

# Mortgage Income Trust Wholesale Mortgage Income Trust

Continuous Disclosure Notice – 20 April 2009



## 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 31 March 2009 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 withdrawal needs of investors.

## 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 and their policy on these matters and on how the scheme will lend funds generally.*

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 from a number of perspectives.

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

## How are the loans classified by activity?

Asset class	No. of accounts	Value (\$m)
Residential investment	31	72.16
Retail	134	274.30
Office	68	201.87
Industrial	96	215.83
Other (specialised property)	7	8.68
<b>Total</b>	<b>336</b>	<b>772.84</b>

## What are the loans by geographic region?

State	No. of accounts	Value (\$m)
NSW / ACT	159	286.92
VIC / TAS	106	215.99
QLD / NT	63	219.14
WA	3	38.77
SA	5	12.02
<b>Total</b>	<b>336</b>	<b>772.84</b>

## 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	2	6.77
> 90 days	3	4.02

\* Includes principle 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 Trusts generally take action to take possession of the security property 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 the loan portfolio?

All the loans in the Trusts' portfolio have and will continue to be secured by a first registered mortgage

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

	Proportion (%)	Value (\$m)
Largest borrowers	6.52	50.41
10 largest borrowers*	36.76	284.12

\* 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 Trusts' portfolio has one approved loan, representing \$23.89m, where funds are yet to be advanced. Cash holdings in the Trusts will fund any undrawn loan commitments.

**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 profile (%)	Actual No. of Loans	Value (\$m)
< 6 months	54	129.15
6 months - 0.99 yrs	48	73.17
1 - 1.99 yrs	66	120.11
2 - 2.99 yrs	83	167.87
3 - 3.99 yrs	66	259.98
4 - 4.99 yrs	19	22.56
5 years +	0	0.00
<b>Total</b>	<b>336</b>	<b>772.84</b>

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

Loan to valuation ratios (%)	Actual No. of Loans	Value (\$m)
0 - 50	43	84.77
50.01 - 55	15	22.22
55.01 - 60	25	57.75
60.01 - 65	51	91.31
65.01 - 70	202	516.79
70+	0	0
<b>Total</b>	<b>336</b>	<b>772.84</b>

**What are the interest rates on loans?**

Interest Rates (%)	Actual No. of Loans	Value (\$m)
< 6.50	216	471.99
6.50 - 6.99	18	69.23
7.00 - 7.49	32	106.40
7.50 - 7.99	29	54.22
8.00 - 8.49	21	44.43
8.50 - 8.99	10	13.35
9.00 - 9.49	10	13.22
9.50 - 9.99	0	0.00
10.00 +	0	0.00
<b>Total</b>	<b>336</b>	<b>772.84</b>

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

No loans in the Trusts' portfolio have had interest 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 investments to the value of \$137.07m.

**What is the maximum loan amount for any one borrower?**

The maximum loan amount for any one borrower is 5% of funds under management.

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

Debt service is based on financial information provided by the borrower and/or guarantor for at least two financial periods. Borrowers are 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 extension 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 property 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 the manager has regarding related party lending including any details of such transactions.*

We meet this benchmark. All related party transactions entered into in relation to the Trusts are conducted on commercial terms (i.e. on an arm's length basis). At present these include the following related party transactions:

- The AUI Mortgage Income Trust has contributed approximately 76.10% (\$50.4 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, which is a registered managed investment scheme operated by Australian Unity Funds Management Limited, and the joint advance is covered by a paripassu arrangement between the trusts to ensure equal ranking for repayment.
- The Trusts have invested 15.02% of total funds under management into the Australian Unity Wholesale Cash Fund (Wholesale Cash Fund) ARSN 111 933 361, which is a registered managed investment scheme operated by Australian Unity Funds Management Limited. This fund acts as a centralised cash management vehicle for a number of Australian Unity's investment products. The 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

*The ASIC 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 Trusts' portfolio over a period of time; however presently we cannot confirm 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 independent valuers in accordance with industry standards. Valuations have a three month currency from the date of the report and settlement must occur within this time frame. Furthermore, all security properties are revalued at least each three years. These requirements are no different for a loan, where the security property exceeds 5% of funds under management.

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

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

*The ASIC 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 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 no property development loans in these Trusts. The loan-to-value ratio is based on the valuation amount as advised by an independent registered valuer.

#### 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 Fund's constitution for investor withdrawals.*

We meet this benchmark as investors who wish to withdraw part, or all, of their investment may have the opportunity to do so through a withdrawal offer made by us.

On a periodic basis, at least quarterly, we will assess the liquid assets of the Trusts and we may make a withdrawal offer if there are sufficient liquid assets available to support a withdrawal offer. We may make additional withdrawal offers at any time during the year.

The withdrawal offer will be made in writing to all investors. The withdrawal offer will specify the period during which the offer will remain open (at least 21 days after the offer is made); the amount of money available to meet withdrawal requests or the amount available for withdrawal; and the process for completing a withdrawal request.

If an investor wishes to take up the withdrawal offer, they must notify us in writing by making a withdrawal request by the closing date of the offer. We will not make any payments to investors until after the closing date of the offer. The unit price investors will receive will be the effective unit price on the closing date of the offer.

Subject to the terms of the withdrawal offer, any withdrawal requests (up to the amount of acceptance) are required to be paid within 21 days of the closing date of the offer. However, we will endeavour to make payments as soon as possible after the withdrawal offer closes.

#### Contact us

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