria	May 2009	3.50	8.50	3.50	Unimin Australia Ltd	10 yrs to 2018
57-61 Woodlands Dr, Braeside, Victoria	May 2009	3.80	8.50	3.80	Focus Paper (Aust) P/L	5 yrs to 2012
18-20 Lakeside Boulevard, Braeside, Victoria	May 2009	3.90	8.50	3.90	Wilson Sporting Goods P/L	2 yrs to 2010

Important information

This investment product is issued by Australian Unity Property Limited ABN 58 079 538 499, AFS Licence No. 234455 in its capacity as Responsible Entity. This information is intended only to provide a broad summary of this financial product. Investment decisions should not be made upon the basis of its past performance or distribution rate, since future returns will vary. The information provided here was current at the time of publication only, and we recommend that you access our website for further information.