

High Yield Mortgage Trust Wholesale High Yield Mortgage Trust

Continuous Disclosure Notice – 31 October 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 High Yield Mortgage Trust** ('AUI High Yield Mortgage Trust') ARSN 113 151 705 and the **Australian Unity Wholesale High Yield Mortgage Trust** ('AUI Wholesale High Yield Mortgage Trust') ARSN 113 151 947, 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 30 September 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 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 High Yield Mortgage Trust invests in its retail equivalent, the AUI Australian Unity High Yield Mortgage Trust and therefore has similar portfolio diversification.

How are the loans classified by activity?

Asset class	No. of accounts	Value (\$m)
Non-Specialised / Non-Construction		
Retail	33	68.01
Industrial	45	55.52
Office	25	49.18
Residential Investment	24	52.52
Vacant land	8	29.78
Specialised		
Clubs	14	35.45
Service Stations	3	9.96
Car Parks	3	6.87
Schools	1	1.18
Storage Units	1	0.95
Child Minding Centres	1	0.91
Hotels	1	0.80
Construction and Development		
Residential Investment	0	0.00
Clubs	0	0.00
Service Stations	0	0.00
Total	159	311.13

What are the loans by geographic region?

State	No. of accounts	Value (\$m)
NSW / ACT	92	184.31
VIC / TAS	36	60.23
QLD / NT	27	55.33
WA	4	11.26
SA	0	0.00
Total	159	311.13

How many of the loans are in default or arrears? What is their value?

Days in arrears	No. of accounts	Value (\$m)*
31-60	5	8.30
61 days plus	0	0.00
> 90 days	12	39.78

* Includes principle and interest.

High Yield Mortgage Trust Wholesale High Yield Mortgage Trust

Continuous Disclosure Notice – 31 October 2009

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 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 High Yield Mortgage Trust portfolio have been secured by a registered first mortgage.

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

	Proportion (%) of Trust size	Value (\$m)
Largest borrower	5.10	15.86
10 largest borrowers*	29.23	90.96

* 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 three existing loans which have undrawn amounts representing a total of \$930,000. 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	28	87.18
6 months - 0.99 yrs	8	23.85
1 - 1.99 yrs	24	48.25
2 - 2.99 yrs	55	80.93
3 - 3.99 yrs	43	68.21
4 - 4.99 yrs	1	2.71
5 years +	0	0.00
Total	159	311.13

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

Loan to valuation ratios (%)	Actual No. of Loans	Value (\$m)
0 - 50	10	14.27
50.01 - 60	7	22.67
60.01 - 65	8	27.18
65.01 - 70	13	37.95
70.01 - 75	20	67.46
75.01 - 80	31	37.10
80.01 - 85	70	104.50
85+	0	0.00
Total	159	311.13

What are the interest rates on loans?

Interest Rates (%)	Actual No. of Loans	Value (\$m)
< 6.50	118	222.56
6.50 - 6.99	7	17.15
7.00 - 7.49	10	31.39
7.50 - 7.99	5	12.35
8.00 - 8.49	2	2.38
8.50 - 8.99	3	1.93
9.00 - 9.49	14	23.37
9.50 - 9.99	0	0.00
10.00 +	0	0.00
Total	159	311.13

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

There are currently seven loans in the portfolio of the Trust, representing \$21.26m, 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 this Fund. 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 Trust includes cash and similar investments to the value of \$61.82m.

What is the maximum loan amount for any one borrower?

The maximum loan amount for any one borrower is the greater of:

- 7.5% of funds under management; or
- \$15m.

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 loans in the Trusts' portfolio have been secured by a registered first mortgage.

High Yield Mortgage Trust Wholesale High Yield Mortgage Trust

Continuous Disclosure Notice – 31 October 2009

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 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 High Yield Mortgage Trust has contributed approximately 23.90% (\$15.8 million) of a total loan amount advanced to a single borrower. The balance of the loan was funded by the Australian Unity Mortgage Income Trust ARSN 090 082 803, and the joint advance is covered by a pari-passu arrangement between the trusts to ensure equal ranking for repayment.
- The Trusts have invested 16.52% 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' 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 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 7.5% of funds under management.

Security properties are valued on the following basis:

- 'as is' basis and 'as if complete' basis for property development loans; and
- 'as is' basis for all other property loans (e.g. 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 do not meet this benchmark. Consistent with the Trusts' strategy, and previous disclosure to investors, 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 if complete' valuations for property development loans; and
- 85% of loan-to-value ratio on the basis of 'as is' valuations for all other property loans (e.g. established buildings).

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

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

Important information

This investment product 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 of this financial product. You should refer to the current Product Disclosure Statement if you wish to know more about this product. Copies of these documents can be obtained from our website australianunityinvestments.com.au. The information provided here was current at the time of publication only.

