

Disclosure Principles for Unlisted Property Schemes – ASIC Regulatory Guide 46

Australian Property Fund**
ARSN 096 853 619

Wholesale Australian Property Fund*
ARSN 088 996 392

* The Australian Property Fund invests predominantly (and, at times, fully) in the Wholesale Australian Property Fund (collectively ‘the Fund’). Unless otherwise stated, disclosure outlined below is applicable to both of the above schemes.

** Generations Australian Property investors hold Class D Units in the Australian Property Fund. Unless otherwise stated, disclosure outlined below is applicable to both classes of units.

The Australian Securities and Investments Commission recently introduced Regulatory Guide 46: *Unlisted property schemes – improving disclosure for retail investors*. The regulatory guide sets out principles for improved disclosure to investors to help them better understand and assess certain financial products.

The following table describes these principles and provides National Mutual Funds Management Limited’s (“NMF”) disclosure against each principle, as Responsible Entity of the Australian Property Fund and the Wholesale Australian Property Fund.

This disclosure is correct as at 31 December 2011.

ASIC Principle	Disclosure
<p>Disclosure Principle 1 – Gearing Ratio</p> <p>RG 46.43 Responsible entities should disclose a gearing ratio for the scheme calculated using the following formula:</p> $\text{Gearing ratio} = \frac{\text{Total interest bearing liabilities}}{\text{Total assets}}$ <p>RG 46.44 The liabilities and assets used to calculate the gearing ratio should be based on the scheme’s latest financial statements. The latest financial statements would usually be the latest audited or reviewed financial statements, except where the responsible entity is aware of material changes since those statements.</p> <p>RG 46.45 If members’ contributions (other than borrowings from members) are classified as liabilities in the financial statements, they should be excluded from liabilities in calculating the gearing ratio. If the scheme has material off balance sheet financing, the responsible entity should disclose the following gearing ratios:</p> <ul style="list-style-type: none"> (a) a ‘look through’ gearing ratio that takes into account such financing; and (b) a gearing ratio based on liabilities disclosed in the scheme’s financial statements. <p>RG 46.46 Explain to investors what the ratio means in practical terms and how investors can use the ratio to determine the scheme’s level of risk.</p>	<p>RG 46.43 – 46.46</p> <p>Disclosure Principle 1 is applicable to the Wholesale Australian Property Fund.</p> <p>The Wholesale Australian Property Fund will aim to keep the gearing level to a target range of 0% - 15%, but may range from 0% - 25% of the Wholesale Australian Property Fund’s gross assets at the time of borrowing.</p> <p>As at 31 December 2011 the gearing ratio is 0%.</p> <p>An investor may use the gearing ratio to identify a higher reliance on external liabilities (primarily borrowing) against fund assets. This exposes the scheme to increased funding costs if interest rates rise. A highly geared scheme has a lower asset buffer to rely upon in times of financial stress.</p>

<p>Disclosure Principle 2 – Interest cover</p> <p>RG 46.50 Interest cover gives an indication of an unlisted property scheme’s ability to meet the interest payments from earnings. Responsible entities should disclose the scheme’s interest cover calculated using the following formula based on the latest financial statements:</p> $\text{Interest cover} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$ <p>RG 46.51 EBITDA (earnings before interest, tax, depreciation and amortisation) and interest expense used to calculate interest cover should be consistent with those disclosed in the scheme’s latest financial statements. The latest financial statements would usually be the latest audited or reviewed financial statements, except where the responsible entity is aware of material changes since those statements.</p> <p>RG 46.52 Explain how investors can use the interest cover to assess the scheme’s ability to meet its interest payments.</p>	<p>RG 46.50 – RG46.52 Disclosure Principle 2 is applicable to the Wholesale Australian Property Fund.</p> <p>As at 31 December 2011 the interest cover is 0%.</p> <p>A property scheme’s interest cover is a key indicator of its financial health. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. A scheme with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet interest payments.</p>
<p>Disclosure Principle 3 – scheme borrowing</p> <p>RG 46.54 If a scheme has borrowed funds (whether on or off balance sheet), responsible entities should clearly and prominently disclose:</p> <ol style="list-style-type: none"> for each borrowing that will mature in 5 years or less—the aggregate amount owing and the maturity profile in increments of not more than 12 months; for borrowings that mature in more than 5 years—the aggregate amount owing; for each credit facility—the aggregate undrawn amount and the maturity profile in increments of no more than 12 months; and the fact that amounts owing to lenders and other creditors of the scheme rank before an investor’s interests in the scheme. <p>RG 46.55 If borrowings and credit facilities are 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 actions, then they should state this and explain why to investors.</p> <p>RG 46.56 Explain any risks associated with the Fund’s borrowing maturity profile, including whether borrowings have been hedged and if so, to what extent.</p> <p>RG 46.57 Disclose any information about breaches of loan covenants that is reasonably required by investors. Update investors about the status of any breaches through ongoing disclosure.</p>	<p>RG 46.54 – RG 46.57 Disclosure Principle 3 not applicable to the Wholesale Australian Property Fund.</p> <p>The scheme does not currently borrow. The scheme’s constitution places no formal restrictions on amounts that may be borrowed or liabilities that may be incurred. If required, borrowings would be sought by the scheme only on a short term basis and only for the purposes of funding withdrawal of units and covering settlements.</p> <p>To improve the Wholesale Australian Property Funds ongoing capital structure and liquidity management the fund has the ability to introduce debt as part of the capital management strategy.</p> <p>As at 31 December 2011 the Wholesale Australian Property Fund has (\$0) zero dollars of borrowed funds.</p> <p>There is a risk that the refinancing of short-term borrowing and credit facilities may be on less favourable terms or the fund may not be able to refinance at all. This may require the fund to sell assets on a forced sale basis which may result in the realisation of a capital loss. Another risk is the breach of a loan covenant which may result in penalties being applied, the loan being repayable immediately or termination of critical financing relationships.</p>

Disclosure Principle 4 – Portfolio diversification

RG 46.63 A responsible entity should disclose the current composition of the property scheme's direct property investment portfolio, including:

- (a) properties by geographic location by number and value;
- (b) non-development properties by sector (e.g. industrial, commercial, retail, residential) and development projects by number and value;
- (c) for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and, where applicable, the capitalisation rate adopted in the valuation;
- (d) the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and where applicable, the weighted average lease expiry;
- (e) the occupancy rate(s) of the property portfolio; and
- (f) for the top 5 tenants that each constitutes 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income.

RG 46.64 Disclosure should cover the responsible entity's investment strategy on these matters, including its strategy on investing in other unlisted property schemes. A responsible entity should also provide a clear description of any significant non-direct property assets of the scheme, including the value of such assets.

RG 46.65 Responsible entities of unlisted property schemes involved in property development should also disclose:

- (a) the project timetable with key milestones;
- (b) funding arrangements;
- (c) the total amounts of pre-sale and lease pre-commitments where applicable; and
- (d) (d) development status (e.g. percentage of completion).

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Data effective 31 December 2011.

a), b), c), d), e) & f) Information on these items appears in the attached Annexure. All properties within the portfolio are non development. See portfolio list in Annexure.

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The Fund invests primarily in direct property within Australia and New Zealand. The Portfolio manager seeks to maintain a spread across the key office, industrial and retail sectors. The Fund will maintain an exposure to listed property securities and cash and may invest in other managed investment schemes or investment companies.

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This is not applicable to the Scheme as the scheme is not involved in property development.

<p>Disclosure Principle 5 – Valuation Policy</p> <p>RG 46.68 Responsible entities should disclose, at a minimum, the following information on valuation of direct property investments:</p> <ul style="list-style-type: none"> (a) how often they obtain valuations for direct investments in real property, including how often they obtain independent valuations; (b) if independent valuations are not regularly obtained, the reason for this; and (c) whether valuations are in accordance with relevant industry standards. <p>RG 46.69 If a property under development is valued on an ‘as if complete’ basis, the ‘as is’ basis of the valuation should be disclosed. The responsible entity should also disclose the risks associated with ‘as if complete’ valuations, including the risk that assumptions on which such valuations are based may prove to be inaccurate.</p> <p>RG 46.70 Responsible entities should inform investors if they fail to follow their previously disclosed policy on valuations or if there are any changes to the policy (unless clearly immaterial).</p> <p>RG 46.71 We expect responsible entities to only use valuers who:</p> <ul style="list-style-type: none"> (a) where possible, are registered under one of the state or territory valuer registration regimes or a relevant overseas registration regime; and (b) include a statement in their valuation reports on whether the valuation complies with all relevant industry standards and codes. 	<p>RG 46.68</p> <ul style="list-style-type: none"> a) The Wholesale Australian Property Fund constitution requires properties to be valued by an external valuer at least once annually. From 30 June 2012 all properties will be independently valued on a quarterly basis. b) The Responsible entity may decide to alter the timing or frequency of the valuation cycle depending on the circumstances of the Fund and the market, but at all times ensuring that valuations are conducted at least annually. c) Valuations are conducted in accordance with instructions from AMP Capital which encompasses industry practice in accordance with the Australian Property Institute. <p>RG46.69 The scheme holds no property valued on an ‘as if complete’ basis. Refer to Annexure A for current valuation figures.</p> <p>RG46.70 NMFM follows its policy of obtaining valuations at least annually at all times.</p> <p>RG46.71 NMFM satisfies the requirements of RG 46.71</p>
<p>Disclosure Principle 6 – Related party transactions</p> <p>RG 46.75 Responsible entities who enter into transactions with related parties should disclose their approach to these transactions, including:</p> <ul style="list-style-type: none"> (a) details of investments in and loans, guarantees and fees to any related party; (b) their policy on related party transactions, including the assessment and approval process and arrangements to manage conflicts of interest; and (c) how the processes and arrangements are monitored to ensure their policy is followed. 	<p>RG 46.75</p> <p>(a) The scheme does not provide any loans or guarantees to any related parties. NMFM as the Responsible Entity is paid a management fee from the scheme. From 1 June 2012 AMP Capital as the Investment Manager will be paid a property management fee and may be entitled to received acquisition and disposal fees. Related parties do hold units in the scheme, however, and the scheme does hold investments in other related parties. The Wholesale Australian Property Fund ARSN 088 996 392 gains its exposure to cash via an investment in the Wholesale Cash Management Trust ARSN 090 715 236. Australian Property Fund ARSN 096 853 619 invests in the Wholesale Australian Property Fund ARSN 088 996 392. The scheme may invest in other funds or investment companies including those managed by us or our associates. Where we are the responsible entity of that other fund, full management fees will not be 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 under the Corporations Act 2001. The scheme does not undertake or provide related party lending. Conflicts of interest are managed in accordance with the AMP Conflicts of Interest Policy.</p> <p>(c) NMFM’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>

<p>Disclosure Principle 7– Distribution Practices</p> <p>RG 46.77 If a scheme is making or forecasts making distributions to members, the responsible entity should disclose:</p> <ul style="list-style-type: none"> (a) the source of the current distribution (e.g. from realised income, capital, unrealised revaluation gains); (b) the source of any forecast distribution; (c) if the current or forecast distribution is not solely sourced from realised income, the reasons for making the distribution from other sources; and (d) if the current distribution or forecast distribution is sourced other than from realised income, whether this is sustainable over the next 12 months. 	<p>RG 46.77</p> <ul style="list-style-type: none"> (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. (c) Not applicable, refer (a) and (b) above. (d) Not applicable, refer (a) and (b) above.
<p>Disclosure Principle 8 – Withdrawal arrangements</p> <p>RG 46.79 If investors are given the right to withdraw from a scheme, the responsible entity should clearly disclose:</p> <ul style="list-style-type: none"> (a) the maximum withdrawal period allowed under the constitution for the scheme (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors); (b) any significant risk factors or limitations that may affect the ability of investors to withdraw from the scheme (including risk factors that may affect the ability of the responsible entity to meet a promoted withdrawal period); (c) a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g. specified withdrawal periods and scheme liquidity requirements); and (d) if withdrawals from the scheme are to be 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>RG 46.80 The responsible entity should ensure that investors are updated on any material changes to withdrawal rights through ongoing disclosure. For example, investors should be informed if the responsible entity knows that withdrawal requests will be suspended during an upcoming withdrawal period for whatever reason.</p> <p>RG 46.81 Responsible entities should also clearly disclose if investors have no withdrawal rights.</p>	<p>RG46.79</p> <ul style="list-style-type: none"> a) The maximum withdrawal periods allowed under the Constitutions for the schemes are: Australian Property Fund ARSN 096 853 619: 12 months Wholesale Australian Property Fund ARSN 088 996 392 : 12 months (b) On 1 February 2012 the Fund reopened to investors. A Temporary Withdrawal Process has been introduced as an interim measure to enable the Fund to transition to normal operation in a phased manner. Withdrawal requests received before or on 31 May 2012 will be treated as being received on 31 January 2012 to ensure all investors are treated equally. Withdrawal requests received after 31 May 2012 and up until the end of the transition period will be processed on a 'first in first out' basis, within 12 months of being received. (c) Refer to (b) above. (d) NMFm may choose to fund withdrawal request by using a debt facility. As at 31 December 2011 (\$0) zero dollars have been received from a debt facility. <p>RG46.80</p> <p>Going forward, AXA will notify clients of any withdrawal offers. Investors are regularly written to updating them on the status of the scheme. Information on the scheme is also regularly updated on www.axa.com.au/propertyandmortgage.</p> <p>RG 46.81</p> <p>Currently, investors have no withdrawal rights from the scheme. Withdrawals can only be made when NMFm makes a withdrawal offer to investors.</p>

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 Australian Property Fund and the Wholesale Australian Property Fund were closed to new or additional investments effective 19 August 2008. This information is provided for persons in Australia only.

Benchmark 3 - Portfolio Diversification

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(a) Geographic location by number and value as at 31 December 2011

Street Address / Details	State	Value A\$m
124 Walker St, North Sydney, NSW	NSW	67.00
20 Windmill St, Walsh Bay, NSW	NSW	75.00
1B Unwin St Rosehill NSW	NSW	17.30
20 Holbeche Rd Arndell Park NSW	NSW	12.00
85 Waterloo Rd Macquarie Park NSW	NSW	16.35
105-111 Vanessa St Kingsgrove NSW	NSW	50.60
Casula Mall, Sydney NSW	NSW	122.40
TOTAL NSW		360.65
441 St Kilda Rd, Melbourne	Vic	53.50
2 Pound Road West, Dandenong	Vic	19.70
200 Greens Rd Dandenong, Melb	Vic	18.85
10 Wesley Court, Burwood East	Vic	14.00
12-18 Distribution Drive, Laverton North	Vic	50.00
TOTAL VIC		156.05
12 Moore St, Canberra	ACT	43.00
TOTAL ACT		43.00
121 Evans Rd, Salisbury, QLD	Qld	25.90
TOTAL QLD		25.90
933-945 North East Rd, Modbury	SA	15.30
TOTAL SA		15.30
7 & 25 Gauge Circuit, Canningvale	WA	20.50
TOTAL WA		20.50
TOTAL AUSTRALIA		621.40
The Plaza, Whangaparaoa, Auckland NZ	NZ	26.30
Total NZ		26.30
TOTAL		647.70

The value of New Zealand properties has been converted to Australian Dollars at the AUD/NZD exchange rate as at 31 December 2011 of 1.31

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(b) Non-development properties by sector

Street Address / Details	Sector		Value A\$m
Casula Mall, Sydney	Retail	1	122.40
933-945 North East Rd, Modbury	Retail	2	15.30
The Plaza, Whangaparaoa, Auckland NZ	Retail	3	26.30
Total Retail			164.00
12 Moore St, Canberra	Commercial	1	43.00
124 Walker St, North Sydney	Commercial	2	67.00
441 St Kilda Rd, Melbourne	Commercial	3	53.50
20 Windmill St, Walsh Bay	Commercial	4	75.00
Total Commercial			238.50
1B Unwin St Rosehill NSW	Industrial	1	17.30
200 Greens Rd Dandenong, Melb	Industrial	2	18.85
20 Holbeche Rd Arndell Park	Industrial	3	12.00
85 Waterloo Rd Macquarie Park	Industrial	4	16.35
10 Wesley Court, Burwood East	Industrial	5	14.00
2 Pound Road West, Dandenong	Industrial	6	19.70
7 & 25 Gauge Circuit, Canningvale	Industrial	7	20.50
121 Evans Rd, Salisbury, QLD	Industrial	8	25.90
12-18 Distribution Drive, Laverton North	Industrial	9	50.00
105-111 Vanessa St Kingsgrove	Industrial	10	50.60
Total Industrial			245.20
Total Portfolio			647.70

The value of New Zealand properties has been converted to Australian Dollars at the AUD/NZD exchange rate as at 31 December 2011 of 1.31

RG 46.63**(c) Valuation information****As at 31 December 2011**

Property	Last valuation date	Valuation type	Capitalisation rate	Valuation (A\$m unless otherwise stated)
124 Walker St, North Sydney, NSW	Dec-11	External	8.50%	67.00
20 Windmill St, Walsh Bay, NSW	Dec-11	External	7.75%	75.00
1B Unwin St Rosehill NSW	Dec-11	External	10.00%	17.30
20 Holbeche Rd Arndell Park NSW	Dec-11	External	9.50%	12.00
85 Waterloo Rd Macquarie Park NSW	Dec-11	External	8.75%	16.35
105-111 Vanessa St Kingsgrove NSW	Dec-11	External	8.50%	50.60
Casula Mall, Sydney NSW	Dec-11	External	7.50%	122.40
441 St Kilda Rd, Melbourne	Dec-11	External	8.75%	53.50
2 Pound Road West, Dandenong	Dec-11	External	8.50%	19.70
200 Greens Rd Dandenong, Melb	Dec-11	External	8.75%	18.85
10 Wesley Court, Burwood East	Dec-11	External	8.50%	14.00
12-18 Distribution Drive, Laverton North	Dec-11	External	8.50%	50.00
12 Moore St, Canberra	Dec-11	External	9.00%	43.00
121 Evans Rd, Salisbury, QLD	Dec-11	External	9.00%	25.90
933-945 North East Rd, Modbury	Dec-11	External	8.00%	15.30
7 & 25 Gauge Circuit, Canningvale	Dec-11	External	8.50%	20.50
The Plaza, Whangaparaoa, Auckland NZ	Dec-11	External	10.13%	NZD 34.40

RG 46.63**(d) Portfolio lease expiry profile as at 31 December 2011**

	Vacant	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	Beyond
Percentages of leases expiring by income	5.5%	2.1%	13.2%	13.2%	13.9%	12.2%	11.1%	2.1%	7.3%	19.7%
Portfolio weighted average lease expiry	4.43									

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RG 46.63**(e) The occupancy rates of the property portfolio as at 31 December 2011**

Street Address / Details	Sector	Vacancy (%)
Casula Mall, Sydney	Retail	-
933-945 North East Rd, Modbury	Retail	-
Total Retail		-
12 Moore St, Canberra	Commercial	0.90
124 Walker St, North Sydney	Commercial	1.70
441 St Kilda Rd, Melbourne	Commercial	0.20
20 Windmill St, Walsh Bay	Commercial	0.20
Total Commercial		3.00
1B Unwin St Rosehill NSW	Industrial	-
202-228 Greens Road, Dandenong	Industrial	-
20 Holbeche Rd Arndell Park	Industrial	-
85 Waterloo Rd Macquarie Park	Industrial	0.60
10 Wesley Court, Burwood East	Industrial	-
2 Pound Road West, Dandenong	Industrial	-
7 & 25 Gauge Circuit, Canningvale	Industrial	-
121 Evans Rd, Salisbury, QLD	Industrial	-
12-18 Distribution Drive, Laverton North	Industrial	-
105-111 Vanessa St Kingsgrove	Industrial	1.50
Total Industrial		2.10
The Plaza, Whangaparaoa, Auckland NZ	Retail	0.40
Total NZ		0.40
Total Portfolio		5.50

RG 46.63**(f) Top 5 tenants that each constitutes 5% or more by income as at 31 December 2011**

	Tenant	Percentage of Portfolio	
		Income	Properties
1	Coles / Wesfarmers	15.5%	Casula Mall, Modbury, Laverton
2	McPherson Homeware	4.5%	Vanessa St, Kingsgrove
3	Aegis Media Pty Ltd	3.8%	Bond One, Walsh Bay
4	Sydney Ports Corporation	3.5%	Bond One, Walsh Bay
5	Commonwealth of Australia	3.4%	Moore St, Canberra

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