



Mortgage

AUSTRALIAN UNITY INVESTMENTS STATEMENT

Consistent with the approach being taken by a number of mortgage fund managers, Australian Unity Investments (AUI) has amended the redemption process for its mortgage funds.

The updated redemption process, which is designed to ensure equal treatment of all investors, will introduce a quarterly capped facility with redemptions paid within twenty-one days of the end of each period. Where requests exceed the total available for redemption, requests may be paid on a pro-rata basis. The previous redemption process generally provided for full withdrawals within five working days of receipt of a redemption request.

Mr David Bryant, head of AUI, said: "The change recognises our over-riding responsibility to manage redemptions with the interests of all our investors in mind. We believe that this decision gives all investors equal access to their investments, in a co-ordinated manner, and the change does not affect the distributions, which will continue to be paid by the funds, or the capital position of the funds.

"Despite the global credit crisis, and significant decreases in local and international equities and listed property markets, AUI's Mortgage Income Fund and High Yield Mortgage Fund continue to provide investors with both capital stability and strong monthly income. The underlying capital component of the unit price for both funds remains unchanged at \$1.00 per unit, and has done so since the funds were launched in 1998 and 2005 respectively. Both funds have also distributed regular monthly income to investors, and will continue to do so.

"In client portfolios, over the past year in particular, products such as high-quality mortgage funds will have been amongst the best performing investments, so the desire of investors to change is in some ways hard to understand, but they have been subjected to a lot of bad news this year, so the lure of a Government guarantee is obviously too much to resist at the moment.

"Our decision comes after a turbulent week in local money markets, which has seen a flight of investors from many investment products which have similar characteristics to bank deposits, including mortgage funds and cash management trusts, as investors have sought the security of the Government's recently announced guarantee," he said.

Mr Bryant emphasised that the decision to change the withdrawal policy is not a specific fund issue but solely to do with the changed landscape resulting from the application of the government guarantee only to bank deposits, and the guarantee not being offered more broadly to cash and mortgage funds which aim to provide similar outcomes for investors.

"AUI remains committed to its mortgage funds, believing them to be an excellent investment for investors seeking regular income. In our view, the continued downward pressure on interest rates is already apparent in the rates being offered in term deposits, and mortgage trusts will offer particularly competitive rates of interest during this time."

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