

Investor Update - Mortgage Income Trust and High Yield Mortgage Trust – 23 October 2008

Australian Unity Investments (AUI) has amended its mortgage funds withdrawal procedures to appropriately deal with the increase in redemptions it is seeing, following the Government's recently announced guarantee of bank deposits.

AUI's intention is to provide quarterly redemptions to investors based on the level of funds available as liquidity is generated in the mortgage portfolios. Importantly AUI is making these changes to ensure equal treatment of all investors in its mortgage funds.

Investors should note that their capital is unaffected and their monthly income distributions will continue to be paid as normal.

We have prepared Supplementary Product Disclosure Statements which contain details of the new withdrawal procedures. They are available at australianunityinvestments.com.au

The following frequently asked questions have also been provided to help answer your questions, if you require any further information please contact your financial adviser or Client Services on 13 29 39 .

Why are you changing your withdrawal procedures?

Following the implications of the Government's guarantee of bank deposits, our amended withdrawal procedures will ensure that all investors have equal rights to withdraw from their investment. The change does not affect the distributions paid by the funds or the capital position of the funds.

How frequently will you make withdrawal offers to investors?

Our first withdrawal offer will commence on 24 November, with the offer closing on 15 December and investment proceeds paid before Christmas this year.

Following this offer, we intend to make investors quarterly withdrawal offers, subject to liquidity. The amount available for withdrawal may be capped at a prescribed level with proceeds paid within fourteen days of the end of each offer period.

I put a withdrawal request in on October 22 or October 23 - when will it be paid?

The amended withdrawal procedures apply to any withdrawal request not processed as at 23 October 2008. If your withdrawal request has not been processed it will be returned and you will be invited to re-apply for the withdrawal offer being made on November 24. This offer will close on 15 December and investment proceeds will be paid before Christmas this year.

Will I continue to receive, regular monthly income?

Yes. The Mortgage Income Fund and High Yield Mortgage Trust will continue to pay investors regular, 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.

Since that time, both funds have also distributed regular monthly income to investors, and will continue to do so.

How are you managing the Trusts?

The Trusts will continue to be managed in line with their investment objective providing investors with regular monthly income and capital stability.

Will I lose any of my investment?

The Trusts continue to perform very strongly, despite the turmoil in financial markets. Whilst many sectors have suffered capital losses our mortgage funds have preserved investor capital and delivered regular, monthly income. This change does not reflect concern about the security of your investment.

Is my capital at risk?

We manage both of our funds with the objective of maintaining the \$1.00 unit price which investors have come to expect. This has not changed, and the capital component of each unit price remains at \$1.00. The Mortgage Income Trust and High Yield Mortgage Trust continue to meet their investment objectives. The decision to change withdrawal procedures has been made in response to broader environmental factors outside of our control, but does not affect your capital.

What has caused this?

Along with other major mortgage trusts we have received an extraordinarily high level of withdrawal requests in the past few days. We are told by investors that this is the result of the government's guarantee on banking deposits – which has caused investors to move away from products not covered by the government's emergency measures. We note that it is in no way a reflection on the financial institutions or financial products not covered by the guarantee.

When will I get my money?

The first withdrawal offer will be made on November 24 2008. Prior to each withdrawal offer, consideration must be given to the available liquidity of the Trust.

Do I have to send a withdrawal request?

Yes, we will advise you of the process for any withdrawal offers being made and you will need to respond in writing to accept a withdrawal offer from us.

What will be the terms of the withdrawal offer?

Full details of the terms of withdrawal offers and the process will be given to investors in a withdrawal booklet at the time of making the offer.

Is there a cap on withdrawals?

Yes, we may apply a fixed dollar maximum amount to the withdrawal offer. This will be communicated at the time of making the withdrawal offer.

What if the withdrawal is over subscribed?

If the total amount of withdrawal requests exceeds the amount available for withdrawal, requests may be met on a pro rata basis.

If I don't get all my funds during a withdrawal period do I need to send in another request?

Yes, you will need to respond to a further withdrawal offer.

I am experiencing financial hardship - can I have my money?

The Corporations Act governs the rules around withdrawal offers. The Act requires us to treat all investors equally. Investors can only withdraw according to the terms of a withdrawal offer.

Are the mortgage funds closed to applications?

No, AUI's mortgage trusts remain open for applications and reinvestments.

What information is available regarding the Funds?

Fund Commentaries and Rate updates are available as at 30 September 2008 on our website australianunityinvestments.com.au

What are the Funds invested in?

Typically, the Funds are invested in cash and a portfolio of loans secured by first registered mortgages.

Contacting us

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Important information

Facts and opinions presented in this update are current at its publication date, but will change according to market conditions. A reference to the performance or features of an investment product issued on behalf of Australian Unity Investments should be considered in the context of current details and the Product Disclosure Statement for that product, available from our web-site www.australianunityinvestments.com.au or by telephoning 13 29 39