Australian Unity

Australian Unity
Healthcare Property Trust - Funding Units

Product Disclosure Statement 6 October 2017

Robina Private Hospital, Robina, QLD

Issued by: Australian Unity Funds Management Limited ABN 60 071 497 115 AFS Licence No. 234454

Health | Wealth | Living

Important information

Wholesale Funding Units (referred to as 'Funding Units' in this PDS) in the Australian Unity Healthcare Property Trust ARSN 092 755 318 ('Trust') are the only units offered in the Trust under this Product Disclosure Statement ('PDS') and are issued by:

Australian Unity Funds Management Limited ('AUFM') ABN 60 071 497 115, AFS Licence No. 234454 in its capacity as Responsible Entity of the Trust.

In this document, the description, 'we', 'us' or 'our' refers to AUFM.

AUFM is a wholly owned subsidiary of Australian Unity Limited ABN 23 087 648 888 and is a member of the Australian Unity Group of companies.

This offer of Funding Units will allow an amount of up to $10 million for;

- Australian Unity and its related parties, (and directors and officers of these entities); and
- employees of Australian Unity,

to participate in the offer.

A reference to 'Australian Unity Wealth' is a business name, which includes those entities within the Australian Unity Group undertaking investment activities.

The reference to Funding Units in this PDS is a reference to Units issued under the Constitution as Class B Units.

An investment in the Trust, including through the units offered under this PDS is not guaranteed or otherwise supported by AUFM, Australian Unity Limited, or any member of the Australian Unity Group. You should consider this when assessing the suitability of the investment and particular aspects of risk.

This document contains important information but does not take into account your investment objectives, financial situation or particular needs. Before making any decision based upon information contained in this document, you should read it carefully in its entirety, and consider consulting with a financial adviser or tax adviser.

This PDS has been prepared to comply with the requirements of the laws of Australia. No units are being offered to any person whose registered address is outside of Australia unless we are satisfied that it would be lawful to make such an offer. The distribution of this PDS in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this PDS should seek their own advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This PDS may only be used by investors receiving it (electronically or otherwise) in Australia. No investments will be accepted on the basis of this PDS once it is replaced with a later PDS.

AUFM has authorised the use of this PDS for investors considering placing an investment through a masterfund, wrap or similar product (which are collectively known and referred to as 'investor directed portfolio service' or 'IDPS' in this document). In this PDS, the operator of that IDPS product will be referred to as your IDPS operator.

In this document, 'business day' refers to a Melbourne business day on which Australian banks are open for business in Melbourne excluding Saturday and Sunday.

Units are issued on the terms and conditions contained in the Trust's Constitution and this PDS. We reserve the right to change those terms and conditions.

Fees and charges set out in this PDS, unless otherwise stated, are inclusive of goods and services tax ('GST') less input tax credits (including approximate reduced input tax credits) that the Trust is entitled to claim.

This PDS is available in electronic format, including access via our website. If you receive it electronically, please ensure that you have received the entire PDS and Application Form. If you are unsure whether the electronic document you have received is complete, please contact us. A printed copy is available free of charge.

Information in this PDS which is not materially adverse information that is subject to change from time to time, may be updated via our website and can be found at australianunity.com.au/wealth. A paper copy of updated information is available free of charge by contacting us on 13 29 39.

The asset appearing in the photograph on the front cover of this PDS is an asset of the Trust.

Consent to be named

Ashurst Australia has given and has not withdrawn its written consent to be named in this PDS in the form and context in which it is named, and as having provided a confirmation relating to the 'Exchange' on page 23 of this PDS. Ashurst Australia has not authorised or caused the issue of this PDS, does not make or purport to make any statement in the PDS and have had no involvement in the preparation of any part of this PDS other than the information relating to the 'Exchange' on page 23 of this PDS.

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Obtaining other information before making a decision

Visit our website australianunity.com.au/wealth for further information about the Trust, including:

- Unit prices and performance;
- Fund Updates;
- Continuous Disclosure Notices; and
- Announcements.

We recommend that you obtain and review such information before you invest.

Alternatively, you can call us on 13 29 39 and we will send you the requested information free of charge.

A snapshot of this offer of Funding Units

Dates shown below could change, and we reserve the right to vary dates and times, subject to the *Corporations Act 2001 (Cth)* (Corporations Act) and other applicable law. In particular, we reserve the right to close the offer early, to extend its closing date, or to accept late applications.

Investors who wish to submit an application are encouraged to do so as soon as possible.

This is a summary only. Investors should read the entire PDS before making a decision whether to invest in the Trust.

Item	Detail	More information
Applications only accepted from	25 October 2017 No applications will be processed before this date.	-
Offer size	Approximately $250 million.	-
Expected Offer Close Date	3 p.m. on 3 November 2017 However: • this date may change, depending upon the level of investor demand and timing of receipt of applications. As such, the offer may therefore close very early before the Offer Close Date if we initially receive sufficient applications; or • in the event that we believe that an extension of the offer is required in order for the offer to be fully subscribed, we may choose to extend the Offer Close Date. In either circumstance, we will promptly notify investors of any change to the Offer Close Date on our website at australianunity.com.au/wealth.	-
Allocation, and discretion to Scale Back	If applications received in aggregate exceed $250 million, all applications may be subject to a Scale Back. In the event we receive an excess amount of applications, investor applications may be scaled back on a proportionate basis. This means you may receive a lesser number of units than the number in your application. We will notify investors of the Scale Back once that decision has been made, at our website australianunity.com.au/wealth	Page 20
Expected date that Application funds drawn	15 November 2017 Investors should ensure that cleared funds are available to be drawn from their nominated Australian financial institution account from the date an application is submitted until the Offer Close Date. (This will allow for processing times and allotment of units).	-
Expected issue date	The current intended issue date is 16 November 2017. (The issue date is the date that the units will be recorded as having been allotted to investors). However, this date could change depending upon volume, and timing, of the receipt of applications, and whether a Scale Back needs to occur. If the issue date alters we will notify investors on our website at australianunity.com.au/wealth.	-
Confirmation statements issued by mail	Within five business days of the allocation of units.	-
Unit class offered	Funding Units are a separate class, issued as Class B Units under the Trust's Constitution.	-
Unit price at issue date	$1.00 per unit	Page 24
Buy spread	1.00%	
Application Price (including buy spread)	$1.01 per unit	
Net asset value per unit at issue date	$1.00 per unit	
Minimum investment	$5,000 Higher investment amounts, in multiples of $1,000 only will be acceptable. If a Scale Back of applications occurs, the minimum investment amount, and additional multiples of $1,000, will be waived, or reduced.	Page 20
Purpose of this issue	The amount received from the issue of Funding Units will be applied towards the Trust's anticipated capital requirements for acquisitions and development activities, and will also position the Trust to be able to participate in other opportunities as they arise.	Page 7

Item	Detail	More information
Funding Units	The Funding Units are a new class of units (Class B Units) to be issued by the Trust. Initially, the amount raised by this offer will be held in a segregated account, invested in a portfolio of cash and fixed interest securities (the Funding Units Cash Pool). Progressively, amounts will be drawn from the Funding Units Cash Pool and allocated for Trust purposes, in order to meet ongoing capital commitments related to its acquisition and development activities. Therefore, over time, the return for a Funding Unit becomes less oriented to the cash and fixed interest investments, and increasingly derives returns that are derived from the healthcare-related property assets of the Trust. The Funding Unit return, when calculated under the provisions of the Constitution, is derived from the proportion that the total amount drawn from the Funding Units Cash Pool bears to the overall net Trust value (excluding the Funding Units Cash Pool and the Class A Cash Account values). The allocation from the Funding Units Cash Pool to the Trust purposes will mean that at least: • a third of its initial balance is expected to be allocated to the Trust purposes by 31 December 2017; • at least half of the remaining balance is expected to be allocated by 30 June 2018; and • all of the remaining balance of the Funding Units Cash Pool will have been allocated by 31 December 2018. However, the allocation from the Funding Units Cash Pool to the Trust purposes may occur earlier than indicated. It is currently intended that the Funding Units will then be Exchanged for Wholesale Units at a date to be determined, but intended to be 30 June 2019, after the whole of the Funding Units Cash Pool has been applied for the Trust purposes. Refer to 'Exchange of Funding Units to Wholesale Units' on page 23. Accordingly, an investor's total return on each Funding Unit held will be commensurate with the exposure of each Funding Unit to: • the Funding Units Cash Pool; and • the Trust assets (excluding the Funding Units Cash Pool and the Class A Cash Account values from the calculation) over the period until the Exchange of Units occurs.	Page 7
Funding Units Cash Pool	The investment of the Funding Units Cash Pool will be in a portfolio of highly rated cash, short-term securities (including floating rate securities), and Australian fixed interest securities via the Australian Unity Wholesale Cash Fund ARSN 111 933 361. These securities are generally purchased directly, however derivatives may be used where we consider it to be appropriate.	Page 7
Potential benefits of investing in the Trust through this offer	The benefits of investing through the issue of Funding Units are: • for new investors, a unique opportunity to invest into this Trust; • the opportunity to gain from progressive exposure to the healthcare-related property assets of the Trust, thus earning a total return commensurate with this exposure; and • regular income distributions, together with the opportunity for capital growth over the longer term. By participating in this offer, investors will be able to access an investment holding a diversified portfolio of healthcare-related property assets, and will benefit from the expertise of the Australian Unity specialist healthcare property team. (These objectives are a statement of intent, and there is no guarantee that the Funding Units, or the Trust, will achieve the outcomes required to meet these objectives.)	-
Key risks	While we actively monitor and manage risks in the interests of all investors, when considering an investment into the Funding Units, investors should consider the following and the possible impacts to individual circumstances: • there is no redemption facility associated with the Funding Units, and a withdrawal of the amount invested to those units is only possible after the Exchange to Wholesale Units; • the actual return on an investment in the Funding Units could be impacted by any delay in release of cash for the purposes of the Trust, beyond the projected timeline; • the Exchange of Funding Units for Wholesale Units could be delayed beyond the current intended date of 30 June 2019; • a reduction in asset or property values could occur which would impact on the overall value of the Trust, and which could flow through to impact the return to investors in Funding Units, both in the short term as to income return and in the longer term value of the investment; and • broader economic, policy and legislative changes could present a risk which may impact on the healthcare sector, at a State or a Commonwealth level.	Page 25

Snapshot of the Funding Units

Withdrawals	Not available. However, after the Exchange, Funding Unit holders will hold Wholesale Units and consequently will be able to access the withdrawal rights associated with the Wholesale Units.	Withdrawals: refer to pages 15 and 22 Exchange: refer to page 23
Distribution payments	Generally, distributions are paid quarterly.	Pages 14 and 24
Fees and costs of the Funding Units		
Management costs	Estimated to be 0.49% p.a. of gross asset value relating to Funding Units. After the Exchange investor will hold Wholesale Units incur a different management cost.	From page 27
Buy spread	1.00%	
Sell spread	Not applicable, as withdrawals are not available. A sell spread will apply after the Exchange, to the Wholesale Units acquired as a result of the Exchange.	

Snapshot of the Wholesale Units

APIR Code	AUS0112AU	-
Withdrawals	In normal operating conditions, a quarterly withdrawal facility (up to maximum of 2.5% of the net asset value of Wholesale Units on issue each quarter) is available to Wholesale Unit holders, which will normally be paid within five business days of the end of the quarter. If requested withdrawal amounts exceed 2.5% of the next asset value of Wholesale Units on issue, withdrawals may be met on a pro-rata basis.	Page 15 and 31
Distribution payments	The Trust aims to source and currently sources all distributions from funds from operations ('FFO'). 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.	Page 24
Management costs		
Base management fee	0.65% p.a. of the gross asset value relating to Wholesale Units of the Trust.	From page 31
Day-to-day expenses relating to the Trust	Estimated to be 0.28% p.a. of the average gross asset value relating to Wholesale Units of the Trust for the financial year ended 30 June 2017.	
Indirect Costs	Estimated to be 0.00% of the average gross asset value of the Wholesale Units of the Trust.	
Other information		
Buy/sell spread	Buy: 3.00% Sell: 0.50%	From page 31

Snapshot of the Healthcare Property Trust

Property portfolio diversification	The Trust predominantly invests in a diversified portfolio of healthcare property and related assets including direct property, managed funds (such as unlisted and listed property trusts and property syndicates) or companies that predominately hold healthcare property.	From page 9
Number of direct property assets	41 as at 30 June 2017	From page 9
Gross assets	$1,254.49 million as at 30 June 2017	From page 9
Gearing ratio[1]	15.58% as at 30 June 2017	Page 8
Interest cover[1]	5.64 times for the twelve months to 30 June 2017	Page 8
Borrowings	$195.50 million as at 30 June 2017	Page 9
Property valuations	Generally conducted annually by qualified independent valuers.	Page 13
Related party information	All transactions, including those with related parties, are conducted on commercial terms and conditions and on an arm's length basis.	Page 13

[1]As defined by ASIC Regulatory Guide 46: Unlisted property schemes - Improving disclosure for retail investors. See page 5.

About the Healthcare Property Trust

The Australian Unity Healthcare Property Trust is an unlisted property trust that predominantly invests in healthcare related property assets. It has a primary focus on delivering regular income to its investors, but with a longer term opportunity for capital growth.

The Trust has a diversified tenant base, with a focus on hospital, medical and aged care operators.

The operation and management of the Trust brings together the Australian Unity Group's understanding of the healthcare sector as well as the investment management expertise and experience of our property team. This combination means that we are uniquely qualified to identify, and to manage, healthcare property investments.

Australian Unity, as a group provides healthcare, financial planning, investment, and retirement living services to more than half a million Australians. Its history as a trusted mutual organisation dates back more than 175 years.

Healthcare property investment includes the ownership of the physical infrastructure supporting the healthcare system, including the land, bricks and mortar of hospitals, medical clinics, nursing homes, day surgeries, consulting rooms, rehabilitation units, radiology and pathology centres.

Results from the 2016 national census show that Australia's once predominantly youthful population is now ageing. Our median age is 38, compared to 28 years in 1966[1].There are one in six Australians aged over 65, and as this proportion increases, demand for additional and specialised healthcare facilities and services also increases significantly.

In 2015, 41% of all hospitalisations in Australia were for people aged over 65[2] despite this group representing approximately 15% of the population. As a direct result of Australia's ageing population, it is projected that Commonwealth Government health expenditure will increase from 4.2% of GDP in 2014-15, to 5.5% of GDP in 2054-55.[3]

It is because of these changing demographics that the expected demand for healthcare assets and resources should increase over the long term. Through an active property management strategy, the Healthcare Property Trust should provide investors with stable and consistent returns through multiple economic cycles.

[1] Australian Bureau of Statistics, Census of Population and Housing: Australia Revealed, 2016

[2] Australia's hospitals 2014–15 at a glance, Australian Institute of Health and Welfare, July 2016

[3] 'An Ageing Australia: Preparing for the Future', Productivity Commission Research Paper, November 2013

The Trust's investment process

In acquiring and managing the property assets of the Trust our objective is to ensure the Trust takes advantage of trends in the healthcare sector, both locally and internationally.

Our decisions to invest in healthcare property and related assets are premised on the assets' ability to deliver attractive returns, increase the Trust's diversification and the asset's relative liquidity. We aim to achieve this by:

- acquiring healthcare or healthcare-related properties that are leaders in their particular geographical area;
- selectively developing suitable long-term expansion and/or improvement strategies for the properties;
- ensuring the Trust maintains adequate and multiple levels of diversification including by geographic location, property type and the type of healthcare services provided by each tenant;
- building strong, secure relationships with tenants that have relevant experience and expertise in the healthcare sector;
- where practical, putting in place carefully structured, long-term leases, with the aim of achieving stable and predictable rental income as well as growth in rental income over the long- term; and
- maintaining an exposure to listed REITs for liquidity management.

The Trust utilises a combination of equity provided by investors, and borrowings from lenders, to acquire healthcare property and related assets for the Trust and to fund development activities.

The Trust assets may comprise a diversified portfolio of healthcare property and related assets, including direct property, unlisted managed funds, property syndicates or companies that mainly hold healthcare property, listed REITs and cash.

The Trust may also invest in similar international healthcare related assets in countries with healthcare systems and property markets with key attributes similar to Australia.

The Trust typically holds 75-90% of its assets in direct property and may hold up to 20% in listed or unlisted property investments. The balance of the Trust's assets is held in cash and similar investments.

Application of income

Rent from the Trust's properties and income earned on the Trust's other assets generate income for the Trust. This income is firstly used to meet the interest expenses on borrowings, management fees, property related expenses and ongoing Trust expenses. We may also retain some income as a provision for items such as future expenses or capital requirements. Once these costs and provisions are met, the remaining income is distributed to investors.

The capital growth (or loss) on exposure to the Trust's assets will largely be attributed to revaluations of the Trust's properties, changes in value of other assets and the level of borrowings which the Trust carries.

Borrowings

The Trust borrows to finance new and existing assets, to develop and maintain those assets, and to provide liquidity for operating purposes and managing the capital position of the Trust.

The Trust generally aims to operate within a gearing ratio range between 40-50% but may operate outside of this range if we believe it is in the interest of investors to do so.

Under the Trust's Constitution and law, the Trust has the power to:

- borrow and raise money for the purposes of the Trust and to grant security over the Trust's assets; and
- incur all types of obligations and liabilities.

Generally, interest costs relating to the borrowings will be met from the gross income of the Trust prior to the payment of income to investors.

The lenders' rights to recover the total due under loans, and the rights of any creditors of the Trust, will rank ahead of all investors. The lenders to the Trust do not have any recourse to investors.

Derivatives

It is not the Trust's current policy to use derivatives for gearing purposes or for speculative activities.

The investment manager may use derivatives for asset allocation purposes, implementation of interest rate risk strategies.

Additionally, the Funding Units Cash Pool may use derivatives to gain exposure to fixed interest securities where we consider it to be appropriate.

The Trust's acquisitions and development activities

The Trust has a significant development project pipeline towards which the funds drawn from the Funding Units Cash Pool are expected to be applied.

Projects currently underway include:

Project	Cost
Specialist rehabilitation public hospital, Herston	$372 million
The Valley Private Hospital, Dandenong North	$84 million
Brisbane Waters Private Hospital, Woy Woy	$11 million
Primary Medical Centre, Greensborough	$20 million
Primary Medical Centre, Robina	$9 million

In addition, the Trust is actively completing due diligence on further projects the Sunshine Private Hospital, St Albans VIC; Herston Quarter, Brisbane; the Peninsula Private Hospital, Langwarrin; the Beleura Private Hospital, Mornington; the Tuggerah Lakes Private Hospital, Kanwal; and the HIS Diagnostic Imaging Centre, Richmond, VIC.

Further opportunities will arise on an ongoing basis, which may be pursued if assessed as meeting the objectives of the Trust.

Refer to Property development on page 12.

Current structure of the Trust

As at the date of this document the other classes of units issued in the Trust are:

- Retail Units;
- Wholesale Units; and
- Class A Units.

The main distinction between these classes of units is that:

a) Retail Units and Wholesale Units are distinguishable by the management fees. In normal operating conditions Retail Unit and Wholesale Unit withdrawals from the Trust are paid quarterly. The maximum total amount available for withdrawals each quarter is 2.5% of the net asset value of the relevant class of units on issue (although we have the discretion to alter this amount). If this amount is exceeded, withdrawals may be met on a pro-rata basis.

b) Class A Units differ only to the extent that a particular cash allocation is held in order to fund the degree of liquidity that this class of investors require, whilst ensuring equity to other classes of units. Class A Units are able to withdraw on a monthly basis, as the withdrawals are met from the cash reserve held for this purpose.

Funding Units offer

The Funding Units are a new class of units to be issued by the Trust under this document.

Funding Units Cash Pool

Initially, the amount raised will be held in the Funding Units Cash Pool, which will provide investors a return based on exposure to a portfolio of cash and fixed interest securities.

The investment of the Funding Units Cash Pool will be a portfolio of highly rated cash, short-term securities (including floating rate securities) and Australian fixed interest securities via the Australian Unity Wholesale Cash Fund.

Exposure to healthcare-related property assets

Progressively amounts will be drawn from the Funding Units Cash Pool and allocated either to the portfolio of underlying healthcare-related property assets of the Trust or applied to meet the ongoing capital commitments related to acquisition and development activities of the Trust.

This has the effect that over time the return for Funding Units will increasingly reflect a return derived from the healthcare-related property assets of the Trust.

The Funding Units as a separate class

The amount raised by the issue of the Funding Units as a new class is separately applied to investment in the Funding Units Cash Pool.

A Funding Unit is unable to be redeemed or withdrawn, and a potential investor should consider their cash needs up until the expected date of Exchange, before deciding whether to invest.

A Funding Unit is issued at a different entry price to the issue prices prevailing for the other classes of units, as it is set at $1.00 plus a buy spread of 1.00%. This ensures that the terms of issue of Funding Units reflect the different short term return received, by comparison to the other classes of units.

A Funding Unit will incur a management fee of 0.30% p.a. of the gross asset value relating to Funding Units, which is lower than the prevailing management fee for Wholesale Units (currently 0.65% p.a. of the gross asset value relating to the Wholesale Unit class).

Once the Funding Units have been exchanged to Wholesale Units, investors will have the same withdrawal and other rights attaching to the Wholesale Units at that time.

An illustration of how returns could be derived

The following examples are hypothetical only, and provided to illustrate to those considering an investment how the returns of the Trust might be derived by the Funding Units, dependent on the extent that the Funding Units Cash pool has been allocated to the Trust.

The hypothetical examples do not represent a forecast of any actual or likely return of the Trust or of the Funding Units, and should not be relied upon when making an investment decision.

These illustrations are formulated on the following assumptions:

- the Funding Units Cash Pool has a static Total Return of 2% p.a.
- the Trust has a static Total Return of 6% p.a.
- the Total Return is calculated after fees and assumes the reinvestment of distributions.

Allocation	Example 1	Example 2	Example 3	Example 4	Example 5
Funding Units Cash Pool	100%	67%	50%	33%	0%
Trust	0%	33%	50%	67%	100%
Total Return based on allocation	**2.00%**	**3.32%**	**4.00%**	**4.68%**	**6.00%**

Exchange of Funding Units

We expect that by 30 June 2019, (or such earlier or later date, at the discretion of the Responsible Entity) the Funding Units will, in effect, exchange to Wholesale Units.

Refer to 'Exchange of Funding Units to Wholesale Units' from page 23.

After the Exchange, investors will hold Wholesale Units and therefore assume the same rights and entitlement of the Wholesale Unit class applying at that time, including fees, distributions and withdrawal rights.

Refer to 'Summary of Wholesale Units' from page 31.

Who should invest in the Funding Units?

Investment in Funding Units is typically suited to investors who are:

- seeking regular distribution income payments;
- want exposure to a diverse healthcare property portfolio; and
- have at least a five-year investment outlook and do not require the ability to withdraw for at least three years.

Disclosure principles and Benchmarks

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 *Regulatory Guide 46: Unlisted property schemes – Improving disclosure for investors*. The Property Council of Australia ('PCA') and the Property Funds Association ('PFA') have also issued their supplement to this Regulatory Guide 46 in the form of their RG46 Voluntary Practice Note.

The information below should be read in conjunction with the Trust's Annual Report, available from our website: australianunity.com.au/wealth. Alternatively you can call us on 13 29 39 for a copy. Copies will be provided free of charge.

The financial information in this document is extracted from the Trust's accounting and property management records as at 30 June 2017 and is based on unaudited financial records unless stated otherwise.

The Trust'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 Trust, calculated as total interest bearing liabilities divided by total assets, was 15.58% as at 30 June 2017 based on the Trust's audited financial statements (19.85% as at 30 June 2016 based on the Trust's audited financial statements).

The gearing ratio shows the extent to which the Trust'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. The only interest-bearing liability of the Trust is the borrowing facility. Refer to the borrowings note in the audited financial statements and the details set out in *Disclosure Principle 3 – Scheme (Trust) Borrowings* on page 9.

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 the Trust 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 'Trust 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 Trust meets this benchmark. AUFM monitors and manages the Trust's borrowings at an individual borrowing facility level on an ongoing basis in accordance with its Gearing and Interest Cover Policy. The Gearing and Interest Cover Policy outlines record keeping, monitoring and reporting requirements.

The Trust has a single borrowing facility and generally operates within a gearing ratio range between 40-50%. The maximum gearing ratio for the Trust under the Gearing and Interest Cover Policy is 60%. These parameters may change from time to time.

The Trust continues to comply with the Gearing and Interest Cover Policy. For further information or to obtain a copy of the Gearing and Interest Cover Policy please contact us.

Interest cover ratio and policy

Disclosure principle 2 – Interest cover

The Trust's interest cover ratio for the 12 months to 30 June 2017 was 5.64 times based on the Trust's audited financial statements (11.85 times for the 12 months to 30 June 2016 based on the Trust's audited financial statements).

Interest cover indicates the ability of the Trust to meet interest payments from earnings. It is an indicator of the Trust's financial health and is a key indicator to assessing the sustainability of, and risks associated with, the Trust'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 are surplus earnings after interest payments which can be used to pay distributions to investors. An interest cover ratio of one times means that Trust 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 Trust's interest cover ratio is to one, the higher is the risk of the Trust 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 Trust 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 Trust's level of earnings remains stable and predictable.

The interest cover ratio is calculated in accordance with the ASIC disclosure principles formula below and is at a Trust level.

$$\text{Interest cover ratio} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

In the audited financial statements EBITDA is equivalent to 'Profit before finance costs attributable to unitholders' adding back borrowing costs and amortisation. Unrealised gains/losses include property revaluations, straight-lining of rental income and unrealised gains/losses on derivatives and listed/unlisted property trusts. Interest expense is equivalent to 'Borrowing costs' less amortisation of debt establishment costs.

The interest cover ratio relevant to the borrowing facility covenant is calculated differently from the ASIC formula and is shown under the heading 'Trust 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 Trust meets this benchmark. AUFM monitors and manages the Trust's interest cover at an individual borrowing facility level on an ongoing basis in accordance with its Gearing and Interest Cover Policy. The Gearing and Interest Cover Policy outlines record keeping, monitoring and reporting requirements.

The minimum interest cover ratio for the Trust under the Gearing and Interest Cover Policy is 1.25 times (calculated as net income divided by interest expense on borrowings) which is different to the minimum interest rate cover ratio covenant of 1.75 times under the borrowing facility agreement. This calculation measure aligns with the Trust's borrowing facility covenant and is different from the calculation adopted by ASIC in Disclosure Principle 2.

The Trust continues to comply with the Gearing and Interest Cover Policy. For further information or to obtain a copy of the Gearing and Interest Cover Policy please contact us.

Trust borrowing

Disclosure Principle 3 – Scheme (Trust) borrowing

The Trust 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 Trust prior to the payment of distributions to investors.

The Trust has one borrowing facility that is secured by a number of the Trust's assets and is summarised in the table below:

Borrowing details	
Borrowing facility drawn amount	$195.50m
Borrowing facility limit ($m)	$420.00m
Borrowing facility maturity tranche A ($270 million)	Jul-21
Borrowing facility maturity tranche B ($150 million)	Jun-19
Borrowing facility Loan to Valuation Ratio covenant limit	50.00%
Trust Loan to Valuation Ratio calculated in accordance with borrowing facility definition	20.26%
Amount by which value of assets must decrease before a borrowing facility covenant is breached	62.00%
Borrowing facility Interest Cover Ratio covenant limit	1.75 times
Trust Interest Cover Ratio calculated in accordance with borrowing facility definition	5.64 times
Amount by which the operating cash flow must decrease before a borrowing facility covenant is breached	68.90%
Borrowing facility interest rate (inclusive of borrowing margin, line fees and interest rate hedges)	3.69%
% of borrowings hedged	76.73%
Weighted hedge expiry	4.35 years
Mark to market value of interest rate derivatives	$1.32m

The Trust is required to refinance $150 million of its $420 million facility by June 2019, with the remainder by July 2021. We are within the current lenders' covenant and facility limit requirements, and as such, are confident that the borrowing facility will be refinanced prior to maturity. With most refinancing activity there is a risk that the lenders may choose not to refinance the facility.

If this occurred, the Trust would need to find an alternate lender which may be more costly than the existing lenders. In extreme situations if the Trust cannot find alternate lenders, the Trust may lose value from selling assets in poor market conditions in order to repay the borrowed amount.

Our approach is to actively manage the Trust'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 Trust. The Trust'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.

Under the terms of the borrowing facility, provided the Trust obtains prior written consent of the lender(s), there are no terms that may be invoked as a result of investors exercising their rights under the Trust's Constitution. If such consent is not obtained, however, there may be terms which are triggered or consequences that follow under the borrowing facility, including possible cancellation of the facility and early repayment of amounts owing under the borrowing facility.

AUFM maintains a hedging policy that governs the level of interest rate hedging for the Trust and seeks to control the risks associated with the use of derivatives. All hedging strategies implemented are also subject to formal approval by the Chief Investment Officer.

AUFM monitors and manages the Trust's hedging position on a mark-to-market basis. Hedging is a very complex area and is generally done to fix some or all of the interest rate relating to the borrowing facility. While hedging is put in place to reduce the volatility of earnings and therefore distributions, hedging generally has the effect of increasing the volatility of the Trust's unit price given that the pricing of the underlying interest rate derivatives change daily.

At 30 June 2017 the mark-to-market value of interest rate derivatives were $1.32 million based on the Trust's audited financial accounts, compared to $0 million as at 30 June 2016 based on the Trust's audited financial accounts. If held to maturity, the value of the interest rate derivatives in the Trust's balance sheet will reduce to zero.

Interest capitalisation

Benchmark 3 – Interest capitalisation

The interest expense of the Scheme is not capitalised.

The Trust meets this benchmark. The interest expense of the Trust is not capitalised.

Portfolio diversification

Disclosure Principle 4 – Portfolio diversification

The Trust primarily invests in a diversified portfolio of healthcare property and related assets, including direct property, unlisted managed funds, listed REITs, property syndicates or companies that mainly hold healthcare property.

The Trust may also invest in similar international healthcare related assets in countries with healthcare systems and property markets with key attributes similar to Australia.

The Trust typically holds 75-95% of its assets in direct property and may hold up to 20% in listed or unlisted property investments. The balance of the Trust's assets is held in cash and similar investments.

At 30 June 2017 the Trust had $66.83 million (5.3% of the gross assets of the Trust) exposure to listed Australian REITs.

The Funding Units and Class A Units

The Funding Units and Class A Units each hold segregated cash assets, which do not form part of the assets for the Wholesale Units and Retail Units.

Portfolio composition as at 30 June 2017

Property Details			Tenancy Details				Valuation Details[1]			
Address	Note	Lettable Area (square metres)	Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income)[2]	Current Valuation ($m)	Valuation Date	Market Capitalisation Rate (%)	Book Value ($m)
Hospitals										
Beleura Private Hospital and Clinic, Mornington, VIC	-	10,165	Ramsay Health	1	100.00%	17.0	76.3	Feb-17	6.75	76.32
Calvary Wakefield Priv. Hospital & Med. Clinic, Adelaide, SA	6	15,500	Calvary Health	1	100.00%	2.0	43.5	Apr-17	N/A	42.94
Brunswick Private Hospital, Brunswick, VIC	-	8,000	Healthe Care	1	100.00%	12.1	32.3	Apr-17	7.00	32.30
Brisbane Waters Private Hospital, Woy Woy, NSW	-	5,845	Healthe Care	1	100.00%	19.6	31.8	Apr-17	7.00	33.65
Berkeley Vale Private Hospital, Berkeley Vale, NSW	-	4,132	Ramsay Health	1	100.00%	18.3	19.6	Apr-17	7.00	19.60
Hunters Hill Private Hospital, Hunters Hill, NSW	-	2,678	Ramsay Health	1	100.00%	18.3	17.3	Feb-17	7.25	18.42
Townsville Private Clinic, Townsville, QLD	-	3,780	Healthe Care	1	100.00%	19.8	16.0	Feb-17	8.00	16.50
Calvary Rehabilitation Hospital, Walkerville, SA	-	3,799	Calvary Health	1	100.00%	2.0	15.3	Aug-16	8.50	15.29
Figtree Private Hospital, Figtree, NSW	-	7,277	Ramsay Health	1	100.00%	18.3	13.1	Feb-17	7.75	14.10
North Shore Specialist Day Hospital, Greenwich, NSW	-	2,190	IVF Australia	1	100.00%	5.5	19.0	Apr-17	7.25	19.00
Robina Private Hospital, Robina, QLD	-	5,854	Healthe Care	1	100.00%	24.2	31.2	Aug-16	7.00	31.97
Peninsula Private Hospital, Langwarrin, VIC		19,355	Ramsay Health	1	100.00%	23.1	133.5	Nov-16	6.50	133.64
Sub total										453.73
Hospitals Under Development										
The Valley Private Hospital, Dandenong North, VIC		13,636	Healthe Care	1	100.00%	18.6	92.5	Feb-17	6.50	98.52
645 and 647 Pacific Highway, Kanwal, NSW	9	-	Healthe Care	1	100.00%	25.0	2.3	Oct-16	N/A	2.80
Sub total										101.32
Medical Centres and Aged Care Facilities										
15 Butterfield St, Herston, QLD		11,254	Queensland Health	4	100.00%	3.2	82.7	Nov-16	7.05	82.70
RPAH Medical Centre, Newtown, NSW		7,215	S & K Car Park	57	98.00%	2.8	76.0	Apr-17	7.50	76.02
103 Victoria Parade, Collingwood, VIC		8,975	Sonic Healthcare	1	100.00%	10.8	47.0	Apr-17	5.75	47.00
8 Herbert Street, St Leonards, NSW		10,556	Stryker Australia	4	100.00%	2.6	40.0	Aug-16	8.25	40.09
310 Selby Road North, Osborne Park, WA		4,997	Clinipath Pathology	1	100.00%	13.8	37.5	Apr-17	6.50	37.50
Manningham Medical Centre, Templestowe Lower, VIC		4,925	MMC General Practice	18	93.20	2.1	34.5	Apr-17	7.00	34.52
Constitution Hill Aged Care, Northmead, NSW		8,668	Australian Unity Care Services	1	100.00%	11.5	19.5	Apr-17	7.50	19.50
HIS Diagnostic Imaging Centre, Richmond, VIC		1,227	Primary Health	1	100.00%	18.5	18.8	Feb-17	6.25	18.80
Gosford Private Medical Centre, North Gosford, NSW		1,830	Sonic Healthcare	4	67.00%	4.8	13.8	Feb-17	8.00	13.80
17-19 Fullarton Rd, Kent Town, SA		2,563	Sonic Healthcare	1	100.00%	1.8	11.2	Feb-17	7.50	11.15
Ipswich Medical Centre and Day Hospital, QLD		2,783	Ipswich Day Surgery	9	73.00%	3.6	13.0	Apr-17	7.75	13.00
Mackay Medical Centre and Day Hospital, Mackay, QLD	3	2,458	Queensland Fertility Group	6	91.00%	2.6	1.2	Feb-17	8.00	11.19
9-13 Flintoff Street, Greensborough, VIC	7	-	Primary Health	1	-	-	7.3	Nov-16	-	11.08
Eureka Medical Centre, Ballarat, VIC		1,504	Primary Health	1	100%	3.2	5.6	Feb-17	6.50	5.60
46-50 Underwood Street, Corrimal, NSW		1,496	Primary Health	1	100%	14.5	9.6	Nov-16	-	14.86
80-82 Bridge Road, Richmond, VIC		-	Primary Health	1	-	-	5.9	Nov-16	-	5.90
Lot 1, Campus Crescent, Robina, QLD	7	-	Primary Health	1	-	-	3.9	Nov-16	-	3.94
Figtree Consulting Suites, Figtree, NSW		427	Shelley & Sumbut Namcharon	1	60.88%	0.1	1.1	Feb-17	-	1.47
Campus Alpha Building, 2 Investigator Drive, Robina QLD		4,423	State Government of Queensland	10	100%	2.8	27.1	Apr-17	7.50	27.10
Sub total										475.22

Portfolio composition as at 30 June 2017 (continued)

Property Details			Tenancy Details				Valuation Details[1]			
Address	Note	Lettable Area (square metres)	Major Tenant	Number of Tenants	Occupancy Rate (% by income)	WALE (years by income)[2]	Current Valuation ($m)	Valuation Date	Market Capitalisation Rate (%)	Book Value ($m)
Assets Held Pending Development										
Specialist rehabilitation public hospital, Herston, QLD	11	-	Metro North Hospital and Health Service (MNHHS)	2	100.00%	20.0	N/A	N/A	N/A	33.12
95 Herbert Street, Mornington, VIC	5	191	Private Tenant	1	100.00%	<1	1.1	Feb-17	N/A	1.10
101 Herbert Street, Mornington, VIC	5	186	Ramsay Health	1	100.00%	3.6	0.8	Feb-17	N/A	0.80
12 View Road, Walkerville, SA	4	202	Private Tenant	1	100.00%	<1	0.8	Aug-16	N/A	0.80
10 North East Road, Walkerville, SA	4	-	Vacant	0	-	-	0.7	Aug-16	N/A	0.65
103 Herbert Street, Mornington, VIC	5	131	Private Tenant	1	100.00%	<1	0.5	Feb-17	N/A	0.51
105 Herbert Street, Mornington, VIC	5	131	Private Tenant	1	100.00%	<1	0.5	Feb-17	N/A	0.51
34 Investigator Drive, Robina, QLD	8	-	N/A	0	-	-	3.7	Apr-17	N/A	3.70
Sub total										41.19
Total direct property										1,071.46
Listed REITs										
Arena REIT										66.83
Sub total										66.83
Cash and other assets										
Other										9.19
Cash and other assets										58.33
Class A Units cash reserve										48.68
Cash and other assets sub total										116.20
Total (T) / Weighted Average (A)				**145 (T)**	**98.40 (A)**	**10.69 (A)**	**1,017.31 (T)**		**6.99 (A)**	**1,254.49 (T)**

Notes

1. Regular valuation of underlying property assets is an important aspect of managing the Trust. Valuations are conducted by qualified independent valuers in accordance with industry standards. We have a policy of generally obtaining independent valuations on Trust direct properties each year. Additionally, as part of our active management approach, we may test asset values on market. At times we may enter arrangements at arm's length with third parties which may impact the value of assets within the portfolio including, but not limited to, put and call options in respect of all or part of an asset within the portfolio. If the value of an asset is impacted in this way, the value may replace the last independent valuation obtained. The direct property information in this table is current as at 30 June 2017. Please refer to the Trust's announcements page available from our website australianunity.com.au/wealth for full details on any changes to the Trust's direct property portfolio post this date.
2. Weighted Average Lease Expiry by base rental income. Vacancies are valued at market income.
3. Includes a parcel of vacant land, 1-3 Discovery Lane, North Mackay valued at $0.60 million as at February 2017.
4. Properties adjoining Calvary Rehabilitation Hospital, Walkerville, SA.
5. Properties adjoining Beleura Private Hospital, Mornington, VIC.
6. Includes 285 Flinders Street, Wakefield, Adelaide, SA.
7. Development site subject to pre-commitment from Primary Health.
8. Development Site, no pre-commitment.
9. Currently in design and planning phase, however subject to a 25 year lease to Healthe Care from practical completion.
10. A market capitalisation rate is the rate, expressed as a percentage that reflects the likely yield a property will generate over the medium term. It has regard to a property's unique characteristics and is a measure of the property's risk/return profile with higher rates reflecting higher risk and its function is to convert a property's income into value. The market capitalisation rate is assessed by the independent valuer by dividing the average net property income of the property or a portfolio of properties by the assessed valuation of the property or portfolio, excluding costs of acquisitions and fees.
11. Development site subject to pre-commitment from MNHHS.

Key Portfolio Statistics as at 30 June 2017

Geographic allocation (by value)		
VIC	14 assets	43.55%
NSW	12 assets	25.51%
QLD	9 assets	20.83%
SA	5 assets	6.61%
WA	1 asset	3.50%

Property Sector allocation (by value)		
Hospital	13 assets	51.54%
Medical Centre or Medical Office	18 assets	42.53%
Development Site	9 assets	4.11%
Aged Care	1 asset	1.82%

Top 5 tenants (by income)	
Ramsay Health	22.59%
Healthe Care	13.46%
Calvary Health	10.76%
Queensland Health	10.24%
Sonic	8.60%
Others (excluding vacancy)	34.35%

Lease expiry profile by income as at 30 June 2017

Property development

The Trust can enhance its existing properties, and add further value to investors, through selective exposure to property development. Property development can mean 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 Trust's property portfolio, we may refurbish or redevelop properties from time to time as required. Material property developments will only be undertaken where substantial pre-commitments to lease are in place and development risk is appropriately mitigated.

One of the risks of property development is construction risk. Construction projects carry a risk that the costs of the project might be higher than budgeted, the project 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.

Specialist rehabilitation public hospital, Herston, QLD

The Trust will develop a specialist rehabilitation public hospital as part of the proposed $1.1 billion development at Herston Quarter in Brisbane.

When constructed the specialist rehabilitation public hospital will be operated by the Metro North Hospital and Health Service ('MNHHS'), a Queensland Health division responsible for providing public health services in the northern suburbs of Brisbane.

Work on site for the new hospital commenced in February 2017 and, when complete, the hospital will be leased to MNHHS for an initial term of 20 years by the Trust, and will be developed on land within the Health Precinct also occupied by the Royal Brisbane and Women's Hospital which is one of two tertiary public hospitals in Queensland. When constructed, the specialist rehabilitation public hospital is expected to be valued at approximately $380 million and will provide seven operating theatres, three procedure rooms and in-patient accommodation of up to 172 patients.

The Valley Private Hospital, Mulgrave, VIC

After completing a $14.6 million project for the new 32-bed ward and multi-deck car park in January 2016, construction commenced on the $18.8 million development incorporating an ICON Cancer Centre at the hospital, which is expected to be completed in early November 2017. This is the first stage of an $84 million - three stage expansion of the hospital which is proposed to be developed over the next three years.

Brisbane Waters Private Hospital, Woy Woy, NSW

Development works for a $10.8 million expansion of the hospital comprising a 24 bed rehabilitation ward, gymnasium, hydrotherapy pool and additional car parking has commenced with practical completion targeted for January 2018.

Greensborough Medical Centre, VIC

In February 2017 works commenced for the $20.4 million conversion of an existing council building to a large scaled, multi-disciplinary medical centre providing dental, radiology, day surgery and general practitioner services. Target completion date of the project is early 2018.

Robina Medical Centre, QLD

In July 2017 works commenced on the $9.8 million development of a 1,500 sqm multi-disciplinary medical centre to be leased to Primary Health Care Limited. Target completion date is May 2018.

In addition to these, the Trust is actively pursuing developments at the Herston Quarter, Brisbane, QLD; Peninsula Private Hospital, Langwarrin, VIC; Beleura Private Hospital, Mornington, VIC; Tuggerah Lakes Private Hospital, Kanwal, NSW, and the HIS Diagnostic Imaging Centre, Richmond, VIC. These additional projects are estimated to cost in excess of $250 million to complete in total.

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 Trust meets this benchmark and complies with the 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 Trust in the best interests of investors. In addition to the above requirements, the Valuation Policy also requires that:

- independent external valuations for new properties must be completed no more than three months prior to exchange of contracts;
- independent external valuations for existing properties must generally be conducted at least once in a financial year;
- where there are multiple properties in a portfolio, the valuations are to be staggered through the year; and
- where a property has been contracted for sale, the contracted sale price may be adopted instead of the independent external valuation.

Additionally, as part of our active management approach, we may test asset values on 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 Trust meets this benchmark and complies with the 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 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 Trust's Annual Report.

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

Related Party activity

Property management services

AUFM has appointed Australian Unity Property Management Pty Ltd ABN 76 073 590 600 ('AUPM') to provide some property management services to the Trust. 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 arrangement adheres to the Related Party Policy.

Australian Unity Property Management

AUPM is a property management business that may, under a written arrangement, provide some of the following services to the Trust 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 2016 to 30 June 2017 services to the value of $2.81 million have been provided by and paid to AUPM.

Herston Quarter redevelopment agreements

The Trust, through its subsidiaries, has entered into a number of agreements with Herston Development Company Pty Ltd ABN 53 617 139 009 ('HDC') to facilitate the redevelopment a portion of the Herston Quarter, Herston, QLD. Investor approval is not required for these agreements as they have been made on commercial terms and conditions and on an arm's length basis.

HDC is a wholly owned subsidiary of AUL and is a member of the Australian Unity Group. This transaction complies with the Related Party Policy.

HDC has been paid a consortium management fee of $7.88 million (excluding GST) for the development of the specialist rehabilitation public hospital in Herston, QLD.

Other Herston Quarter costs

Loan receivables

The Trust provided loans to Herston Car Park Company Pty Ltd ABN 98 617 138 833 to provide funding for the development of the car park and a portion of the common area associated with the Herston quarter redevelopment. The loans are carried out on a cost recovery plus a margin, and repayment of the loan will only occur after the relevant authority has issued an occupancy certificate with respect to the entire site subject of the specialist rehabilitation public hospital development works. Investor approval is not required for this arrangement because it was made on commercial terms and conditions, and on an arm's length basis. Herston Car Park Company Pty Ltd is a wholly owned subsidiary of HDC.

This arrangement complies with the Related Party Policy. From 1 July 2016 to 30 June 2017 the amount charged to the Trust was $527,330 (excluding GST).

Australian Unity Retirement Living Services Limited (RLS)

The Trust has reimbursed RLS ABN 17 085 317 595 for outsourced services in relation to consulting, legal and design costs associated with the tender for the Herston Quarter redevelopment. Investor approval is not required for this arrangement as the payment has been made on commercial terms and conditions and on an arm's length basis. RLS is a wholly owned subsidiary of AUL and a member of the Australian Unity Group. This transaction complies with the Related Party Policy.

From 1 July 2016 to 30 June 2017 the amount charged to the Trust was $590,217 (excluding GST).

Other related party service providers

AUFM charges the Trust for administration expenses (including audit fees). We estimate these costs to be 0.30% p.a. of the gross asset value of the Trust.

From 1 July 2016 to 30 June 2017, the amount charged to the Trust was $3.41 million (excluding GST). This is made up of related party and non-related party expenses.

Investments

AUL and its subsidiaries (related parties) may invest in the Trust and the Trust may invest in related parties from time to time. Details of related party investments are included in the Trust's Annual Report.

As at 30 June 2017, the Trust's related party investments included $56.62 million invested in Australian Unity Wholesale Cash Fund and $40.04 million in the Australian Unity Enhanced Cash Fund.

The Trust will initially invest investor applications for Funding Units into the Australian Unity Wholesale Cash Fund.

As at 30 June 2017 related parties held interests in the Trust of $11.33 million (1.07%) based on net assets.

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.

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 Trust does not meet this benchmark.

The Trust aims to source and currently sources, all distributions from funds from operations ('FFO'). 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.

FFO is a key determinant for the Trust when calculating and deciding the level of distribution to pay. To reconcile statutory profits to FFO and distributions the Trust may make adjustments to net profits for changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation on incentives, rental straight-line adjustments and other unrealised one-off items.

A reconciliation of the statutory 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 twelve months ended 30 June 2017.

	Actual $
Net profit	102,311,264
Valuation changes*	(50,062,701)
Interest rate derivative changes	(1,323,260)
Other	9,747,430
Fund from operations	**60,672,734**
Distributions declared	**60,492,571**

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

The Distribution Policy is aligned to the ongoing earning capacity of the Trust. We expect an increase in FFO over the next 12 months, enabling the Trust to sustainability source distributions from FFO over this period.

Where the Trust makes distributions from capital, this will have the effect of reducing investors' equity. Where this occurs and the Trust has borrowings, the reduction in investor's equity will have the effect of increasing the gearing ratio and gearing related risks. Where a trust is close to its gearing related covenants, the risk of breaching these covenants is increased.

Funding Units

The Funding Units distributions will comprise a combination of income from the Funding Units Cash Pool and the Trust's portfolio of healthcare-related property assets.

The amount of distribution funds sourced from the Trust's portfolio of healthcare-related property assets will be dependent upon the extent that the Funding Units Cash Pool has been allocated for the purposes of the Trust.

Withdrawal rights

Disclosure Principle 7 – Withdrawal rights

Retail and Wholesale Units

In normal operating conditions Retail Units and Wholesale Units withdrawals from the Trust are paid quarterly. The maximum total amount available for withdrawals each quarter is 2.5% of the net asset value of the relevant class of units on issue (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 3:00pm at our Melbourne office on or before the quarter end date (being 28 February, 28 May, 28 August and 28 November or the next business day if the 28th is a non-business day) to receive the withdrawal price as at the cut-off date. Otherwise, the withdrawal request will be processed in the following quarter.

Class A Units

In normal operating conditions Class A Unit withdrawals from the Trust are paid monthly. Monthly withdrawals will be met from the cash reserves held specifically for Class A Units.

In abnormal operating/market conditions the demand for withdrawals may exceed the amount of cash reserve held for Class A Units. Where this occurs, withdrawals will instead be met on a quarterly basis and will be subject to a quarterly cap of 2.5% of the net asset value of Class A Units (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. Quarterly withdrawals will be met from the Trust's general cash holding.

Investors written request must be received by 3:00 pm at our Melbourne office on or before the 28th of the month (or the next business 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 month.

Funding Units

Funding Units will not have any rights to withdrawals. However, after the Exchange, Funding Unit holders will hold Wholesale Units and consequently will be able to access the associated withdrawal rights of the Wholesale Units.

All unit classes

Where we are required to sell property assets, it may take longer for investors to receive their withdrawal proceeds. In extreme cases it could take 12 months or longer for investors to receive their money.

Substantial investor withdrawal requests

In order to ensure reasonable equity among investors, where any single investor requests withdrawals of Retail Units, Wholesale Units or Class A Units in excess of 5% of the total number of units on issue of that class during a withdrawal period, we may deem those requests to be a single withdrawal request for 5% of the total number of units on issue of that class or such higher amount as we determine at our absolute discretion.

Suspension of withdrawals

While the Trust is liquid, the Trust's Constitution allows up to 365 days to meet withdrawal requests for Retails Units, Wholesale Units or Class A Units.

If we are of the view that we cannot sell property assets within 365 days to meet withdrawal requests, the Trust 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 Trust's Constitution and law.

Disclosure Principle 8 – Net tangible assets

The Trust is an open-ended property scheme and as such this disclosure principle is not applicable. However, the current unit price for the Trust is available on our website.

Managing your investment

Our investment philosophy

We believe that market prices for properties do not always reflect their fundamental value and there is opportunity to generate value through buying well and selling well. We also believe that value can be achieved, and investment risk mitigated, by skilful management of each property and its tenants.

We make selective property acquisitions based on our assessment of value, taking into account the risks inherent in the property, and the ability for these risks to be mitigated by experienced management. In particular, we consider:

- location attributes, such as demographic profile, health needs, road and services infrastructure and the level of competition; and
- property specific criteria, such as the quality of buildings, tenant and lease profile, opportunities to enhance or redevelop the property to protect and/or grow future income potential and capital value.

We believe actively managing property assets, as well as focused capital management and the provision of regular withdrawals to investors, is essential to optimising the return investors can receive from their investment in property while balancing access to their investment.

The people managing your investment

AUFM is the investment manager for the Trust. We are careful, sensible and successful property managers and our property team is one of the most experienced in the Australian market.

We have a long and successful track record in managing healthcare related properties and understand the markets and environment they operate in.

These key people are responsible for managing the Trust.

David Bryant

FAICD, F Fin, FAIM
Chief Executive Officer, Wealth
Chief Investment Officer, Australian Unity Group

David joined Australian Unity in 2004. He is Chief Executive Officer for Australian Unity, Wealth and Chief Investment Officer for the Australian Unity Group. He is responsible for Australian Unity's financial services, investment and banking activities. He is a board member of many of its operating entities and Investment Joint Venture subsidiaries.

Prior to joining Australian Unity in 2004, David was Chief Operating Officer at Perpetual Personal Financial Services, and has held senior roles in financial services, asset consulting, and banking, for both Australian and international organisations. His various roles have encompassed responsibilities for business across the Asia Pacific region.

David is a director of the Australian Financial Services Council and co-chair of its Advice Board Committee.

Mark Pratt

General Manager – Australian Unity Property
Australian Unity

Mark joined Australian Unity in 2004. As General Manager – Property, he is responsible for the commercial management and growth of Australian Unity's property and mortgages investment management businesses. Australian Unity actively manages more than $2.5 billion in commercial property assets; including the listed Australian Unity Office Fund, unlisted funds in healthcare and commercial property as well as commercial and development debt funding.

More recently Australian Unity was appointed as the Master Developer of the $1.1 billion redevelopment of the Herston Quarter healthcare precinct in Brisbane. This project is set to provide Queenslanders with access to state-of-the-art health, hospital and aged care services, as well as creating international standard research and educational facilities.

Prior to his current role, Mark was Australian Unity Wealth's Chief Operating Officer and has also held senior roles at Plum Financial Services, AMP Financial Services and State Street Australia.

Mark is the President of the Property Funds Association and is a member of the Victorian Division Council of the Property Council of Australia. He holds a Bachelor of Commerce – Accounting from the University of NSW.

Chris Smith

Head of Healthcare Property
Australian Unity

Chris joined Australian Unity in 2001. He is responsible for all aspects of management for the Australian Unity Healthcare Property Trust, including strategy, asset management, property management, acquisition and disposals.

Prior to joining Australian Unity, Chris was Regional Asset Manager Victoria for the Jones Lang LaSalle Shopping Centre Division, following a number of years with Jones Lang LaSalle NSW and a successful 16-year career with Coles Myer.

Chris has a Post Graduate Certificate of Business Administration from RMIT, a Certificate IV in Property Services (Real Estate), and is a licensed Real Estate Agent.

Peter Lambden

Head of Property and Asset Management
Australian Unity

Peter joined Australian Unity Investments in 2001. He is responsible for providing independent review and input to fund and property strategies, developing consistent and effective asset and property management processes and overseeing the independent valuation of the Trust's property assets.

Peter has over 45 years' experience in portfolio and property management, spending the majority of his career in senior roles with National Mutual (AXA/AMP), where he was manager of new investments and valuations. From 1991 to 1995 he was state manager for National Mutual's Queensland branch, and prior to this he was manager property management and responsible for all National Mutual's Victorian and Tasmanian property assets, valued in excess of $1 billion at the time.

From 1997 to 2000 Peter managed AXA's New Zealand property operation together with having valuation and research responsibilities for Australia and New Zealand.

Peter has a Diploma in Agricultural Science and a Diploma in Business Studies – Valuations from RMIT. He has held a number of senior positions with industry bodies, including president of the Australian Property Institute and executive member of the Property Council of Australia. He is a fellow of the Australian Property Institute and a member of the Property Council of Australia.

Louise Cahill-Mulvogue

Head of Strategy and Support
Australian Unity

Louise joined Australian Unity in November 2005 and was most recently appointed to the role of Head of Strategy and Support within the Property business. Her responsibilities include supporting the development and execution of the strategic objectives of the business as well as co-ordinating deliverables for debt funding, analytics and reporting and investment research.

Prior to this role, Louise managed both the Actuarial and Business Intelligence functions for Australian Unity Wealth. Across her working career she has looked to apply technical and analytical capability, experience and business acumen to various facets of decision making and capital risk management predominantly for funds management and friendly society businesses.

Louise has worked in financial services for 15 years, both in Ireland and Australia. She is an actuary by training; is an Associate member of the Actuaries Institute and holds an actuary designation.

Nathan Chew

Portfolio Manager
Australian Unity

Nathan joined Australian Unity in 2016 and is responsible for the capital management of the Healthcare Property Trust. This includes equity capital raising, management of debt facilities, portfolio valuation, financial reporting and performance forecasting.

Nathan has 16 years' experience as a property specialist within institutional banking, funds management and investment banking covering Australia, Europe and the US. He has held positions with Macquarie Group, Deutsche Pfandbriefbank, MGPA and Westpac Institutional Bank.

Nathan has a Bachelor of Finance from the University of Adelaide and a Certificate in Commercial Property Valuation from the Royal Institute of Chartered Surveyors.

Nicole Plant

Senior Asset Manager
Australian Unity

Nicole joined Australian Unity in November 2014. She is responsible for the management of a portfolio of healthcare assets within the Healthcare Property Trust and has over 18 years' experience across all sectors of the property market.

Prior to joining Australian Unity, Nicole was Fund Manager at 360 Capital, responsible for the performance of a suite of unlisted property funds. She has also held fund manager and asset management roles at Stockland, Mirvac/James Fielding Group and Abacus Property Group. She has extensive experience in funds management, strategic asset management, capital management, transactions and fund structuring.

She holds a Bachelor of Commerce (Property Economics) and a Graduate Diploma of Applied Finance and Investment from FINSIA.

Brendan See

Asset Manager
Australian Unity

Brendan See joined Australian Unity in May 2014, initially as a Portfolio Manager for the Healthcare Property Trust. In 2017 he transitioned to the role of Asset Manager, with responsibility for all aspects of asset management for the properties under his care including, property management, developments and transactions.

Prior to joining Australian Unity, Brendan gained over six years of corporate restructuring and transactions experience within chartered accounting practices. He has held positions at Deloitte Touche Tohmatsu and Worrells Solvency & Forensic Accountants.

Brendan is a member of the Institute of Chartered Accountants and has a Bachelor of Business in banking and finance from Queensland University of Technology.

Jeremy Wilkins

Acquisitions Manager, Healthcare Property
Australian Unity

Jeremy joined Australian Unity in 2017 and is responsible for delivering investment properties for management by the Australian Unity Healthcare Property Trust.

Jeremy was previously in a national role as Group Property Manager for the Programmed Group managing the occupational property portfolio where he established a corporate real estate division of some 200 commercial and industrial properties in Australia & New Zealand. The position included acquisition, management & disposal of leasehold and freehold properties. Prior to joining Programmed Jeremy held a position in healthcare property with Australian Unity and previously had extensive agency experience in office and industrial leasing.

Jeremy is a licensed Real Estate Agent.

Peter Beale

Specialist rehabilitation public hospital project,
Company Representative
Australian Unity

Peter joined Australian Unity in 2015. Initially, he was responsible for development and capital transactions for the Trust. He is now solely focused on the development of a specialist rehabilitation public hospital at the Herston Quarter.

Prior to joining Australian Unity, Peter's property roles have included working in a major Commonwealth Department occupying commercial and retail spaces, for commercial and retail developers on major projects, as a major tenant representative and as a consultant on property and town planning projects across Australia. He has held national property development roles with retailers Officeworks and Target Australia, and worked on mission critical projects for data centres and hospitals.

Peter holds a Graduate Diploma (Town Planning) from UTS and a Masters in Social Sciences (Environment and Planning) from RMIT.

Belinda Carter

Asset Manager
Australian Unity

Belinda joined Australian Unity in August 2010. She has responsibility for the day-to-day management of a portfolio of assets within the Trust, including property management, development, transactions and relationship management.

Belinda has extensive experience across all sectors of the property market and has been in the industry for more than 12 years. Before joining Australian Unity Belinda was senior property manager at Teska and Carson and prior to this was property manager at CB Richard Ellis.

Belinda has a Bachelor of Business (Property) from RMIT University.

Making the investment

This table explains how to make an investment in the Funding Units to be issued by the Trust.

	What you need to send us	Minimum[1]	Cut off times	Important information
Initial investment	A completed Application Form **and** a cheque or completed direct debit details..	$5,000	The Application Form and cheque (if applicable) must be received by 3:00pm at our Melbourne office.	Review your application before you sign it, as incomplete applications may not be accepted.
Transfers will be available after the allotment of Funding Units				
Transferring your investment	A transfer form completed by both parties **and** a completed Application Form for the Trust completed by the transferee.	$1,000	Your Standard Transfer Form and the Application Form must be received by 3:00pm on a business day for the transfer to be completed that period. Otherwise, the transfer will be completed the next business day.	If you choose to transfer only part of your investment you will be required to keep a minimum of $5,000 in your account.

1. We reserve the right to vary minimum investment amounts and to accept or reject any investment (in whole or in part) at our discretion without explanation. A Maximum Limit applies to all investments into the Trust. Refer to 'Maximum exposure limit' below.

Handling of applications

Pending the issue of units to an investor, the application amount will be held in a trust account that complies with the Corporations Act.

No interest will be paid on application amounts for the period from receipt until the issue of units occurs. Similarly, no interest will be paid to any investor whose application (or part of an application) is returned by us unfilled. Any interest earned on the application amount during this period will be retained by the Trust and form part of its income for the benefit of investors. We may, in our absolute discretion, reject in whole or in part any application. We do not need to give any reason for rejection.

Scale Back of applications

Under this PDS we aim to raise approximately $250 million in Funding Units.

If the total amount of all applications received by the Offer Close Date exceeds $250 million, a Scale Back may be applied if we determine not to accept the excess of applications.

If we apply a Scale Back, you will receive a lesser amount than set out in your application as the amount by which applications will be scaled back will be on a proportionate basis. This ensures fairness in accepting applications and allocating units to all investors.

For example, if a total of $300 million of applications is received, all applications received may be scaled back by 17%, being $250 million / $300 million = 17%.

This means that if you submitted an application for $5,000, your application amount may be scaled back to $4,150.

If a Scale Back occurs:

- the minimum investment amount will be waived;
- where your application amount is to be paid by direct debit authority, we may not effect the direct debit on your bank account until the date that the Scale Back process commences, as we will then only debit to that account the amount required for the payment of the Funding Units actually allocated;

  You should ensure that the account which you have nominated for direct debit is funded to support your application amount for the entire period until we have confirmed completion of your application (failing to do so may result in your application being rejected)
- if your payment is effected by cheque, we will refund to you the excess application amount at the completion of the Scale Back process. (It may take up to 14 days to return your scaled back funds.)

Maximum exposure limit

We have determined to introduce until further notice a limit of 15% of the Trust's net tangible assets as the maximum exposure an investor, or the aggregated exposure of a group of 'associated investors', may have in the Trust ('Maximum Limit').

The introduction of the Maximum Limit is intended to manage the Trust's position, including the preservation of the Trust's:

- current liquidity provisions;
- status as a public unit trust scheme for stamp duty purposes; and
- status as a managed investment trust for income tax purposes.

The Maximum Limit will apply until further notice.

Group of associated investors

We may consider whether an investor is likely to be a member of a group of 'associated investors'. An investor may be considered to be an 'associated person' of another investor if we consider it exhibits, or we become aware of one or more of the following attributes with respect to the investor:

- the investor is, either in partnership with or by other arrangement, associated with another person or entity which also has investments in the Trust, (trustee and custodial arrangements may be excluded in this assessment);
- the investor has indicated that it has an arrangement with an AFS Licensed or authorised dealership and/or adviser which also has arrangements with other investors of the Trust;
- the investor is an 'associated person' of one or more existing investors under a Duties Act of a State or Territory.

If an investor is identified as an 'associated person' of another investor under the above tests we may consider the aggregated exposure to the Trust of the 'associated investors'. If the limit of 15% of the Trust's net tangible assets is likely to be exceeded, the Maximum Limit will apply to the 'associated investors'.

However, we reserve the right, in our sole absolute discretion, to interpret how the Maximum Limit applies in relation to any particular investor or class or group of investors, including whether two or more investors are associated investors.

Changing your mind

A 14-day cooling off period is available to investors to decide whether to proceed with the application under this PDS. The cooling off period starts on the earlier of:

- the date you receive your initial investment transaction statement; or
- five business days after your units are issued.

Therefore, if you wish to cancel your investment, it is important that you write to us before the expiration of this period.

The amount repaid to you is adjusted to reflect any increase/decrease in the value of the investment due to market movement. We will also deduct any taxes or duties payable and transaction costs. As a result, the amount returned to you may be less than your original investment.

If you are a 'sophisticated' or 'professional' investor or otherwise a 'wholesale client' (as defined in the Corporations Act) the cooling off period is not available to you.

If you are investing through a through a masterfund or IDPS, you should consult the operator in relation to cooling off rights that may apply to your investment in the masterfund or IDPS (if any).

Withdrawals

Withdrawals will **not** be available for Funding Units.

However, once Funding Units have been Exchanged for Wholesale Units (currently intended to be on, or earlier than, 30 June 2019) an investor will be placed in the same position of a holder of Wholesale Units, and able to participate in withdrawing from the Trust in the same way.

The following table explains the withdrawal rights for Wholesale Units which are current as at the date of this document.

There is no guarantee, however, that at the time that Funding Units are exchanged for Wholesale Units the withdrawal rights will necessarily be the same as those represented below.

Additional information about withdrawals for Wholesale Units

Withdrawals for Wholesale Units are generally funded using cash reserves held by the Trust. Cash reserves are primarily accumulated from applications and retained earnings. Generally, the Trust does not borrow to fund withdrawals.

While the Trust is liquid, the Trust's Constitution allows up to 365 days to meet withdrawal requests.

If as a result of a withdrawal request your account value falls below the minimum balance, we may treat the request as a request to withdraw in full and close your account. We reserve the right to vary these minimums at any time at our discretion.

The minimum balance amount is $5,000 for Wholesale Unit. We reserve the right to vary the minimum balance amount.

Current frequency	Minimum[1]	Cut off times	Important information
Quarterly (being 28 February, 28 May, 28 August and 28 November)	$1,000 (We may vary minimum withdrawal amounts at our discretion.)	A written request must be received by 3:00 pm at our Melbourne office on or before the quarter end date (being 28 February, 28 May, 28 August and 28 November or the next business day if the 28th is a non-business day) to receive the withdrawal price as at that cut-off date. Otherwise, your withdrawal request will be processed in the following quarter.	Withdrawals are currently subject to limits. Currently the maximum total amount available for withdrawals each quarter for Wholesale Units is capped at 2.50% of the net asset value of this class of units (and where total requests exceed this, withdrawals are met on a pro-rata basis).

Exchange of Funding Units to Wholesale Units

Prior to the proposed date of Exchange, holders of Funding Units are expected to be notified in advance of the impending Exchange. However, we may effect the Exchange without prior notice.

The Exchange will be effected via a two-step process:

Step 1: The Responsible Entity will cancel all Funding Units just before the Exchange

Step 2: As substitution for the Funding Units, the Responsible Entity will issue existing holders of Funding Units with new Wholesale Units, and nothing else, at the same market value equal to the market value of the Funding Units just before the cancellation.

At the date of the Exchange of Funding Units to Wholesale Units the Responsible Entity will calculate the withdrawal unit price (excluding the sell spread) of a Funding Unit, based upon the methodology prescribed by the Constitution for the class of Funding Units. The Responsible Entity will calculate the value of a Wholesale Unit as at that same date, and will effect the exchange of each investor's holding of Funding Units based upon the proportion that the withdrawal price (excluding the sell spread) of the Funding Unit bears to the issue price (excluding the buy spread) of a Wholesale Unit.

Investors will receive a statement explaining the details of the Exchange.

Tax implications of Exchange

The general tax implications for the Exchange are explained below. It is intended to be a guide only and does not purport to be a complete statement of the relevant tax law, nor does it take into account your individual circumstances. The taxation law is complex and its application is dependent on your individual circumstances. Accordingly, we strongly recommend that you seek independent professional taxation advice on the tax implications of investing in the Trust relevant to your specific circumstances.

The following summary is intended for Australian resident investors and generally applies to investors who hold their investment on capital account for tax purposes. This summary does not consider the tax implications for any other investors, including those investors who hold their investment in the Trust on revenue account, as an isolated investment made with profit making intent or as trading stock. It is based on our interpretation of the current Australian tax laws at the date of publication of this document, including applicable case law and published guidance by the Australian Taxation Office, which may be subject to change.

We have engaged Ashurst Australia to review the availability of the Capital Gains Tax ('CGT') rollover in section 124-245 of the *Income Tax Assessment Act 1997* (ITAA 1997) in respect of the Exchange. Ashurst Australia have confirmed that, based on the current law and provided the market value of the Wholesale Units acquired in substitution for the Funding Units under the Exchange equals or exceeds the value of the substituted Funding Units immediately before the Exchange, an Australian resident unit holder should be eligible to choose to obtain the CGT roll-over under section 124-245 of the ITAA97.

CGT Event C2

The cancellation of the Funding Units will cause CGT Event C2 to occur in respect of the holder of the Funding Units. Holders of the Funding Units make a capital gain if the capital proceeds from the cancellation are more than the asset's cost base. The capital proceeds should be equal to the market value of the Wholesale Units at the issue time. Holders of the Funding Units make a capital loss if those capital proceeds are less than the asset's reduced cost base.

CGT Roll-Over Relief

An Australian resident holder may choose to obtain a CGT roll-over under section 124-245 of the ITAA 1997. The choice is made and evidenced by the way the holder's income tax return is prepared. If a holder chooses to obtain the CGT roll-over:

1. a capital gain or a capital loss on the cancellation of the Funding Units is disregarded.
2. The cost base of each Wholesale Unit will be determined as follows:

$$\left(\frac{\text{the total of the cost base for all Funding Units held by the holder}}{\text{the number of new Wholesale Units acquired by the holder}}\right)$$

Unit prices and distribution payments

Unit prices

Unit prices for all existing classes of units are generally calculated each business day, by taking the value of the Trust's assets, and deducting the liabilities. The resulting value is then divided by the total number of those units issued by the Trust. Where fees or costs relate to more than one class, the deduction is made for those fees relevant to the respective class of units.

The unit price for each class of units within the Trust is generally calculated in the same manner, taking into consideration only the net asset value and the number of units on issue for that class at the relevant time.

The calculation of the unit price for the Funding Units is derived, however, from the value represented by each of the Funding Units Cash Pool and the proportionate entitlement of Funding Units to the Trust net asset value, as recorded on each unit price calculation day.

Where fees or costs relate to more than one class, the deduction is made for fees pertinent to the respective class of units.

Both the application and the withdrawal price are calculated taking into account any applicable buy/sell spread, which is a percentage amount applied to the Unit price. It ensures that there is an equitable application of the costs of buying and selling assets to investors entering and exiting the Trust.

Where the Responsible Entity applies its discretion to unit pricing using its powers under the Trust's Constitution (e.g. in determining an appropriate level for the buy/sell spread, based on estimates of underlying transaction costs being incurred by the Fund), it acts in accordance with the Unit Pricing Policy. Investors may inspect a copy of the policy at our registered office at any time between 9:00am and 5:00pm (Melbourne time) on a business day or a copy is available free of charge by calling us on 13 29 39.

For the current unit price, please visit our website australianunity.com.au/wealth or call us on 13 29 39.

Distributions

The distribution policy of the Trust is aligned to its ongoing earning capacity from assets held. Although it is not our intention to pay distributions from capital, we may do so if we consider it to be in the interests of our investors (for example if rental income is reduced unexpectedly) and where payment from that source is expected to be sustainable given the circumstances.

The Funding Units distributions will comprise a combination of income from the Funding Units Cash Pool and the Trust's portfolio of healthcare-related property assets. The amount of distribution funds sourced from the Trust's portfolio of healthcare-related property assets will be dependent upon the extent that the Funding Units Cash Pool has been allocated for the purposes of the Trust.

The amount of distribution income paid is based on the number and class of units held at the end of each distribution period.

Distributions are generally paid within on a quarterly basis, being March, June, September and December.

Distribution reinvestment is not currently available.

Risks of managed investment schemes

What is risk?

'Risk' generally refers to the variability and volatility of an investment return and the likelihood of incurring a loss on your investment.

All investments come with a degree of risk. You will need to determine how much risk you are able or willing, to tolerate.

The main risks of investing include a decrease in the value of your investment, a fluctuation or a decrease in the amount of income generated from the investment, or a lower than expected rate of return.

These risks can arise from various circumstances, including:

- changes to government policies relating to tax or economics that may have adverse impacts on investment markets or the tax treatment of investment returns ('regulatory risk'). See 'Australian tax reform' in the 'Other information' section on page 33 for more details; and
- changes to social, economic (e.g. inflation and interest rates), political, commercial and technological environments, or to market sentiment, that may make certain investments less attractive ('market risk').

It is commonly accepted that there is a relationship between the level of return generated by an investment and its level of risk. The spectrum below shows the five main types of investments according to their relationship between risk and return for you to consider.

If the security of your money is your highest concern when selecting investments, you should choose an investment with lower risk, bearing in mind that your return may be lower in the long-term. Conversely, if your focus is towards achieving higher returns, you will need to be comfortable with the fluctuations in the value of your investment before selecting an investment with higher risk.

How we manage risk?

We are unable to eliminate all investment risks, but we do analyse, manage and aim to reduce the impact of risks through the use of carefully considered investment guidelines. We also spread the Trust's investments across a diverse range of assets to reduce the reliance upon the performance of any single asset. If one asset is performing poorly, another may perform well. Diversification will therefore generally smooth out the overall return on the portfolio, and may reduce short-term volatility.

How you can manage your risk

In managing your risk, we recommend that you:

- seek your own professional advice to help you understand how your current financial situation, and your investment objectives, affect the selection of investments that you can make;
- consider your investment timeframe, your investment objectives and your risk tolerance; and
- diversify your investments to help reduce risk and the volatility of investment returns.

Risks relevant to the Funding Units

The Funding Units will be exposed to the usual risks associated with an investment in the Trust, and in addition, to the risks relevant to the return from , and holding of, cash and fixed interest investments in the particular Funding Units Cash Pool held for these units.

The value of units can go up and down, and the value of an investment may not perform as intended. The value of the units at exchange to Wholesale Units may be less than anticipated.

Investors in Funding Units should also take into account that the lack of the ability to withdraw the investment until after the exchange into Wholesale Units may pose a risk relevant to their own personal circumstances.

Risks specific to the investments held in the Funding Units Cash Pool

Derivatives risk

We may use derivatives to implement portfolio positions in relation to the investments held in the Funding Units Cash Pool, as well as manage currency, interest rate and credit risks. We will not use derivatives for gearing or speculative purposes.

A derivative is a financial instrument which derives its value from another source, such as a share. The main types of derivatives are options, futures, and swaps.

Derivatives can expose a fund to risks such as:

- market risk (the risk that the value of the derivative will fluctuate due to movement in the price of the underlying security, index or financial obligation);
- basis risk (the risk where the value of the derivative moves independently from the value of the underlying security, index or financial obligation); and
- counterparty risk (the risk of loss arising from the failure of another party to meet contractual obligations).

Fixed interest risk

Fixed interest funds effectively lend money to Governments, companies, banks and other entities at either fixed or variable rates of interest, for a defined term. This is achieved by purchasing bonds, debentures or similar securities that have been issued by a borrower (issuer).

There is a risk that an issuer of a fixed interest security may not be able to make interest payments or to repay the principal, which may reduce the value of your investment and level of income. Changes in interest rates or changes to the credit-worthiness of issuers will also impact the value of your fixed interest investments.

As fixed interest securities are not generally traded on an exchange (like equities), in adverse market conditions these securities may become less liquid than under normal circumstances. This may impact on the performance of the Trust, and it may take longer for you to withdraw your money.

Foreign currency risk

Some of the underlying investments may be in currencies other than the Australian dollar and can therefore be subject to foreign currency risk. To limit this risk, any foreign currency exposure is hedged into Australian dollars.

Risks specific to the assets held by the Trust

Liquidity risk

Liquidity relates to how quickly investors can access their money from an investment. The Trust holds an amount of cash and other liquid assets to give investors limited access to their money.

The Trust may invest directly in real property assets, unlisted property trusts, listed REITs and cash. With the exception of listed REITs and cash, property assets tend to be less liquid than other forms of investment.

There is a risk that the Trust may have insufficient cash to meet its limited withdrawal obligation in a timely manner.

If this was to occur and the Trust was required to sell real property assets, it may take up to 12 months or longer for withdrawal proceeds to be paid.

Additionally, if a withdrawal facility is oversubscribed, a withdrawal request may be met on a pro rata basis. This means that you may receive only part of your requested amount.

Property risk

The value of property assets is closely linked to rental income, occupancy levels, tenant quality, lease terms, location and supply and demand factors, and may also be impacted by environmental risks (such as land contamination or the cost of removing potentially hazardous materials).

Changes to any of these elements will affect the value of the underlying property and ultimately the value of your investment. A decline in property values may impact the Trust's gearing ratio and loan covenants and the Trust may be required to reduce its borrowings through the sale of assets, additional capital raising (including discounted capital raising) or retaining distributions.

The business conditions for tenants may change adversely, which may result in tenants seeking rental assistance, defaulting on rental payments, abandoning leases, or not renewing leases on expiry. A reduction in rental income received by the Trust may impact the level of distributions it can make and may reduce the value of assets. Investors should note that healthcare property is a specialised class of property and for some assets there may be a smaller pool of potential tenants

In the day-to-day operations of the Trust, allowances are made for known capital works and maintenance of the properties. However, unforeseen repairs or capital works may be required, which may reduce the amount of income available for distribution.

The long term strategy for the Trust is to grow the property portfolio through acquisition of new properties and the enhancement of existing properties as appropriate. These activities may depend on raising additional equity from new or existing investors and may be supplemented with borrowings. If we are not able to raise sufficient capital the Trust may not be able to grow according to the strategy.

Property development

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.

Borrowing risk

The Trust combines investors' money with borrowed money and invests the combined amount in property related assets. This process, known as gearing, magnifies the effect of gains and losses on your investment and is considered more risky than similar investments that are not geared.

If property values or rental income falls significantly the Trust may be unable to meet its loan covenants and this may result in the sale of assets.

In addition to the property risks outlined above, changes to interest rates or lender credit margins may impact borrowing costs and ultimately impact the level of income you receive.

There is also a risk that the Trust may not be able to refinance its borrowings when borrowing facilities mature. If this occurred, the Trust may lose value from selling assets in poor market conditions in order to repay the borrowed amount.

Our approach is to actively manage the Trust's borrowings in conjunction with the lenders to manage this risk.

Derivatives risk

Derivatives are also subject to market risk where there is movement in the underlying security, index or financial obligation.

It is not our current policy to use derivatives for gearing purposes or for speculative activities for the Trust. We may use derivatives in the Trust for asset allocation purposes, implementation of interest rate risk strategies and management of the Trust's interest rate exposures.

Interest rate risk strategies aim to minimise the impact of rising interest rates. For example, if the Trust fully hedges its borrowings (i.e. fixes the interest rate on its borrowings) and the prevailing interest rates rise, then the Trust is protected from having to pay the higher interest rate cost. However, the Trust's unit price may be more volatile if it is fully hedged, reflecting the market value of any change from the interest rate that has been fixed.

Currency risk

Where the Trust invests in international property or related assets, the asset will generally be exposed to foreign currency risk. Changes in the Australian dollar against foreign currencies may affect the value of your investment in the Trust.

The Trust currently does not invest in international property or related assets.

Market risk

In addition to the above risks, listed property related investments are impacted by broader market factors (such as interest rate changes and share market sentiment), similar to equity investments.

Fees and other costs for Funding Units

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission ('ASIC') website (www.moneysmart.gov.au) has a managed investment fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole. Taxes are set out in another part of this document. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the managed investment product		
Establishment fee The fee to open your investment	Nil	We do not apply an establishment fee.
Contribution fee The fee on each amount contributed to your investment	Nil	We do not apply a contribution fee.
Withdrawal fee The fee on each amount you take out of your investment	Nil	We do not apply a withdrawal fee.
Exit fee The fee to close your investment	Nil	We do not apply an exit fee.
Management costs[1] **The fees and costs for managing your investment**		
Base management fee	0.30% p.a. of the gross asset value relating to Funding Units of the Trust.	The base management fee is accrued daily and paid monthly from the assets of the Trust.
Day-to-day expenses relating to the Trust	Estimated to be 0.15% p.a. of the average gross asset value relating to Funding Units of the Trust.	The estimated day-to-day Trust expense does not include expenses relating to the operation of the Trust's assets, borrowing cost or abnormal expenses. Payable out of the assets of the Trust when incurred. Refer to page 28.
Indirect Costs	Estimated to be 0.04% of the average gross asset value of the Funding Units of the Trust.	Payable from the assets of the Trust or the underlying fund in which the Trust invests as and when incurred.
Service fees		
Investment switching fee The fee for changing investment options	Nil	We do not apply a switching fee. A switch is treated as a withdrawal from one fund and an application for another fund.

1. Management costs can be negotiated with wholesale clients. Refer to 'Wholesale clients' in the 'Additional explanation of fees and costs' below management costs do not include the Trust's transactional and operational costs some of which are recovered via the buy/sell spreads.
2. Additional fees may apply. Refer to 'Additional explanation of fees and cost' below.

Example of annual fees and costs for the Funding Units

This table provides an example of how the fees and costs in the Trust may affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

Example –Funding Units[1]	Balance of $50,000 with total contributions of $5,000 during the year	
Contribution fees	Nil	For every $5,000 you put in, you will be charged $0.
Plus Management costs	0.55%[2] p.a.	And, for every $50,000 you have in the Trust you will be charged $275 each year.
Equals Cost of Trust		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 at the end of that year, you would be charged fees of $275. [1, 3, 4]

1. A buy/sell spread may apply to investments in and out of the Trust (see "Buy/Sell spread" on page 29 for further details).
2. This is the estimated Indirect Cost Ratio (ICR) for the first 12 months from the allotment of Funding Units assuming average exposure of 50% in the Funding Units Cash Pool and 50% to the Trust's assets, which incorporates the effect of gearing, the Trust's indirect costs and day-to-day expenses. Refer to page 29 for further details about the ICR. What your investment in the Trust costs you will also depend on the fees you negotiate with the Trust (where applicable) or with your financial adviser.
3. Additional fees may apply. Refer to 'investor transaction costs' below.
4. It is assumed that the contribution of $5,000 is made at the end of the year.

Fee disclosure updates

As the Funding Units are a new class of units, with a changing asset allocation, we can only estimate management costs. Any material differences to the information shown here by the fees and costs actually incurred after the issue of Funding Units, will be provided on our website australianunity.com.au/wealth.

Additional explanation of fees and costs

Management cost calculations

The table below provides a summary of our reasonable estimate of the Funding Unit's management costs, and is calculated on the Trust's management costs on both a gross asset value compared with a net asset value basis (which excludes the Trust's liabilities) for the first 12 months from allotment of Funding Units.

Our reasonable estimate is based on an example with an equal weighting to the Funding Units Cash Pool and the Trust's assets.

	Gross asset value p.a.	Net asset value p.a.
Base management fee	0.30%	0.34%
Indirect cost	0.04%	0.04%
Day-to-day expenses	0.15%	0.17%
Total management costs	**0.49%**	**0.55%**

Base management fee

Under the Trust's Constitution, we are entitled to receive up to 1.00% p.a. (before GST) of the gross asset value of the Trust as a management fee in performing our duties in relation to the Trust.

We have agreed to charge a reduced base management fee of 0.30% p.a. of the Trust's gross asset value relating to Funding Units as described on page 27.

Subject to legal requirements, we are entitled to change fees with prior notice to you as described on page 30.

Where the Trust invests in other funds managed by us

The Trust may invest in other funds or investment companies managed by us or our associates. Where this occurs, management fees are not taken from each fund. Instead, our management fees will be adjusted to reflect the Trust fees described above.

For example, if the Trust invested in a fund managed by Australian Unity which charged a management fee of 0.40% p.a., the Trust would reduce its management fee proportionately on that asset.

Where the Trust invests in other funds managed by an external party

Where the Trust invests in other funds or investment companies managed by third parties not related to us, any management fees charged by those parties will be recovered from and reflected in the performance of the Trust.

Indirect Costs

Indirect costs are amounts that the Responsible Entity knows, or estimates, will reduce the Trust's returns.

The costs are paid from the Trust's assets, or the assets of an interposed vehicle in which the Trust may invest from time to time. Typically, an interposed vehicle will be an unlisted trust in which the Trust has invested.

Indirect costs may include the management costs (including performance related fees, recoverable expenses and indirect costs) of underlying interposed vehicles.

Recoverable expenses

We are entitled to reimbursement for, or have paid by the Trust, all expenses and associated taxes we incur in the proper performance of our duties. Refer to the Tax section for further details on taxes incurred.

Day-to-day expenses relating to the Trust

Day-to-day expenses include, but are not limited to, registry costs, legal services, custodian services, compliance and related administration functions, accounting, printing, audit and asset management services.

Day-to-day expenses do not include costs for:

- expenses that would normally be incurred by a direct investor that relate to the buying and selling maintenance, development and leasing of assets;
- abnormal operating expenses which are due to abnormal events such as the cost of running investor meetings; and
- costs of borrowing, including arrangement, establishment and interest costs.

Refer to 'Transactional and operational costs and borrowing costs' below for more information.

Indirect Cost Ratio (ICR)

The ICR is a useful measure of the ongoing fees and expenses of investing in the Trust.

It is expressed as a percentage of the average size of the Trust's net assets over a financial year.

The ICR shows the cost of investing in the Trust compared to investing directly in assets. It is calculated by dividing the total ongoing fees and expenses by the Trust's average net asset value over the period. The ICR does not include transaction costs or buy/sell spreads, brokerage, borrowing costs, transactional and operational costs and Government charges incurred by the Trust as these costs would generally also be incurred by an investor investing directly.

The estimated ICR for the first 12 months from the allotment of Funding Units assuming average exposure of 50% in the Funding Units Cash Pool and 50% to the Trust's assets is 0.55% p.a.

Transactional and operational costs and borrowing costs

The table below provides a summary of our reasonable estimate of the Funding Unit's transactional and operational costs and borrowing costs, of the Trust and its underlying investments, on the Trust's average gross asset value compared to those costs calculated on the Trust's average net asset value (which excludes the Trust's liabilities) for the first 12 months from allotment of Funding Units. These costs are borne by the Trust and taken into account when determining distributions to investors.

Our reasonable estimate assumes an average exposure of 50% to the Funding Units Cash Pool and a 50% exposure to Trust's assets over the 12 month period. We will update fees and costs disclosure on our website australianunity.com.au/wealth if this exposure changes materially.

	Gross asset value p.a.	Net asset value p.a.
Transactional and operational costs (other than borrowing costs)	0.80%	0.91%
Buy and sell spreads recovered	0.12%	0.13%
Costs recoverable from tenants	0.43%	0.49%
Net transaction and operational costs borne by the Trust	**0.25%**	**0.29%**
Borrowing costs borne by the Trust	0.20%	0.23%

Transactional and operational costs

Separate to the day-to-day expenses of operating the Trust, there are expenses associated with the ownership and operation of the Trust's assets which are recoverable from the Trust.

These costs relate to the activities involved in acquiring, disposing and operating the properties as going concerns. They differ from day-to-day Trust expenses as they would likely be incurred by a direct investor in such assets. These costs are additional to the management fees set out in the fee table on page 27.

Some examples of these expenses include:

- stamp duty and other Government charges;
- cost of making an investment, such as spreads or brokerage costs;
- leasing fees;
- rental review fees;
- agency sales and acquisition arranger fees;
- development management fees;
- property expenses;
- water usage;
- electricity usage;
- general property maintenance; and
- council rates.

These costs are required to be included in the Trust's total 'transactional and operational costs' above. However, some of these expenses may be recovered from the tenants of the Trust's properties.

Costs recovered from the tenants of the Trust's properties are not a cost which is borne by the Trust.

The Trust's underlying investments may also incur transactional and operational costs.

Borrowing costs

The Trust borrows to finance new and existing assets, to develop and maintain those assets, and to provide liquidity for operating purposes and managing the Trust's working capital. The costs involved with Trust borrowings are recoverable from the Trust. Such costs may include:

- debt arranger fees;
- loan establishment fees; and
- hedging costs (interest rate management) .

The Trust's underlying investments may also incur borrowing costs for these activities.

Buy/Sell spread

The buy and the sell spread aim to ensure that each investor shares in the transaction costs associated with their investment decision to either enter or exit the Trust. The amount is:

- in the case of a buy spread, an extra cost charged to enter the Trust and the sell spread is a cost charged to exit the Trust;
- an estimate to cover the costs incurred when buying or selling assets, such as agent fees, legal fees, stamp duty and taxes;
- not an additional fee paid to the Responsible Entity but is retained in the Trust to cover those transactions; and
- not applied to the reinvestment of distributions.

The following buy/sell spreads (which may change from time to time without prior notice) currently apply:

Funding Units	
Buy Spread	1.00%
Sell Spread	Not applicable[1]

[1] A sell spread will apply to Wholesale Units after the Exchange. Refer to page 32.

Based on the buy and sell spreads noted above, an investment of $50,000 would incur a buy spread of $500. This is an example only; it is not an estimate or forecast.

Investor transaction costs

You may also incur infrequent costs directly associated with transactions made on your account, such as Government taxes, stamp duty and bank fees. For example if you direct debit is rejected and the Trust incurs a bank fee.

These costs will be directly deducted from your account by reducing the number of Units you hold within the Trust. We are unable to estimate these costs until they are incurred.

Wholesale clients

From time to time, we may rebate some of our fees (or issue units in the Trust) to what the Corporations Act 2001 calls 'wholesale clients' or to employees within the Australian Unity Group so that they pay reduced fees. We do not enter into individual fee arrangements with other investors.

Fee changes and maximum fees

Fees may increase or decrease for many reasons, including changes in the competitive, industry and regulatory environments or simply from changes in costs. We can change fees, without your consent, but will provide at least 30 days written notice. If you withdraw within this notice period, the increased fees will not apply to you.

The maximum fees we are allowed to charge the Trust (before GST) is stated in the Trust's Constitution as follows:

- Maximum contribution fee 5.00% of each contribution to the Trust.
- Maximum ongoing management fee: 1.00% p.a. of the gross asset value of the Trust.

There is no limit in the Trust's Constitution on the amount that we can recover for expenses incurred in the proper performance of our duties.

For actual fees charged, refer to page 27.

Payments to financial advisers and intermediaries

The Corporations Act contains provisions which regulate and in some cases prohibit payments to financial advisers and intermediaries by product issuers. Any arrangement by us to make payments or provide incentives to financial advisers and intermediaries will be entered into in compliance with the legislation.

Summary of Wholesale Units

The following summary of the current features of the Wholesale Units. Changes about these feature will be posted on our website australianunity.com.au/wealth.

Feature		
Investments and withdrawals	**Current status**	**Description**
New and additional investments	Not available	When open for investment a minimum of $5,000 applies.
Regular savings plans (RSP)	Not available	When open the minimum RSP is $100 per month, $300 per quarter, $600 per half year or $1,200 per year.
Withdrawals	Available	In normal operating conditions Wholesale Unit withdrawals from the Trust are paid quarterly. The maximum total amount available for withdrawals each quarter is 2.5% of the net asset value of the relevant class of units on issue (although we have the discretion to alter this amount). If this amount is exceeded, withdrawals may be met on a pro-rata basis.
Transferring your investment	Available	The minimum transfer amount is $1,000
Maximum Limit	Applies	The Maximum Limit (described on page 21), applies to all unit classes of the Trust.
Other information		
APIR code	AUS0112AU	

Summary of fees and other costs for Wholesale Units

After the Exchange has occurred, an investor will cease to hold Funding Units and will instead hold Wholesale Units. The following information has been included to assist you to understand the Units that you will hold as a result. At the date of this PDS the following summarised fees and costs apply to the Trust's Wholesale Units. However, these fees and costs may change prior to the Exchange and are provided only as an indicative example.

Subject to legal requirements, we are entitled to change fees with prior notice to you as described on page 30.

Management costs The fees and costs for managing your investment		
Base management fee	0.65% p.a. of the gross asset value relating to Wholesale Units of the Trust.	The base management fee is accrued daily and paid monthly from the assets of the Trust.
Day-to-day expenses relating to the Trust	Estimated to be 0.28% p.a. of the average gross asset value relating to Wholesale Units of the Trust for the financial year ended 30 June 2017.	Estimated day-to-day Trust expense does not include expenses relating to the operation of the Trust's assets, borrowing cost or abnormal expenses. Payable out of the assets of the Trust when incurred.
Indirect Costs	Estimated to be 0.00% of the average gross asset value of the Wholesale Units of the Trust.	Payable from the assets of the Trust or the underlying fund in which the Trust invests as and when incurred.
Service fees[2]		
Investment switching fee The fee for changing investment options	Nil	We do not apply a switching fee. A switch is treated as a withdrawal from one fund and an application for another fund.

1. Management costs can be negotiated with wholesale clients.

An example of annual fees and costs for Wholesale Units

This table provides an example of how the fees and costs may affect the holding of an investment over a one-year period.

Example – Wholesale Units[1]	Balance of $50,000 with total contributions of $5,000 during the year	
Contribution fees	Nil	For every $5,000 you put in, you will be charged $0.
Plus Management costs	1.26%[2] p.a.	And, for every $50,000 you have in the Trust you will be charged $630 each year.
Equals Cost of Trust		If you had an investment of $50,000 at the beginning of the year and you put in an additional $5,000 at the end of that year, you would be charged fees of $630.[1, 3, 4]

1. A buy/sell spread may apply to investments in and out of the Trust
2. This is the Wholesale Units Indirect Cost Ratio (ICR) based on the Trust's net assets for the period 1 July 2016 to 30 June 2017 which incorporates the effect of gearing, and the Trust's indirect costs and day-to-day expenses. Refer to page 32 for further details about the ICR. What your investment in the Trust costs you will also depend on the fees you negotiate with the Trust (where applicable) or with your financial adviser.
3. Additional fees may apply. Refer to 'investor transaction costs' below.
4. It is assumed that the contribution of $5,000 is made at the end of the year.

Management cost calculations for Wholesale Units

The table below provides a summary of the Trust's estimated management costs on the Trust's average gross asset value compared to the management costs calculated on the Trust's average net asset value (which excludes the Trust's liabilities) for the 12 months to 30 June 2017.

	Gross asset value p.a.	Net asset value p.a.
Base management fee	0.65%	0.89%
Indirect cost	0.00%	0.00%
Day-to-day expenses	0.28	0.37
Total management costs	**0.93%**	**1.26%**

Indirect Cost Ratio (ICR) for Wholesale Units

The estimated ICR for the 12 months to 30 June 2017, as a percentage of the average net asset value relating to the Trust's Wholesale Units and Class A Units during that period was 1.26% p.a.

Transactional and operational costs and borrowing costs for Wholesale Units

The table below provides a summary of the estimated transactional and operational costs and borrowing costs, of the Trust and its underlying investments, on the Trust's average gross asset value compared to those costs calculated on the Trust's average net asset value (which excludes the Trust's liabilities) for the 12 months to 30 June 2017. These costs are borne by the Trust and taken into account when determining distributions to investors.

	Gross asset value p.a.	Net asset value p.a.
Transactional and operational costs (other than borrowing costs)	1.34%	1.82%
Buy and sell spreads recovered	0.45%	0.61%
Costs recoverable from tenants	0.72%	0.98%
Net transaction and operational costs borne by the Trust	**0.17%**	**0.23%**
Borrowing costs borne by the Trust	0.33%	0.45%

Buy/Sell spread

The following buy/sell spreads apply to the Wholesale Units.

Wholesale Units	
Buy Spread	3.00%
Sell Spread	0.50%

Based on the buy and sell spreads noted above, an investment of $50,000 would incur a buy spread of $1,500 for Wholesale Units. A withdrawal of $50,000 would incur a sell spread of $250 for Wholesale Units. This is an example only; it is not an estimate or forecast.

Other Information

Australian taxation

Certain tax implications of investing in the Trust are explained below. It is intended to be a brief guide only and does not purport to be a complete statement of the relevant tax law, nor does it take into account your individual circumstances. The taxation law is complex and its application is dependent on your individual circumstances. Accordingly, we strongly recommend that you seek independent professional taxation advice on the tax implications of investing in the Trust relevant to your specific circumstances.

The following summary is intended for Australian resident investors and generally applies to investors who hold their investment for the purpose of realising a long-term return (that is, hold their investment on capital account for tax purposes). This summary does not consider the tax implications for those investors who hold their investment in the Trust on revenue account, as an isolated investment made with profit making intent or as trading stock. It is based on our interpretation of the current Australian tax laws at the date of publication of this document, including applicable case law and published guidance by the Australian Taxation Office, which may be subject to change.

While you hold your interests in the Trust

The Trust is intending to elect to be an Attribution Managed Investment Trust ('AMIT') for tax purposes from the 2018 income year.

The Trust itself should not pay tax on the basis that it will attribute trust components to investors each financial year on a fair and reasonable basis.

You will need to include in your income tax return your share of the Trust's taxable income for each financial year. This applies regardless of whether the distribution is received in cash during that income year or a later year, and may include amounts that have been reinvested.

To assist you to complete your tax return, you will receive an annual tax statement from us. This statement will provide you with details of the distribution components to be included in your tax return. The sum of these components may differ to the amount of cash distribution you receive.

Tax losses (if any) generated by the Trust cannot be passed onto investors. However, provided specific requirements are satisfied, the Trust should be able to carry forward tax losses, offsetting them against income generated in a later income year.

Capital gains

Where the Trust derives net capital gains to which you become entitled, you may need to include these amounts in your assessable income. Investors will generally be required to double any discounted capital gains. A capital gains tax ('CGT') discount may then be available for some investors, as outlined below.

When you withdraw

When you fully or partially withdraw or redeem your investment in the Trust, you are treated as having disposed of your investment. As a result, any net gain derived on disposal may be included in your taxable income under the CGT provisions. This may include where you move between investments or transfer your units in a particular investment to another investor.

An investor will make a capital gain in respect of the disposal of its investment to the extent that the capital proceeds attributable to the disposal exceed the investor's cost base. Alternatively, an investor will make a capital loss in respect of the disposal of its investment to the extent that the capital proceeds attributable to the disposal of the investment are less than the CGT reduced cost base in that investment.

In determining the cost base or reduced cost base of your investment in the Trust, you will need to take into account any returns of capital and tax deferred distributions received in respect of your investment. These amounts may have the effect of increasing your capital gain or decreasing your capital loss. Amounts that represent the CGT concession amount will have no impact on the cost base of your investment in the Trust.

In addition, in circumstances where the amount of cash distribution is less than your share of the Trust's taxable income in an income year, your CGT cost base of the investment in the Trust should increase by the difference. This amount should have the effect of decreasing your capital gain or increasing your capital loss upon disposal of your investment.

Any net capital loss resulting from the disposal of your investment may be able to be used to reduce capital gains derived in that or future income years.

Investors that are individuals and trusts may be entitled to a CGT discount that reduces their CGT liability by 50% where they have held their investment for more than 12 months. Investors that are complying superannuation funds may be entitled to a 33.33% reduction of their CGT liability. No such discount is available to corporate investors.

Non-residents

This summary does not consider the Australian income tax implications for non-resident investors. However, it is noted that the Australian tax law imposes obligations on the Trust to withhold tax on distributions paid to non-residents for Australian tax purposes.

If you are not an Australian resident for tax purposes, withholding tax will be deducted from your distributions at the prescribed rates. The rates may vary according to the components of the distribution and the country in which you reside.

Withholding Tax

If you are an Australian resident, you may choose whether or not to provide a Tax File Number or an Australian Business Number. If neither is quoted and no relevant exemption information is provided, we are required to withhold tax on your income distributions at the highest marginal tax rate plus levies.

Automatic Exchange of Information ('AEOI')

We intend to meet any requirements imposed on the Trust under Australian legislation designed to give effect to the AEOI regimes.

Australia's obligations under AEOI regimes include legislation designed to give effect to the Foreign Account Tax Compliance Act ('FATCA') and the Organisation for Economic Co-operation and Development's ('OECD') Common Reporting Standard ('CRS'). As such, we may collect certain information from you, report payments made in respect of your investment and retain information to meet record keeping requirements. It is recommended you consult with your tax adviser to discuss the impact of these AEOI regimes may have on you.

Goods and services tax ('GST')

The acquisition, redemption and transfer of units in the Trust should not be subject to GST. Distributions made by the Trust should also not give rise to any GST consequences.

Australian Tax Reform

Australia is in the process of ongoing taxation reform. There is considerable uncertainty as to the breadth and ultimate impact of the reforms. The Responsible Entity for the Trust will continue to monitor the tax reform process and its impact on the Trust. It is an investor's responsibility to monitor tax reform developments that may impact on their investment in the Trust.

Constitution

The Trust is a registered managed investment scheme and is governed by a Constitution and a Compliance Plan.

The statements in this PDS only provide a summary of some of the provisions of the Constitution. You can inspect a copy of the Constitution at our Melbourne office at any time between 9:00am and 5:00pm on a business day.

Classes of Units

The Constitution provides that the Responsible Entity may create and issue units of different classes with such rights, obligations and restrictions attaching to the units of such classes as it determines, in accordance with the Corporations Act. At the date of this PDS, there are four classes of units created under the Constitution:

- Funding Units ('Class B Units');
- Retail Units (closed to new applications);
- Wholesale Units (closed to new applications); and
- Class A Units (closed to new applications).

The Responsible Entity

AUFM in its capacity as Responsible Entity is subject to the provisions of the Constitution and the Corporations Act 2001. The Responsible Entity is responsible for administration and management of the Trust, and sets the investment policy and objectives.

Any investment manager appointed by the Responsible Entity will be entitled to receive fees for investment management functions.

The Responsible Entity is entitled to the benefit of various indemnities under the Trust's Constitution, which means that it has limited its liability for acting as the Responsible Entity.

Labour standards or environmental, social or ethical considerations

AUFM has a Direct Property Responsible Investing Policy which sets guidelines to selecting, managing or realising direct property assets, and specifically covers the following considerations.

Consideration	Objective
Environmental	To minimise the environmental impact from operations and development.
Labour	To ensure equal employment opportunity and the provision of a safe work environment.
Social	To enhance the work environment for occupants and workers.
Governance	To operate under a well-established set of corporate governance policies which ensures compliance and optimises performance.
Ethical	To act with honesty and integrity.

The Direct Property Responsible Investing Policy guidelines are considered on a property by property basis, and may be applied differently within the context of a property's geographical and market attributes. Due to these differences there is no predetermined methodology for the application of the Direct Property Responsible Investing Policy.

For further information or to obtain a copy of the Direct Property Responsible Investing Policy please contact us.

Authorised investments

A broad range of investments is permitted in the Trust. The typical range of investments for the Trust is set out on page 4.

The Trust may gain exposure to certain assets by investing through other investment vehicles including those managed by a related entity. These investment vehicles may include investment companies, registered managed investments schemes and other unregistered schemes.

The investment manager may use derivatives in the management of the Trust, but will generally not use derivatives for gearing purposes or speculative activities.

Related party transactions

Refer to Related party activity on page 13 for information on the Trust's related party transactions.

Monitoring of related party transaction and conflicts management

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 and approved by senior management with clearly identified governance policies and guidelines. Decisions in relation to conflicts of interest and related party transactions are documented.

Updates to related party transactions and further information

As appropriate, we will provide ongoing updates of material service engagements and financial benefits that are paid to related parties through the Trust's Continuous Disclosure Notices.

The value of related party payments are reported yearly as part of the Trust's audited Annual Report. The latest Fund Update and audited Annual Report can be found on our website australianunitycom.au/wealth. Alternatively we can send you a copy free of charge by calling us on 13 29 39.

Minimum account balances

If the current value of your account is below the minimum balance required, the Responsible Entity may withdraw your units and pay you the proceeds. The amount payable will be the withdrawal price on the date of the withdrawal multiplied by the number of units you hold.

Keeping you informed about your investment

To help keep you informed of your investment, we will provide you the following:

Communication	Frequency
Confirmation of your initial application	At the time of the transaction
Confirmation of subsequent applications (excluding those made using a Regular Savings Plan)	
Account statement	Quarterly
Australian tax statement showing taxation details	Annually
Annual Reports (These are available from our website. Investors can elect to receive hard copies of the Annual Report – see Section 9 on the Application Form)	Annually, on request

In addition, you can view your account balance, transaction history and your account details via a secure login at our website: australianunity.com.au/wealth. You can also update your contact details online if they change.

As a disclosing entity, we are subject to regular reporting and disclosure obligations. We comply with the continuous disclosure obligations required by law by the updating of information contained within this PDS on our website (in accordance with the good practice guidance in ASIC Regulatory Guide 198 Unlisted disclosing entities: Continuous disclosure obligations).

For more up-to-date information about the performance of the Trust (including returns and asset allocations), and the latest Annual Report, you can visit the Trust's web page australianunitycom.au/wealth.

We can also provide you with a copy (free of charge) of the Annual Report most recently lodged and any half-yearly financial report lodged after the Annual Report is lodged and before the date of this PDS with ASIC and any continuous disclosure notices given after the Annual Report is lodged and before the date of this PDS.

As the information in this PDS may change from time to time, you can obtain updated information that is not materially adverse by:

- visiting our website for PDS updates (australianunitycom.au/wealth); or
- calling us on 13 29 39 to request a free paper copy of the updated information.

Dispute resolution

We take complaints seriously and aim to resolve them as quickly as possible. If you would like to make a complaint you can call us on 13 29 39, email us at investments@australianunity.com.au or write to us at the following address:

Manager – Client Services

Australian Unity
114 Albert Road
South Melbourne VIC 3205

We will promptly acknowledge your complaint within 10 business days, investigate it and decide in a timely manner what action needs to be taken. We will notify you of our decision within 45 days after receipt of the complaint, together with any remedies that are available, or other avenues of appeal against the decision.

If you are then not satisfied with our handing of your complaint, you may contact:

Financial Ombudsman Service Limited

GPO Box 3
Melbourne VIC 3001
Phone: 1800 367 287
Fax: (03) 9613 6399

Website: www.fos.org.au
Email: info@fos.org.au

This service operates as an independent body for the financial services industry of which we participate, to determine unresolved complaints. There is no cost to you for using this service.

Glossary

Term	Definition
ASIC	means Australian Securities & Investments Commission.
AUPM	means Australian Unity Property Management Pty Ltd ABN 76 073 590 600.
Business Day	means a Melbourne Business day.
Class A Cash Pool	means the assets segregated to investment in the cash pool for Class A Units.
Class A Units	means units issued under the Constitution of Australian Unity Healthcare Property Trust. Class A Units are distinguishable by the management fees, withdrawal rights and allocation to the Trust's assets.
Class B Units	means units issued under the Constitution of Australian Unity Healthcare Property Trust. Class B Units are distinguishable by the management fees, withdrawal rights and allocation to the Trust's assets.
Exchange	means the process to be undertaken to exchange Funding Units for Wholesale Units on or about the date referred to in this document.
FFO	means funds from operations.
Funding Units	means the units issued under the Constitution of Australian Unity Healthcare Property Trust as Class B Units and which are offered under this document to investors.
Funding Units	means units referred to as Class B Units, and issued under the constitution of Australian Unity Healthcare Property Trust. Class B Units are distinguishable by the management fees, withdrawal rights and allocation to the Trust's assets.
Funding Units Cash Pool	means the assets segregated to investment in the cash pool established for Class B Units.
HDC	means Herston Development Company Pty Ltd ABN 53 617 139 009.
Maximum Limit	means the maximum exposure an investor, or the aggregated exposure of a group of 'associated investors' notice a limit of 15% may have to the Trust's net tangible assets. The Maximum Limit is 15% of the Trust's net tangible assets.
MNHHS	means Metro North Hospital and Health Service.
Offer Close Date	mean the close date of the offer of the Funding Units.
PDS	means this document, the Australian Unity Healthcare Property Trust - Funding Units Product Disclosure Statement issued 6 October 2017.
REIT	means Real Estate Investment Trust.
Responsible Entity	means the responsible entity of the Trust which is Australian Unity Funds Management Limited ('AUFM') ABN 60 071 497 115 as at the date of this PDS.
Retail Units	means units issued under the constitution of Australian Unity Healthcare Property Trust. Retail Units are distinguishable by the management fees and withdrawal rights.
RLS	means Australian Unity Retirement Living Services ABN 17 085 317 595.
Scale Back	means the process by which initial investor applications will be processed and allotted units in the proportion that we determine where we receive an excess of applications to the amount sought to be raised by this PDS.
Trust	means Australian Unity Healthcare Property Trust ARSN 092 755 318.
Wholesale Units	means the separate class of units issued under the constitution of Australian Unity Healthcare Property Trust. Wholesale Units are distinguishable by the management fees and withdrawal rights.

Australian Unity

Directory

Investor Services

T 13 29 39 F 03 8682 5057

Adviser Services

T 1800 649 033 **F** 03 8682 5057

Website

australianunity.com.au/wealth

Email

investments@australianunity.com.au

Address

Australian Unity
114 Albert Road
South Melbourne VIC 3205

AUIP0024-201709