

Retail Property Fund

Fund Fact Sheet – 7 July 2009



Snapshot	
APIR Code	YOC0007AU
Inception date	28 February 2009
Minimum Investment Amount	\$1,000
Withdrawals	Quarterly
Management costs	0.93% p.a. of the gross asset value relating to the Stapled Securities
	A Performance Fee equal to 12.5% of the Fund's performance in excess of the stated benchmark performance
Income distributions	Quarterly

Overview of changes since last update

This Fund Fact Sheet has been updated as at 7 July 2009 (from its previous issue on 31 March 2009) to reflect an update to the Fund's underlying property valuations and borrowings position.

About the Fund

The Fund is an open unlisted property fund with a primary focus on retail related property investments. It was formed on 28 February 2009.

The Fund has a diversified tenant base which includes many of Australia's most successful and best known brands on long-term leases, covering a broad range of retailing including supermarkets, department stores, specialty shops, homemaker outlets, hardware and service stations.

The Fund's diversification aims to provide stability of income through periods of change in the economic environment and in any individual property, and enables us to actively manage the portfolio including the debt and liquidity of the Fund.

We aim to deliver a total return¹ (income and capital growth) above the Property Council/IPD Australian Retail property index, while providing a steady level of income. We will also seek to deliver an attractive level of tax advantaged components within the income.

¹ The return that we aim to deliver to investors is a statement of intent, and we cannot guarantee that the Fund will achieve this return.

How the Fund operates

The Fund is a stapled investment comprising three property trusts (the Stapled Trusts). An interest in the Fund is provided through the issue of a stapled security ("Security" or "Securities") and represents a holding in each of the following Stapled Trusts:

- Australian Unity Retail Property Trust ARSN 086 218 199;
- Australian Unity Property Syndicate - East West Retail ARSN 091 941 061; and
- Australian Unity Gillies Street Trust ARSN 103 267 447

Investor applications are pooled with borrowings from lenders to purchase retail property and related assets for the Fund.

Rent from the Fund's properties and income earned on the Fund's other assets generate income for the Fund. This income is used to meet the interest expenses on the Fund's borrowings, management fees, property related expenses and ongoing Fund expenses. We may also retain some income as a provision for future expenses or capital works. Once these costs and provisions are met, the remaining income is distributed to investors.

The capital growth (or loss) on your investment is largely attributed to revaluations of the Fund's properties, changes in value of other assets and the level of borrowings the Fund has.

What does the Fund invest in?

The Fund predominantly comprises Australian direct retail property assets. Unlisted retail property trusts may also be used where appropriate to achieve the target level of exposure to suitable properties. Retail sector Australian-REITs (previously known as listed property trusts) may be used to enhance geographic and sectoral diversification; and in conjunction with cash, to support ongoing liquidity and cash flow management.

The Fund typically holds 70-95% of its assets in direct property and unlisted direct property investments. The Australian-REIT exposure will typically be small and may range between 0% - 20% of the Fund's assets. The balance of the Fund's assets is held in cash and similar investments.

Direct property assets comprise quality retail related assets including shopping centres, bulky goods centres and specialised retailing assets. Many properties are anchored by supermarkets, which have a lesser reliance on discretionary consumer spending. This is particularly important in times of economic difficulty.

Derivatives

It is not our current policy to use derivatives for gearing purposes or for speculative activities for this Fund. We may use derivatives in the Fund for asset allocation purposes, implementation of interest rate risk strategies and management of the Fund's interest rate exposures. Currently, the Fund has an interest rate swap in place to manage the interest rate exposure.

What is the Fund's investment process?

Diversification of properties is sought in order to provide the portfolio with a consistent source of income across the economic cycle and through times of upgrading and developing certain properties.

Diversification occurs at different levels including by property type, geographic location, tenancy mix, lease terms and size of properties. The focus is predominantly on the Australian eastern seaboard, which is consistent with Australia's current population dispersion and demographics.

To further reduce the risk of localised economic shocks, assets are generally located where the catchment area population is not heavily reliant on a particular industry or economic segment and where a diverse local economy exists. This means that properties are predominantly situated in capital cities and major regional centres although the Fund may invest outside these areas if appropriate.

New property developments may be considered, with a view to retaining ownership in the medium term.

Speculative development is not part of the Fund's strategy, and exposure to new development commitments is limited to 15% of the Fund's total asset value.

We will look to sell assets where we believe it is appropriate for the Fund and investors. We consider a range of factors including but not limited to:

- the potential for future capital appreciation of existing properties relative to other properties available on the market;
- the impact of new competition, changes in local economic conditions and demographic changes;
- the overall portfolio composition and any requirements to rebalance the portfolio; and
- the Fund's liquidity and debt positions.

Valuation of properties

Regular valuation of underlying property assets is an important aspect of managing the Fund 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 valuation on our retail properties annually.

The latest valuation for the properties is shown on page 7.

Borrowings

The Fund borrows to finance new and existing assets, to develop and maintain those assets, and to provide liquidity for operating purposes and managing the capital position.

It generally operates within a gearing ratio⁽¹⁾ range of 40% - 60% but may operate outside of this range if we believe it is in the interest of the Fund to do so.

Under the Fund's constitution and law, the Fund has the power to:

- borrow and raise money for the purposes of the Fund and to grant security over the Fund's assets; and
- to incur all types of obligations and liabilities.

Generally, interest costs relating to the borrowings will be met from the gross income of the Fund prior to the payment of income to investors.

The lenders' rights to recover the total due under the loan, and then the rights of any creditors of the Fund, will rank ahead of all investors. The lenders to the Fund do not have any recourse to investors.

Portfolio details

The figures shown in the tables below are taken from the values recorded as at 16 June 2009 and are not based upon audited financial records.

Asset allocation at 16 June 2009

Direct property*	97.85%
Unlisted property investments#	0%
Australian REITs	0%
Cash & cash equivalents	2.15%

* Includes wholly-owned unlisted property investments.

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Borrowing details as at 16 June 2009

Total Fund size (Gross Assets)	\$366.21m
Effective gearing ratio ⁽¹⁾	54.93%
Estimated interest cover ratio ⁽²⁾ (as at 31 May 2009)	2.63 times
Aggregate % of loan funds hedged	81.60%
Aggregate of borrowing facility limits	\$205.71m
Aggregate of actual borrowings	\$201.17m

Breakdown of borrowings⁽³⁾:

- Suncorp - facility of \$37.26m drawn to \$37.01m (expiring May 2010)
- CBA - fully drawn facility of \$23.55m (expiring Nov 2010)
- Westpac - fully drawn facility of \$72.15m (expiring Jun 2010)
- Westpac - facility of \$35.00m drawn to \$34.21m (expiring Mar 2011)
- St George - facility of \$38.00m drawn to \$34.25m (expiring Oct 2011)

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

(2) The interest cover ratio measures the ability of the Fund to service the interest on borrowings from net earnings.

This calculation shows that the Fund generates income after fees which is 2.63 times the level of interest payments due. This means that the Fund is expected to service interest payments despite reasonable changes to the interest rate and occupancy rate.

(3) We are confident that each of the loan facilities falling due over the periods shown will be able to be refinanced upon reasonable commercial terms prior to maturity.

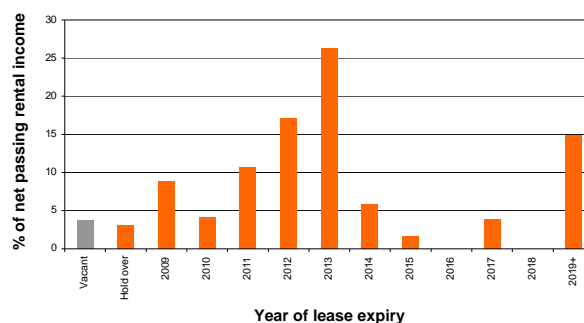
Borrowing covenants

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

Direct property occupancy and lease details as at 31 May 2009

Occupancy rate by area	96.93%*	
Weighted average lease expiry by income	4.98 years	
Major tenants and % of base rental income	Caltex	13.48%
	Coles	7.68%
	Safeway	7.38%

Direct property lease expiry profile as at 31 May 2009



Property development

We believe the Fund can enhance existing properties and add further value to investors through selective exposure to property development. Currently, the Fund is continuing with the proposal to refurbish the Thornlie Square Shopping Centre. Council approval has been received and we have placed the project to tender. We anticipate that the refurbishment will be completed by late 2009 - early 2010.

Distributions

Generally, net investment income is paid to you after the end of the Fund's distribution period. Any net realised gains earned by the Fund are generally not paid until the end of the financial year. Our standard practice is to source distributions from net realised income and net realised capital gains only, and to align the distribution amount to the earning capacity of the Fund.

During the Fund's first months of operation however, the Fund incurred a one-off expense relating to termination of interest rate hedges. As a result, distributions to investors during 2009 are being effected from capital, rather than from net realised income and capital gains. Although it is not our intention to source future distribution payments from sources other than net realised income and net realised capital gains, 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.

The amount of distribution income paid to you is based on the number and class of Securities you hold at the end of each distribution period.

Distributions are generally paid within 21 business days of the end of each calendar quarter (i.e. March, June, September, and December).

Withdrawals

In normal operating conditions withdrawals from the Fund are paid quarterly. The maximum total amount available for withdrawals each quarter is 2.5% of the total net assets of the Fund (although we have the discretion to alter this amount). If this amount is exceeded, withdrawals may be met on a pro-rata basis.

Where a pro-rata payment occurs, investors will need to reapply in a subsequent withdrawal period if they wish to withdraw any further amount.

Lodgement and payment times

Quarterly withdrawals open from August 2009 with the first quarterly period ending 28 October 2009.

We normally endeavour to meet a withdrawal request within 5 days after the quarter end date, however the Fund's Constitution allows up to 365 days to meet withdrawal requests. This can be extended further:

- having regard to our ability to realise or value any of the Fund's assets and the best interests of investors, or
- if circumstances outside of our control mean that we are unable to realise sufficient Fund assets to satisfy a withdrawal request.

Suspension of withdrawals

If we cannot sell property assets within 365 days to meet withdrawal requests, the Fund will become illiquid and quarterly withdrawals will be suspended. If this occurs, investors can only withdraw when we make a withdrawal offer available in accordance with the Fund's constitution and law.

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 delivered strong investment performance for our investors over an extended period of time.

We have a long track record in managing retail properties and understand the markets and environment they operate in.

These key people are responsible for managing the Fund:



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\$5.6 billion in funds under management (as at 31 May 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 May 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).



Peter Lambden
Portfolio Manager – Retail Property Fund

Peter Lambden has responsibility for the performance and management of Australian Unity Investments' direct retail property investments within the Retail Property Fund. Peter joined Australian Unity in 2001 and has over 35 years experience in portfolio and property management gained during his time in senior roles with National Mutual and AXA. In addition Peter has held senior positions with industry bodies including President of the Australian Property Institute and Executive member of the Property Council of Australia.

Related party transactions

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

Related party transactions are managed in accordance with our policy which requires an assessment and senior management approval to ensure the arm's length nature of each transaction. These transactions are then included on a register. The register is subject to regular external audit review.

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

Investments in related parties as at 31 May 2009

The Fund currently owns 100% of the units in the following trusts:

- Australian Unity Retail Property Trust – Sunshine Homemaker Centre
- Australian Unity Property Syndicate – Wyong
- Australian Unity Tamworth Trust

In addition, the Fund currently has exposure to the Australian Unity Wholesale Cash Fund, a registered managed investment scheme operated by us. The Wholesale Cash Fund primarily invests in short-term fixed interest securities and aims to provide regular income with capital security over the short term.

As at 31 May 2009, the Fund held a 0.69% interest (\$3.07m) in the Australian Unity Wholesale Cash Fund.

Contact us

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Important information

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Direct property portfolio as at 16 June 2009

Property	Independent valuation			Book value
	Date	(\$m)	Cap rate %	(\$m)
Waurm Ponds Shopping Centre Geelong, Victoria	May 2009	\$122.00	7.00	\$122.00
Sunshine Homemaker Centre Maroochydore, Queensland*	May 2009	\$60.00	7.75	\$60.00
Caltex Twin Service Centres Sydney to Newcastle (F3) Freeway, New South Wales*	June 2009	\$43.25	10.50	\$43.25
Tamworth City Plaza Tamworth, New South Wales*	May 2009	\$40.00	8.00	\$40.00
North Blackburn Square Shopping Centre North Blackburn, Victoria	May 2009	\$35.20	8.25	\$35.20
Wendouree Homemaker Centre and Telstra Call Centre Ballarat, Victoria	May 2009	\$29.65	8.75	\$29.65
Thornlie Square Shopping Centre Thornlie, Western Australia	May 2009	\$24.00	8.50	\$24.00

*These properties are held through wholly-owned unlisted property investments.