

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 Mortgage Income Trust

The table below compares the performance of the Australian Unity Wholesale Mortgage Income 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 five years*?

	Wholesale Mortgage Income Trust [†]	Cash [#]	Australian Bonds [#]	Australian Shares [#]	International Shares [#]	Listed Property [#]	Direct Property [#]
1 year %	4.81	3.42	1.67	38.25	-3.33	17.59	-8.91
2 years % p.a.	5.99	5.39	8.21	-6.05	-10.58	-25.54	-4.75
3 years % p.a.	6.26	5.85	6.87	-3.24	-11.74	-24.80	3.17
5 years % p.a.	6.23	5.88	5.98	6.65	-1.37	-8.17	8.24

*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.)

In 2010, we expect our Mortgage Income Trust to remain one of the better-performers for longer-term investors. We continue to actively manage the fund and our three key objectives remain the same:

1. **To protect capital** – our Mortgage Income Trust’s unit price has always been, and will continue to be, \$1.00.
2. **To pay regular and consistent income** – we will continue to pay regular, monthly income to investors (with no surprises).
3. **To provide regular liquidity** - we continue to offer investors regular access to their capital via our monthly capped withdrawal offers.

We understand the importance of providing investors with predictable and regular access to their capital. Currently, investors can withdraw up to 2%, or \$2000, of their capital every month. This is in addition to our one-off withdrawal windows – the last being a \$50 million offer in November 2009.

Investors with an average balance of \$25,000 who wish to exit the fund can expect to receive their capital in full before Christmas this year, as well as their regular, monthly income.

The closing date for our monthly withdrawal facility is as follows:

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

We also expect to offer greater liquidity in the near future.

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.

Property development activity after a subdued 2009 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

The Fund is 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 on the investment particulars and the performance of the Fund. Investment decisions should not be made upon the basis of its past performance, distribution rate, or any rating given by a ratings agency, since each of these can vary. In addition, ratings need to be understood in the context of the full report issued by the ratings agency itself. You should refer to the Product Disclosure Statement (PDS) dated 12 October 2009 if you wish to know more about this product. A copy of the PDS can be obtained by calling us on the contact details listed above or from our website australianunityinvestments.com.au. The information provided here was current at the time of publication only.

