

## Benchmarks for Unlisted Mortgage Schemes – Regulatory Guide 45

**Australian Income Fund**  
**ARSN 088 999 679**

**Wholesale Australian Income Fund\***  
**ARSN 088 919 359**

\* The scheme invests predominantly (and, at times, fully) in the Australian Income Fund ARSN 088 999 679. At those times when the fund is not fully invested in the Australian Income Fund it will directly hold cash. Unless otherwise stated disclosure outlined below is applicable to both of the above schemes.

The Australian Securities and Investments Commission has introduced Regulatory Guide 45: *Mortgage schemes – improving disclosure for retail investors*. The regulatory guide sets out benchmarks for improved disclosure to investors to help them better understand and assess certain financial products.

The following table describes these benchmarks and explains to what extent National Mutual Funds Management Limited (“NMF”)”, as Responsible Entity of the Australian Income Fund and the Wholesale Australian Income Fund satisfies them.

This disclosure is correct at 31 December 2011.

ASIC Benchmark	Compliance	Disclosure
<p><b>Benchmark 1 – Liquidity</b>  <b>RG 45.38</b></p> <p>a) The Responsible Entity should have cash flow estimates for the scheme for the next 3 months; and</p> <p>b) The Responsible Entity should ensure that at all times the scheme has cash or cash equivalents sufficient to meet its projected cash needs over the next 3 months</p>	<p>Satisfied</p>	<p><b>RG 45.38</b></p> <p>a) NMF) maintains cashflows estimates for the scheme for the next three months.</p> <p>b) On 5 September 2011 NMF) announced wind up of the schemes commencing 3 October 2011. The schemes have moved to a return of capital approach, paid quarterly, which commenced in December 2011.</p> <p>Clients’ access to their investments in the schemes since 18 December 2008 has been limited to any withdrawal offers made by NMF). Whereas, with the return of capital approach there are no further withdrawal offers and any outstanding withdrawal offer requests will not be processed.</p> <p>NMF) intends to make capital repayments to investors every quarter subject to the schemes’ available cash, asset sales and the timing of mortgage maturities in the portfolios. The first capital repayment was made in December 2011 with the repayment process expected to complete by mid 2014.</p> <p>NMF) has cash forecasts that indicate that it has cash or cash equivalents sufficient to meet projected cash needs over the 3 months. Cash flows for the next three months include monthly distributions payable to investor. Please note that as the value of the investment in the schemes decrease following each capital repayment, income distributions will also decrease. The scheme has sufficient cash and cash equivalents to meet these needs.</p>
<p><b>RG 45.39</b></p> <p>The Responsible Entity should disclose their policy on balancing the maturity of assets and maturity of liabilities</p>		<p><b>RG 45.39</b></p> <p>NMF) closely monitors balancing the maturity profile of assets, expected inflows and normal pattern of redemption requests.</p> <p>On 5 September 2011 NMF) announced wind up of the schemes commencing 3 October 2011. The schemes have moved to a return of capital approach, paid quarterly, which commenced in December 2011.</p> <p>Clients’ access to their investments in the schemes since 18 December 2008 has been limited to any withdrawal offers made by NMF). Whereas, with the return of capital approach there are no further withdrawal offers and any outstanding withdrawal offer requests will not be processed.</p> <p>NMF) intends to make capital repayments to investors every quarter subject to the schemes’ available cash,</p>

ASIC Benchmark	Compliance	Disclosure
		asset sales and the timing of mortgage maturities in the portfolios. The first capital repayment was made in December 2011 with the repayment process expected to complete by mid 2014.

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<p><b>Benchmark 2 – Scheme Borrowing</b></p> <p><b>RG 45.47</b></p> <p>If the Responsible Entity has borrowed funds, it should disclose:</p> <ol style="list-style-type: none"> <li>For each borrowing that will mature in 5 years or less, the amount owing and the maturity profile in increments of not more than 12 months</li> <li>For borrowings that mature in more than 5 years, the aggregate amount owing</li> <li>For each credit facility, the aggregate undrawn amount and the maturity profile in increments of no more than 12 months</li> <li>The fact that amounts owing to lenders and other creditors of the scheme rank before an investors interests in the scheme; and</li> <li>The purpose for which the funds have been borrowed, including whether they will be used to fund distributions or withdrawal amounts</li> </ol> <p><b>RG45.48</b></p> <p>If borrowings and credit facilities are due to mature within 12 months, the Responsible Entity should make appropriate disclosure about the prospects of refinancing or possible alternative actions. If the Responsible Entity has no reasonable grounds for commenting on the prospect of refinancing or possible alternative returns, they should state this and explain why to investors.</p> <p><b>RG 45.49</b></p> <p>Responsible entities should explain any risks associated with borrowing and credit facility maturity profile, including whether borrowings have been hedged and if so, to what extent.</p> <p><b>RG 45.50</b></p> <p>Responsible entities should also disclose any information about breaches of loan covenants that is reasonably required by investors and update investors about the status of any breaches through ongoing disclosure.</p>	Satisfied	<p><b>RG 45.47 – RG 45.50</b></p> <p>The scheme does not currently borrow.</p> <p>The scheme’s constitution places no formal restrictions on amounts that may be borrowed or liabilities that may be incurred.</p> <p>The scheme may incur liabilities, including borrowings as part of its ordinary operations. The scheme may incur costs through interest expenses and the establishment and maintenance of a borrowing facility.</p>

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<p><b>Benchmark 3 – Portfolio Diversification</b></p> <p><b>RG 45.53</b></p> <p>The Responsible Entity should disclose the current nature of the mortgage schemes investment portfolio, including the following:</p> <ol style="list-style-type: none"> <li>By number and value, loans by class of activity (industry sector)</li> <li>By number and value, loans by geographic region</li> <li>By number and value, what proportion of loans are in default or arrears</li> <li>By number and value of loans, what is the nature of the security for loans made by the scheme (e.g. first or second ranking)</li> <li>What proportion of the total loan monies have been lent to the largest borrower and the largest 10 borrowers</li> <li>By number and value, loans that have been approved but have funds that have yet to be advanced and the funding arrangements in place for any</li> </ol>	Satisfied	<p><b>RG 45.53</b></p> <p>Australian Income Fund ARSN 088 999 679 holds no loans directly and gains investment exposure through an investment in the Australian Monthly Income Fund ARSN 091 553 856. The Benchmark Disclosure for Australian Monthly Income Fund ARSN 091 553 856 is contained in a separate document on <a href="http://axa.com.au/mortgagedisclosure">axa.com.au/mortgagedisclosure</a> . The scheme gains its exposure to cash by investment in the Wholesale Cash Fund ARSN 125 160 152.</p> <p>A description of the assets of the scheme as at 31 December 2011 including the value of such assets is as follows:</p>

<p>undrawn loan commitments</p> <p>g) By number and value, the maturity profile of all loans in increments of not more than 12 months</p> <p>h) By number and value of loans, Loan to Valuation (LVR) for loans in percentage ranges</p> <p>i) By number and value of loans, interest rates on loans, in percentage ranges</p> <p>j) By number and value, loans where interest has been capitalised</p> <p>k) The use of derivatives (if any)</p> <p>l) A description of the non-loan assets of the scheme, include the value of these assets</p>		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="width: 10%; text-align: right;">\$ value</th> <th style="width: 10%; text-align: right;">% of Scheme</th> </tr> </thead> <tbody> <tr> <td>Floating Rate Notes</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Corporate Bonds</td> <td style="text-align: right;">0.00</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Perpetual Income Securities</td> <td style="text-align: right;">1,102,378</td> <td style="text-align: right;">0.92</td> </tr> <tr> <td>MBS</td> <td style="text-align: right;">15,074,505</td> <td style="text-align: right;">12.59</td> </tr> <tr> <td>Cash</td> <td style="text-align: right;">35,514,605</td> <td style="text-align: right;">29.65</td> </tr> <tr> <td>Investment in Australian Monthly Income Fund</td> <td style="text-align: right;">68,068,203</td> <td style="text-align: right;">56.84</td> </tr> <tr> <td><b>Total Scheme Assets</b></td> <td style="text-align: right;"><b>119,759,691</b></td> <td style="text-align: right;"><b>100.00</b></td> </tr> </tbody> </table> <p>The non loan assets of the scheme, excluding cash, forms the fixed interest portfolio which includes floating rate notes, corporate bonds, perpetual income securities and mortgaged backed securities. Each fixed interest security is, at the time of purchase, subject to a minimum credit rating of Investment Grade. Investment Grade is an industry term which refers to securities that are rated BBB- or better by Standard &amp; Poor's or rated Baa3 or better by Moody's. The fixed interest securities are valued on a hold to maturity basis. The investment in the Australian Monthly Income Fund is valued at cost.</p> <p>Non loan assets of the scheme include above disclosed investment in Australian Monthly Income Fund ARSN 091 553 856, fixed interest securities (including but not limited to bonds and listed income securities) and cash.</p>		\$ value	% of Scheme	Floating Rate Notes	0.00	0.00	Corporate Bonds	0.00	0.00	Perpetual Income Securities	1,102,378	0.92	MBS	15,074,505	12.59	Cash	35,514,605	29.65	Investment in Australian Monthly Income Fund	68,068,203	56.84	<b>Total Scheme Assets</b>	<b>119,759,691</b>	<b>100.00</b>
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<p><b>RG 45.55</b></p> <p>If the scheme invests in other unlisted mortgage schemes, the Responsible Entity should disclose their policy on investing in those schemes, including the extent to which the Responsible Entity requires the other scheme to satisfy these benchmarks.</p>		<p><b>RG 45.55</b></p> <p>Wholesale Australian Income Fund ARSN 088 919 359 invests in Australian Income Fund ARSN 088 999 679. Australian Income Fund ARSN 088 999 679 gains investment exposure through an investment in the Australian Monthly Income Fund ARSN 091 553 856.</p> <p>Australian Monthly Income Fund ARSN 091 553 856 satisfies the benchmarks required under Regulatory Guide 45: Mortgage schemes – improving disclosure for retail investors.</p>																								

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<p><b>Benchmark 4 – Related Party Transactions</b></p> <p><b>RG 45.61</b></p> <p>Where the Responsible Entity transacts with related parties of the scheme (including lending or investing scheme funds with related parties) it should disclose its approach to these transactions, including</p> <p>a) Details of loans, investments and transactions made to or with a related party</p> <p>b) Its policy on related party transactions including the assessment and approval process for related party lending and arrangements to manage conflicts of interest; and</p> <p>c) How the processes and arrangements are monitored to ensure they are followed</p>	<p>Satisfied</p>	<p><b>RG 45.61</b></p> <p>a) i) The scheme does not provide any loans to any related parties</p> <p>ii) Related parties do hold units in the scheme, and the scheme does hold investments in other related parties.</p> <p>iii) The scheme gains its exposure to cash via an investment in the Wholesale Cash Fund ARSN 125 160 152.</p> <p>Wholesale Australian Income Fund ARSN 088 919 359 invests in the Australian Income Fund ARSN 088 999 679.</p> <p>Australian Income Fund ARSN 088 999 679 gains investment exposure through an investment in the Australian Monthly Income Fund ARSN 091 553 856.</p> <p>NMFM as the Responsible Entity is paid a management fee from the scheme and also receives application fees paid by borrowers for the assessment and establishment of loans.</p> <p>The scheme may invest in other funds or investment companies including those managed by us or associates. Where we are the responsible entity of that other fund, full management fees will not be</p>

		<p>received by us from both funds. Instead, adjustments will be made so that our management fees will be no greater than the fee we have elected to take under the Fund's constitution at the relevant time.</p> <p>b) Related party transactions are undertaken on an arms length basis and as permitted by the Corporations Act 2001. The scheme does not undertake or provide related party lending. Conflicts of interest are managed in accordance with the AXA Asia Pacific Holdings Limited's "Conflicts of Interest Policy".</p> <p>c) NMF's Compliance Plan for the scheme outlines the controls in place around related party transactions. The Compliance Plan is audited externally on an annual basis.</p>
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<p><b>Benchmark 5 – Valuation Policy</b>  <b>RG 45.64</b>  The Responsible Entity should take the following approach to valuations of properties over which it has taken security</p> <ul style="list-style-type: none"> <li>a) Properties should be valued on an 'as is' basis (and on an 'if complete' basis for development properties)</li> <li>b) The Responsible Entity should have a policy on how often it obtain valuations, including how recent a valuation has to be when it makes a new loan</li> <li>c) The Responsible Entity should establish a panel of valuers and ensure that no one valuer conducts more than 1/3 of our valuation work for the scheme, calculated by value of properties</li> </ul> <p><b>RG 45.65</b> Disclose information about the valuation of a particular property where a loan secured against the property accounts for 5% or more of the total value of the scheme's loan book.</p> <p><b>RG 45.66</b> The Responsible Entity should only use valuers who:</p> <ul style="list-style-type: none"> <li>a) Where possible, are registered under one of the state/territory valuer registration regimes or a relevant overseas registration regime; and</li> <li>b) Include a statement in their valuation reports on whether the valuation complies with all relevant industry standards and codes.</li> </ul>	<p>Satisfied</p>	<p><b>RG 45.64 – RG45.66</b>  The scheme gains its exposure to mortgages through its investment in Australian Monthly Income Fund ARSN 091 553 856.</p> <p>Australian Monthly Income Fund ARSN 091 553 856 satisfies this Benchmark.</p> <p>Benchmark disclosure for the Australian Monthly Income Fund ARSN 091 553 856 can be found on <a href="http://axa.com.au/mortgagedisclosure">axa.com.au/mortgagedisclosure</a>.</p>
<p><b>Benchmark 6 – Lending Principles</b>  <b>RG 45.70</b>  The Responsible Entity should maintain the following loan to valuation ratios for loans made by the scheme.</p> <ul style="list-style-type: none"> <li>a) Where the loan relates to development property – 70% on the basis of the latest 'if complete' valuation</li> <li>b) All other cases – 80% on the basis of the last market valuation</li> </ul>	<p>Satisfied</p>	<p><b>RG 45.70</b>  The scheme gains its exposure to mortgages through its investment in Australian Monthly Income Fund ARSN 091 553 856.</p> <p>Australian Monthly Income Fund ARSN 091 553 856, currently satisfies this Benchmark as follows:</p> <p>At time of approval, the level of funds made available under any loan is restricted to 70% of the value of the property held as security for the loan or 80% of total development costs for development loans (but still not more than 70% of the on-completion valuation).</p> <p>As at 31 December 2011, the scheme had no loans where the LVR on the loan exceeded 70% of the most recent valuation.</p>
<p><b>RG 45.71</b>  Where the loan relates to property development, the Responsible Entity should ensure that the scheme only provides funds to the developer in stages, based on external evidence of the progress of the development</p>		<p><b>RG 45.71</b>  The scheme gains its exposure to mortgages through its investment in Australian Monthly Income Fund ARSN 091 553 856.</p> <p>Australian Monthly Income Fund ARSN 091 553 856 satisfies this Benchmark.</p>

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<p><b>Benchmark 7 – Distribution Practices</b>  <b>RG 45.75</b>            If the scheme is making (or forecasts making) distributions to unitholders, the Responsible Entity should disclose:</p> <p>a) The source of the current distribution            b) The source of any forecast distribution            c) If the current or forecast distribution is not solely sourced from income received in the relevant distribution period, the reasons for making those distributions; and            d) If the current distribution or forecast distribution is sourced other than from income, whether this is sustainable over the next 12 months</p>	Satisfied	<p><b>RG 45.75</b></p> <p>a) Distributions are paid solely from earnings of the scheme.            b) It is intended that all future distributions will be solely from earnings of the scheme. Please note that as the value of the investment in the schemes decrease following each capital repayment as part of the winding up process, income distributions will also decrease.            c) Not applicable refer a) and b) above            d) Not applicable refer a) and b) above</p>
<p><b>RG 45.76</b>            If the scheme promotes a particular return on investments, the Responsible Entity should clearly disclose details of the circumstances in which a lower return may be payable, together with details of how that lower return will be determined.</p>		<p><b>RG 45.76</b>            On a monthly basis the rate of distribution is declared for the following month. The distribution to unit holders for that month will not be less than the declared rate. NMFM guarantees the declared rate. NMFM does not promote a declared rate for any period other than one month in advance.</p>
<p><b>Benchmark 8 – Withdrawal arrangements</b>  <b>RG 45.81</b> The Responsible Entity should provide details on whether investors will be able to withdraw from a scheme. The Responsible Entity should disclose:</p> <p>a) The maximum withdrawal period allowed under the constitution for the scheme            b) Any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme (including factors that may prevent the Responsible Entity from meeting a promoted withdrawal period)            c) The Responsible Entity’s approach to rollovers, including whether the default is that investments in the scheme are automatically rolled over; and            d) If withdrawals from the scheme are funded from an external liquidity facility, the material terms of this facility, including any rights the provider has to suspend or cancel the facility</p>	Satisfied	<p><b>RG 45.81</b></p> <p>a) <b>Australian Income Fund ARSN 088 999 679</b> - The maximum withdrawal period allowed under the constitution for the scheme is 90 days (Clause 7.4) or such longer period as detailed in Clause 7.5. Clause 7.5 of the constitution states "If the Responsible Entity has taken all reasonable steps to realise sufficient Assets to satisfy a redemption request and is unable to do so due to one or more circumstances outside its control such as restricted or suspended trading in the market for an Asset, the period allowed for satisfaction of the request may be extended by the number of days during which such circumstances apply". <b>Wholesale Australian Income Fund ARSN 088 919 359</b> – The maximum withdrawal period allowed under the constitution for the scheme is 12 months (Clause 7.4) or such longer period as detailed in Clause 7.5 (refer above). Following termination, no Units may be issued, redeemed or transferred. The Responsible Entity must realise the Assets within 180 days if practical and in any event as soon as possible after that (Clause 21.1)</p> <p>b) On 5 September 2011 NMFM announced wind up of the schemes commencing 3 October 2011. The schemes have moved to a return of capital approach, paid quarterly, which commenced in December 2011.</p> <p>Clients’ access to their investments in the schemes since 18 December 2008 has been limited to any withdrawal offers made by NMFM. Whereas, with the return of capital approach there are no further withdrawal offers and any outstanding withdrawal offer requests will not be processed.</p> <p>NMFM intends to make capital repayments to investors every quarter subject to the schemes’ available cash, asset sales and the timing of mortgage maturities in the portfolios. The first capital repayment was made in December 2011 with the repayment process expected to complete by mid 2014.</p> <p>c) Investments in the scheme do not have fixed terms or maturity dates, as such rollover does not apply.            d) Not applicable – the scheme does not currently borrow as outlined in Benchmark 2.</p>

**RG 45.82**

If the scheme promotes a fixed unit price for investments, the Responsible Entity should clearly disclose the circumstances in which a lower amount may be payable, together with details of how that amount will be determined.

**RG 45.82****Capital Value Guarantee**

NMFM guarantees that the capital value of a unit holding will not fall. Under the scheme constitution, NMFM guarantees that the withdrawal price for units in the scheme will not be less than their application price (plus any accrued income and less any applicable early withdrawal fee). The capital guarantee is net of any returns of capital repayments.

**Australian Income Fund ARSN 088 999 679**

There is a fixed redemption unit price of \$1.00 for the scheme. The redemption unit price will not fall below \$1.00 per unit as the capital value is guaranteed by NMFM as outlined above.

**Wholesale Australian Income Fund ARSN 088 919 359**

The scheme does not promote a fixed unit price.

Important Information: This publication has been prepared to provide you with general information only. In preparing this information we did not take into account the investment objectives or needs of any particular person. The schemes were closed to new investors on 14 December 2007. This information is provided for persons in Australia only.