



Discovery Investment Services Core Income Fund

Fund Fact Sheet

About the Fund

The Fund is a blend of various managed investments focused predominantly on the mortgage sector. The Fund aims to provide investors with attractive levels of monthly income, together with capital stability. The Fund is designed to spread exposure and reduce risk through diversification by geographic location, loan size, interest rate type, and loan maturity profile.

Who is the investment manager?

Australian Unity Funds Management Limited undertakes the investment management of the Fund, and generally of the underlying investments. Australian Unity Investments' talented and respected team of mortgage managers have a reputation for well-defined risk constraints, an excellent arrears record and sound management of cash levels.

What does the Fund invest in?

The Fund gains its mortgages exposure by investing in the Australian Unity Mortgage Income Trust and the Australian Unity High Yield Mortgage Trust. These Underlying Funds primarily invest in a portfolio of loans secured by first registered mortgages over quality retail, commercial, investment residential and industrial property. The Australian Unity High Yield Mortgage Trust also invests in specialised loans, construction and development loans, vacant land and other income producing assets.

The Fund may also from time to time invest in other asset sectors in order to assist it in meeting the investment objective and to diversify sector and income risk.

The Fund typically has a 60-95% exposure to first registered mortgages. The balance of the Fund's assets are held in cash and other income producing investments.

What is the Fund's investment process?

The investment manager maintains a core exposure to a diversified portfolio of registered first mortgages that provide consistent income and security of credit quality.

Some of the key elements of the current criteria used in the selection of quality mortgages in each of the Underlying Funds include:

Mortgage Selection Criteria	Australian Unity High Yield Mortgage Trust	Australian Unity Mortgage Income Trust
Maximum single loan exposure	No single loan to generally exceed the greater of \$15 million or 5% of the Fund's net assets.	No single loan to generally exceed 5% of the Fund's net assets.
Maximum Loan to Valuation Ratio (LVR)	85%	70%
Loans secured by income producing property	Yes, however loans will generally be made where annual net rents are not less than 80% of annual interest payments.	
Loans secured by owner occupied property	Yes, however borrowers must demonstrate strong repayment ability.	
Exposure to specialised securities	Specialised securities may be considered where the loan to valuation ratio does not exceed 70%.	Specialised securities may be considered where the loan to valuation ratio does not exceed 70% and where no single loan amounts exceeds exceed 1% of Fund size.
Exposure to construction and development loans	Yes, however borrowers must demonstrate an adequate level of pre-sales or lease commitments.	No

Fund snapshot

Discovery Investment Services Core income Fund	Retail Units	Wholesale Units
APIR Code	AUS0032AU	AUS0031AU
Inception date	December 2006	December 2006
Minimum Initial Investment	\$20,000	IDPS only
Minimum Additional Investment	\$5,000	IDPS only
Minimum Regular Saving Plan	\$500 per month	IDPS only
Entry/Contribution Fee	Nil	Nil
Minimum Withdrawal Amount	\$5,000	IDPS only
Exit/Withdrawal Fee	Nil	Nil
Management Costs	1.70%pa	1.10%pa
Buy/Sell Spread	Buy: Nil Sell: Nil	Buy: Nil Sell: Nil
Income Distributions	Monthly	Monthly



Discovery Investment Services Core Income Fund

Credit and risk management

Loans on property will only be advanced against the security of a registered first mortgage. Stringent processes have been put in place to manage market risk, investment risk and credit risk.

Three separate committees oversee the management of the Funds:

The Investment Committee is responsible for the overall investment strategy of the Fund.

The Credit Committee oversees the Fund's credit strategy, which includes monitoring credit risk and loan approvals where applicable. This committee is also responsible for setting credit policies and procedures, and for approving loans that exceed pre-determined levels.

The Asset Management Committee is charged with overseeing the management of delinquent loans and defaults when required.

Portfolio diversification

A stringent set of diversification benchmarks have been developed ensuring that prudent levels of diversification are achieved. Exposure to individual borrowers is also monitored and controlled by maximum exposure limits.

The portfolio is continually monitored against general credit and property markets to determine its appropriateness.

Lending process

Loan Terms can range between 1 and 5 years. Loans for 5 years are reviewed at the 3-year mark. The following provides a brief overview of the lending and mortgage management process employed:

1. Initial analysis and portfolio suitability
2. Information gathering and evaluation
3. Credit analysis
4. Reviews and recommendations

Arrears and default management

In the event that a borrower goes into default there is a process to remedy the default as quickly as possible. In cases where the borrower is unable to remedy the default the Fund will take immediate action to take possession of the security property to recover the loan amount outstanding. Third party service providers may assist in the recovery process.

Derivatives

It is not the investment managers current policy to use derivatives for gearing purposes or for speculative activities for this Fund. However, the investment manager may use derivatives for implementation of interest rate risk strategies and management of the Fund's interest rate exposures.

More information

The Fund's current Product Disclosure Statement and fund update are available to view and download at: www.discoveryinvestments.com.au

Contact Details

The Responsible Entity

Australian Unity Funds Management Limited

Address 114 Albert Road
South Melbourne, VIC 3205

Investor Services 13 29 39

Adviser Services 1800 649 033

Website www.australianunityinvestments.com.au

Email investments@australianunity.com.au

The Distributor

Professional Investment Services

Under the brand:

Discovery Investment Services Corporation Limited

Important information

This investment product is issued by Australian Unity Funds Management Limited ABN 60 071 497 115, AFS Licence No 234454. This information is intended only to provide a broad summary of this financial product. Investment decisions should not be made upon the basis of its past performance or distribution rate, since future returns will vary. You should refer to the current Product Disclosure if you wish to know more about this product. A copy can be obtained by telephoning 13 29 39, or from our website www.discoveryinvestments.com.au. The information provided here was current at the time of publication only, and we recommend that you access our website for further information.