

CONTINUOUS DISCLOSURE NOTICE

31 December 2015



Australian Unity Diversified Property Fund

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.

This document has been prepared by Australian Unity Property Limited (AUPL) as the Responsible Entity of the Australian Unity Diversified Property Fund (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 from our website australianunityinvestments.com.au/dpf. Alternatively, you can call us on 13 29 39 for a free copy.

This document is dated 31 December 2015 and was issued on 23 February 2016. The financial information in this document is extracted from the Fund's accounting and property management records as at 31 December 2015 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 and tenancies are re-let.

Gearing ratio and policy

Disclosure Principle 1 - Gearing ratio

The gearing ratio of the Fund, calculated as total interest bearing liabilities divided by total assets was 45.93% as at 31 December 2015 (42.91% as at 30 June 2015 based on the Fund's audited financial statements).

The gearing ratio shows the extent to which the Fund's total assets are funded by interest bearing liabilities and gives an indication of the potential risks investors face in terms of external liabilities that rank ahead of them.

Gearing magnifies the effect of gains and losses on an investment. A higher gearing ratio means greater magnification of gains and losses and generally greater volatility compared to a lower gearing ratio.

The gearing ratio above is calculated in accordance with the ASIC disclosure principles formula and is at a fund level. The loan to valuation ratio (which is a measure of the borrowing facility amount drawn as a proportion of the value of assets under the borrowing facility security arrangement) is shown under the heading 'Fund borrowing'.

Benchmark 1 - Gearing policy

The Responsible Entity maintains and complies with a written policy that governs the level of gearing at an individual credit facility (borrowing facility) level.

The Fund meets this benchmark. AUPL monitors and manages the Fund's borrowings at an individual borrowing facility level on an ongoing basis in accordance with its Gearing and Interest Cover Policy.

The Policy outlines record keeping, monitoring and reporting requirements.

The Fund has a single borrowing facility and generally operates within a gearing ratio range between 45% and 55%. The maximum gearing ratio for the Fund under the Policy is 65%. However, the Fund operates within the borrowing facility covenant limit of 55%. These parameters may change from time to time.

The Fund continues to comply with its Gearing and Interest Cover Policy. For further information or to obtain a copy of the Policy please contact us.

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Australian Unity Diversified Property Fund

Interest cover ratio and policy

Disclosure Principle 2 - Interest cover

The Fund's interest cover ratio for the 12 months to 31 December 2015 was 3.07 times (2.97 times for the 12 months to 30 June 2015 based on the Fund's audited financial statements).

Interest cover indicates the ability of the Fund to meet interest payments from earnings. 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. For example, an interest cover ratio of two times, means that the level of earnings is twice that of interest costs on borrowings, meaning that there is surplus earnings after interest payments which can be used to pay distributions to investors. An interest cover ratio of one times means that Fund earnings are only sufficient to pay interest on borrowings and any distributions would either need to be funded from investor capital or suspended.

Generally, the closer the Fund's interest cover ratio is to one, the higher is the risk of the Fund not being able to meet interest payments from earnings. To mitigate some of this risk, property fund managers may hedge against rises in interest rates to protect the Fund from higher interest costs. In addition, asset management strategies that attract high quality tenants on longer lease terms and tenant diversity aims to ensure that the Fund's level of earnings remains stable and predictable.

The interest cover ratio is calculated in accordance with the ASIC disclosure principles formula and is at a fund level. The interest cover ratio relevant to the borrowing facility covenant is calculated differently from the ASIC formula and is shown under the heading 'Fund borrowing'.

Benchmark 2 - Interest cover policy

The Responsible Entity maintains and complies with a written policy that governs the level of interest cover at an individual credit facility (borrowing facility) level.

The Fund meets this benchmark. AUPL monitors and manages the Fund's interest cover at an individual borrowing facility level on an ongoing basis in accordance with its Gearing and Interest Cover Policy. The Policy outlines record keeping, monitoring and reporting requirements.

The minimum interest cover ratio for the Fund under the Policy is 1.25 times (calculated as net income divided by interest expense on borrowings). This calculation measure aligns with the Trust's borrowing facility covenant and is different from the calculation adopted by ASIC in Disclosure Principle 2.

The Fund continues to comply with its Gearing and Interest Cover Policy. For further information or to obtain a copy of the Policy please contact us.

Fund borrowing

Disclosure Principle 3 - Scheme (Trust) borrowing

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

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

The Fund has one borrowing facility that is secured by all of the Fund's assets and is summarised in the table below:

Borrowing details	
Borrowing facility drawn amount	\$128.13 million
Borrowing facility limit	\$135.00 million
Borrowing facility maturity	June 2016
Borrowing facility Loan to Valuation Ratio covenant limit	55.00%
Fund Loan to Valuation Ratio calculated in accordance with borrowing facility definition	51.12%
Amount by which value of assets must decrease before a borrowing facility covenant is breached	7.06%
Borrowing facility Interest Cover Ratio covenant limit	1.50 times
Fund Interest Cover Ratio calculated in accordance with borrowing facility definition	3.22 times
Amount by which the operating cash flow must decrease before a borrowing facility covenant is breached	53.46%
Borrowing facility interest rate (inclusive of borrowing margin, line fees and interest rate hedges)	4.63% p.a.
% of borrowings hedged	70.24%
Weighted hedge expiry	2.97 years

The Fund is required to refinance all of its borrowings by June 2016. With most refinancing activity there is a risk that the lender may choose not to refinance the facility. If this occurred, the Fund would need to find an alternate lender, which may be more costly than the existing lender. In extreme situations if the Fund cannot find an alternate lender, the Fund may lose value from selling assets in poor market conditions in order to repay the borrowed amount.

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Australian Unity Diversified Property Fund

Our approach is to actively manage the Fund's borrowings in conjunction with the lender(s) to manage this risk. To the best of AUPL's knowledge, there have been no breaches of loan covenants as at the date of this document.

All amounts owed to lenders and to other creditors will rank before each investor's interest in the Fund. The Fund's ability to pay interest, repay or refinance the amount owed upon maturity; and its ability to meet all loan covenants under its borrowing facility is material to its performance and ongoing viability.

There are no terms within the borrowing facility that may be invoked as a result of investors exercising their rights under the Fund's Constitution.

Interest capitalisation

Benchmark 3 - Interest capitalisation

The interest expense of the Scheme is not capitalised.

The Fund meets this benchmark. The interest expense of the Fund is not capitalised.

Portfolio diversification

Disclosure Principle 4 - Portfolio diversification

The Fund comprises Australian property assets including directly owned properties, unlisted property investments and listed Australian Real Estate Investment Trusts (Australian REITs). Unlisted property trusts may be used to achieve the target level of exposure to suitable properties and sectors. Listed Australian REITs may be used to enhance geographic and sector diversification; and in conjunction with cash, to support ongoing liquidity and cash flow management.

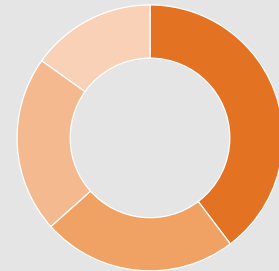
The Fund typically holds 70-100% of its assets in direct property and may hold up to 20% of its direct property exposure through unlisted property investments. Exposure to Australian REITs will be small and may range between 0-15% of the Fund's assets. At the date of this document the Fund had no exposure to Australian REITs. These limits are subject to review and may change over time.

Property lease expiry profile by income



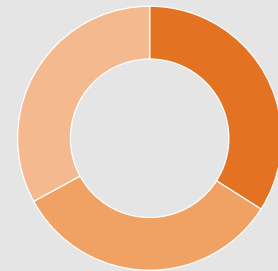
Key portfolio statistics (as at 31 December 2015)

Geographic allocation by value



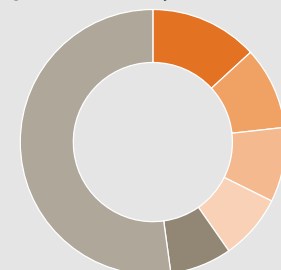
WA	9 assets	39.68%
VIC	2 assets	23.71%
QLD	1 asset	21.47%
NSW	1 asset	15.14%

Property sector diversity by value



Retail	5 assets	34.02%
Office	4 assets	33.05%
Industrial	4 assets	32.93%

Top 5 tenants by income



Coca Cola	13.17%
Environment Protection Authority	10.06%
Myer	9.10%
Metcash	7.97%
Woolworths	7.53%
Others (excluding vacancy)	52.17%

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Australian Unity Diversified Property Fund

Fund investment portfolio details as at 31 December 2015

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

Property details		Tenancy details				Valuation details ¹			
Address	Lettable area (square metres)	Major tenant	Number of tenants	Occupancy rate % (by area)	WALE (years) ²	Current valuation (\$million)	Valuation date	Capitalisation rate %	Book value (\$million)
Direct property									
278 Orchard Road, Richlands, QLD	53,000	Coca Cola	2	98	2.57	54.50	Dec-15	8.50	54.50
200 Victoria Street, Carlton, VIC	7,911	Environment Protection Authority	4	100	6.27	44.00	Jun-15	6.75	44.00
20 Smith Street, Parramatta, NSW	7,420	GHD	11	97	3.85	37.00	Mar-15	8.50	38.45
Dog Swamp Shopping Centre, WA	6,528	Woolworths	32	96	2.89	29.00	Mar-15	7.75	29.42
Woodvale Boulevard Shopping Centre, WA	6,378	Woolworths	26	97	7.16	26.20	Dec-15	7.75	26.20
Busselton Central Shopping Centre, WA	7,459	Metcash	20	100	3.57	25.00	Sep-15	7.75	25.08
19 Corporate Avenue, Rowville, Vic	12,398	Regal Beloit Australia	1	100	6.33	15.30	Jun-15	7.50	16.19
Lots 34 & 36 Geddes Street, Balcatta, WA	6,961	Metcash	1	100	2.97	10.80	Sep-15	8.25	10.80
Busselton Target, WA	1,860	Target	1	100	3.30	4.05	Sep-15	7.50	4.23
5 Kenhelm Street, Balcatta, WA	3,000	Pickles Auctioneers	1	100	0.09	2.10	Sep-15	N/A	2.10
Busselton Rivers, WA	591	Rivers	1	100	1.00	1.45	Sep-15	7.50	1.45
39 Kent Street, Busselton, WA	280	Fergus	1	100	0.54	0.80	Sep-15	N/A	0.80
37 Kent Street, Busselton, WA	229	Vacant	0	0	0.00	0.66	Sep-15	N/A	0.66
Unlisted property									
Australian Unity Office Property Fund									16.70
Australian Unity Rockdale Property Trust									3.65
Cash and other assets									4.71
Total (T)/ Weighted Average (A)			101 (T)	98 (A)	4.23 (A)	250.86 (T)		7.78 (A)	278.94 (T)

Notes

1. 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.
2. Weighted Average Lease Expiry (WALE) by base rental income.

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Property development

We believe the Fund can enhance its existing properties and add further value to investors through selective exposure to property development in order to improve the rental returns from the developed property. Property development means the construction of a new building, significant increases to the lettable area of a building or significant changes 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 will only be undertaken where substantial pre-commitments to lease are in place and development risk is appropriately mitigated.

In November 2015 the planned development and expansion of the Busselton Central Shopping Centre was approved by Western Australia's Southern Joint Development Assessment Panel.

The proposed development will see the city's main shopping centre increase in size by 40% to 16,000 sqm. The expansion will include a full size discount department store, additional specialty shops and a food and entertainment precinct with cafes and a restaurant. The concept plan was developed in conjunction with representatives from the Busselton City Council and a development application will be lodged imminently for consideration. The development will be staged to minimise disruption to the community and tenants and is expected to be completed over a two year period.

We are actively working with major tenants to enter into pre-commitments prior to commencing the development.

Works to upgrade both the Dog Swamp Shopping Centre and Woodvale Boulevard Shopping Centre were undertaken over the past couple of months and completed in time for the busy Christmas period. Due to the scale of the works, and so as not to impede customer traffic, the majority of the preparatory work was undertaken after-hours. The results are impressive and present a modern, contemporary aesthetic.

At 20 Smith Street, Parramatta, NSW a major lift upgrade is underway, to retrofit the existing lifts which have reached the end of their useful life.

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 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 at least once in a financial year;
- 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 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.

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 and complies with AUFM's Related Party Policy.

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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, approved and monitored by senior management with clearly identified governance policies and guidelines. 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 Fund Update and 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 Related Party Policy please contact us. The latest Fund Update and Annual Report can be found on our website australianunityinvestments.com.au/dpf. Alternatively we can send you a free copy if you call us on 13 29 39.

Related party activity

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.

Investor approval is not required for this arrangement as the appointment is made on commercial terms and conditions and on an arm's length basis.

AUPL has appointed Australian Unity Funds Management Limited ABN 60 071 497 115 (AUFM) (a related party) to provide registry and accounting services to the Fund which is subject to annual review.

Investor approval is not required for this arrangement and the appointment is made on commercial terms and conditions and on an arm's length basis.

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

These arrangements adhere to the Related Party 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; and
- property and asset 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 2015 to 31 December 2015 services to the value of \$725,145 have been provided by and paid to AUPM.

Other related party service providers

AUPL may appoint other related parties or source providers to undertake these functions from time to time.

Australian Unity Funds Management

AUFM has been appointed to provide registry and accounting services under a written agreement that commenced in September 2012. Effective from 1 July 2015, AUFM charges the Fund \$240,000 p.a. (excluding GST). This amount is subject to an annual review. The transaction was made on commercial terms and conditions and was on an arm's length basis. The appointment of AUFM is exclusive and may be terminated by either party by providing three month's notice without cause or earlier if certain conditions are not met.

AUPL may appoint other related parties from time to time.

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 December 2015 related parties held interests in the Fund of \$17.67 million (12.05%) based on net assets.

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. However, it is permitted to fund distribution payments from other sources, such as 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.

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

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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.

Withdrawal rights

Disclosure Principle 7 - Withdrawal rights

The Fund is currently a non-liquid scheme meaning that it invests predominantly in assets that cannot be realised for their fair market value and converted to money within the time frame specified in the Fund's Constitution. As such, investors should view the Fund as a long-term investment of at least five years, and investors may only withdraw in response to a withdrawal offer made by us.

It is currently the strategy of the Responsible Entity to make withdrawal opportunities to investors, subject to the Fund's cash position at the time. The making of withdrawal offers is at the discretion of AUPL, subject to the financial capacity of the Fund and there is no obligation to make these offers. There is a risk you may not be able to withdraw during your investment time-frame. Where withdrawal offers are made available however, a cap on the amount available may mean that your request may be met on a pro-rata basis, and you may receive only part of your requested amount. The last Withdrawal Offer made to investors was a Special Withdrawal Facility in September 2015.

Ordinary Units

For the duration of the Class A Unit Offer, the Responsible Entity will suspend its strategy of making other withdrawal offers available to ordinary unitholders. Historically, these withdrawal offers have occurred every six months and have been capped at 2.5% of the Fund's net assets.

We intend recommencing withdrawal offers after the conclusion of the Class A Unit Offer. We will notify investors in writing when withdrawal offers are made.

Class A Units

Class A Units issued cannot be redeemed during a period of two years commencing from the day following the closing of the Class A Units Offer or 30 September 2016, whichever is the earlier.

After this period, Class A Units will convert to 'Ordinary Units' and will be able to participate in subsequent withdrawal offers.

The making of withdrawal offers is at the discretion of AUPL, subject to the financial capacity of the Fund and there is no obligation to make these offers. There is a risk you may not be able to withdraw during your investment timeframe.

Deceased Estates

After the Class A Unit Offer closes, subject to the Fund's liquidity, to the Corporations Act and to ASIC relief, representatives of deceased estates may be eligible to request a full withdrawal from the Fund at the time that the Fund makes a bi-annual capped withdrawal offer subject to the financial position of the Fund. Any amount payable to deceased estates will be in addition to the amount available under each withdrawal offer subject to the financial position of the Fund. This applies to both 'Ordinary' and Class A Units.

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 australianunityinvestments.com.au/dpf

For further enquiries

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

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Important information

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