



Discovery Investment Services Core Income Fund

Delivering an attractive balance of risk and return, the Discovery Investment Services Core Income Fund is a blend of traditional mortgage trust returns, with the security of a well diversified portfolio of first mortgages.

Retail one-year return

3.37%*

Wholesale one-year return

3.98%*

Key benefits

- Attractive income returns
- Monthly income payments
- Stable unit price
- Specialist mortgage asset managers
- Diversification of geographic location, property sector, size, loan type and maturity profile
- Secured by registered first mortgages
- Flexibility to invest in fixed interest and property to diversify sector and income risk

These underlying funds primarily invest in a portfolio of loans secured by registered first mortgages over quality retail, commercial, investment residential, industrial property and other income-producing assets. The HYMT also invests in vacant land and specialised loans such as service stations, motels and cinemas.

There are currently 102 mortgagors within the HYMT, representing 109 loan accounts. Fourteen loan accounts were in arrears as at 31 March 2011, representing 11.27% of net assets. The current average loan-to-valuation ratio is 69.2%.

There are currently 159 mortgagors within the MIT, representing 191 loan accounts. Four loan accounts were in arrears as at 31 March 2011, representing 1.44% of net assets. The current average loan-to-valuation ratio is 61.5%.

What does the fund invest in?

The Fund will use investor contributions primarily to acquire units in a blended portfolio of various Underlying Funds focused predominantly on the mortgage sector, including:

- Australian Unity High Yield Mortgage Trust (HYMT)
- Australian Unity Mortgage Income Trust (MIT)

Fund investments

	%
HYMT	68.80
MIT	25.14
Cash & short term securities	6.06
Total	100.00

Fund performance[†]

Retail units	1 mth %	3 mths %	6 mths %	1 year %	2 years % p.a.	3 years % p.a.	Since Inception [#] %
Total return	0.31	0.86	1.76	3.37	3.15	4.14	4.99
Wholesale units	1 mth %	3 mths %	6 mths %	1 year %	2 years % p.a.	3 years % p.a.	Since Inception [#] %
Total return	0.35	1.01	2.06	3.98	3.76	4.76	5.61

[†] Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

[#] Inception date for performance calculations is 31 December 2006.

* One year return, assuming reinvestment of distributions.



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Sector allocation of the underlying fund

Asset class	Actual HYMT %	Actual MIT %
Registered first mortgages	74.08	85.26
Cash and short term securities	25.92	14.74
Total	100.00	100.00

Arrears

HYMT Days in arrears	Number of loans	% of fund size
31 - 60	0	0.00
61 - 90	0	0.00
> 90	14	11.27
Total	14	11.27

MIT Days in arrears	Number of loans	% of fund size
31 - 60	1	0.08
61 - 90	0	0.00
> 90	3	1.37
Total	4	1.44

Geographic allocation of the underlying fund

State	Actual HYMT %	Actual MIT %
NSW / ACT	61.94	41.16
VIC / TAS	15.65	16.46
QLD / NT	22.15	38.60
WA	0.26	2.85
SA	0.00	0.92
Total	100.00	100.00

Interest rate type of the underlying fund

Type	Actual HYMT %	Actual MIT %
Fixed Rate Loans	5.78	25.92
Variable Rate Loans	94.22	74.08
Total	100.00	100.00

Fund snapshot

	Retail units	Wholesale units
Inception date	11 December 2006	11 December 2006
Minimum initial investment	\$25,000	IDPS/ MasterFund minimums will apply
Entry fee	Nil	Nil
Exit fee	Nil	Nil
MER	1.70%	1.10%
Buy/sell spread	Nil	Nil
Income distributions	Monthly	Monthly
Adviser commission	0.495% pa	Nil

Mortgage selection criteria	AUI High Yield Mortgage Trust	AUI Mortgage Income Trust
Total assets in registered first mortgages	Up to 100%	Up to 90%
Maximum single loan exposure	No single loan amount to exceed the greater of \$10 million or 5% of net assets of the Fund.	No single loan amount to exceed 5% of net assets of the Fund.
Maximum Loan to Valuation Ratio (LVR)	85%	70%
Loans secured by income producing property	Yes, however, annual rents must be greater than 80% of annual interest payments.	
Loans secured by owner occupied property	Yes, however, borrowers must demonstrate strong repayment ability.	
Loans secured by vacant land	Yes, however, borrowers must pre-pay interest for the term of the loan.	No
Exposure to specialised securities	Yes, however, no single loan to valuation ratio for specialised securities to exceed 70%.	Yes, however, no single loan amount for specialised securities to exceed 1% of net assets.
Exposure to construction and development loans	Yes, however, borrowers must demonstrate an adequate level of pre-sales or lease commitments.	No



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Fund performance

The Fund continues to provide timely and regular income payments to your account. The annualised rates of return for March 2011 were 3.37% and 3.98% for the Retail Fund and Wholesale Fund respectively, while one year ago, in March 2010, the annualised rates of return were 2.93% and 3.54%*.

The increased rate of return over this time, although limited, is a result of gradually improving environment conditions, including:

- **A favourable lending environment** – the Fund is now able to rollover its existing loans at higher margins,
- **Strong underlying fundamentals in the Australian economy** – with steady growth predicted and strong business confidence underpinning our economy, the Reserve Bank moved to constrain inflationary pressures in 2010 by raising official interest rates. This benefitted loans in the Fund's portfolio with variable pricing structures.

Liquidity for investors a priority

During the last quarter, the Fund conducted two ad hoc liquidity offers, enabling investors to access around 15% of their investment.

If current conditions persist, the Fund looks forward to providing investors with the option to participate in an ongoing regular withdrawal offer.

More information

For more information about the Fund, please refer to discoveryinvestments.com.au/coreincome.php.

Alternatively, you can contact the Australian Unity Investments' Investor Services team by calling 13 29 39 or emailing investments@australianunity.com.au.

Commentary courtesy of Australian Unity Investments. 'Australian Unity Investments' is a general description which covers entities within the Australian Unity Group undertaking investment activities, and includes Australian Unity Funds Management.

The facts about your investment

1. **Your capital continues to remain secure.**
Your investment's current unit value is \$1.00 and has always been \$1.00.
2. **Your monthly income distributions continue.**
Your investment provides steady, monthly income payments.
3. **You have been able to access a portion of your capital.** Liquidity offers have steadily increased and we look forward to providing increased liquidity certainty shortly.

Contact us

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For more information or full product details, please refer to the Product Disclosure Statement.

Important information

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