

# AUSTRALIAN UNITY INVESTMENTS

## MORTGAGE SECTOR

### OUTLOOK 2010

#### The facts about mortgage funds



David Bryant,  
Group Executive Investments

Well-managed mortgage trusts have not only maintained their capital value and continued to pay monthly income, even during the global financial crisis, but are also likely to have been one of the better performing assets in investors' portfolios.

We believe that quality, well managed mortgage funds have a strong future and will continue to meet the increasing demand from investors for regular income.

#### The performance of the High Yield Mortgage Trust

The table below compares the performance of the Australian Unity Wholesale High Yield Mortgage Trust with other asset classes - Australian and international shares, direct and listed property, Australian fixed interest and cash. During the turmoil of the past three years, mortgage trusts not only produced some of the most consistent and reliable returns for investors but also some of the strongest – at a time when regular income and capital stability were of great importance to investors.

#### How have the major asset classes performed over the last three years\*?

	Wholesale High Yield Mortgage Trust <sup>†</sup>	Cash <sup>#</sup>	Australian Bonds <sup>#</sup>	Australian Shares <sup>#</sup>	International Shares <sup>#</sup>	Listed Property <sup>#</sup>	Direct Property <sup>#</sup>
1 year %	3.24	3.42	1.67	38.25	-3.33	17.59	-8.91
2 years % p.a.	5.36	5.39	8.21	-6.05	-10.58	-25.54	-4.75
3 years % p.a.	6.15	5.85	6.87	-3.24	-11.74	-24.80	3.17

\*Performance is as at 31 January 2010.

†Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

#Asset class performance as measured by the following indices: Cash: UBS Bank Bill Index, Australian Bonds: UBS Composite Bond Index All Maturities, Australian Shares: All Ordinaries Accumulation Index, International Shares: MSCI World Index Accumulation in AUD, Listed Property: S&P/ASX 300 A-REIT Accumulation Index, Direct Property: Mercer Direct Property Index Pre-Tax.

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### OUTLOOK 2010 (CONT.)

We continue to actively manage the fund and our three key objectives remain the same:

1. **To protect capital** – the High Yield Mortgage Trust's unit price remains at \$1.00.
2. **To pay regular and consistent income** – we continue to pay regular, monthly income to investors (with no surprises).
3. **To provide liquidity where possible** - we continue to offer investors regular access to their capital via quarterly withdrawal offers.

## The outlook for mortgage funds in 2010



Roy Prasad,  
Head of Mortgages

In line with improving economic and business conditions and in conjunction with the wind back of the Government's bank guarantee, investors can expect continued stability and predictability from their mortgage investments in 2010 with their rate of return also likely to increase as interest rates rise.

Historically, mortgage funds have provided a welcome and alternative funding source for small to medium business and there is an important role for the funds to play as lending activity is expected to resume in the later part of 2010.

After a subdued 2009, property development activity is expected to improve in the later part of this year and over 2011 which should also result in an increasing number of opportunities for quality, well managed mortgage funds as normal lending conditions return.

#### Important Information

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