

Continuous Disclosure Notice - 3 May 2011

Understanding the Trusts

The Australian Securities and Investments Commission (ASIC) has issued a set of benchmarks to help you understand and assess unlisted mortgage schemes, such as the **Australian Unity Mortgage Income Trust** ('AUI Mortgage Income Trust') ARSN 090 082 803 and the **Australian Unity Wholesale Mortgage Income Trust** ('AUI Wholesale Mortgage Income Trust') ARSN 102 713 824, collectively referred to as the Trusts. The benchmarks, including how the Trusts measure against them, are set out below. This information is current as at 3 May 2011 and has been provided to keep you informed and to assist you in better understanding the nature of this investment.

Benchmark 1: Liquidity

This benchmark requires responsible entities to 'have cash flow estimates for the next three months', ensure that at all times they have cash or cash equivalents sufficient to meet projected cash needs over the next three months' and to 'disclose our policy on balancing the maturity of assets and maturity of liabilities.'

We meet the benchmark as we prepare estimates of cash flows three months ahead and ensure that at all times we hold cash or cash equivalents sufficient to meet projected cash needs over the next three months. The return objective and mortgage maturity dates are balanced against the requirement to provide cash to meet the planned withdrawals.

Benchmark 2: Scheme borrowing

This benchmark requires responsible entities who have borrowed funds to disclose the current nature of their mortgage scheme's borrowed funds.

We meet this benchmark. The Responsible Entity is permitted to borrow for the purposes of the Trusts and to grant security over the Trusts' assets. Presently, we have no borrowings and have no intention to borrow.

Benchmark 3: Portfolio diversification

This benchmark requires responsible entities to disclose the current nature of their mortgage scheme's loan portfolio.

We meet this benchmark and understand the importance of a transparent loan portfolio. To ensure consistent performance across a range of market conditions, the Trusts are diversified at a number of levels.

Please note that the AUI Wholesale Mortgage Income Trust invests in its retail equivalent, the AUI Mortgage Income Trust and therefore has similar portfolio diversification.

How are the loans classified by activity?

Asset class	No. of accounts	Value (\$m)
Retail	70	182.24
Industrial	57	140.33
Office	38	127.02
Residential investment	22	45.11
Other (specialised property)	3	2.69
TOTAL	190	497.39

What are the loans by geographic region?

State	No. of accounts	Value (\$m)
NSW / ACT	93	204.01
QLD / NT	51	192.63
VIC / TAS	42	81.92
WA	1	14.23
SA	3	4.60
TOTAL	190	497.39

How many of the loans are in default or arrears?

What is their value?

Days in arrears	No. of accounts	Value (\$m)*
31-60	0	0.00
61 -90	1	0.45
> 90 days	3	8.00

*Includes principal and interest.

In the event that a borrower goes into default there is a process to manage the default as quickly as possible. In cases where the borrower is unable to remedy the default the Trust generally takes action to take possession of the security in order to recover the loan amount outstanding. Third party service providers may also assist in the recovery process.

What is the nature of the security for loan portfolio?

All loans in the portfolio of the AUI Mortgage Income Trust have been secured by a registered first mortgage.

What proportion of the total loan monies have been lent to our largest borrower? And 10 largest borrowers?

	Proportion % of Trust size	Value (\$m)
Largest borrower	10.13	50.41
10 largest borrowers*	48.69	242.18

* Includes the largest borrower.

How many loans have been approved but have funds yet to be advanced? What are the funding arrangements in place for any of these undrawn loan commitments?

The portfolio has no approved loans where funds are yet to be advanced.

What is the maturity profile of all loans?

The loan terms can range between 1 and 5 years. Loans for 5 years are reviewed at the 3-year mark. The following provides an overview of the current maturity profile of all loans.

Maturity	Actual No. of Loans	Value (\$m)
< 6 months	81	196.31
6 months to 0.99 yrs	32	39.49
1.00 to 1.99 yrs	62	243.64
2.00 to 2.99 yrs	15	17.93
3.00 to 3.99 yrs	0	0.00
4.00 to 4.99 yrs	0	0.00
5 years +	0	0.00
TOTAL	190	497.39

What are the loan-to-value ratios for loans?

Loan-to-value ratios (%)	Actual No. of Loans	Value (\$m)
0-50	32	63.96
50.01-55	8	9.59
55.01-60	19	40.32
60.01-65	20	32.73
65.01-70	107	287.14
70+	4	63.65
TOTAL	190	497.39

What are the interest rates on loans?

Interest rates (%)	Actual No. of Loans	Value (\$m)
< 6.50	39	179.04
6.50 - 6.99	38	34.45
7.00 - 7.49	20	72.22
7.50 - 7.99	32	57.85
8.00 - 8.49	28	84.66
8.50 - 8.99	10	18.74
9.00 - 9.49	23	50.43
9.50 - 9.99	0	0.00
10.00 +	0	0.00
TOTAL	190	497.39

How many loans are in the portfolio where interest has been capitalised? What is their value?

There is currently one loan in the portfolio of the Trust, representing \$7.42m, where interest has been capitalised.

Are derivatives used?

It is not our current policy to use derivatives for gearing purposes or for speculative activities for these Trusts. However, we may use derivatives for implementation of interest rate risk strategies and management of the Trusts' interest rate exposures.

Describe any non-loan assets of the scheme and their value.

The current non-loan assets of the Trusts include cash and similar liquid investments to the value of \$69.98m.

What is the maximum loan amount for any one borrower?

The maximum loan amount for any one borrower is 5% of funds under management of the Trusts at the time that the loan is taken out.

What is the method of assessing borrowers' capacity to service loans?

The capacity to service the debt is assessed on financial information provided by the borrower and/or guarantor for at least two financial periods. Borrowers are generally required to meet a minimum interest coverage ratio of 1.25 times.

What is the policy on revaluing security properties when a loan is rolled over?

A formal rollover of an existing loan facility requires full financial analysis and revaluation of the security property.

What is the approach to taking security on lending by the scheme?

All the loans in the Trusts' portfolio have been secured by a first registered mortgage. The preference is for income producing real estate but we will consider owner occupied real estate as well.

Benchmark 4: Related party transactions

This benchmark requires responsible entities to disclose their approach to related party transactions, and any policy regarding related party lending including any details of such transactions.

We meet this benchmark. All transactions we enter into in relation to the Trusts, including those with related parties, are on arm's length commercial terms. Entities within the Australian Unity group may provide registry, accounting and tax services to the Trusts for fees charged at a commercial rate.

Policies and guidelines 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 governance 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 Trusts' audited annual accounts.

At present these include the following related party transactions:

- The AUI Mortgage Income Trust has contributed approximately 76.10% (\$50.41 million) of a total loan amount advanced to a single borrower. The balance of the loan was funded by the Australian Unity High Yield Mortgage Trust ARSN 113 151 705, and the joint advance is covered by a pari-passu arrangement between the Trusts to ensure equal ranking for repayment.
- The AUI Mortgage Income Trust has invested 12.32% of total funds under management into the Australian Unity Wholesale Cash Fund (AU Wholesale Cash Fund) ARSN 111 933 361. This fund acts as a centralised cash management vehicle for a number of Australian Unity's investment products. The AU Wholesale Cash Fund invests in cash and cash equivalents primarily and may also invest in fixed interest securities. It aims to provide regular income with capital security over the short term.

The Trusts do not make and have no intention to make, guarantee or secure, directly or indirectly, any loans to related parties.

Benchmark 5: Valuation policy

This benchmark for property valuations requires responsible entities to establish a panel of valuers, and to ensure that no one valuer conducts more than a third of the valuation work.

We do not meet this benchmark. Our Credit Lending Guidelines stipulate that no valuer can undertake two consecutive valuations on a specific property. This requirement ensures that valuation work is rotated within the portfolio over a period of time, however presently we do not ensure that no one valuer conducts more than a third of the valuation work.

We are able to confirm that all valuations are conducted by qualified professional valuers in accordance with industry standards. Valuations for new loans have a three month currency from the date of the report and settlement of the loan must occur within this time frame. Furthermore, all security properties are revalued at least every three years. These requirements are no different for a loan, where the security property exceeds 5% of funds under management of the Trusts.

Security properties are valued on an 'as is' basis for all property loans (e.g. established buildings).

What are the property valuations for loans that are 5% or more of the loan book?

Loan Balance (\$m)	% of loan book	Property Valuation (\$m)
50.41	10.13	57.05
30.33	6.10	43.33

Benchmark 6: Lending principles - loan-to-value ratios

This benchmark for loan-to-valuation ratios requires, where loans relate to property development, that responsible entities maintain a 70% ratio on the basis of the latest 'as if complete' valuation. In all other cases, 80% should be maintained on the basis of the latest market valuation.

We do not meet this benchmark. Our Credit Lending Guidelines permit us to advance loans up to a maximum of 70% of loan-to-value ratio on the basis of 'as is' valuations for all property loans (e.g. established buildings). There are four loans with a loan to value ratio over 70%. There are no property development loans in these Trusts. The loan-to-value ratios are based on the valuation as advised by a range of professional valuers.

Benchmark 7: Distribution practices

This benchmark requires responsible entities that make or forecast to make distributions to disclose the source of the distribution or any forecast distributions.

We meet this benchmark as all distributions, including forecast distributions, are sourced from income.

Benchmark 8: Withdrawal arrangements

This benchmark requires responsible entities to disclose the maximum withdrawal period, any significant limitations, approach and funding arrangements allowed under the Trusts' constitution for investor withdrawals.

We meet this benchmark as investors have the opportunity to request withdrawals through a regular Monthly Withdrawal Facility.

Since August 2010, the opportunity has been available to either make a one-off withdrawal request each month or set up regular monthly withdrawals. The Trusts will make available 3% of Net Asset Value for withdrawal by investors each month.

■ Single withdrawal request

Investors can request a withdrawal in any given month as long as we receive that request by 3.00pm (Melbourne time) on the Closing Date for each Trust.

Investors may request:

- up to their full balance; or
- a minimum of \$2,000 (or full balance if it is less than \$2,000).

■ Regular monthly withdrawal

Investors can request to set up regular monthly withdrawals for the 12 month period beginning 23 August 2010 for the Wholesale Mortgage Income Trust and 25 August 2010 for the Mortgage Income Trust as long as we receive that request by 3.00pm (Melbourne time) on the Closing Date* for each trust. Withdrawal requests will be automatically processed on a monthly basis without the need for further withdrawal requests. This offer expires 22 August 2011 for the Wholesale Mortgage Income Trust and 24 August 2011 for the Mortgage Income Trust. Withdrawal requests received for this offer will expire at the end of the offer period.

Investors may request:

- up to 3.0% of the units held as at each Trusts' Closing Date each month; or
- \$2,000 each month (or full balance if it falls below \$2,000).

We endeavour to pay the proceeds of withdrawal requests into a nominated bank account within 21 days of the monthly Closing Date for each Trust.

The Closing Date for each Trust is currently:

Trusts	Closing date*
AUI Mortgage Income Trust	24th of each month
AUI Wholesale Mortgage Income Trust	22nd of each month

* The next Melbourne business day will be considered the Closing Date for a trust if the actual Closing Date falls on a non Melbourne business day.

The amounts made available to meet all monthly withdrawal requests will be funded through cash and other liquid investments which the Trusts hold.

The liquidity level of each Trust is regularly reviewed. If the limits change we will write to investors informing them of the change and investors will be invited to re-apply for the new limit under the withdrawal facility.

The unit price that will be applied for each month's withdrawal requests will be the effective unit price on the monthly Closing Date for each Trust.

■ Lump sum withdrawal offer

We may also make available, as part of the withdrawal offer, one-off lump sum amounts where the Trusts' cash levels allow.

Further information regarding withdrawals is available at australianunityinvestments.com.au or please contact Client Services on 13 29 39.

Contact us

Address	114 Albert Road South Melbourne, VIC 3205
Investor Services	13 29 39
Adviser Services	1800 649 033
Website	australianunityinvestments.com.au
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