

Diversified Property Fund

Continuous Disclosure Notice - 11 October 2011

The Australian Securities and Investments Commission requires responsible entities of unlisted property schemes in which retail investors invest to provide a statement addressing eight disclosure principles. These eight principles are contained in Regulatory Guide 46: Unlisted property schemes – Improving disclosure for retail investors.

This document has been prepared by Australian Unity Property Funds Management Limited (“AUPFML”) as the responsible entity of the Diversified Property Fund, (Fund), to update investors on the information relevant to the disclosure principles. This document should be read in conjunction with the latest Product Disclosure Statement (“PDS”) and Consolidated Annual Report for the Fund, available from our website

www.australianunityinvestments.com.au/dpf

This document has been updated as at 11 October 2011 (with financial information as at 31 July 2011), from its previous issue on 28 February 2011 to reflect updates to the Fund’s portfolio information.

The financial information is extracted from the Fund’s accounting and property management records.

The Fund’s composition and diversity will change over time as assets are acquired or disposed and tenancies re-let

Disclosure Principle 1 – Gearing ratio

The gearing ratio of the Fund, calculated as total interest bearing liabilities divided by total assets was 50.63%, as at 31 July 2011 and based on unaudited accounts, (51.39% as at 30 June 2011 based on audited accounts).

The gearing ratio calculates the extent to which the Fund’s total assets are funded by interest bearing liabilities. It gives an indication of the potential risks investors face in terms of external liabilities that rank ahead of them. If the Fund’s gearing ratio under its debt facilities increases, the Fund will have a higher reliance on external liabilities to fund assets and a greater exposure to funding costs if interest rates rise. This may have a negative impact on the cash distributions and the value of the Fund securities.

Disclosure Principle 2 – Interest cover

The Fund's interest cover is calculated by using the following formula:

$$\text{Interest cover} = \frac{(\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses})}{\text{Interest expense}}$$

Where:

EBITDA = earnings before interest, tax, depreciation and amortisation

Interest expense = Interest expense on debt facilities, net of hedging arrangements and interest income, adjusted for various AIFRS treatments including property

The Fund’s interest cover ratio for the 12 months to 31 July 2011 was 1.78 times, (1.77 times for the 12 months to 30 June 2011 based on audited accounts).

Interest cover indicates the ability of the Fund to meet interest payments from operating cash. It is an indicator of the Fund’s financial health and is a key to assessing the sustainability of, and risks associated with, the Fund’s level of borrowing. If the Fund’s interest cover decreases then the risk of the Fund not being able to meet interest payments will increase.

The Fund is in compliance with its interest cover borrowing covenant.

Disclosure Principle 3 – Fund borrowing

The Fund’s borrowing as at 31 July 2011 is summarised in the table below:

Syndicated Term Facility	
Borrowing facility limit	\$215 million
Borrowing facility drawn amount	\$191.1 million
Borrowing facility maturity	October 2013
% of borrowings hedged	79.00%
Weighted average hedge duration	2.3 years

To the best of AUPFML’s knowledge, there have been no breaches of loan covenants as at the date of this document.

All amounts owed to lenders and other creditors will rank before each investor’s interest in the Fund. The Fund’s ability to repay principal and interest and meet all loan covenants under its debt facilities is material to its performance and ongoing viability.

Disclosure Principle 4 – Portfolio diversification

Details of the investment strategy of the Fund can be found in the 'What does the Fund invest in' section of the Fund's most recent PDS.

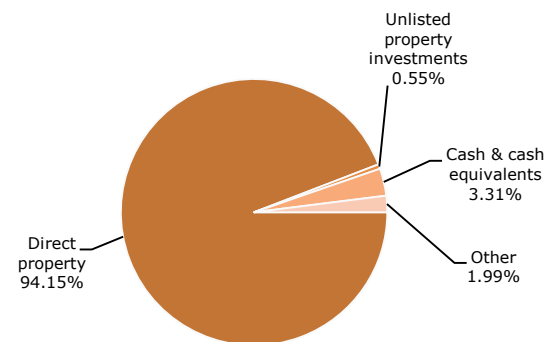
Significant direct property holdings

Property	Sector	Independent valuation			Book value @ 31 July 2011	% of Portfolio
		Date	(\$m)	Cap rate %	(\$m)	
218 Bannister Road, Canning Vale	Industrial	May 2011	118.00	8.00	118.10	33.00
278 Orchard Road, Richlands	Industrial	March 2011	43.50	8.75	43.50	12.16
20 Smith Street, Parramatta	Office	March 2011	33.30	9.00	33.70	9.42
121-125 Henry Street, Penrith ¹	Office	May 2011	28.50	12.50	28.51	7.97
Dog Swamp Shopping Centre	Retail	May 2011	25.00	8.25	25.02	6.99

¹ The Penrith Office property has been contracted for sale with settlement expected in December 2011.

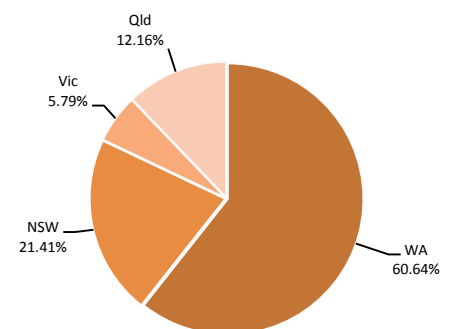
Asset allocation

Asset class	% of portfolio	\$M
Direct property	94.15	357.78
Unlisted property investments	0.55	2.07
Australian REITs	Nil	Nil
Cash & cash equivalents	3.31	12.59
Other	1.99	7.58
Total	100.00	380.02



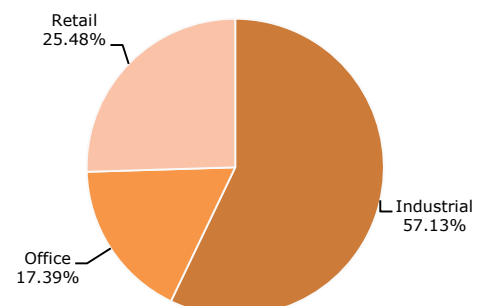
Direct property geographic allocation

Location	% of Portfolio	\$M	Number
WA	60.64	216.97	8
NSW	21.41	76.61	3
Vic	5.79	20.70	1
Qld	12.16	43.50	1
Total	100.0	357.78	13



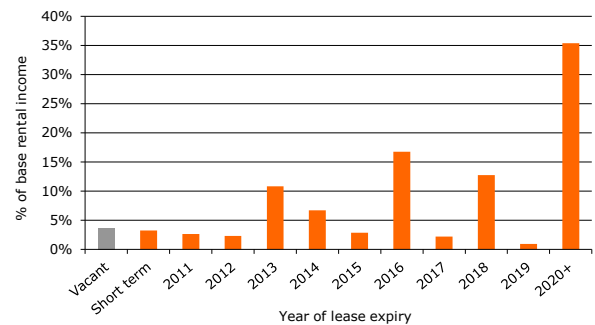
Direct property by sector

Sector	% of Portfolio	\$M	Number
Industrial	57.13	204.40	5
Office	17.39	62.21	2
Retail	25.48	91.17	6
Total	100.0	357.78	13



Direct property occupancy and lease details

Occupancy rate by area	96.25%	
Weighted average lease expiry by income (excluding vacancies)	7.29 years	
Major tenants and % of base rental income	Metcash	49.12%
	Australian Tax Office	15.98%

Direct property lease profile**Property development**

There were no development projects in the Fund as at 30 June 2011.

Disclosure Principle 5 – Valuation policy

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 valuations on our properties each year.

Disclosure Principle 6 – Related party transactions

Australian Unity Property Limited ('AUPL') is the Responsible Entity of the Fund.

AUPL has appointed Australian Unity Property Management Pty Ltd ABN 76 073 590 600 ('AUPM') (a related party) to provide some property management services to the Fund. Investor approval has not been sought as the appointment has been made on arm's length commercial terms.

AUPL and AUPM are wholly owned subsidiaries of Australian Unity Limited ABN 23 087 648 888 and are members of the Australian Unity Group.

AUPM

AUPM is a property management business that may, under a written arrangement, provide some of the following services to the Fund as nominated from time to time:

- strategic advice on property acquisitions and sales or arranging the sale or acquisition of property assets;
- management of premises;
- debt arranging, debt structure advice, debt facility negotiation and debt management;
- valuation services;
- leasing services; and
- property management and project supervision.

The appointment of AUPM for these services is not exclusive and AUPL may engage external service providers to undertake these functions.

From 1 July 2011 up to the date of this document asset management and leasing services to the value of \$274,930 have been provided by AUPM.

Other related party service providers

AUPL may appoint other related parties from time to time. Please refer to our website

www.australianunityinvestments.com.au for updates.

Monitoring of related party transaction and conflicts management

Related party transactions carry a risk that they could be assessed and reviewed less rigorously than transactions with other parties.

Australian Unity has policies and guidelines 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. Decisions in relation to conflict of interest and related party transactions are documented.

Updates to related party transactions and further information

As appropriate, we will provide ongoing updates of material service engagements and financial benefits that are paid to related parties through updates to this Continuous Disclosure Notice.

The value of related party payments are reported yearly as part of the Fund's audited annual accounts. The latest Continuous Disclosure Notice and annual audited accounts can be found on our website australianunityinvestments.com.au. Alternatively we can send you a copy free of charge by calling us on 13 29 39.

Disclosure Principle 7 – Distribution practices

Distributions are currently met from net income and net realised gains and are paid quarterly.

It is not our intention to source future distribution payments from sources other than net income and net realised capital gains, although 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 expected to be sustainable given the circumstances. We will notify investors if this occurs.

Disclosure Principle 8 – Withdrawal rights

Information about the Fund's withdrawal arrangements is contained in the 'Making further investments and withdrawals' section of the Fund's most recent PDS.

For further enquiries

Please contact us either by telephone, email or mail as shown below:

Address	C/- Link Market Services Limited Locked bag A14 Sydney South NSW 1235
Investor Services	1300 739 091 (within Australia) +61 2 8280 7587 (outside Australia)
Adviser Services	1300 739 091
Email	australianunity@linkmarketservices.com.au

Additional information can be found on the Fund's website at www.australianunityinvestments.com.au/dpf

Important information

This investment product is issued by Australian Unity Property Funds Management Limited ABN 28 085 352 405, AFS Licence No. 233718 in its capacity as Responsible Entity. This information is intended only to provide a broad summary of this financial product. Investment decisions should not be made upon the basis of its past performance or distribution rate, since future returns will vary. You should refer to the current Product Disclosure Statement if you wish to know more about this product. A copy can be obtained by telephoning 1300 739 091, or from our website www.australianunityinvestments.com.au. The information provided here was current at the time of publication only, and we recommend that you access our website for further information.