



Question and Answer

Termination of the Australian Unity High Yield Mortgage Trust and the Australian Unity Wholesale High Yield Mortgage Trust

Background

After careful consideration, Australian Unity Funds Management Limited (AUFM), as Responsible Entity for the Australian Unity High Yield Mortgage Trust and the Australian Unity Wholesale High Yield Mortgage Trust (Trusts), has decided to wind up the Trusts commencing **9 December 2011**.

1. Why are the Trusts being wound up?

Despite adverse market conditions that began in 2008, our team have worked to manage the Trusts' assets to protect investors' capital, pay monthly income distributions, and to meet liquidity demands as best as possible. However, following consideration of a range of options and the continued rate of redemptions, we believe it is in the best interests of investors to wind up the Trusts in an orderly manner by liquidating assets and returning capital to investors.

We aim to provide investors with their capital back in full at \$1.00 per unit.

2. What does this mean for withdrawal requests and new investments?

As of 9 December 2011, the Trusts will commence wind up and will no longer accept withdrawal requests and new investments including those made through a regular savings plan or distribution reinvestment.

3. When can you expect distributions of your investment?

The table below sets out the anticipated payment schedule for the wind up of the Trusts.

Pre-Christmas 2011	An initial payment equivalent to 10% of your current investment in the Trust will be paid.
March 2012	A second pro rata payment equivalent to 5% of your current investment in the Trust at the time the payment is expected to be paid to all investors.
September 2012 and approximately six-monthly thereafter	Future payments are expected to be made on a six-monthly basis, provided there is cash available in the Trust. Payments are expected to commence in September 2012.

All payments will be made on a pro rata basis, that is, they will be distributed equitably to all investors.

At this stage, we anticipate the wind up and payment process to be complete by June 2014. This timeframe is necessary because of the nature and duration of the loans held by the Australian Unity High Yield Mortgage Trust and the time required to liquidate these assets. However, it is important to note there are a number of factors that may influence the wind up process, including prevailing market conditions and the ability for existing borrowers in the Trust to refinance their loans with other lenders.

We will provide you with regular information about the progress of Trusts' wind-up process and any changes to these proposed timings.

4. How will you be paid?

Cash payments will be paid directly to your nominated Australian bank account, or sent by cheque to the address we have on our registry system.

Payments will be made to you via the cancellation of units, which will appear as a redemption on the statements that will be sent to you shortly after a payment is made.

If you wish to nominate a different Australian bank account, please speak with a member of our Investor Services Team by calling **13 29 39**. Please note, however, we will need to receive authorisation of such a change in writing.

5. What does the wind up mean for your investment?

From 9 December 2011, the Trusts will close to new investment. If you have previously elected to reinvest your income distributions, this reinvestment will cease. Similarly, if you have a current regular savings plan into the Trust, it will be cancelled.

6. Will the Trusts' current monthly withdrawal facility continue?

The monthly withdrawal facility for November has been paid in full.

From 9 December 2011, the termination of the Trust means that the current withdrawal facility will be cancelled. Investors who have requested redemptions since the payment of the November withdrawal facility will receive funds as part of the wind up process in the same manner as all other investors in the Trusts.

7. Will you continue to receive monthly distributions?

The November monthly income distribution has been paid in full. From 9 December 2011, any future income distributions will be determined by the Responsible Entity and included with the return of capital in the payment schedule described above.

8. Does the \$2,000 minimum account balance threshold still apply?

This arrangement will cease as of 9 December 2011 and account balances under \$2,000 after this date will participate in the pro rata return of capital. You will receive your last payment when the fund liquidates all of its assets.

9. Are there any tax implications associated with the wind up?

In general, distributions and capital gains and losses need to be included in your tax return as they may impact your assessable income. We recommend you seek professional tax advice for information regarding your specific financial situation.

10. I have an investment in the Australian Unity Mortgage Income Trust (MIT). Is MIT affected by the change?

Despite the decision to wind up the Trust, we remain committed to maintaining and building the MIT. Over recent years, the MIT has experienced a very different level of liquidity demand from its investors, new investment into the MIT, and performance.

Since its inception on 6 November 2002, the Wholesale Mortgage Income Trust has returned 5.54% p.a. to 30 November 2011.* For the last year to 30 November 2011, it returned 5.25%.*

We believe the MIT can still play an important role in investors' portfolios. In particular, our view is that it continues to suit investors with a medium to long-term investment horizon (i.e. more than three years) that are looking for:

- regular monthly income payments,
- a comparatively low-to-medium risk investment, and
- diversity in the conservative part of their portfolio.

*Past performance is not a reliable indicator of future performance.

11. I have an investment in the Discovery Core Income Fund (DCIF). Is DCIF affected by the change?

As DCIF holds units in the Australian Unity High Yield Mortgage Trust, the DCIF monthly withdrawal offer will be cancelled on 9 December 2011. All standing requests under the regular monthly withdrawal facility will be cancelled on the same date.

12. Are you able to withdraw funds in circumstances of financial hardship?

From 9 December 2011, the termination of the Trust means that hardship withdrawal applications will not be accepted.

We hope to be in a position to continue to process hardship claims following the termination of the Trust and intend to seek relief from the Australian Securities and Investments Commission (ASIC) to continue accepting hardship claims.

If our application for relief is successful we will inform investors via a notice on our website and in correspondence accompanying any statements we send to you.

Further information

The latest information regarding the wind up of the Trusts can be found on our website, australianunityinvestments.com.au.

If you have any further questions, please contact your financial adviser or contact us on 13 29 39.

Important information

Units in the Australian Unity High Yield Mortgage Trust, Australian Unity Wholesale High Yield Mortgage Trust, Australian Unity Mortgage Income Trust, the Australian Unity Wholesale Mortgage Income Trust and the Discovery Investment Services Core Income Fund are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454. This information is intended only to provide a general update and does not take into account the financial objectives, situation or needs of any particular investor. You should refer to the Product Disclosure Statements (PDS) dated 3 July 2009 and the Supplementary Product Disclosure Statements dated 25 August 2010, 25 April 2011 and 9 December 2011 if you wish to know more about this product. A copy of the disclosure can be obtained by calling a member of our Investor Services Team on 13 29 39 or from our website, www.australianunityinvestments.com.au. The information provided here was current at the time of publication only.