

Mortgage Trust Withdrawal[#] Process for Macquarie Investors

The funds affected by this process include:

- Australian Unity Wholesale High Yield Mortgage Trust
- AXA Wholesale Australian Monthly Income Fund
- Challenger Wholesale Howard Mortgage Trust
- Perpetual Monthly Income Fund

You may have one or more of these funds in your portfolio. Please refer to our letter from October or a recent portfolio valuation for details of your affected funds.

The following is a fictional example of how the mortgage trust withdrawal[#] processes will occur:

Molly has \$10,000 within her Macquarie portfolio allocated to the Australian Unity High Yield Mortgage Trust. She has another \$90,000 allocated to share trusts and cash funds. She is free to make withdrawals and switches from her share trusts and cash funds but the Australian Unity fund is restricting withdrawals from the fund.

Each quarter (roughly), Australian Unity will determine how much liquidity (eg cash) the fund has available and will announce how much they will offer for withdrawal, in this example: \$5 million.

Every investor in the fund, including Molly, has three to four weeks to respond to the offer and indicate if they want to make a withdrawal, and for how much. Because Molly is invested in Australian Unity through Macquarie, Australian Unity will notify Macquarie of the withdrawal offer and Macquarie will notify Molly's adviser. Molly's adviser decides that she should switch the full amount to her Macquarie Cash Account and submits a request on her behalf.

At the end of the redemption period, Australian Unity sees that the redemption requests it received totals \$50 million (eg \$45 million more than they have available) and so the withdrawal payouts are *pro-rated* so that every investor gets 10% ($\$5 \text{ million} \div \50 million) of what they requested.

In Molly's case she receives 10% of her \$10,000 (\$1,000) which is deposited to her Macquarie Cash account. The \$9,000 that did not get paid out stays in the Australian Unity High Yield Mortgage Trust and continues to earn interest at the current rate. Her adviser reviews her portfolio as part of the normal process and sends her a recommendation to invest this extra cash in a new fund if necessary.

The next quarter Australian Unity make another withdrawal offer and the whole process starts again.

[#] Note that the "withdrawal" that is being made from the mortgage trusts is a switch from the mortgage fund to the Macquarie Cash account. It is not a withdrawal from Macquarie.