

CONTINUOUS DISCLOSURE NOTICE

31 December 2014



Australian Unity Retail 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 Funds Management Limited (AUFM) as the Responsible Entity of the Australian Unity Retail Property Fund (Fund) to update investors on the information relevant to the benchmarks and disclosure principles. On 25 June 2014, Australian Unity Property Limited ABN 58 079 538 499, AFS Licence No. 234455, retired as the Responsible Entity for the Fund. This document should be read in conjunction with the latest Annual Report for the Fund, available from our website australianunityinvestments.com.au. Alternatively, you can call us on 13 29 39 for a free copy.

This document is dated 31 December 2014 and was issued on 6 March 2015. The financial information in this document is extracted from the Fund's accounting and property management records as at 31 December 2014 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 40.84% as at 31 December 2014 (40.54% as at 30 June 2014 based on the Fund's 30 June 2014 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. AUFM 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 40% and 60%. The maximum gearing ratio for the Fund under the Policy is 65%. These parameters may change from time to time.

The Fund continues to comply with AUFM's 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 Retail 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 2014 was 2.39 times. (2.10 times for the 12 months to 30 June 2014 based on the Fund's audited financial statements).

The interest cover ratio above 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 alternatively 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. AUFM 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 Fund's borrowing facility covenant and is different from the calculation adopted by ASIC in Disclosure Principle 2.

The Fund continues to comply with AUFM's 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 the property assets of the Fund and is summarised in the table below:

Borrowing details	
Borrowing facility drawn amount	\$112.87 million
Borrowing facility limit	\$160.00 million
Borrowing facility maturity	April 2015
Borrowing facility Loan to Valuation Ratio covenant limit	55.00%
Fund Loan to Valuation Ratio calculated in accordance with borrowing facility definition	41.82%
Amount by which value of assets must decrease before a borrowing facility covenant is breached	23.97%
Borrowing facility Interest Cover Ratio covenant limit	1.50 times
Fund Interest Cover Ratio calculated in accordance with borrowing facility definition	2.52 times
Amount by which the operating cash flow must decrease before a borrowing facility covenant is breached	40.58%
Borrowing facility interest rate (inclusive of borrowing margin, line fees and interest rate hedges)	5.39% p.a.
% of borrowings hedged	88.60%
Weighted hedge expiry	3.33 years

The Fund is required to refinance all of its borrowings by April 2015. The Fund is within the current lender's covenant and facility limit requirements and as such, we are confident that the borrowing facility will be refinanced prior to maturity. 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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Our approach is to actively manage the Fund’s borrowings in conjunction with the lender(s) to manage this risk.

To the best of AUFM’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.

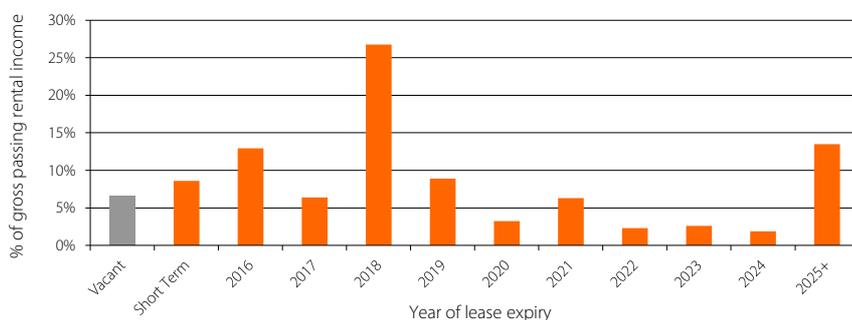
Portfolio diversification

Disclosure Principle 4 - Portfolio diversification

The Fund predominantly comprises Australian direct retail property assets. Unlisted retail property trusts may also be used where appropriate to achieve the target level of exposure to suitable properties. Retail sector listed Australian Real Estate Investment Trusts (Australian-REITs) may be used to enhance geographic and sectoral diversification and, in conjunction with cash, to support ongoing liquidity and cash flow management.

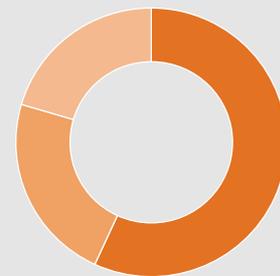
The Fund typically holds 70-100% of its assets in direct property and may hold up to 20% in listed Australian-REITs or unlisted property investments. The balance of the Fund’s assets is held in cash and similar investments.

Property lease expiry profile by income



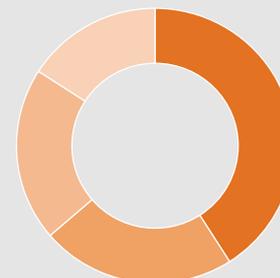
Key portfolio statistics (as at 31 December 2014)

Geographic allocation by value



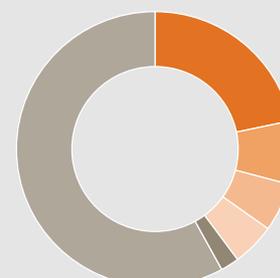
VIC	2 assets	56.85%
QLD	1 asset	22.71%
NSW	1 asset	20.44%

Property sector diversity by value



Sub Regional	1 asset	40.96%
Bulky Goods	1 assets	22.71%
Specialised Retail	1 asset	20.43%
Neighbourhood	1 asset	15.90%

Top 5 tenants by income



Caltex	21.71%
Woolworths	7.42%
Bunnings	5.71%
Coles	5.02%
Target	2.16%
Others (excluding vacancy)	57.98%

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Fund investment portfolio details as at 31 December 2014

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(s)	Number of tenants	Occupancy rate (% by area)	WALE (years) ²	Current valuation (\$m)	Valuation date	Capitalisation rate (%)	Book value (\$m)	
Direct property										
Waurm Ponds Shopping Centre, Geelong, VIC ³	24,199	Target	70	97.68	6.14	63.00	Jun 14	7.25	63.34	
Waurm Ponds Shopping Centre, Geelong, VIC – extension ^{3,4,6}	23,560	Coles	51	91.61	11.62	N/A ⁷	N/A ⁷	N/A ⁷	44.91 ⁷	
Sunshine Homemaker Centre, Maroochydore, QLD ^{4,5}	27,127	Bunnings Warehouse	28	90.41	2.83	60.00	Sep 14	9.35	60.02	
Caltex Twin Service Centres Sydney to Newcastle (F3) Freeway, NSW ⁴	4,286	Caltex	1	100.00	3.50	54.00	Dec 14	9.75	54.00	
North Blackburn Square Shopping Centre, North Blackburn, VIC	11,909	Woolworths	58	97.56	4.44	42.00	Dec 14	7.50	42.00	
Cash and other assets									12.07	
Total (T)/			208	94.04	5.43	219.00		8.49	276.34	
Weighted Average (A)			(T)	(A)	(A)	(T)		(A)	(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.
- Weighted Average Lease Expiry (WALE) by base rental income.
- The Fund has 50% ownership interest in the property.
- These properties are held through wholly-owned unlisted property investments.
- On 5 September 2014, the Fund entered into Put and Call Option Agreements to sell the Wendouree Homemaker Centre and the Sunshine Homemaker Centre. For more information, refer to the Fund's web announcement dated 15 September 2014.
- This property is owned by the Australian Unity Retail Opportunities Trust.
- The Waurm Ponds Shopping Centre extension is currently held at cost given its holding structure. It is likely that this property will be independently valued once Coles Group Property Development Limited sells its 50% interest and the title to the existing centre and the extension are consolidated.

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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. 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 appropriate pre-commitments to lease are in place and development risk is appropriately mitigated.

A risk of property development is construction risk. Construction projects carry a risk that the costs of the project might be higher than budgeted, the projects may take longer than expected to complete or the project may not be finished.

We endeavour to mitigate construction risks by negotiating a capped arrangement with builders and/or tenants whereby any costs incurred above this amount will be the responsibility of the builder/tenant as the case may be.

Expansion of the Waurm Ponds Shopping Centre, Geelong, VIC

The expansion of the Waurm Ponds Shopping Centre, Geelong, VIC was completed in August 2014.

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 AUFM'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 at times, 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.

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.

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

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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 Policy please contact us. The latest Fund Update and Annual Report can be found on our website australianunityinvestments.com.au/rpf. Alternatively we can send you a free copy if you call us on 13 29 39.

Related party activity

AUFM 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 and the appointment is made on commercial terms and conditions and on an arm's length basis. AUFM and AUPM are wholly owned subsidiaries of Australian Unity Limited (AUL) ABN 23 087 648 888 and are members of the Australian Unity Group.

This transaction complies with the 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 management and project supervision.

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

From 1 July 2014 to 31 December 2014 services to the value of \$517,861 have been provided by and paid to AUPM.

Other related party service providers

AUFM may appoint other related parties from or source providers to undertake these functions time to time. Please refer to our website 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 for these arrangements and the transactions are made on commercial terms and conditions and on an arm's length basis.

As at 31 December 2014 related parties held interests in the Fund of \$42.66 million (27.18%) 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 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 a fund is close to its gearing related covenants, the risk of breaching these covenants is increased.

Withdrawal rights

Disclosure Principle 7 - Withdrawal rights

In normal operating conditions withdrawals from the Fund are paid quarterly. The maximum total amount available for withdrawals from the Fund each quarter is 1.25% of the net asset value of the relevant class of Securities (although we have the discretion to alter this amount). If this amount is exceeded, withdrawals may be met on a pro-rata basis.

Where a pro-rata payment occurs, investors will need to reapply in a subsequent withdrawal period if they wish to withdraw any further amount.

Investors written request must be received by 3:00 pm at our Melbourne office on or before the quarter end date (being 28 January, 28 April, 28 July and 28 October or the next business

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day if the 28th is a non-business day) to receive the withdrawal price as at that cut-off date. Otherwise, the withdrawal request will be processed in the following quarter.

All Security classes

Where we are required to sell property assets, it may take longer for investors to receive your withdrawal proceeds. In extreme cases it could take 12 months or longer for investors to receive their money. While the Fund is liquid, the Fund's Constitution allows up to 365 days to meet withdrawal requests.

Suspension of withdrawals

If we are of the view that we cannot sell property assets within 365 days to meet withdrawal requests, the Fund will become illiquid and withdrawals will be suspended. If this occurs, investors can only withdraw when we make a withdrawal offer available in accordance with the Fund's Constitution and law.

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 Security price for the Fund is available on our website.

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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