

Property Income Fund

Continuous Disclosure Notice

6 July 2022

The Australian Securities & Investments Commission (ASIC) requires responsible entities of unlisted property schemes in which retail investors invest to provide a statement addressing six benchmarks and eight disclosure principles. These benchmarks and disclosure principles are contained in *ASIC Regulatory Guide 46: Unlisted property schemes – Improving disclosure for retail investors* (RG46). The Property Council of Australia (PCA) and the Property Funds Association (PFA) have issued their supplement to RG46 in the form of their *RG46 Voluntary Practice Note*.

This document has been prepared by Australian Unity Property Limited (AUPL) as the Responsible Entity of the Australian Unity Property Income Fund, ARSN 094 220 498 (Fund) to update investors on the information relevant to the benchmark and disclosure principles. This document should be read in conjunction with the latest Annual Report for the Fund, available on our website australianunity.com.au/wealth/pifw. Alternatively, you can call us on 1300 997 774 or +61 3 9616 8687 (if calling from overseas) for a free copy.

The financial information in this document is extracted from the Fund's accounting and property management records as at 31 March 2022 and is based on unaudited financial records unless stated otherwise.

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

Disclosure Principles and Benchmarks 1-3

Gearing ratio, Interest cover and fund borrowing

Disclosure principles and benchmarks 1 to 3 do not apply as the Fund has no direct borrowings and does not intend to borrow in the future.

Portfolio diversification

Disclosure Principle 4 – Portfolio diversification

The Fund generally invests in direct property assets, unlisted property trusts and listed Australian REITs.

The properties held directly or through unlisted trusts generally include (but are not limited to) the following property sectors:

- Commercial (e.g. office buildings);
- Retail (e.g. shopping centres);
- Industrial (e.g. warehouses); and
- Healthcare and Social Infrastructure (e.g. hospitals, medical centres, childcare, specialist disability accommodation).

The Fund's property portfolio is diversified by geographic location and sector to help reduce risk.

Typically, the Fund invests 40–70% of its assets in direct property and unlisted property investments, 20–50% in listed Australian REITs, with up to 20% held in cash and similar investments.

Asset allocation as at 31 March 2022

Asset class	value (M)*	(%)
Listed Australian REITs	127.78	36.16
Direct Property	130.68	36.98
Unlisted property	66.51	18.82
Cash and cash equivalents	28.39	8.03
Total	353.36	100.00

Exposure to listed Australian REITs	\$ value (M)*
Australian Unity A-REIT Fund	100.19
Australian Unity Office Fund (AOF)	9.34
GDI Property Group (GDI)	3.33
Newmark Property REIT (NPR)	2.83
Elanor Commercial Property Fund (ECF)	2.72
Elanor Retail Property Group	2.62
HealthCo Healthcare & Wellness REIT	2.51
Carindale Property Trust	2.38
RAM Essential Services Property Fund (REP)	1.86
Total	127.78

Unlisted property portfolio	\$ value (M)*
Australian Unity Healthcare Property Trust	12.86
Australian Unity Student Accommodation Fund	11.15
Planum Footscray Fund	10.79
Australian Unity Diversified Property Fund	8.13
Australian Unity Specialist Disability Accommodation Fund	8.09
Australian Unity Childcare Property Fund	4.97
Elanor Waverley Gardens Syndicate	3.68
Elanor Warrawong Plaza	3.50
Eildon Caboolture	3.35
Total	66.51

*Calculation of \$ value (M) is based on mid price.

Direct property portfolio details (as at 31 March 2022)

The information below provides details on the current diversification of the Fund.

Property details			Tenancy details				Valuation details ¹			
Address	Notes	Lettable area (sqm)	Major tenant	Number of tenants ⁴	Occupancy rate (% by income)	WALE (years by income) ²	Current valuation (\$m)	Valuation date	Capitalisation rate (%) ³	Book value (\$m)
Direct property										
223-227 Governor Road, Braeside VIC		10,573	Flavour Makers Australia	1	100	19.4	29.65	Aug-21	4.25	29.65
70 Light Square, Adelaide, SA		3,269	Logic Plus	6	90.5	2.8	18.25	Oct-21	5.88	18.76
2-10 Bliss Court, Derrimut VIC		9,715	Specialist Wholesalers	1	100	1.1	12.60	Jun-21	5.50	12.94
296 St. Vincent Street, Port Adelaide SA		3,537	Flinders Port	4	100	5.7	12.25	Jun-21	6.25	12.43
91-97 Woodlands Drive, Braeside VIC		4,877	Flavour Makers Australia	1	100	19.4	12.18	Aug-21	4.25	12.43
17 Byres Street, Newstead QLD		1,319	Construction Sciences	3	100	1.6	11.50	Jun-21	6.00	11.50
Edith Cavell Building, Herston QLD		1,573	Australian Unity	1	62.1	1.8	11.00	Feb-22	6.25	11.00
134 King Street, Newcastle, NSW		1,879	Richard Crookes Construction	1	-	n/a	7.55	Nov-21	7.00	8.00
10 International Square, Tullamarine VIC		4,305	Synergy Packing	1	100	8.8	7.30	Jun-21	4.75	7.45
Lot 8, 11 International Square, Tullamarine VIC		2,187	Synergy Packing	1	100	8.8	4.30	Jun-21	4.50	4.41
Lot 11 133 South Pine Road, Brendale QLD	5	n/a	n/a	n/a	-	n/a	1.50	Jun-21	n/a	2.09
Total				18 (T)	84.9 (A)	6.7 (A)	128.1 (T)		5.34 (A)	130.68 (T)

Notes

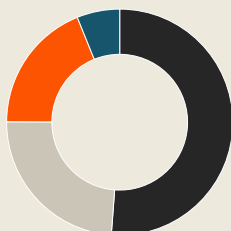
- Valuation Policy - Regular valuation of underlying property assets is an important aspect of managing the Fund. Valuations are conducted by qualified independent valuers in accordance with industry standards. We have a policy of generally obtaining independent valuations on Fund direct properties each year. Additionally, as part of our active management approach, we may test asset values on market. At times we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained. The direct property information in this table is current as at 31 March 2022. Please refer to the Fund's announcements page available from our website australianunity.com.au/wealth/pifw for full details on any changes to the Fund's direct property portfolio post this date.
- Weighted Average Lease Expiry by base rental income. Vacancies are assessed at market income.
- A market capitalisation rate is the rate, expressed as a percentage, that reflects the likely yield a property will generate over the medium term. It has regard to a property's unique characteristics and is a measure of the property's risk/return profile with higher rates reflecting higher risk and its function is to convert a property's income into value. The market capitalisation rate is assessed by the independent valuer by dividing the average net property income of the property or a portfolio of properties by the assessed valuation of the property or portfolio, excluding costs of acquisitions and fees.
- Total number of tenants represents unique tenants. The sum of all individual property tenant numbers may differ to the total, as some tenants have multiple properties, and these are not double counted in the total.
- Lot 11 133 South Pine Rd, Brendale, QLD is a vacant block of land currently under development to provide a 2,200sqm industrial warehouse.

Key direct property portfolio statistics

(as at 31 March 2022)

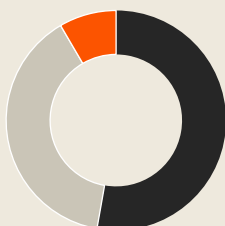
Geographic allocation (by value)

■	VIC	5 assets	51.19%
■	SA	2 assets	23.87%
■	QLD	3 assets	18.82%
■	NSW	1 asset	6.12%



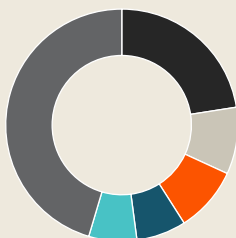
Property sector allocation (by value)

■	Industrial	6 assets	52.79%
■	Office	4 assets	38.79%
■	Healthcare and social infrastructure	1 asset	8.42%



Top 5 tenants (by income)

■	Flavour Makers Australia	22.53%
■	Flinders Ports	9.32%
■	Specialist Wholesalers	9.13%
■	Synergy Packaging	6.93%
■	Australian Unity	6.69%
■	Others (including vacancy)	45.40%



Property lease expiry profile by income as at 31 March 2022



Property development

The Fund seeks to enhance its existing properties through selective exposure to property development with the aim of improving the rental returns and capital value from the developed property. Property development means the construction of a new building, significant increases to the lettable area of a building or significant change to the nature or use of the property. In managing the Fund’s property portfolio, we may refurbish or redevelop properties from time to time as required. Material property developments may be undertaken where, in our view, substantial pre-commitments to lease are in place and/or development risk is appropriately mitigated.

There are two active redevelopment projects underway in the Fund as at the date of this document as detailed below.

Lot 11, 133 South Pine Road, Brendale QLD

Estimated cost to complete: \$3.3 million

Development works have now commenced on site for the construction of a new c.2,200 sqm industrial premises at this property. Construction is progressing well with the site having been levelled and frame installation underway. Development completion is currently anticipated to occur in late 2022.

Additionally, the Fund is currently exploring development opportunities at 134 King Street, Newcastle NSW.

134 King Street, Newcastle NSW

Estimated cost to complete: Feasibility in progress

Located in the heart of the Newcastle CBD, the property was acquired on 21 December 2021 with a view to repositioning the asset. It comprises retail/office accommodation over the ground floor and office over the three upper levels, with an additional enclosed rooftop meeting/function area and alfresco terrace, and around 1,880 sqm of lettable area and 19 basement car spaces. The strategy is to upgrade and reposition the property to maximise its value and earnings potential.

Property acquisitions

134 King Street, Newcastle, NSW

The Fund purchased 134 King Street, Newcastle, NSW for \$7.55 million on 21 December 2021. At the time of purchase the property had a 3.5 star NABERS energy rating and a short-term lease expiring in early 2022, which was over approximately 20% of the available leased area. The strategy is to upgrade and reposition the property to maximise its value and earnings potential (See ‘Property Development’).

70 Light Square, Adelaide SA

On 5 November 2021 the Fund settled the acquisition of 70 Light Square, Adelaide SA for \$18.25 million. Located in the core of the Adelaide CBD, the multi-tenanted property is a 4-star NABERS commercial office building with a net lettable area of 3,269m comprising four floors of office accommodation and ground floor retail. At the date of purchase, the property was 91% leased with an initial yield of 5.4% and a weighted average lease expiry of 3.1 years.

Property disposals

There were no property disposals during the period in review to 31 March 2022.

Please refer to the Fund's announcements page available from our website australianunity.com.au/wealth/pifw for details on any changes to the Fund after the reporting date of this CDN.

Valuation policy

Benchmark 4 – Valuation policy

The Responsible Entity maintains and complies with a written valuation policy that requires:

- a valuer to:
 - be registered or licensed in the relevant state, territory or overseas jurisdiction in which the property is located (where a registration or licensing regime exists), or otherwise be a member of an appropriate professional body in that jurisdiction; and
 - be independent.
- procedures to be followed for dealing with any conflicts of interest;
- rotation and diversity of valuers;
- valuations to be obtained in accordance with a set timetable; and
- for each property, an independent valuation to be obtained:
 - before the property is purchased:
 - for a development property, on an 'as is' and 'as if complete' basis; and
 - for all other property, on an 'as is' basis; and
 - within two months after the directors form a view that there is a likelihood that there has been a material change in the value of the property.

The Fund meets this benchmark and complies with AUPL's Valuation Policy. For further information or to obtain a copy of the Valuation Policy please contact us.

Regular valuation of underlying property assets is an important aspect of managing the Fund in the best interests of investors.

In addition to the above requirements, the Valuation Policy also requires that:

- independent external valuations for new properties must be completed no more than three months prior to exchange of contracts;
- independent external valuations for existing properties must generally be conducted once every 18 months if the property is under construction phase and otherwise, at least once in a financial year unless under exceptional circumstances;

- where there are multiple properties in a portfolio, the valuations are to be staggered through the year; and
- where a property has been contracted for sale, the contracted sale price may be adopted instead of the independent external valuation.

Additionally, as part of our active management approach, we may test asset values on market. At times, we may enter into arm's length commercial arrangements with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained.

Related party transactions

Benchmark 5 and Disclosure Principle 5 – Related party transactions

The Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.

The Fund meets this benchmark.

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

We maintain and comply with a written Conflicts of Interest Policy to manage the risk of any actual or perceived conflict of interest consequently of a related party transaction. Related party transactions with Australian Unity Group entities are reviewed, approved and monitored by senior management with clearly identified governance policy. Decisions in relation to conflicts of interest and related party transactions are documented.

As appropriate, we provide ongoing updates of material service engagements and financial benefits that are paid to related parties through the Continuous Disclosure Notice. The value of related party payments are reported yearly as part of the Fund's Annual Report.

For further information about the Conflicts of Interest Policy please contact us. The latest Fund Update and Annual Report can be found on our website australianunity.com.au/wealth/pifw. Alternatively, we can send you a free copy if you call us on 1300 997 774 or +61 3 9616 8687 (if calling from overseas).

Related party activity

Property management services

AUPL has appointed Australian Unity Property Management Pty Ltd ('AUPM') ABN 76 073 590 600 (a related party) to provide some property management services to the Fund. AUPL and AUPM are wholly owned subsidiaries of Australian Unity Limited (AUL) ABN 23 087 648 888 and are members of the Australian Unity Group. These arrangements adhere to the Conflicts of Interest Policy.

Australian Unity Property Management

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;
- development services; and
- property and asset management and project supervision.

The appointment of AUPM for these services is not exclusive and AUPL may in its discretion engage other service providers to provide such services.

From 1 July 2021 to 31 March 2022, \$0.30 million has been paid to AUPM for services provided.

Other related party service providers

AUPL may appoint other related parties from time to time. Please refer to our website australianunity.com.au/wealth/pifw for updates.

Investments

AUL and its subsidiaries (related parties) may invest in the Fund and the Fund may invest in related parties from time to time. Details of related party investments will be included in the Fund's Annual Report. Investor approval is not required as the transactions are made on commercial terms and conditions and on an arm's length basis.

As at 31 March 2022 related parties held interests in the Fund of:

Name of related entity	\$ value (M)*	% of the Fund's net assets
Lifepan Australia Friendly Society Limited	8.30	2.37
Pro-D Balanced Fund	3.08	0.88
Australian Unity Trustees Limited	3.00	0.86
Pro-D Growth Fund	2.24	0.64
Balanced Growth Portfolio	1.76	0.50
Pro-D High Growth Fund	0.65	0.19
Australian Unity Trustees Charitable Common Fund 3	0.53	0.15
Total	19.56	5.59

* Calculation of \$ value (M) is based on redemption price.

As at 31 March 2022 the Fund held investments in related parties of:

Name of related entity	\$ value (M)*	% of the underlying Fund's net assets
Australian Unity A-REIT Fund	100.19	96.53
Australian Unity Healthcare Property Trust	12.86	0.61
Australian Unity Student Accommodation Fund	11.15	30.62
Australian Unity Office Fund	9.34	2.32
Australian Unity Diversified Property Fund	8.13	2.36
Australian Unity Specialist Disability Accommodation Fund	8.09	11.04
Australian Unity Childcare Property Fund	4.97	13.97
Australian Unity Wholesale Cash Fund	2.57	0.46
Total	157.29	

* Calculation of \$ value (M) is based on mid price.

Basis of related party appointments and investment terms

Investor approval is not required for the arrangements between the related party entities described in this document. This is because they have been made on commercial terms and conditions and on an arm's length basis.

The related party arrangements described in this document adhere to the Conflicts of Interest Policy.

Distribution practices

Benchmark 6 and Disclosure Principle 6 – Distribution practices

The Scheme will only pay distributions from its cash from operations (excluding borrowings) available for distribution.

The Fund does not meet this benchmark.

The Fund aims to source, and currently sources, all distributions from funds from operations ('FFO'). However, it is permitted to fund distribution payments from other sources, such as working capital, if we consider it to be in the interests of investors (for example if rental income is suddenly reduced unexpectedly) and where payment from that source is expected to be sustainable given the circumstances.

FFO is a key determinant when calculating and deciding the level of distribution to pay. To reconcile net profit to FFO and distributions the Fund may make adjustments to net profit for changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation on incentives, rental straight-line adjustments and other unrealised one-off items.

A reconciliation of the net profit to FFO and distributions is set out in the table below, in accordance with the PCA and PFA RG4.6 Voluntary Practice Note, for the year ended 30 June 2021.

Asset Class	Actual (\$M)
Net profit	50.15
Valuation changes*	(35.67)
Interest rate derivative changes	-
Other**	6.90
Fund from operations	21.38
Distributions declared	15.26

* Valuation changes include direct property revaluations, listed/unlisted property trusts unrealised/realised valuation changes and rental straight-line adjustments.

** Includes capital gain distributions.

Distributions declared at 30 June 2021 did not exceed available FFO. The Distribution Policy is aligned to the ongoing earning capacity of the Fund. We expect the current source of distributions to be sustainable over the next 12 months.

Where the Fund makes distributions from capital, this will have the effect of reducing investor equity. Where this occurs and the Fund has borrowings, the reduction in investors' equity will have the effect of increasing the gearing ratio and gearing related risks. Where the Fund is close to its gearing related covenants, the risk of breaching these covenants is increased.

At the date of this document the Fund had no direct borrowings and does not intend to borrow.

Withdrawal rights

Disclosure Principle 7 – Withdrawal rights

Withdrawals from the Fund are available daily.

We normally endeavour to meet a withdrawal request within five business days however the Fund's Constitution permits up to 180 days for withdrawals to be met. If the Fund's assets cannot be sold in a timely manner, the payment of withdrawals may be extended further than the 180 days permitted under the Constitution.

Further information about the Fund's withdrawal arrangements is contained in the Fund's current PDS; please refer to the 'Risks relevant to the Fund' for further information, which can be found on our website australianunity.com.au/wealth/pifw.

Net tangible assets

Disclosure Principle 8 – Net tangible assets

The Fund is an open-ended property scheme and as such this disclosure principle is not applicable. However, the current unit price for the Fund is available on our website australianunity.com.au/wealth/pifw.

Contact us

australianunitywealth@unitregistry.com.au

Investor/Adviser Services

T 1300 997 774 or +61 3 9616 8687 (if calling from overseas)

Important Information

Units in the Australian Unity Property Income Fund are issued by Australian Unity Property Limited ABN 58 079 538 499, AFS Licence No. 234455 as responsible entity of the fund. The information in this document is general information only and is not based on the objectives, financial situation or needs of any particular investor. In deciding whether to acquire, hold or dispose of the product, an investor should obtain a copy of the Product Disclosure Statement (PDS) and consider whether the product is appropriate for you. A copy of the PDS is available by calling us on 1300 997 774 or +61 3 9616 8687 (if calling from overseas). Investment decisions should not be made upon the basis of past performance or distribution rate since each of these can vary. The information provided in this document is current at the time of publication.