

Continuous Disclosure Notice

6 May 2020

Australian Unity Property Income Fund ARSN 094 220 498

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. The Property Council of Australia (PCA) and the Property Funds Association (PFA) have issued their supplement to this Regulatory Guide 46 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 (Fund) to update investors on the information relevant to the benchmarks and disclosure principles. This document should be read in conjunction with the latest Annual Report for the Fund, available from our website australianunity.com.au/wealth. Alternatively, you can call us on 13 29 39 for a free copy.

The financial information in this document is extracted from the Fund's accounting and property management records as at 31 December 2019 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.

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 (e.g. hospitals or medical centres).

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 at 31 December 2019

Asset class	(\$million)	(%)
Direct Property	126.66	42.62
Listed Australian REITs	99.95	33.63
Unlisted property	42.46	14.29
Cash and cash equivalents	28.11	9.46
Total	297.18	100.00

Exposure to listed Australian REITs	(\$million)
Australian Unity A-REIT Fund	92.29
Australian Unity Office Fund	7.66
Total	99.95

Unlisted property portfolio	(\$million)
Australian Unity Healthcare Property Trust	14.55
Australian Unity Diversified Property Fund	14.46
Planum Footscray Fund	9.93
Waverley Gardens Syndicate Fund	3.52
Total	42.46

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Direct property portfolio details

(as at 31 December 2019)

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

Property details ³		Tenancy details				Valuation details ¹			
Address	Lettable area (square metres)	Major tenant(s)	Number of tenants	Occupancy rate (% by income)	WALE (years by income) ²	Current valuation (\$m)	Valuation date	Capitalisation rate % ⁴	Book value (\$m)
Direct property									
223-227 Governor Road, Braeside VIC	10,573	Flavour Makers Australia	1	100.00	14.75	22.50	Sep-19	5.75	24.00
40 Allara St, Canberra ACT	5,830	Australian Government Department	6	77.76	0.36	18.50	Dec-18	8.25	23.00
40 Scanlon Drive, Epping VIC	9,371	Grace Australia	2	100.00	4.53	13.30	May-19	6.25	14.21
17 Byres Street, Newstead QLD	1,326	Construction Sciences	3	100.00	3.80	10.85	Jun-19	6.50	11.83
2-10 Bliss Court, Derrimut VIC	9,804	Specialist Wholesalers	1	100.00	3.39	11.75	Oct-19	6.25	11.75
296 St. Vincent Street, Port Adelaide SA	3,537	Flinders Port	3	95.44	6.59	9.00	Dec-18	7.25	11.36
91-97 Woodlands Drive, Braeside VIC	4,877	Flavour Makers Australia	1	100.00	14.74	9.50	Sep-19	5.50	10.14
Lot 6 133 South Pine Road, Brendale QLD	3,796	SWC Management	1	100.00	8.83 ⁵	7.03	May-19	6.50	7.60
65 Beverage Drive, Tullamarine VIC	6,363	Synergy Packing	1	100.00	1.58	6.70	Jul-19	6.75	6.70
10 International Square, Tullamarine VIC	4,305	Synergy Packing	1	100.00	1.50	4.85	Mar-19	7.00	4.85
Lot 11 133 South Pine Road, Brendale QLD ⁶	n/a	n/a	n/a	-	n/a	1.12	May-19	n/a	1.22
Total (T)/ Weighted Average (A)			20 (T)	93.15 (A)	5.37 (A)	115.10 (T)		6.53 (A)	126.66 (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 December 2019. Please refer to the Fund's announcements page available from our website australianunity.com.au/wealth 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.
- The direct property information on this table is current as at 31 December 2019. Please refer to the Fund's announcements page available from our website australianunity.com.au/wealth for full details on any changes to the Fund's direct property portfolio post this date.
- 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.
- This tenant entered into voluntary administration in late December 2019 and the lease term is unlikely to continue for 8.83 years, for further information please refer to the following page.
- Lot 11 133 South Pine Rd, Brendale, QLD is a vacant block of land to be developed in the future, which is adjacent to the Fund's property located at Lot 6, 133 South Pine Road, Brendale.

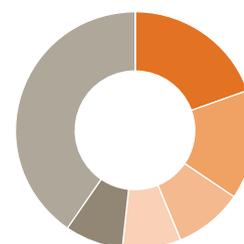
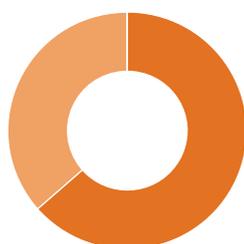
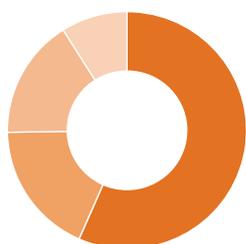
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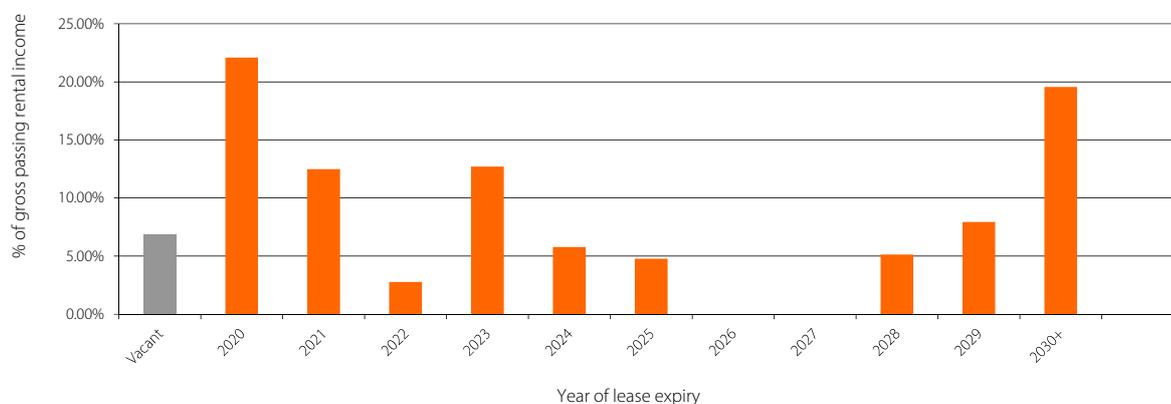
Key direct property portfolio statistics

(as at 31 December 2019)

Geographic allocation (by value)			Property sectors (by value)			Top 5 tenants (by income)	
■ VIC	6 assets	56.57%	■ Industrial	8 assets	63.53%	■ Flavour Makers Australia	19.55%
■ ACT	1 asset	18.16%	■ Office	3 assets	36.47%	■ Australian Government Department	14.92%
■ QLD	3 assets	16.30%				■ Synergy Packaging	9.30%
■ SA	1 asset	8.97%				■ Flinders Ports	7.93%
						■ Specialist Wholesalers	7.88%
						■ Others (excluding vacancy)	40.42%



Direct Property lease expiry profile by income as at 31 December 2019



Property development

We believe the Fund can enhance its existing properties and add further value to investors through selective exposure to property development. 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 will only be undertaken where, in our view, substantial pre-commitments to lease are in place and development risk is appropriately mitigated.

There are no development projects underway in the Fund as at the date of this document. However, the vacant lot at Lot 11, 133 South Pine Road, Brendale QLD provides the Fund with scope to construct a warehouse on the site.

Lot 6, 133 South Pine Road, Brendale QLD

The tenant, SWC Management (Pazstone), entered into voluntary administration in late December 2019, with Korda Mentha appointed as Administrator. The tenant's rent was paid up to 31 December 2019. As the Administrator / Pazstone continues to occupy Lot 6, 133 South Pine Road, with both the January 2020 and February 2020 monthly rents paid to date. The Administrators have been granted an extension by the Supreme Court of Victoria to hold the creditors

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meeting in or around April 2020. We are working with the Administrators to ensure the rent is serviced until then.

Property disposals

On 17 July 2019, the Scheme exchanged a contract of sale for 40 Allara Street, Canberra ACT for a sale price of \$23,000,000. The contract of sale was subject to conditions precedents that were met on 24 July 2019. The settlement is expected to occur on or about 30 June 2020.

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 management or 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 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 the 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 AUPL's Related Party Policy. 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 a 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 Fund Update and Continuous Disclosure Notice.

For further information about the Related Party Policy please contact us. The latest Fund Update and Annual Report can be found on our website australianunity.com.au/wealth. Alternatively, we can send you a free copy if you call us on 13 29 39.

Related party activity

Property management services

AUPL has appointed Australian Unity Property Management Pty Ltd ('AUPM') ABN 76 073 590 600 to provide some property management services to the Fund. Investor approval is not required for this arrangement and the appointment has been made on commercial terms and conditions and on an arm's length basis. AUPL and AUPM are wholly owned subsidiaries of Australian Unity Limited

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(AUL) ABN 23 087 648 888 and are members of the Australian Unity Group. This arrangement adheres 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 (if applicable);
- 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 2019 to 31 December 2019, \$0.89 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 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 are 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 2019, related parties held interests in the Fund of \$30.44 million (10.29% based on net assets).

Name of related entity	\$ Value (M)	% of the Fund's net assets
Lifepan Australia Friendly Society Limited	15.74	5.32%
Australian Unity Health Limited	4.05	1.37%
Pro-D Balanced Fund	3.49	1.18%
Pro-D Growth Fund	2.45	0.83%
Australian Unity Balanced Growth Portfolio	2.18	0.74%
Australian Unity Trust Limited	1.55	0.52%
Pro-D High Growth Fund	0.98	0.33%

As at 31 December 2019 the Fund held investments in related parties of \$154.64 million (52.98% based on net assets).

Name of related entity	\$ Value (M)	% of the underlying Fund's net assets
Australian Unity A-REIT Fund	92.29	93.66%
Australian Unity Wholesale Cash Fund	25.68	4.28%
Australian Unity Diversified Property Fund	14.46	4.90%
Australian Unity Healthcare Property Trust	14.55	0.88%
Australian Unity Office Fund	7.66	1.62%

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 over a financial year 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 for the Fund 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 following table, in accordance with the PCA and PFA RG46 Voluntary Practice Note, for the twelve months to 30 June 2019.

	Actual (\$)
Net profit	22,237,293
Valuation changes ¹	2,069,217
Other	2,347,541
Fund from operations	26,654,051
Distributions declared	26,247,083

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

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The distributions declared at 30 June 2019 did not exceed the available FFO. The Distribution Policy is aligned to the ongoing earning capacity of the Fund.

Where the Fund makes distributions from capital, this will have the effect of reducing investors' 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 in the future.

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.

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.

Important information

The Australian Unity Property Income Fund is issued by Australian Unity Property Limited ABN 58 079 538 499, AFS Licence No. 234455. The information in this document is general information only and is not based upon, nor does it consider the objectives, taxation, financial situation, or needs or goals of any particular individual or investor. In deciding whether or not 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 their particular requirements and objectives. Before making any decision using any of the information contained in this document, you should carefully read the PDS in its entirety. We also recommend that you consult with a financial adviser or tax adviser.

A copy of the PDS is available at australianunity.com.au/wealth or by calling our Investor Services team on 13 29 39.

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.

Contact us

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