Australian Unity Select Income Fund

Continuous Disclosure Notice

13 March 2024

The Australian Securities and Investments Commission ('ASIC') has issued a set of benchmarks and disclosure principles, contained in ASIC Regulatory Guide 45 – Mortgage schemes: Improving disclosure for retail investors ('RG45'), to help investors understand and assess unlisted mortgage schemes, such as the Australian Unity Select Income Fund ('Fund') ARSN 091 886 789. ASIC distinguishes between "pooled" schemes (where the investment funds are lent out to various borrowers) and "contributory" schemes (where investment funds are lent in relation to a specific property). This Fund is a contributory scheme. Information relevant in the benchmarks, including how the Fund measures against them, is set out in the Benchmarks Section. Information relevant to the disclosure principles is set out in the Disclosure Principles Section.

The financial information in this document is extracted from the Fund's accounting and management records as at 31 December 2023 and is based on unaudited financial records unless stated otherwise.

This document has been prepared by Australian Unity Funds Management Limited ('AUFM') ABN 60 071 497 115, AFS Licence No. 234454 as the Responsible Entity of the Fund and has been provided to keep you informed and to assist you in better understanding the nature of this investment. This document forms part of the Product Disclosure Statement for the Fund, in addition to the primary Product Disclosure Statement that can be found on our website (www.australianunity.com.au/wealth)

Benchmarks Section

ASIC Benchmark	Compliance with the Benchmark	Explanation	Disclosure Principles
Benchmark 1: Liquidity RG 45.34 *For a pooled mortgage scheme, the responsible entity has cash flow estimates for the scheme that:* *(a) demonstrate the scheme's capacity to meet its expenses, liabilities and other cash flow needs for the next 12 months;* *(b) are updated at least every three months and reflect any material changes; and* *(c) are approved by the directors of the responsible entity at least every three months.*	Not applicable.	The Fund is not a pooled mortgage scheme.	Disclosure Principle 1 is not applicable. Only applies to a pooled mortgage scheme. Refer to Disclosure Principle 1 for additional disclosures.
Benchmark 2: Scheme borrowing RG 45.42 *The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.*	Benchmark met.	Although we are permitted to borrow for the purposes of the Fund, we presently do not have any borrowings and have no intention to borrow.	Disclosure Principle 2 is not applicable as we do not borrow nor intend to borrow.

ASIC Benchmark	Compliance with the Benchmark	Explanation	Disclosure Principles
Benchmark 3: Loan portfolio and diversification RG 45.44 *For a pooled mortgage scheme:* *(a) the scheme holds a portfolio of assets diversified by size, borrower, class of borrower activity and geographic region;* *(b) the scheme has no single asset in the scheme portfolio that exceeds 5% of the total scheme assets;* *(c) the scheme has no single borrower who exceeds 5% of the scheme assets; and* *(d) all loans made by the scheme are secured by first mortgages over real property (including registered leasehold title).*	Not applicable.	The Fund is not a pooled mortgage scheme.	Disclosure Principle 3 is not applicable. Only applies to a pooled mortgage scheme. Refer to Disclosure Principle 3 for additional disclosures.
Benchmark 4: Related party transactions RG 45.47 *The responsible entity does not lend to related parties of the responsible entity or to the scheme's investment manager.*	Benchmark met.	We do not lend to related parties of AUFM or the Fund's investment manager.	Refer to Disclosure Principle 4 for additional disclosures.
Benchmark 5: Valuation policy RG 45.50 *In relation to valuations for the scheme's mortgage assets and their security property, the board of the responsible entity requires:* *(a) a valuer to be a member of an appropriate professional body in the jurisdiction in which the relevant property is located;* *(b) a valuer to be independent;* *(c) procedures to be followed for dealing with any conflict of interest;* *(d) the rotation and diversity of valuers;* *(e) in relation to security property for a loan, an independent valuation to be obtained:* *(i) before the issue of a loan and on renewal:* *(A) for development property, on both an 'as is' and 'as if complete' basis; and* *(B) for all other property, on an 'as is' basis; and* *(ii) within two months after the directors form a view that there is a likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant.*	Benchmark met.	(a) We have a panel of valuers in each State. The valuers used are members of an appropriate professional body in the jurisdiction in which they perform valuations. (b) The valuers are independent. (c) AUFM complies with the Australian Unity Group Conflicts of Interest Policy. (d) Our valuation policy states that no panel valuer undertakes more than two consecutive valuations on any single property. Furthermore, our panel of valuers are reviewed annually, and from time to time we remove and add new firms. (e) Independent valuations on an 'as is' basis are obtained before the issue of a new loan and on renewal of an existing loan. Independent valuations are also obtained within two months after the directors form a view that there is likelihood that a decrease in the value of security property may have caused a material breach of a loan covenant. The 'as is' component of the development project valuation is relied upon to ensure that our initial advance against the unimproved value of the development site remains within an acceptable LVR. The 'as if complete' component of the development valuation is relied upon, and read in conjunction with the quantity surveyor's report, to ensure that, upon completion of the project, the sum of all advances made (including interest capitalised) remains within an acceptable LVR.	Refer to Disclosure Principle 5 for additional disclosures.

ASIC Benchmark	Compliance with the Benchmark	Explanation	Disclosure Principles
Benchmark 6: Lending principles – Loan-to-valuation- ratios RG 45.56 *If the scheme directly holds mortgage assets:* *(a) where the loan relates to property development—funds are provided to the borrower in stages based on independent evidence of the progress of the development;* *(b) where the loan relates to property development—the scheme does not lend more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided; and* *(c) in all other cases—the scheme does not lend more than 80% on the basis of the latest market valuation of property over which security is provided.*	Benchmark met.	Our policy for property development loans is set out in the Fund's Product Disclosure Statement ('PDS'). Where the loan relates to property development: (a) We minimise such risk by adopting additional procedures for such loans involving the use of an independent quantity surveyor who certifies the value of all work and certifies the cost to complete of such construction. Funds are provided to the borrower in stages based on independent evidence of the progress of the development. (b) We aim to ensure that the amount facility limit of the loan no more than 70% on the basis of the latest 'as if complete' valuation of property over which security is provided. (c) Generally, our maximum loan to valuation ratio is 70% on the basis of the latest market valuation over which security is provided.	Refer to Disclosure Principle 6 for additional disclosures.
Benchmark 7: Distribution practices RG 45.61 *The responsible entity will not pay current distributions from scheme borrowings.*	Benchmark met.	Generally, all distributions are sourced from income. No distributions will be paid from borrowings.	Refer to Disclosure Principle 7 for additional disclosures.
Benchmark 8: Withdrawal arrangements RG 45.64 – Liquid Schemes *The ASIC Benchmark distinguishes between liquid and non-liquid schemes, to reflect the differences to an investor's ability to withdraw* *RG 45.64 Liquid Schemes* *A liquid scheme is required to disclose whether it facilitates payment of withdrawal requests within 90 days.* *RG45.65 Non-liquid Schemes* *For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.*	Benchmark met in respect of Cash Account. Not applicable to each Syndicate-Fund. Benchmark not met.	The Fund is comprised of the Cash Account and the Syndicate-Funds. Syndicate-Funds are illiquid as against this Benchmark and withdrawals are generally not permitted. When a Syndicate-Fund is liquid within the meaning of the Corporations Act, we may (in our discretion) permit withdrawals in certain limited circumstances (described in the Disclosure Principles Section below). Otherwise, capital from a Syndicate-Fund is only returned to the Cash Account upon repayment of a first registered mortgage loan by the borrower. The Cash Account is liquid within the meaning of the Corporations Act and withdrawals are permitted from the Cash Account by providing two business days' written notice. Generally withdrawal requests are processed within 5 business days, however the Fund's Constitution allows up to 90 days' to satisfy withdrawal requests from the Fund's Cash Account.	Refer to Disclosure Principle 8 for additional disclosures.

Disclosure Principles Section

ASIC's disclosure principles for mortgage schemes require disclosure of certain information relevant to each principle. The principles are intended to help investors understand the risks and potential rewards associated with these investments. Each disclosure principle is set out below.

Liquidity

Disclosure Principle 1 – Liquidity

The Fund is a contributory mortgage scheme, as such RG 45.72 – RG 45.74 do not apply. Subject to any investment investors may have in the Fund's Cash Account, their entitlement to income or capital is based only on their investment in a specific Syndicate-Fund and they have no right to the income or capital of other Syndicate-Funds. Investors are provided details relating to liquidity in the issue of each Invitation to Invest / Supplementary Product Disclosure Statement ('SPDS').

Fund borrowing

Disclosure Principle 2– Fund borrowing

The Fund does not currently have any borrowing and does not currently intend to borrow, as such RG 45.75 – RG 45.79 do not apply.

Portfolio diversification

Disclosure Principle 3 – Loan portfolio and diversification

The Fund is a contributory mortgage scheme, as such RG45.80 – RG 45.87 do not apply. Investors of the Fund gain exposure to mortgage loans via Syndicate-Funds. All the loans in the Fund are secured by a registered first mortgage.

Related parties

Disclosure Principle 4 – Related party transactions

Australian Unity Internal Investors

As at 31 December 2023 related parties held interests in the Fund of $96.03 million (19.26%) based on net assets. These related parties are: Australian Unity Health Limited, Lifeplan Mortgages No.1 Internal Investment Trust and Lifeplan Tax Minimiser Funeral Bond Fund (together, **Internal Investors**).

All Internal Investors have been issued interests in the Fund which are in a separate class to the interests of other members. The key characteristic of these classes which distinguishes them from other members is that they provide AUFM with the power to, in its sole discretion, allocate the interests of the Internal Investors to any Syndicate-Fund and then, without any withdrawal request, compulsorily redeem those interests in any Syndicate-Fund into the Cash Account at any time when there is replacement capital from other members in the Cash Account available to be placed into that Syndicate Fund. The purpose of these terms is to improve the operation of the Fund by minimising the amount of time that other members' interests are held in the Cash Account, where there is no exposure to underlying mortgage assets. This is achieved by facilitating temporary investments by the Internal Investors into Syndicate-Funds at the time of origination of the mortgage assets to prevent any delay in origination. The investments by Internal Investors are then redeemed into the Cash Account and replaced with the capital of other members when it becomes available.

As a part of these arrangements, certain Internal Investors are paid an additional fee by AUFM, in its personal capacity (and not out of the Fund property). The fee is currently 3% per annum payable for the periods in which those Internal Investors' interests are held in the Cash Account only. The fee reflects the fact that those Internal Investors, as members, must make funds available but do not receive the same exposure to the risk or returns of the Syndicate-Funds as other members due to the continuous compulsory redemptions of their interests from Syndicate-Funds into the Cash Account by AUFM.

Other related party arrangements

AUFM may also engage related parties to provide other services to assist in management of the Fund's portfolio.

Basis of related party arrangements

All arrangements with related parties are made on commercial terms and conditions and on an arm's length basis and are otherwise in the best interests of all members of the Fund. Investor approval is not required for these arrangements as they are made on commercial terms and conditions and on an arm's length basis.

Risks of related party arrangements

Related party arrangements carry a risk that they could be assessed and reviewed less rigorously than arrangements 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 between Australian Unity Group entities are undertaken and monitored in accordance with the Australian Unity Group Conflicts of Interest Policy.

For further information about the Conflict of Interest Policy please contact us. The latest Annual Report can be found on our website www.australianunity.com.au/wealth. Alternatively we can send you a free copy if you call us on 1300 412 356.

Valuation policy

Disclosure Principle 5 – Valuation policy

Investors can email investments@australianunity.com.au or call 1300 412 356 to request a copy of AUFM's Valuation Policy.

On a quarterly basis the General Manager of Mortgages attests to the directors of AUFM that appropriate valuations are in place for each of the security properties. Management review the valuations for the top 10 properties by size in each mortgage portfolio.

Independent external valuations of properties forming security for mortgage loans are obtained:

- at the time the loan amount is approved, on an 'as is' and 'on completion' basis for all security property;
- for existing loan accounts where formal renewal terms are approved and offered, at the time when the existing loan account is renewed; or
- as soon as practicable, but no later than within two months, after AUFM reasonably considers that the security property value may have caused a material breach of a loan covenant.

There are no material inconsistencies between any current valuations of the security property and the AUFM's Valuation Policy.

AUFM issues an investor with a Supplementary Product Disclosure Statement which provides information about the valuation of the property securing a loan in which the investor has, or is being offered, an interest.

Lending principles

Disclosure Principle 6 – Lending principles (LVR)

The maximum and weighted average loan-to-valuation ratio for the Fund as at 31 December 2023 is:

	% as at 31 December 2023
Maximum LVR	70.00
Weighted LVR[1]	63.70

1. Weighted by value of the loans of the Fund.

Where the loan relates to property development risk is mitigated by adopting additional procedures for such loans involving the use of an independent quantity surveyor who certifies the value of all work and certifies the cost to complete of such construction.

Funds are provided to the borrower in stages based on independent evidence of the progress of the development. We seek to ensure that the amount un-drawn of the loan is equal or more than the cost to complete as certified by our quantity surveyor.

As at 31 December 2023 there were 38 loans with a total drawn to value of $462.53 million.

Of these, 28 loans drawn to $386.25 million have proceeded as construction loans. The remaining 10 loans have been drawn to $76.28 million and are for non-construction purchases.

The percentage (by value) of completion of the properties under development as at 31 December 2023 is as follows:

Borrower	Value of completion (%)
Construction loan 1	93
Construction loan 2	100
Construction loan 3	61
Construction loan 4	71
Construction loan 5	100
Construction loan 6	100
Construction loan 7	98
Construction loan 8	91
Construction loan 9	100
Construction loan 10	55
Construction loan 11	67
Construction loan 12	84
Construction loan 13	75
Construction loan 14	66
Construction loan 15	56
Construction loan 16	100
Construction loan 17	64
Construction loan 18	56
Construction loan 19	9
Construction loan 20	20
Construction loan 21	30
Construction loan 22	67
Construction loan 23	32
Construction loan 24	22
Construction loan 25	70
Construction loan 26	17
Construction loan 27	9
Construction loan 28	2

As at 31 December 2023 the loan-to-cost ratio of each property development loan is provided in the table below. The loan-to-cost ratio is the ratio of the loan amount to the total cost of the construction or development project (including the cost of the land).

Borrower	Loan-to-cost ratio (%)
Construction loan 1	62
Construction loan 2	75
Construction loan 3	N/A*
Construction loan 4	78
Construction loan 5	77
Construction loan 6	78
Construction loan 7	75
Construction loan 8	79
Construction loan 9	80
Construction loan 10	79
Construction loan 11	86
Construction loan 12	77
Construction loan 13	76
Construction loan 14	74
Construction loan 15	80
Construction loan 16	79
Construction loan 17	78
Construction loan 18	78
Construction loan 19	80
Construction loan 20	69
Construction loan 21	78
Construction loan 22	80
Construction loan 23	78
Construction loan 24	80
Construction loan 25	79
Construction loan 26	69
Construction loan 27	80
Construction loan 28	70

* The development associated with Construction Loan 3 is currently being sold on a partially complete "as-is" basis. Investors in this loan have been provided with written updates separate to this Continuous Disclosure Notice.

Distribution practices

Disclosure Principle 7 – Distribution practices

The interest rate payable to investors and the date the loan is expected to be repaid are set out in the SPDS. Generally, all distributions are sourced from income received in the relevant distribution period.

Distributions are generally paid monthly to investors within 21 business days after the end of the calendar month.

The rate of interest applicable to a particular Syndicate-Fund and details regarding the borrower and purpose of the loan are provided in the applicable SPDS. There are risks associated with investing in a first mortgage loan, such as default risk. Where a borrower fails to make a payment which results in a default, investors may receive a lower return on their investment. There is no guarantee that if you have invested into a Syndicate-Fund that you will receive the return of some or all of your investment.

Additional risks are set out in the 'Risks of managed investment schemes' section of the PDS.

We do not make distribution forecasts for the Cash Account.

Withdrawal arrangements

Disclosure Principle 8 – Withdrawal arrangements

The Fund is comprised of the Cash Account and the Syndicated Funds.

Syndicate-Funds

Syndicate-Funds are illiquid as against Benchmark 8 and withdrawals are generally not permitted. When a Syndicate-Fund is liquid within the meaning of the Corporations Act, we may permit withdrawals in certain limited circumstances. We will only consider such withdrawal requests if and when there are available replacement funds from other investors and the borrower associated with the Syndicate-Fund is not in default. Otherwise, capital from a Syndicate-Fund is only returned to the Cash Account upon repayment of a registered first mortgage loan by the borrower.

The return of capital from a Syndicate-Fund to the Cash Account may be delayed and/or reduced if a registered first mortgage loan is not repaid by the borrower by the end of the loan term.

We may take action against the borrower and/or any guarantors if a delay or a reduction in repayment of the loan occurs. Recovery action may delay investors receiving the return of the investment.

Refer also to the 'Risks of managed investment schemes' section of the PDS.

Cash Account

The Cash Account is liquid within the meaning of the Corporations Act and withdrawals are permitted from the Fund's Cash Account by providing two business days written notice. Generally withdrawal requests are processed within 5 business days, however the Fund's Constitution allows up to 90 days to satisfy withdrawal requests from the Cash Account.

For the avoidance of doubt, if the Cash Account or any Syndicate-Fund is not liquid within the meaning of the Corporations Act at the point of any withdrawal request, withdrawals from the Cash Account or relevant Syndicate-Fund will not be permitted.

Important information

Interests in the Australian Unity Select Income Fund are issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No. 234454. 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 www.australianunity.com.au/wealth or by calling our Investor Services team on 1300 412 356.

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.

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