

Continuous Disclosure Notice
Reporting date 31 December 2023
Issued on 18 March 2024

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/pif. 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 the above reporting date 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 reporting date

| Asset class | Value (\$m) | % |
|-------------------|---------------|---------------|
| Listed A-REITs | 100.96 | 36.95 |
| Direct Property | 103.53 | 37.89 |
| Unlisted Property | 58.45 | 21.39 |
| Cash and other | 10.28 | 3.76 |
| Total | 273.22 | 100.00 |

| Exposure to listed Australian REITs | Value (\$m)* |
|--|---------------|
| Australian Unity A-REIT Fund ¹ | 84.03 |
| Australian Unity Office Fund (AOF) | 3.97 |
| HealthCo Healthcare & Wellness REIT (HCW) | 3.29 |
| Elanor Commercial Property Fund (ECF) | 2.17 |
| Newmark Property REIT (NPR) | 1.79 |
| Carindale Property Trust (CDP) | 2.00 |
| GDI Property Group (GDI) | 1.99 |
| RAM Essential Services Property Fund (REP) | 1.72 |
| Total | 100.96 |

Note: Calculation of \$ value (M) is based on ex distribution mid-price.

| Unlisted property portfolio | Value (\$m) |
|--|--------------|
| Australian Unity Student Accommodation | 16.09 |
| Planum Footscray* | 11.91 |
| Australian Unity Specialist Disability Accommodation | 8.84 |
| Australian Unity Childcare Property Fund | 5.15 |
| Australian Unity Diversified Property Fund | 3.63 |
| Elanor Waverley Gardens Syndicate | 4.08 |
| Elanor Warrawong Plaza | 3.93 |
| Eildon Caboolture | 3.05 |
| Australian Unity Healthcare Property Trust | 1.77 |
| Total | 58.45 |

Note: Calculation of \$ value (M) is based on ex distribution mid-price except where denoted by * where a cum price has been used

Key 'Direct Property' portfolio statistics (only)

(As at 31 December 2023)

Geographical allocation (by value)

| State | No. assets | % |
|--------------|------------|---------------|
| VIC | 2 | 39.47 |
| SA | 2 | 30.98 |
| QLD | 2 | 22.22 |
| NSW | 1 | 7.34 |
| Total | 7 | 100.00 |

Sector allocation (by value)

| Sector | No. assets | % |
|--------------------------------------|------------|---------------|
| Industrial | 2 | 39.47 |
| Office | 4 | 49.42 |
| Healthcare and social infrastructure | 1 | 11.11 |
| Total | 7 | 100.00 |

Top 5 Direct Property tenants (by income)

| Tenant | % |
|------------------------------|--------------|
| Flavour Makers Australia | 31.36 |
| Flinders Ports | 13.24 |
| The University of Queensland | 7.16 |
| Logic Plus | 7.04 |
| Construction Sciences | 4.93 |
| Total | 63.73 |

Property lease expiry profile by income as at reporting date

| Year of lease expiry | % |
|----------------------|---------------|
| 2024 | 13.52 |
| 2025 | 6.66 |
| 2026 | 11.89 |
| 2027 | 4.18 |
| 2028 | 7.16 |
| 2029 | 12.25 |
| 2030 | 0.00 |
| 2031 | 0.00 |
| 2032+ | 31.36 |
| Vacant | 12.98 |
| Total | 100.00 |

Property development

The Fund seeks to enhance its existing properties through selective exposure to property development to improve the rental returns and/or 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 will only be undertaken where, in our view, it is in the best interests of investors and the development risk is appropriately mitigated.

Current active redevelopment projects are detailed below.

134 King Street, Newcastle NSW

Estimated cost to complete: Costing to be confirmed.

The Fund is pleased to announce that conditional development approval was received on 22nd November 2023 for the extension and refurbishment of the commercial property known as 134 King Street, Newcastle, NSW. The existing asset comprises a

lettable area of 1,879sqm with the development approval providing for the addition of two further floors of commercial accommodation increasing the total building area to 2,378 sqm. Management continues to work with its development team and local market specialists to assess the most appropriate course of action for the asset to maximise returns for Investors.

Asset Divestments

2-10 Bliss Court, Derrimut, VIC

The Fund announced the settlement of the property known as 2-10 Bliss Court, Derrimut, VIC occurred on 3rd November 2023. Additionally, the settlement of the sale of the insitu solar energy system with a third-party solar energy provider occurred on 10th November 2023.

17 Byres Street, Newstead, QLD

On 22nd December 2023, the Fund exchanged contracts for the sale. The agreed sale price was \$11.50 million which is a 15.00% premium compared to the properties' prior independent valuation conducted in June 2023. Settlement is anticipated to occur on 28th February 2024. At the time of sale, the property was approximately one-third vacant, while leases in relation to the two remaining tenants are due to expire in April and July 2024.

91-97 Woodlands Drive, Braeside, VIC

On 29th December 2023, the Fund entered into a contract of sale. The agreed sale price was \$12.50 million in line with the properties' prior independent valuation conducted in August 2023. Settlement is anticipated to occur on 27th March 2024. The property is a single-tenanted industrial building with a lease expiring in 2041.

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 the Fund'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 in construction phase and otherwise, at least once in a financial year unless exceptional circumstances exist in which case independent external valuations may be more frequent.
- 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 its Conflicts of Interest Policy.

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 consequentially 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 Continuous Disclosure Notice. The value of related party payments is 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/pif. 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, from time to time.

AUPL, AUPM and 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 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 external service providers to undertake the same or similar services.

The amount paid to AUPM for services is as follows for the listed period:

| AUPM Services Provided Range | Value paid to date (\$m) |
|---------------------------------|--------------------------|
| 01 July 2023 - 31 December 2023 | 0.22 |

Other related party service providers

AUPL may appoint other related parties from time to time. Please refer to our website australianunity.com.au/wealth/pif 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 the reporting date related parties held interests in the Fund of:

| Name of related entity | Value (\$m) | % of assets |
|--|-------------|-------------|
| Lifeplan Aus Friendly Society Ltd | 5.94 | 2.19 |
| Pro-D Balanced Fund | 1.22 | 0.45 |
| Australian Unity Trustees Ltd | 3.05 | 1.13 |
| Pro-D Growth Fund | 0.89 | 0.33 |
| Australian Unity Balanced Growth Portfolio | 1.82 | 0.67 |
| Pro-D High Growth Fund | 0.30 | 0.11 |
| Australian Unity Charitable Common Fund 3 | 0.43 | 0.16 |

Note: Calculation of \$ value (M) is based on Cum red-price.

As at the reporting date the Fund held investments in related parties of:

| Name of related entity | Value (\$m) | % of underlying fund |
|---|-------------|----------------------|
| Australian Unity A-REIT Fund | 84.03 | 89.52 |
| Australian Unity Student Accommodation Fund | 16.09 | 30.62 |
| Australian Unity Specialist Disability Accommodation Fund | 8.84 | 8.18 |
| Australian Unity Childcare Property Fund | 5.15 | 9.02 |
| Australian Unity Office Fund | 3.97 | 2.32 |
| Wholesale Cash Fund | 2.68 | 0.67 |
| Australian Unity Diversified Property Fund | 3.63 | 1.31 |
| Australian Unity Healthcare Property Trust | 1.77 | 0.22 |

Note: Calculation of \$ value (M) is based on ex distribution 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 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 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.

For the year ending 30 June 2023, the distribution rate declared was in line with the prior financial year, although above FFO. The Fund continues to curate its investment holdings, selling three industrial properties and various unlisted investment units during the period, while realised gains were anticipated to be distributed, however these were offset by realised losses as the A-REIT Fund holding was reduced over the period.

A reconciliation of the net profit to FFO and distributions is set out in the table below, in accordance with the PCA and PFA RG46 Voluntary Practice Note, for the year ended 30 June 2023.

| Asset Class | Actual (\$m) |
|----------------------------------|--------------|
| Net profit | 7.62 |
| Valuation changes | 4.60 |
| Capital gains/(loss) | (3.41) |
| Interest rate derivative changes | - |
| Other | 1.46 |
| Fund from operations | 10.27 |
| Distribution declared | (18.09) |

Note: Valuation changes include direct property revaluations, listed/unlisted property trusts unrealised/realised valuation changes and rental straight-line adjustments. Due to rounding, the sum of rounded numbers may not add up to 100%

The Distribution Policy is aligned to the ongoing earning capacity of the Fund. We anticipate the current source of distributions to be sustainable over the period to 30 June 2024.

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 in the future.

Withdrawal rights

Disclosure Principle 7 – Withdrawal rights

The Fund is currently a liquid scheme for the purposes of the Corporations Act. This is because the Responsible Entity expects to be able to realise at least 80% of its assets at market value within the timeframe stipulated in the Constitution (180 days).

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/pif.

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/pif.

Direct Property Assets as at 31 December 2023

| Property Details | | | Tenancy Details | | | | Valuation Details | | | |
|---|------|---------------------|------------------------------|--------------------------------|------------------------------|-------------------------------------|--------------------------------------|----------------|--------------------------------------|-------------------|
| Address | Note | Lettable Area (sqm) | Major Tenant | Number of Tenants ⁴ | Occupancy Rate (% by income) | WALE (years by income) ² | Current Valuation (\$m) ¹ | Valuation Date | Capitalisation Rate (%) ³ | Book Value (\$m) |
| Direct Properties | | | | | | | | | | |
| Office | | | | | | | | | | |
| 70 Light Square, Adelaide, SA | - | 3,267 | Logic Plus | 5 | 73.5 | 1.4 | 17.35 | Jun-23 | 6.00 | 17.74 |
| 296 Vincent St., Port Adelaide, SA | - | 3,537 | Flinders Ports | 3 | 100.0 | 4.1 | 14.25 | Jun-23 | 6.25 | 14.33 |
| 17 Byres St, Newstead QLD | - | 1,326 | Construction Sciences | 2 | 69.4 | <1 | 10.00 | Jun-23 | 6.00 | 11.50 |
| 134 King Street, Newcastle, NSW | 5 | 1,879 | N/A | 0 | - | - | 7.50 | Jun-23 | N/A | 7.60 |
| Sub total | | | | 10 | | | 49.10 | | | 51.17 |
| Industrial | | | | | | | | | | |
| 223-227 Governor Road, Braeside VIC | - | 10,573 | Flavour Makers Australia | 1 | 100.0 | 17.7 | 28.30 | Jun-23 | 4.75 | 28.36 |
| 91-97 Woodlands Drive, Braeside, VIC | - | 4,877 | Flavour Makers Australia | 1 | 100.0 | 17.7 | 12.50 | Aug-23 | 5.50 | 12.50 |
| Sub total | | | | 2 | | | 40.80 | | | 40.86 |
| Healthcare and social infrastructure | | | | | | | | | | |
| Edith Cavell Building, Herston QLD | - | 1,573 | The University of Queensland | 2 | 80.0 | 3.3 | 11.50 | Aug-23 | 6.00 | 11.50 |
| Sub total | | | | 2 | | | 11.50 | | | 11.50 |
| Total (T) / Weighted Average (A) | | | | 14 (T) | 87.0(A) | 7.1 (A) | 101.4 (T) | | 5.59 (A) | 103.53 (T) |

Notes

- 1 Valuation Policy - Regular valuation of property assets is an important aspect of managing the Fund. Valuations are conducted by qualified independent valuers in accordance with industry standards. We also have a policy of generally obtaining independent valuations on Fund direct properties each year and, for assets under development, within an 18-month period. 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. Vacancies are valued at market income. Assets under development excluded.
- 3 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 stabilised 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.
- 4 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.
- 5 Property held for redevelopment.

Contact us

australianunity.com.au/wealth

australianunitywealth@unitregistry.com.au

Investor Services

T 1300 997 774 F 1300 856 685

Adviser Services

T 1300 997 774

Important Information

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