CONTINUOUS DISCLOSURE NOTICE

6 March 2015

Australian Unity

Australian Unity Pooled Mortgage Fund

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 Pooled Mortgage Fund (Fund) ARSN 121 895 690.

Information contained 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 information is current as at 31 December 2014 and has been provided to keep you informed and to assist you in better understanding the nature of this investment.

This document has been prepared by Australian Unity Mortgage Investments Limited (AUMI) as the Responsible Entity of the Fund.

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.*	Benchmark met.	(a) We anticipate that the Fund will have the capacity to meet its expenses, liabilities, and other cash flow needs for the next 12 months. (b) Cash flow forecasts are updated monthly. (c) Cash flow estimates will be approved by the AUMI directors on a quarterly basis. Due to the Fund being closed for new investment, cash flows will be managed in accordance with this assumption.	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.
Benchmark 3: Loan and portfolio 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).*	Benchmark met.	(a) The portfolio of assets in the Fund is diversified by size, borrower and geographic region. (b) The Fund currently has no assets that account for more than 5% of total assets by value. (c) The Fund currently has no borrowers who account for more than 5% of assets by value. (d) All loans made by the Fund are secured by registered first mortgages over the properties of borrowers.	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 AUMI or the Fund investment manager.	Refer to Disclosure Principle 4 for additional disclosures.

ASIC Benchmark	Compliance with the Benchmark	Explanation	Disclosure Principles
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) AUMI maintains a conflict of interest policy. (d) Our valuation policy states that no panel valuer undertakes more than two consecutive valuations. 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 a 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.
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 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 un-drawn of the loan is always equal or more than equal to the cost to complete as certified by our quantity surveyor. We do not have any direct loans for property development. (c) In all other cases our maximum loan to valuation ratio is 75%.	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			
RG 45.64 Liquid schemes *The benchmark does not apply as the scheme is non-liquid.*	Not applicable to the Fund.	Not applicable.	
RG 45.65 Non-liquid schemes *For non-liquid schemes, the responsible entity intends to make withdrawal offers to investors at least quarterly.*	Not applicable to the Fund.	Partial or full withdrawals are not permitted during a fixed term investment. Investors are only entitled to have their investment redeemed at the end of the nominated investment term.	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

RG 45.72 For pooled mortgage schemes, the responsible entity should disclose information about:

(a) the current and future prospects of liquidity of the schemes:

The Fund is currently not accepting new applications. We maintain cash flow estimates for the next 12 months. We monitor historical cash inflows and outflows and regularly revise our cash flow estimates based on historical data. Partial or full withdrawals are not permitted during a fixed term investment. Investors are only entitled redeem at the end of the nominated investment term.

(b) any significant risk factors that may affect the liquidity of the scheme.

The Fund is not currently accepting new applications. However, we expect the Fund will have capacity to meet its expenses and liabilities for the next 12 months.

(c) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities.

The table below represents the Fund's cash and cash equivalent assets:

Investment Types	Amount ($)	% of Portfolio
Cash	12,982,422	67.29

Liquidity measures the ability of the Fund to meet its short-term financial commitments from its short-term assets. It is an indicator of the Fund's cash and cash equivalent position as a proportion of its short-term liabilities.

The Responsible Entity manages the maturity of cash and cash equivalent assets within agreed guidelines to ensure a reasonable amount of cash is on hand to meet the short-term payment obligations of the Fund. These include a restriction that cash and cash equivalent assets do not have a maturity date of more than 366 days. Our policy is to maintain a minimum liquidity level of 10% to meet future withdrawal requests.

Fund borrowing

Disclosure Principle 2– Fund borrowing

The responsible entity does not have current borrowings and does not intend to borrow on behalf of the scheme.

The Fund does not currently have any borrowings and does not currently intend to borrow as such Disclosure Principle 2 RG 45.75 – RG 45.79 do not apply.

Portfolio diversification

Disclosure Principle 3 – Loan portfolio and diversification

RG 45.80 For pooled mortgage schemes, the responsible entity should disclose the nature of the scheme's investment portfolio, including:

(a) by number and value:

(i) by class of activity

Asset class	No. of accounts	Value ($m)
Industrial	4	1.26
Residential investment	1	0.74
Total	**5**	**2.00**

(ii) by geographic region

State	No. of accounts	Value ($m)
VIC	5	2.00

(iii) the proportion of loans that are in default or arrears for more than 30 days

Days in arrears/default	No. of accounts	Value ($m)[1]	Proportion (%)[1]
61 – 90 days	0	0	0
>90 days	0	0	0

1. Includes principal and interest.

There are no loans that are in default. A loan is considered in default when we (for the Fund) become the mortgagee in possession.

In the event that a borrower goes into default there is a process to manage the default as quickly as possible. Where the borrower is unable to remedy the default, AUMI generally takes action to take possession of the security in order to recover the loan amount outstanding. Third party service providers may also assist in the recovery process.

(iv) the nature of the security for loans made by the scheme

All loans are secured by a registered first mortgage over the properties of the borrowers.

(v) *loans that have been approved but have funds that have yet to be advanced and the funding arrangements in place for any of these undrawn loan commitments*

There are no loans that have been approved by the Fund which have yet to be advanced. Were this to occur funds would be advanced from the cash portion of the Fund's assets if called upon by the borrower.

(vi) *the maturity profile of all loans in increments of not more than 12 months*

Maturity	No. of loans	Value ($m)
<6 months	5	2.00
6 months to 0.99 years	0	0.00
Total	**5**	**2.00**

(vii) *loan-to-valuation for loans, in percentage ranges*

Loan-to-value ratios (%)	No. of loans	Value ($m)
0 – 50	0	0. 00
50.01 – 60	1	0.18
60.01 - 65	0	0.00
65.01 – 70	4	1.82
70.01 - 80	0	0.00
80.01+	0	0.00
Total	**5**	**2.00**

(viii) *interest rates on loans, in percentage ranges*

Interest rates (%)	No. of loans	Value ($m)
<6.50	0	0.00
6.50 – 6.99	0	0.00
7.00 – 7.49	0	0.00
7.50 – 7.99	0	0.00
8.00 – 8.49	2	1.15
8.50 – 8.99	2	0.67
9.00+	1	0.18
Total	**5**	**2.00**

The Fund is not permitted to use hedging to implement interest rate risk strategies and to manage the Fund's interest rate exposures.

(ix) *loans where interest has been capitalised*

There are currently no loans where interest is capitalised.

(b) *the proportion of the total loan money that has been lent to the largest borrower, and the 10 largest borrowers.*

	Proportion of total loan money (%)	Value ($m)
Largest borrower	3.82	0.74
10 largest borrowers[2]	10.35	2.00

2. Includes the largest borrower

(c) *the percentage of loans (by value) that are secured by second-ranking mortgages.*

There are no loans in the portfolio secured by second-ranking mortgages.

(d) *the use of derivatives (if any).*

The use of derivatives is not allowed.

(e) *a clear description of the non-mortgage assets of the scheme, including the value of such assets.*

The current non-loan assets of the Fund include cash and similar liquid investments valued at $12.98 million at 31 December 2014 and a $4.31 million investment into the Australian Unity Select Mortgage Income Fund ARSN 091 886 789.

(f) *the scheme's diversification policy and how the assets correlate with that policy.*

The Fund's objective is to provide investors with regular income from a pool of loans secured by registered first mortgages. At 31 December 2014 there were 5 loans valued at $2.00 million, each secured by a registered first mortgage.

RG 45.81 The responsible entity should disclose its policy on the above matters and on how the scheme will lend funds generally.

(a) *the maximum loan amount for any one borrower.*

The maximum loan amount for any one borrower is 5% of funds under management of the Fund at the time that the loan is taken out.

(b) *the method of assessing borrowers' capacity to service loans.*

The capacity to service the debt is assessed on financial information provided by the borrower and/or guarantor for at least two financial periods. Borrowers are generally required to meet a minimum interest coverage ratio of 1.25 times.

(c) *the responsible entity's policy on revaluing security properties when a loan is rolled over or renewed.*

For each loan a professional valuation is obtained from a qualified independent valuer to ensure that an accurate value of the property is provided.

(d) *the responsible entity's approach to taking security on lending by the scheme.*

All the loans in the Fund are secured by a first registered mortgage over land in the Commonwealth of Australia. The preference is for income producing real estate as security, but we consider owner occupied real estate as well.

RG 45.82 If an unlisted pooled mortgage scheme invests in, or may invest in, other unlisted mortgage schemes (whether registered or unregistered) the responsible entity must disclose its policy on investing in those schemes, including the extent to which the responsible entity requires those schemes to meet the benchmarks and apply the disclosure principles.

The Fund gains additional exposure to mortgage investments through the Australian Unity Select Mortgage Income Fund. The Australian Unity Select Mortgage Income Fund prepares Continuous Disclosure Notices in accordance with RG 45.

Related parties

Disclosure Principle 4 – Related party transactions

RG 45.88 If the responsible entity enters into related party transactions, the responsible entity should disclose details of these transactions including:

(a) the value of the financial benefit.

As at 31 December 2014 the Fund had invested $4.31 million into the Australian Unity Select Mortgage Income Fund.

(b) the nature of the relationship.

AUMI is the Responsible Entity of the Australian Unity Select Mortgage Income Fund. AUMI may engage other related parties to provide services to assist in management of the Fund's portfolio.

(c) whether the arrangement is on arm's length terms, is reasonable remuneration, some other Ch 2E exception apply or ASIC has granted relief.

The arrangements described in (b) were made on commercial terms and conditions and on an arm's length basis.

(d) whether member approval for the transaction has been sought and, if so, when.

Investor approval is not required for the arrangement described in (b) as it is made on commercial terms and conditions and on an arm's length basis.

(e) the risks associated with the related party arrangements.

Related party arrangements carry a risk that they could be assessed and reviewed less rigorously than arrangements with other parties.

(f) the policies and procedures that the responsible entity has in place for entering into related party transactions, and how is compliance with these policies and procedures monitored.

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 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.

Valuation policy

Disclosure Principle 5 – Valuation policy

RG45.91 The responsible entity should disclose:

(a) where investors may access the scheme's valuation policy.

Investors can email investments@australianunity.com.au or call 13 29 39 to request a copy of the Fund's Valuation Policy.

(b) the process that the directors employ to form a view on the value of the security property.

On a quarterly basis the Head of Mortgages attests to the directors of AUMI 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.

(c) the frequency of valuations of security property.

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

- at the time the loan amount is approved, on an 'as is' 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 AUMI's management or directors form a view that there is reason to believe that the security property value may have caused a material breach of a loan covenant.

(d) *any material inconsistencies between any current valuation over the security property and the scheme's valuation policy.*

There are no material inconsistencies.

RG45.92 For a contributory mortgage scheme, the responsible entity only needs to provide an investor with information about the valuation of the property securing a loan in which the investor has, or is being offered, an interest.

Not applicable. The Fund is not a contributory mortgage scheme.

Lending principles

Disclosure Principle 6 – Lending principles (LVR)

RG 45.94 If the scheme directly holds mortgage assets, the responsible entity should disclose:

(a) the maximum and weighted average loan-to-valuation ratio for the scheme as at the date of reporting.

	% as at 31 December 2014
Maximum LVR	75
Weighted LVR[3]	66

3. Weighted by value of the direct loans of the Fund.

(b) where funds are lent for property development:

(i) the criteria against which the funds are drawn down;

At 31 December 2014 there were no loans provided in relation to properties under development.

Where the loan relates to property development 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. We always ensure that the amount un-drawn of the loan is always equal or more than equal to the cost to complete as certified by our quantity surveyor.

(ii) the percentage (by value) of the completion of any property that is under development as at the date of reporting; and

At 31 December 2014 there were no loans provided in relation to properties under development.

(iii) the loan-to-cost ratio of each property development loan as at the date of reporting.

At 31 December 2014 there were no loans provided in relation to property development.

Distribution practices

Disclosure Principle 7 – Distribution practices

RG 45.99 If a responsible entity is making, or forecasting, distributions to members, it should disclose:

(a) the source of the current and forecast distributions.

All distributions are sourced from income received in the relevant distribution period. We do not forecast distributions.

(b) if the distribution is not solely sourced from income received in the relevant distribution period, the reasons for making those distributions and the risks associated with such distributions.

Not applicable. All distributions are sourced from income received in the relevant distribution period.

(c) if the distribution is sourced other than from income, and whether this is sustainable over the next 12 months.

Not applicable. All distributions are sourced from income received in the relevant distribution period.

(d) when the responsible entity will pay distributions, and the frequency of payment of distributions.

Distributions are calculated on the last day of each month and are paid in arrears monthly or automatically reinvested quarterly as selected by investors. Distributions are generally paid within seven days of the relevant distribution period. Monthly distributions are paid into their nominated bank account. For example if Investors select monthly distributions these will be paid by the 7th day of the following month.

RG 45.100 If the scheme promotes a particular return on investment, the responsible entity must clearly disclose details of the circumstances in which a lower return may be payable, together with details of how that lower return will be determined. For a contributory mortgage scheme, the responsible entity should, for a particular investor, disclose the above information to the investor for distributions or returns made, or forecasts to be made, to that investor.

Not applicable. The Fund does not promote nor forecast a particular return on investment.

RG 45.101 The responsible entity should include a table identifying up to five main factors that would have the most material impact on forecast distributions, the risks of changes to those factors on distributions and a sensitivity analysis based on changes to those factors. It must also explain how any excess returns actually earned by the scheme will be applied.

Not applicable. The Fund does not make distribution forecasts.

Withdrawal arrangements

Disclosure Principle 8 – Withdrawal arrangements

RG 45.104 The responsible entity should disclose:

(a) the scheme's withdrawal policy and any rights that the responsible entity has to change the policy;

(b) the ability of investors to withdraw from the scheme when it is liquid;

(c) the ability of investors to withdraw from the scheme when it is non-liquid;

(d) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme;

(e) how investors can exercise their withdrawal rights, including any conditions on exercising these rights;

(f) the approach to rollovers and renewals, including whether the 'default' is that investments in the scheme are automatically rolled over or renewed;

(g) if the withdrawals from the scheme are to be funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility;

(h) the maximum withdrawal period that applies to the payment of withdrawal requests when the scheme is liquid;

(i) any rights the responsible entity has to refuse or suspend withdrawal requests; and

(j) the policy of the scheme on balancing the maturity of its assets with the maturity of its liabilities and the ability of its members

to withdraw (e.g. if a scheme has a policy of ensuring that sufficient assets are held in readily realisable investments to meet future withdrawal requests, the responsible entity should state this in its PDS, provide details of the source of the realisable investment and report against this in its ongoing disclosure).

Partial or full withdrawals are not permitted during a fixed term investment. Investors are only entitled to have their investment redeemed at the end of the nominated investment term. If investors do not lodge a valid withdrawal request form, by post or fax, before the end of the investment term, their investment will, at the end of the investment term, be automatically reinvested for the same investment term at the then current distribution rate.

We will write to investors at least 21 days prior to the due date of their investment term to request their instructions and to provide them with a withdrawal request form. Under normal operating conditions we have up to 180 days to pay a valid withdrawal request.

The Fund's Constitution requires us to redeem an investor's units within 365 days of receipt of a valid withdrawal request.

It is currently the strategy of the Responsible Entity to make withdrawal opportunities to investors, subject to the Fund's cash position at the time. The making of withdrawal offers is at the discretion of AUMI, subject to the financial capacity of the Fund and there is no obligation to make these offers. There is a risk investors may not be able to withdraw during their investment time-frame. Where withdrawal offers are made available however, a cap on the amount available may mean that their request may be met on a pro-rata basis, and they may receive only part of their requested amount. The last Withdrawal Offer was made to investors in October 2014. We will notify investors in writing when withdrawal offers are made.

RG 45.105 If the responsible entity makes representations to investors that they can withdraw from the scheme, there should be disclosure on:

(a) the grounds (which must be verifiable) for the statement;

(b) the supporting assumptions (which must not be hypothetical only) for the statement;

(c) the basis for the statement (which must not be based only on an opinion of the directors of the responsible entity if there are no objective grounds to support that opinion); and

(d) any significant risk factors that mean that withdrawal requests might not be satisfied within the expected period.

RG 45.106 If the PDS contains a statement to the effect that, historically, withdrawal requests have been satisfied within a particular period, this may suggest a link between historical withdrawal periods and withdrawal periods that are likely to apply in the future. The responsible entity should ensure the statement clarifies that investors should not conclude that there is such a link between the historical availability of withdrawals and their future availability.

RG 45.107 If the scheme promotes a fixed redemption unit price for investments (e.g. $1 per unit), the responsible entity must clearly disclose details of the circumstances in which a lower amount may be payable, details of how that amount will be determined and the impact of a default under the scheme's mortgage assets on investors (e.g. on investor distributions and the unit price).

RG 45.108 A responsible entity of a contributory mortgage scheme should, for a particular investor, disclose the above information to the investor as it relates to the investor's ability to withdraw.

RG 45.105 to RG 45.108 are not applicable.

For further enquiries

Please contact us either by telephone, email or mail as shown on the front of this Continuous Disclosure Notice.

Important information