

180
YEARS

Australian
Unity 
Real Wellbeing

Childcare Property Fund

Information Memorandum
11 November 2021



This image is of a building which the Fund intends to purchase in Perth, WA

This Information Memorandum provides a limited offer of Units in the Australian Unity Childcare Property Fund to Wholesale Clients.

Important information

About the Fund

The Australian Unity Childcare Property Fund ('Fund') is a managed investment scheme that is registered under the Corporations Act 2001 (Cth) ('Corporations Act') as ARSN 652 919 885.

About the Responsible Entity

Australian Unity Funds Management Limited ('AUFM', 'us', 'we', 'our', or 'Responsible Entity') ABN 60 071 497 115 AFS Licence No. 234454 is the Responsible Entity and issuer of units in the Fund. It is a wholly owned subsidiary of Australian Unity Limited ('AUL') ABN 23 087 648 888. AUL, together with its subsidiaries including AUFM, form the group of companies referred to as the 'Australian Unity Group'.

A reference to 'Australian Unity Wealth & Capital Markets' is a business name, which includes those entities within the Australian Unity Group undertaking investment activities.

About this Information Memorandum ('IM')

AUFM is the issuer of this IM. This IM is not a 'disclosure document' or 'Product Disclosure Statement' as defined in the Corporations Act. It does not constitute a recommendation by the Responsible Entity, Australian Unity Group of companies, or any other person to any recipient of this IM on the merits or otherwise of investing in the Fund.

It contains important information but does not take into account your investment objectives, financial situation or particular needs and does not purport to contain all the information that you may require in evaluating a possible investment in the Fund. Before making any decision based upon information contained in this document, you should read it carefully in its entirety, and consider consulting with a financial adviser or tax adviser.

An equity raising presentation containing more detailed information about the Fund, including asset details and financial information will be made available to investors upon request.

An investment in the Fund should be considered in the context of the risks outlined in this IM.

Wholesale Clients

Investment is only available to investors who are 'wholesale clients' for the purposes of section 761G of the Corporations Act.

Applications

Applications for investment in Units can only be made using the Application Form provided by AUFM.

If you receive this IM electronically, please ensure that you have received the entire IM. If you are unsure whether the electronic document is complete, please call us on 1300 997 774 or +61 3 9616 8687, email us at australianunitywealth@unitregistry.com.au. No applications for Units will be accepted on the basis of this IM if it is replaced with a later information memorandum.

We may suspend the issue of Units at any time.

No guarantee

An investment in the Fund, including through the Units offered under this IM, is not guaranteed or otherwise financially supported by AUFM, Australian Unity or any member of the Australian Unity Group. You should consider this when assessing the Fund's risk profile and the suitability of any investment for you.

Jurisdictions outside of Australia

No Units are being offered to any person whose registered address is outside of Australia unless we are satisfied that it would be lawful to make such an offer. The distribution of this IM in jurisdictions outside of Australia may be restricted by law and persons who come into possession of this IM should seek their own advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This IM does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

This IM may only be used by investors receiving it (electronically or otherwise) in Australia.

Indirect investments

AUFM has authorised the use of this IM for investors considering making an investment in the Fund through a master fund, wrap or similar product (which are collectively known and referred to as an 'IDPS' in this IM). In this IM, the operator of an IDPS will be referred to as your 'IDPS Operator'.

Business day

In this IM, 'business day' refers to a Melbourne business day on which Australian banks are open for business in Melbourne excluding Saturday and Sunday.

Terms and conditions

Units are issued on the terms and conditions contained in the Fund's Constitution and this IM. We reserve the right to change those terms and conditions.

Goods and services tax

GST will be added to fees and charges expressly stated on a plus GST basis. The Fund will claim any available input tax credit or reduced input tax credit (as applicable) for that GST. Otherwise, any fees and charges are inclusive of GST less any available input tax credits.

Currency

All dollar amounts referred to in this IM are in reference to the Australian currency.

Variation

We may withdraw, postpone, cancel, or change (vary) the offer under this IM at any time in our absolute discretion. We may issue a new or amended information memorandum, although we are not under any obligation to do so. Notice of the changes, or a copy of any new or amended information memorandum, will sent to investors.

Glossary

A list of defined terms used within this IM can be found in the glossary section on page 22.

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Snapshot of the Australian Unity Childcare Property Fund

Summary of the Fund's strategy		More information
Investment overview	<p>The Fund primarily invests in a diversified portfolio of childcare properties including established properties and development assets. Exposure to childcare properties may include direct property, unlisted managed funds, listed childcare REITs, property syndicates or companies that mainly hold childcare property.</p> <p>The Fund may invest in property assets related to its childcare assets, for example; fixtures and fittings, adjacent real estate and real estate with complementary uses.</p> <p>The Fund may also, from time to time, provide loans to childcare operators secured by real property to assist them with funding the fitout of the Fund's childcare properties.</p> <p>The Fund manages its liquidity by holding cash and listed REITs.</p>	From page 5
Return objectives ¹	<ul style="list-style-type: none"> • A stabilised 5.5-6.5% p.a. distribution yield. • Target an IRR of 10% p.a. (net of fees). 	
Portfolio diversification	<p>The Fund will target geographic portfolio diversification across capital cities and regional centres in Australia, balanced according to risk and demographic metrics.</p> <p>It may take some time for the Fund to achieve its target portfolio diversification as it will depend on the availability of appropriate assets and market conditions generally.</p> <p>An equity raising presentation containing more detailed information about the Fund, including asset details and financial information will be made available to investors upon request.</p>	Page 5
Gearing	<ul style="list-style-type: none"> • We aim to maintain a gearing range of between 30%-45%. • However initially, and from time to time for example when there are debt funded developments, the Fund's gearing may be higher. • Our aim is for the Fund's borrowings to be 50% hedged. The level of hedging will depend on the interest rate cycle and broader economic conditions. For example, the level of hedging may be higher initially given the current bond yield environment. 	Page 5

¹ The investment objectives that we aim to deliver to investors is a statement of intent, and we cannot guarantee that the Fund will achieve these.

Summary of the Fund's features and risks	More information
Features of the Fund	<ul style="list-style-type: none"> • Distributions are expected to be paid quarterly and will be sourced primarily from rental income from the Fund's childcare properties. • Managed by an investment manager with skilled employees who have extensive experience in the property industry. • Access to a diversified portfolio of childcare properties and related assets, which will include some strategic assets with the ability to enhance income and the potential for capital growth over the medium to long-term. • Potential for tax deferred income.
Key risks of the Fund	<p>While we actively monitor and manage risks in the interests of all investors, when considering an investment into the Fund, you should consider the following risks and the possible impacts to your individual circumstances:</p> <ul style="list-style-type: none"> • Liquidity risk: investors will not be able to redeem from the Fund unless or until a withdrawal opportunity is offered by AUFM. We are expecting to offer a withdrawal opportunity to investors in the Fund at the end of the Fund's third and fifth year. However, at that time, there may be limited or no liquidity in the Fund such that we are unable to offer a withdrawal opportunity. • Regulatory risk: the childcare sector is heavily regulated by each level of government and is subject to a complex regulatory framework. Childcare operators also rely, to varying degrees, on government subsidies for their revenue. The regulatory framework may change, and any changes could impact the Fund's income and impact valuations of some or all of the Fund's childcare properties or other investments. • Information availability risk: while childcare property assets have been available for investment for a number of years through various funding models, there is limited market information in this sector. Although we will undertake a thorough due diligence on any investment (whether direct or indirect) there is a risk that relevant information may not be available to us or not available on a timely basis. This may contribute to the Fund's risk profile and may impact valuations on an ongoing basis. • Counterparty risk: the Fund's performance will depend partly on the performance and financial resilience and/or capacity of the childcare operators and/or tenants of childcare properties in which the Fund has a direct or indirect interest. Childcare operators must comply with a complex regulatory framework, manage reputational risk and retain quality staff. If childcare operators and/or tenants of childcare properties face performance or financial issues this could impact the Fund's income and, in certain circumstances, may impact valuations of relevant Fund properties or investments. • Property development risk: development projects carry a risk that the costs of the project might be higher than budgeted, the projects may take longer than expected to complete or the project may not be finished. • Valuation risk: a reduction in the value of childcare properties and related assets, or asset or property values generally, could occur and impact both the Fund's income return in the short-term and, in the longer term, the value of your investment in the Fund. • Borrowing Risk: the Fund combines investors' money with borrowed money and invests the combined amount. This process magnifies the effect of gains and losses on your investment and is considered more risky than similar investments that are not geared. Changes to interest rates or lender credit margins may impact the level of income you receive. There is also a risk that the Fund may not be able to refinance its borrowings when borrowing facilities mature. If this occurred, the Fund may lose value from selling assets.

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Summary the Fund's features		More information
Offer details	<p>This IM contains general information on the Fund's strategy, costs, risks, and a summary of investors' rights under the Constitution.</p> <p>An equity raising presentation containing more detailed information about the Fund, including asset details and financial information will be made available to investors upon request.</p> <p>If you wish to invest you will need to register your interest by contacting childcarefund@australianunity.com.au. When a fund raising is underway, we may send you an Application Form to complete in relation to that fund raising.</p>	
Responsible Entity	Australian Unity Funds Management Limited	
Custodian	Perpetual Nominees Limited ACN 000 733 700	
APIR Code	AUS4284AU	
Investment manager	Australian Unity Funds Management Limited	Page 8
Property manager	Australian Unity Property Management Pty Limited (ABN 76 073 590 600)	Page 6
Unit class offered	Ordinary Units	
Minimum initial investment	\$50,000, however we may at our discretion elect to accept investments less than this amount. You may need to provide documentation to substantiate your 'Wholesale Client' status with your Application Form.	Page 5 and 10
Distribution reinvestment plan	Not currently available.	
Unit pricing	<p>Monthly (or more often if required).</p> <p>Unit prices are generally calculated at the end of each month.</p>	Page 6
Distribution payments	Each quarter, for the periods ending 31 March, 30 June, 30 September and 31 December.	Page 6
Withdrawals	Subject to market conditions we expect to offer a limited liquidity facility during the financial year ending 30 June 2025 and financial year ending 30 June 2027, or more or less frequently as advised by us. We anticipate paying the redemption facility within three months of any liquidity application time frame closing.	Page 6
Indicative term	<p>The initial term of the Fund is five years with the intention to be open-ended.</p> <p>We will consult with investors prior to 30 June 2027 to determine the future operation of the Fund. Options considered may include an extension to the term of the Fund, the termination of the Fund, or listing the Fund on the ASX.</p>	
Capital Raisings	We will undertake fund raising for the Fund as and when asset acquisition or development opportunities are identified.	
Summary of fees and costs		More information
Base management fee	0.75% p.a. of the Fund's end of month GAV.	From page 14
Equity raising fee	0.75% of equity raised.	
Debt establishment fee	0.35% of any debt raised from time to time.	
Acquisitions fee	1.00% of purchase price of direct property assets.	
Development Management fee	1.00% of the development costs of a direct property asset.	
Disposal fee	0.50% of sale price of direct property assets.	
Performance fee	15% over a benchmark IRR of 10%.	
Recoverable expenses	Estimated to be 0.30% p.a. of the Fund's average GAV at the date of this IM.	
Indirect Costs	Estimated to be 0.00% p.a. of the Fund's average GAV at the date of this IM.	
Buy/sell spread	<p>No buy spread will be applied to the issue of Units under this IM.</p> <p>A sell spread may apply to any withdrawals from the Fund if a withdrawal opportunity is made available.</p>	

About the Childcare Property Fund

We are pleased to present this opportunity to co-invest with the Australian Unity Group to invest in the Australian Unity Childcare Property Fund.

The Fund's strategy is to invest in assets, or with exposure to, the childcare sector in order to achieve differentiation from other property funds.

Wholesale Clients only

Applications will only be accepted from applicants who qualify as "wholesale clients" within the meaning of section 761A of the Corporations Act.

For example, a wholesale client can include a person:

- who invests at least \$500,000 in the Fund or
- who can demonstrate by a qualified accountant's certification that he/she/it has net assets of at least \$2.5 million, or a gross income of at least \$250,000 for each of the last two financial years; or
- who controls at least \$10 million.

Unless you invest via an IDPS, your financial adviser will be required to assess whether you qualify, and you may need to provide substantiating documentation with your Application Form. For more information on whether you are a "wholesale client", please refer to your financial adviser.

The Fund's investment process

In acquiring and managing the assets of the Fund our objective is to ensure the Fund takes advantage of trends in the childcare sector, through in-depth research into demographics and supply demand fundamentals.

Our decisions to invest in childcare properties (directly or indirectly) will be based on the asset's ability to deliver attractive returns, increase the Fund's diversification and the asset's relative liquidity. We aim to achieve this by:

- acquiring childcare properties or assets such as managed funds, property syndicates and companies that hold childcare properties operated by the leading providers and operators in their particular geographical area;
- selectively developing suitable long-term expansion and/or improvement strategies for the properties;
- ensuring the Fund maintains adequate diversification including by geography and between established and development assets;
- building strong, secure relationships with tenants/operators that have established relevant experience and expertise in the childcare sector; and
- where practical, putting in place carefully structured, long-term leases, with the aim of achieving stable and predictable rental income as well as growth in rental income over the long-term.

The Fund utilises a combination of equity provided by investors, and borrowings from lenders, to acquire childcare properties and other investments for the Fund and to fund development, refurbishment, or improvement activities in relation to its childcare properties.

Target asset allocation

Over time the Fund will target the below asset allocation, however as the Fund acquires assets over the short term these ranges may vary:

Type	Range
Established childcare properties	40-60%
Development land and /or assets	Up to 40%
Cash or liquid REITs	Up to 10%

The Fund may gain exposure to childcare properties, by holding direct property or holding an indirect interest via unlisted managed funds, property syndicates or companies that mainly hold childcare property.

Target geographic asset allocation

Over time the Fund will target the below geographic asset allocation, however as the Fund acquires assets over the short-term these ranges may vary:

State/territory	Range
NSW	Target 20% - 50%
QLD	Target 20% - 50%
SA	Target 20% - 50%
WA	Target 10% - 50%
NT	Target 10% - 20%
ACT	Target 10% - 20%

Borrowing and lending

Under the Fund's Constitution, the Fund has the power to:

- borrow and raise money for the purposes of the Fund and to grant security over the Fund's assets; and
- incur all types of obligations and liabilities.

Borrowing

The Fund borrows to finance new and existing assets, to develop and maintain those assets, to provide liquidity for operating purposes and to manage the capital position of the Fund.

The Fund generally aims to operate within a gearing ratio range between 30-45% but may operate outside of this range if we believe it is in the interest of investors to do so. Generally, interest costs relating to the borrowings will be met from the gross income of the Fund prior to the payment of income to investors.

The lenders' rights to recover the total due under loans, and the rights of any creditors of the Fund, will rank ahead of all investors. However, those lenders and creditors will not have any legal recourse against investors.

Derivatives

Derivatives may be used for implementation of interest rate risk management strategies.

It is not the Fund's current policy to use derivatives for gearing purposes or for speculative activities.

Lending

From time to time, the Fund may advance loans, for example to the operators of its childcare properties to assist with funding the fitting out of the Fund's properties. Any such loans would be assessed and made on a commercial arm's length basis.

Property management

AUFM has appointed Australian Unity Property Management Pty Ltd ABN 76 073 590 600 ('AUPM'), a property management business within the Australian Unity Group, to provide some property management services to the Trust.

AUPM may provide the following services to the Fund as requested by us from time to time:

- strategic advice on property acquisitions and sales or arranging the sale or acquisition of property assets;
- management of premises;
- debt arranging, debt structure advice, debt facility negotiation and debt management;
- valuation services;
- leasing services; and
- property management and project supervision.

The appointment of AUPM for these services is not exclusive and AUFM may engage other service providers to undertake these functions.

AUPM has been appointed, on normal commercial terms under a management services agreement. This agreement provides that, if AUFM (or one of its related bodies corporate) ceases to be the Responsible Entity for the Fund, the agreement would automatically terminate two years after the change in Responsible Entity or immediately if AUPM so elects (in this case, the new Responsible Entity would be obliged to pay the equivalent of 24 months' management fee to AUPM).

Features of the Fund

Initial capital raise unit price

The Fund's initial units will be issued at \$1.00 per unit and no buy spread will be applied.

Ongoing, the Fund's unit price will be calculated as described below.

Unit prices

The Fund's unit price will generally be calculated at the end of each month, by taking the value of the Fund's assets and deducting the liabilities. The resulting value is then divided by the total number of units issued by the Fund. The unit price will be used for the issue of units or form investment performance reporting.

Where the Fund requires additional capital, from time to time, we may calculate a unit price during a month in order to issue units at that price.

The unit price for each class of units within the Fund is generally calculated in the same manner, taking into consideration only the net asset value and the number of units on issue for that class at the relevant time.

Where fees or costs relate to more than one class, the deduction is made for those fees and costs relevant to the respective class of units.

The application price is calculated taking into account the applicable buy spread, which is a percentage amount applied to the unit price. It ensures that there is an equitable application of the costs of buying assets across all investors entering the Fund.

Where the Responsible Entity applies its discretion to unit pricing pursuant to the Fund's Constitution (e.g. in determining an appropriate level for the buy/sell spread, based on estimates of underlying transaction costs being incurred by the Fund), it acts in accordance with the Unit Pricing Policy. Investors may inspect a copy of the policy at our registered office at any time between 9:00am and 5:00pm (Melbourne time) on a business day or a copy is available free of charge by calling us on 1300 997 774 or +61 3 9616 8687, email us at australianunitywealth@unitregistry.com.au.

Fund capital value

The capital growth (or loss) on exposure to the Fund's assets will largely be attributed to revaluations of the Fund's properties, changes in value of other assets and/or liabilities including the mark-to-market value of interest rate swaps, investments in unlisted managed funds and REITs and the level of borrowings which the Fund carries.

Fund income

Rent from the Fund's properties and income earned from the Fund's other assets generate income for the Fund. This income is firstly used to meet the Fund's fees and costs (including the interest expense on borrowings and property related expenses). We may also retain some income as a provision for items such as future expenses or capital requirements. Once these costs and provisions are met, the remaining income is attributed and distributed to investors.

Distributions

The distribution policy of the Fund is aligned to its ongoing earning capacity from assets held. Although it is not our intention to pay distributions from capital, we may do so if we consider it to be in the interests of our investors (for example if rental income is reduced unexpectedly) and where payment from that source is expected to be sustainable given the circumstances.

The amount of distribution income paid is based on the number of units held at the end of each distribution period.

Distributions are generally paid quarterly, for the periods ending 31 March, 30 June, 30 September and 31 December, and paid within 15 business days of the end of each period.

Distributions will be paid directly to the Australian bank or financial institution an investor nominates in their Application Form.

Currently the Fund does not offer a distribution reinvestment plan.

Please note if you are investing through an IDPS, the IDPS Operator may pay income at different times.

Withdrawals

Withdrawals are not currently available from the Fund.

You should consider an investment in the Fund a medium to long-term investment.

Any withdrawal opportunity will, subject to the Corporations Act, be at our absolute discretion.

Subject to market conditions we expect to offer a limited liquidity facility during the financial year ending 30 June 2025 and financial year ending 30 June 2027, or more or less frequently as advised by us. We anticipate paying the redemption facility within three months of any liquidity application time frame closing.

Any such withdrawal opportunity would be subject to any liquidity constraints on the Fund at the time. The Fund's Constitution allows us to suspend withdrawals for up to 180 days in certain circumstances.

Funding withdrawals may involve the full or partial sale of the Fund's asset portfolio or other funding mechanisms relevant at the time.

Managing your investment

The operation and management of the Fund brings together the Australian Unity Group's understanding of the childcare sector as well as the investment management expertise and experience of our property team. This combination means that we are uniquely qualified to identify, and to manage, childcare property investments.

Investment philosophy

It's AUFM's philosophy that the market price for properties doesn't always reflect the underlying value. This may present an opportunity to generate value by buying and selling properties at the most optimal time. Value can also be achieved and investment risk mitigated by skilful property and tenant management. Properties purchased are carefully selected after assessing the value, considering inherent risks, and the ability to mitigate those risks. The selection process also takes into account: location attributes such as demographic profile, road and services infrastructure and the level of competition; and property specific criteria such as the quality of buildings, tenant and lease profile, opportunities to enhance or redevelop the property to protect and/or grow future income potential and capital value. To optimise investor returns the portfolio and property assets are actively managed and curated to create investor value.

The team managing your investment

The property investment managers within AUFM are among the most experienced in Australia.

They have a successful record in managing childcare related properties and understand the markets and environment they operate in.



Esther Kerr-Smith

Chief Executive Officer, Wealth & Capital Markets
Australian Unity

Esther joined Australian Unity in September 2017. Esther is Chief Executive Officer for Wealth & Capital Markets for the Australian Unity Group. Esther is responsible for all of Australian Unity's financial services and investment activities, spanning investment management, advice, trustee services, life and superannuation, as well as the Group's property, development and capital management activities. Esther is also a board member of many of its operating entities.

Prior to joining Australian Unity in 2017, Esther's previous experience covers financial services, infrastructure and human services design and delivery. Esther was a senior executive with the National Disability Insurance Agency—leading the market stewardship and commissioning functions, and has held senior roles at strategy consulting firm Boston Consulting Group and within Macquarie Group's infrastructure division.



Mark Pratt

Executive General Manager – Property
Australian Unity

Mark joined Australian Unity in 2004. As Executive General Manager – Real Estate Investment, he is responsible for the commercial management and growth of Australian Unity's property funds management and development businesses across Healthcare & Commercial Property, Social Infrastructure and Mortgages. Mark is currently the Vice Chairman of the Melbourne Racing Club and is a director of Acorn Capital Limited.

Prior to his current role, Mark was Australian Unity Investments' Chief Operating Officer, responsible for supporting the growth of the overall business, together with responsibility for finance, client service, IT and operational functions. He holds a Bachelor of Commerce – Accounting from the University of NSW.

**Ryan Banting**

General Manager Social Infrastructure
Australian Unity

Ryan joined Australian Unity in 2011. As General Manager Social Infrastructure Ryan is responsible for the growth of Australian Unity's investment activities across assets including disability accommodation, student accommodation, retirement villages, and aged care. Ryan led the Australian Unity bid team that was appointed as the Master Developer by the Queensland State Government for the \$1.1 billion redevelopment of Herston Quarter which involves delivering multiple social infrastructure assets.

Prior to his current role Ryan was Head of Portfolio Management for Australian Unity's Property business, responsible for the financial analysis and investment decision making of a \$2.5 billion real estate portfolio.

Prior to joining Australian Unity Ryan worked as an investment strategist at NAB and as Head of Strategy at listed telecommunications firm M2. Ryan holds a BA in Economics and Politics, a MBA (Executive) GDM, a Diploma of Financial Markets and Diploma of Financial Services.

**Louise Cahill-Mulvogue**

General Manager Strategy and Support
Australian Unity

Louise joined Australian Unity in November 2005 and was most recently appointed to the role of Head of Strategy and Support within the Property business. Her responsibilities include supporting the development and execution of the strategic objectives of the business as well as co-ordinating deliverables for debt funding, analytics and reporting and investment research.

Prior to this role, Louise managed both the Actuarial and Business Intelligence functions for Australian Unity Wealth. Across her working career she has looked to apply technical and analytical capability, experience and business acumen to various facets of decision making and capital risk management predominantly for funds management and friendly society businesses.

Louise has worked in financial services for 15 years, both in Ireland and Australia. She is an actuary by training; is an Associate member of the Actuaries Institute and holds an actuary designation.

**Mark Delaney**

Fund Manager – Child Care
Australian Unity

Mark has recently joined Australian Unity as Fund Manager within the Social Infrastructure team to oversee the growth of the recently launched Child Care Fund.

Prior to joining Australian Unity Mark was a director of a property advisory firm focusing on acquisition and delivery of retail and child care assets. In this role Mark has undertaken a number of child care developments within Queensland and Victoria with leading child care operators including Busy Bees, Eclipse and Genius Early Learning. These roles incorporated the full development cycle, acquisition, lease negotiations, delivery and disposal of assets.

Mark has also held senior roles at organisations including Mirvac, Woolworths, Frasers and Vicinity. In these roles Mark was responsible for the origination and delivery of development opportunities across varied sectors.

Mark is a registered Property Valuer having graduated from the University of Western Sydney with a Bachelor of Business (Land Economy).

**Fletcher Bubb**

Portfolio Analyst – Child Care
Australian Unity

Fletcher's experience covers institutional and corporate structured property investment, banking and funds management, in connection with asset acquisition, development and construction and portfolio management.

Fletcher has deep experience working in social infrastructure around Australian, previously holding roles with Folkestone, Charter Hall and consulting on Government, justice and immigration assets.

Fletcher holds a Bachelor in Economics and Econometrics.

Making an investment

The following table explains what is required to make an investment.

	What you need to send to us	Minimum	Cut off times	Important information
Initial investment	A completed Application Form, identification documents (if required) and completed direct debit details.	\$50,000	<p>If you register your interest to invest in the Fund, we;</p> <ul style="list-style-type: none"> may invite you to complete an Application Form; will specify in the Application Form the expected issue date for your units, should your application be accepted; will specify in the Application Form when the application amount (in cleared funds) must be provided for your Application Form to be considered. 	Review your application before you sign it, as incomplete applications may not be accepted.
Transferring your investment	A transfer form completed by both parties, identification documents (if required) and either an Application Form or investor details form completed by the transferee.	\$50,000	<p>Must be received by 3:00pm at our Melbourne office on a business day to be assessed for acceptance.</p> <p>We will notify you when we have accepted your request in your Confirmation of Investment statement.</p>	<p>Transfers are subject to:</p> <ul style="list-style-type: none"> minimum balance requirements; and the prior written consent of the Responsible Entity to transfer your units.

Making an investment

To make an investment please submit a fully completed Application Form with all necessary identification documentation. Refer to the Application Form for more information on the types of identification documents you may be required to provide. You should ensure that cleared funds are available to be drawn from your nominated Australian financial institution account from the date your Application Form is submitted. An Application Form may not be regarded as complete if the application amount is not available in cleared funds at the appropriate time.

Handling of application amounts

Pending the issue of Units to an investor, their application amount will be held in a trust account that complies with the Corporations Act.

No interest will be paid on application amounts for the period from receipt until the issue of Units occurs. Similarly, no interest will be paid to any investor whose application amount (or part of an application amount) is returned by us because their application is rejected. Any interest earned on application amounts will be contributed to the Fund and form part of its income for the benefit of all investors.

Rejection of applications

We may, in our absolute discretion, accept or reject in whole or in part any application. We do not need to give any reasons for accepting or rejecting in whole or in part any application.

Return of application monies

If we have received payment for your application and are unable to issue units to you within 30 days we will return your application monies to you.

Transfer of units

Units are only able to be transferred with the prior written consent of the Responsible Entity (which may be withheld in its absolute discretion).

Transfers are not effective until entered into the Fund's register of members by us who may, in our absolute discretion, refuse to register a transfer (but must, within five Business Days after the transfer was lodged, give the person who lodged the transfer written notice of the decision to decline to register the transfer).

If you invest or withdraw through a masterfund or Investor Directed Portfolio Service ('IDPS')

If you are investing into the Fund or withdrawing from the Fund through a masterfund or IDPS (or 'wrap platform') in most cases you do not yourself become an investor in the Fund. Instead, as the masterfund/IDPS operator is investing on your behalf, it acquires the rights of an investor and certain features of the Fund may not apply to your investment. Examples are minimums for investments and withdrawals, processing times and, importantly, the cooling off rights (refer to 'Changing your mind'). You should ensure that you receive full details of these from the masterfund/IDPS operator.

Further, some provisions of the Fund's Constitution will not be directly relevant to you. For example, you will generally not be able to attend meetings, or withdraw investments directly. You will receive reports from the masterfund/IDPS operator, not us. Enquiries about the Fund should be directed to your masterfund/IDPS operator.

Usually, in the case for an investment made through a masterfund/IDPS operator the terms and conditions you have agreed with the masterfund/IDPS operator will determine your rights and obligations with respect to that masterfund/IDPS operator. Accordingly, the masterfund/IDPS operator may exercise (or decline to exercise) any of its rights with respect to you in accordance with those terms.

We do not keep personal information about investors who invest in the Fund through a masterfund or IDPS.

Risks of managed investment schemes

What is risk?

'Risk' generally refers to the variability and volatility of an investment return and the likelihood of incurring a loss on your investment.

You should consider the likely investment return, the risk associated with the Fund and your investment timeframe when choosing to invest in the Fund.

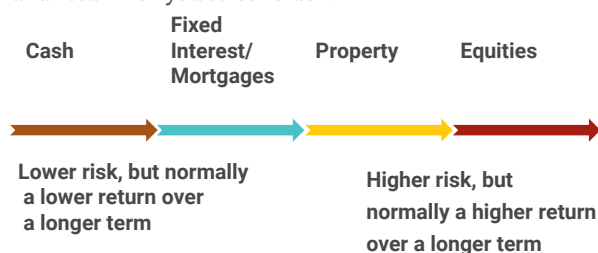
All investments come with a degree of risk. You will need to determine how much risk you are able, or willing, to tolerate as the level of risk for each person will vary depending upon a range of factors, including age, investment time frames, your overall investment portfolio, and your individual risk tolerance.

The main risks of investing include a decrease in the value of your investment, a fluctuation or a decrease in the amount of income generated from the investment, or a lower than expected rate of return.

These risks can arise from various circumstances, including:

- changes to government policies relating to tax or economics that may have adverse impacts on investment markets or the tax treatment of investment returns ('regulatory risk'). See 'Australian tax reform' in the 'Other information' section on page 20 for more details; and
- changes to social, economic (e.g. inflation and interest rates), political, commercial and technological environments, or to market sentiment, that may make certain investments less attractive ('market risk').

It is commonly accepted that there is a relationship between the level of return generated by an investment and its level of risk. The spectrum below shows the five main types of investments according to their relationship between risk and return for you to consider.



If the security of your money is your highest concern when selecting investments, you should choose an investment with lower risk, bearing in mind that your return may be lower in the long-term. Conversely, if your focus is towards achieving higher returns, you will need to be comfortable with the fluctuations in the value of your investment before selecting an investment with higher risk.

How we manage risk?

We are unable to eliminate all investment risks, but we do analyse, manage and aim to reduce the impact of risks through the use of carefully considered investment guidelines. We also spread the Fund's investments across a diverse range of assets to reduce the reliance upon the performance of any single asset. If one asset is performing poorly, another may perform well. Diversification will therefore generally smooth out the overall return on the portfolio, and may reduce short-term volatility.

How you can manage your risk

In managing your risk, we recommend that you:

- seek your own professional advice to help you understand how your current financial situation, and your investment objectives, affect the selection of investments that you can make;
- consider your investment timeframe, your investment objectives and your risk tolerance; and
- diversify your investments to help reduce risk and the volatility of investment returns.

Risks specific to the Fund

Liquidity risk

With the exception of REITs and cash, property assets tend to be less liquid than other forms of investment. The Fund will hold an amount of cash and other liquid assets to meet its operating expenses.

However, we do not expect the Fund to have sufficient liquidity to allow for withdrawals in the short to medium term. As a result, your investment in the Fund will not itself be liquid.

Subject to market conditions we expect to offer a limited liquidity facility during the financial year ending 30 June 2025 and financial year ending 30 June 2027 annually thereafter, or more or less frequently as advised by us.

There is a risk that the Fund may have insufficient liquidity to offer a withdrawal opportunity as intended. There is also a risk that the Fund would not be able to meet any redemption requests made in a timely manner or that redemption requests may need to be scaled back.

If we need to dispose of assets to fund any withdrawal opportunity there is a risk that we may not be able to realise sufficient assets in a timely manner or at the optimal sale price.

Property risk

The value of property assets is closely linked to rental income, occupancy levels, tenant quality, lease terms, location and supply and demand factors, and may also be impacted by environmental risks (such as land contamination or the cost of removing potentially hazardous materials).

Changes to any of these elements will affect the value of the underlying property and ultimately the value of your investment. A decline in property values may impact the Fund's gearing ratio and loan covenants and the Fund may be required to reduce its borrowings through the sale of assets, additional capital raising (including discounted capital raising) or retaining distributions.

The business conditions for tenants may change adversely, which may result in tenants seeking rental assistance, defaulting on rental payments, abandoning leases, or not renewing leases on expiry. A reduction in rental income received by the Fund may impact the level of distributions it can make and may reduce the value of assets.

In the day-to-day operations of the Fund, allowances are made for known capital works and maintenance of the properties. However, unforeseen repairs or capital works may be required, which may reduce the amount of income available for distribution.

The long-term strategy for the Fund is to grow the property portfolio through acquisition of additional properties, in particular either established childcare properties or development assets. These activities may depend on raising additional equity from new investors and may be supplemented with borrowings. If we are not able to raise sufficient equity or borrowings on appropriate terms the Fund may not be able to grow according to the strategy.

Regulatory risk

The childcare sector is regulated by all levels of government. Childcare operators work within a complex regulatory framework and, to varying degrees, their revenues rely on government subsidies. The regulatory framework, including government subsidies, is subject to change. Changes may adversely impact the ability of one or more childcare operators to comply with the various regulations and/or impact their financial position. This could affect the Fund's investments. Changes in the regulatory framework could also impact valuations on an ongoing basis.

Counterparty risk

The operating performance and financial resilience of the childcare operators and /or tenants of childcare properties in which the Fund has a direct or indirect interest is important for the Fund's performance. These operators and/or tenants must comply with a complex regulatory framework, manage reputational risk and retain quality staff. If the childcare operators and/or tenants of the Fund's childcare properties face performance or financial issues this could impact the Fund's income and, in certain circumstances, may impact valuations of relevant Fund properties or investments.

Information availability risk

Although investment in childcare property has been available for a number of years through various funding models, there remains limited available market information in the sector. Although we will undertake due diligence before we acquire any childcare property or other investments and/or enter into arrangements with childcare operators, relevant information may not be available to us or may not be available in a timely manner. This contributes to the Fund's risk profile and may impact valuations on an ongoing basis.

Settlement risk

Over time the Fund may purchase additional properties. There is a risk that the acquisition of properties may not settle when expected. This may impact the Fund's performance.

Property development risk

A risk of property development is construction risk. Construction projects carry a risk that the costs of the project might be higher than budgeted, the projects may take longer than expected to complete or the project may not be finished.

We endeavour to mitigate construction risks by negotiating a capped arrangement with builders and/or tenants whereby any costs incurred above this amount will be the responsibility of the builder/tenant as the case may be.

Borrowing risk

The Fund combines investors' money with borrowed money and invests the combined amount in property related assets. This process, known as gearing, magnifies the effect of gains and losses on your investment and is considered more risky than similar investments that are not geared.

If property values or rental income falls significantly the Fund may be unable to meet its loan covenants and this may result in the sale of assets.

In addition to the property risks outlined above, changes to interest rates or lender credit margins may impact borrowing costs and ultimately impact the level of income you receive.

There is also a risk that the Fund may not be able to refinance its borrowings when borrowing facilities mature. If this occurred, the Fund may lose value from selling assets in poor market conditions in order to repay the borrowed amount.

Our approach is to actively manage the Fund's borrowings in conjunction with the lenders to manage this risk.

Lending (default) risk

From time to time the Fund may lend money, on an arm's length basis, to childcare operators for example to assist them with funding the fitting out of the Fund's childcare properties.

There is a risk of default under these loans which means the Fund could lose the principal (in part or in its entirety), and/or the interest payable, and this could in turn disrupt the Fund's cash flows.

We have processes established to mitigate this risk, including but not limited to:

- making loans only to approved tenants and borrowers who have been assessed for their credit risk;
- setting a suitable repayment framework that is continuously monitored; and
- ensuring appropriate security for any loans.

Derivatives risk

Derivatives are subject to market risk where there is movement in the underlying security, index or financial obligation.

It is not our current policy to use derivatives for gearing purposes or for speculative activities for the Fund. We may use derivatives in the Fund to manage the Fund's interest rate risk.

Interest rate risk strategies aim to minimise the impact of rising interest rates. For example, if the Fund fully hedges its borrowings (i.e. fixes the interest rate on its borrowings) and the prevailing interest rates rise, then the Fund is protected from having to pay the higher interest rate cost. However, the Fund's unit price may be more volatile if it is fully hedged, reflecting the market value of any change from the interest rate that has been fixed.

Unforeseen risks

Unforeseen extraordinary events such as natural phenomena, pandemics, attacks or other like events may affect the Fund's assets or the underlying funds in which the Fund invests.

These are events for which insurance cover is either not available, or the Fund does not have cover. The performance of the Fund may be adversely affected where any unforeseen event results in losses to Fund assets due to uninsurable risks, uninsured risks or under-insured risks, or the cost of the insurance premiums being in excess of those forecasts. Any failure by an insurer or re-insurer may also adversely affect the Fund's ability to make claims under an insurance policy. These occurrences may result in a loss of capital, in turn reducing the price of Units and amounts that may be available for distribution by the Fund. The Fund aims to manage these risks to the extent possible by maintaining appropriate insurance cover and reviewing the cover regularly.

Market risk

In addition to the above risks, listed property related investments are impacted by broader market factors (such as interest rate changes and share market sentiment), similar to equity investments.

Fees and other costs

Australian Unity Childcare Property Fund

Type of fee or cost	Amount	How and when paid
Management costs¹		
The fees and costs for managing your investment	Base management fee 0.75% pa of the Fund's end of month GAV.	The base management fee is generally calculated at the end of each month, based on the end of month GAV for that month, and paid monthly in arrears from the assets of the Fund.
	Equity raising fee 0.75% of equity raised	The equity raising fee is calculated and paid from the assets of the Fund as and when the Fund raises equity
	Debt establishment fee 0.35% of debt raised.	The debt establishment fee is calculated and paid from the assets of the Fund as and when the Fund establishes a debt facility.
	Acquisition fee 1.00% of purchase price for direct property assets.	The acquisition fee is calculated and paid from the assets of the Fund as and when a direct property asset is acquired.
	Development management fee 1.00% of development cost for direct property assets.	The development management fee is calculated and paid from the assets of the Fund, generally on a quarterly basis during the delivery of the relevant development.
	Disposal fee 0.50% of sale price of a direct property asset.	The disposal fee is calculated and paid from the assets of the Fund as and when a direct property asset is sold.
	Performance fee 15% over a benchmark IRR of 10% benchmark.	Where the Fund meets its performance criteria, the performance fee is payable on an annual basis. The first performance fee period will commence 1 July 2022 and end 30 June 2023.
	Recoverable expenses Estimated to be 0.30% p.a. of the Fund's average GAV.	Payable from the assets of the Fund as and when incurred.
	Indirect Costs Estimated to be 0.00% p.a. of the Fund's average GAV at the date of this IM.	Paid from the assets of the unlisted managed fund, property syndicate or other interposed vehicle rather than the Fund.

1. Management costs exclude the Fund's transactional and operational costs, some of which are recovered via buy/sell spreads. For more information about the calculation of buy and sell spreads, see 'Buy/Sell spread' under the heading 'Additional explanation of fees and costs' on page 16.

2. For more information about Fund expenses, see 'Recoverable expenses' on page 14.

Additional explanation of fees and costs

Subject to legal requirements, we are entitled to change fees with prior notice to you as described on page 17.

Base management fee

Under the Fund's Constitution, we are entitled to receive up to 2.00% p.a. (plus GST) of the gross asset value of the Fund as a management fee for performing our duties in relation to the Fund.

We have decided to charge a reduced base management fee of 0.75% p.a. of the Fund's end of month GAV.

Example of the base management fee

If your average balance for a year was \$50,000 and the Fund's average gearing ratio is 40%, the Fund's gross asset value attributable to your investment would be:

$$\$50,000 + (\$50,000 \times (100\% - 60\%)) = \$70,000$$

Therefore, the base management fee applicable to your investment would be:

$$\$70,000 \times 0.75\% = \$525$$

Equity raising fee

We may charge an equity raising fee of up to 0.75% of equity raised as and when equity is raised.

Example of the equity raising fee

If the Fund raised \$100,000,000 of equity the equity raising fee charged would be calculated as:

$$\$100,000,000 \times 0.75\% = \$750,000$$

If after the equity raise the Fund's net assets were \$150,000,000 and your balance was \$50,000, the equity raising fee applicable to your investment would be:

$$(\$50,000/\$150,000,000) \times \$750,000 = \$250$$

Debt establishment fee

We may charge a debt establishment fee of up to 0.35% of the value of a newly established debt facility.

Example of the debt raising fee

If the Fund established a new debt facility of \$100,000,000, the debt raising fee would be calculated as following:

$$\$100,000,000 \times 0.35\% = \$350,000$$

If after the Fund established a new debt facility, the Fund's net assets were \$150,000,000 and your balance was \$50,000, the debt raising fee applicable to your investment would be:

$$(\$50,000/\$150,000,000) \times \$350,000 = \$116.67$$

Acquisition fee

We may charge an acquisition fee of up to 1.00% of the purchase price of a direct property asset.

Example of the acquisition fee

If the Fund acquired a direct property for \$10,000,000, the acquisition fee would be calculated as following:

$$\$10,000,000 \times 1.00\% = \$100,000$$

If after the Fund acquired a direct property, the Fund's net assets were \$150,000,000 and your balance was \$50,000, the direct property acquisition fee applicable to your investment would be:

$$(\$50,000/\$150,000,000) \times \$100,000 = \$33.33$$

Development Management fee

We may charge a development management fee of up to 1.00% of the development cost of a direct property asset.

Example of the development management fee

If the Fund undertook a property development with a development cost of \$5,000,000, after deducting the costs of the land acquired, the development management fee would be calculated as following:

$$\$5,000,000 \times 1.00\% = \$50,000$$

If during the development, the Fund's net assets were \$150,000,000 and your balance was \$50,000, the direct property development management fee applicable to your investment would be:

$$(\$50,000/\$150,000,000) \times \$50,000 = \$16.67$$

Disposal fee

We may charge a disposal fee of up to 0.50% of sale price of a direct property asset.

Example of the disposal fee

If the Fund disposed a direct property for \$10,000,000, the acquisition fee would be calculated as following:

$$\$10,000,000 \times 0.50\% = \$50,000$$

If after the Fund disposed a direct property, the Fund's net assets were \$150,000,000 and your balance was \$50,000, the direct property acquisition fee applicable to your investment would be:

$$(\$50,000/\$150,000,000) \times \$50,000 = \$16.67$$

Performance fee

The first performance fee period will commence 1 July 2022 and end 30 June 2023. The performance fee will be assessed annually from there on.

Should the Fund meet certain criteria, AUFM will be entitled to a performance fee. Under the Fund's Constitution, any accrued performance fee is:

- payable if AUFM is removed or replaced as the Responsible Entity of the Fund without its recommendation; or
- where a restructure proposal is implemented following a resolution by investors (including a Unit rollover into another fund or an in specie distribution of the assets of the Fund); or
- the termination of the Fund.

The performance fee will be equal to 15% (plus GST) of the portion of the outperformance of the Fund over an Internal Rate of Return (IRR) of 10% p.a.

The IRR is the annualised, compound rate of return received by investors taking into account all income and capital cash flows over the term of the investment.

The performance fee (if any) will be accrued in the Unit price in accordance with general accounting practices.

Example of the performance fee

An example of the calculation of the performance fee is provided below for the purpose of illustrating how the performance fee works.

Assume that the Fund raised \$1.00 per Unit from investors, paid quarterly distributions at a rate of 10 cents per Unit p.a. for three years and returned \$1.05 per Unit to investors in three years' time.

The IRR would be 11.9% and the cash flow in excess of a 10% IRR p.a. would be 5 cents per Unit. The performance fee would be calculated as 15% of the 5 cents per Unit which is a fee of \$0.0075 cents per Unit payable to AUFM.

For an investor with 50,000 Units the performance fee in this example would be \$375 for the period to 30 June 2022.

The above example is provided for illustrative purposes only and does not represent any actual or prospective performance of the Fund. It is not possible to estimate the actual performance fee payable as we cannot accurately forecast the Fund's performance.

AUFM does not provide any assurance that the Fund will achieve any performance shown and you should not rely on this in determining whether to invest in the Fund. You should also be aware that for periods of high outperformance, the performance fee may be substantial.

Recoverable expenses

Under the Fund's Constitution we are entitled to be reimbursed for, or have paid by the Fund, all expenses and taxes we incur in the proper performance of our duties. Refer to the 'Other information' section for further details on taxes incurred.

Recoverable expenses are expenses generally incurred in the day-to-day operation of a fund and include, for example: registry costs, legal, custodian services, compliance and related administration functions, accounting, printing, audit and asset management related fees, including related party property management services described under 'Australian Unity Property Management' on page 6. These costs are shown in the table under 'Fees and other costs'.

This estimate is based upon the Fund's net asset value for the financial year to 30 June 2022. We estimate the Fund's recoverable expenses for the year to 30 June 2022 will be 0.30% p.a. of the average gross asset value of the Fund.

Recoverable expenses are accrued as and when incurred by the Fund or its underlying funds, and therefore the amount recovered each month may vary.

This estimate excludes costs for:

- expenses that would normally be incurred by a direct investor that relate to the buying and selling, maintenance, development and leasing of assets;
- irregular operating expenses which are due to abnormal events such as the cost of running investor meetings; and
- third party costs of borrowing, including arrangement, establishment and interest costs.

Refer to 'Transactional and operational costs and borrowing costs' below for more information.

Indirect Costs

Indirect costs are generally amounts that the Responsible Entity knows, or estimates, will reduce the Fund's returns.

The costs are paid from the assets of an interposed vehicle in which the Fund may invest from time to time. Typically, an interposed vehicle will be an unlisted managed fund in which the Fund has invested.

Indirect costs include the management costs (including management fees, performance related fees, recoverable expenses and its indirect costs) of interposed vehicles.

Where the Fund invests in other funds managed by us

The Fund may invest in other funds or investment companies managed by us or our associates. Where this occurs, management fees are not taken from each fund. Instead, our base management fee will be adjusted so that the amount we, and if applicable our associates, receive on account of management fees is not more than the base management fee described above.

For example, if the Fund invested in a fund managed by Australian Unity which charged a management fee of 0.75% p.a., the Fund would reduce its base management fee attributable to that asset to zero.

Indirect Cost Ratio ('ICR')

The ICR is a useful measure of the ongoing fees and expenses of investing in the Fund. It is expressed as a percentage of the average size of the Fund's net assets over a financial year.

The ICR shows the cost of investing in the Units compared to investing directly in assets. It is calculated by dividing the total ongoing fees and expenses by the Unit's average net asset value over the period. The ICR does not include transaction costs or buy/sell spreads, brokerage, borrowing costs, transactional and operational costs and Government charges incurred by the Fund as these costs would generally also be incurred by an investor investing directly.

As at the date of this IM, the Fund has not incurred any costs and therefore an ICR is not available.

Transactional and operational costs

Separate to the day-to-day expenses of operating the Fund, there are expenses associated with the ownership and operation of the Fund's assets some of which are recoverable from investors by charging a 'buy/sell spread' as explained below.

These costs relate to the activities involved in acquiring, disposing and operating the properties as going concerns.

Some examples of these costs include:

- stamp duty and other government charges;
- cost of making an investment, such as spreads or brokerage costs;
- leasing fees;
- rental review fees;
- agency sales fees;
- non recoverable property expenses; and
- general property maintenance.

Costs recovered from the tenants of the Fund's properties are not a cost which is borne by the Fund and therefore are not included in the transactional and operational costs.

The Fund's underlying investments may also incur transactional and operational costs.

Borrowing costs

The Fund borrows to finance new and existing assets, to develop and maintain those assets, and to provide liquidity for operating purposes and managing the Fund's working capital. The costs involved with Fund borrowings are recoverable from the Fund and are additional to the management costs set out in the fee table on page 14.

Such costs may include:

- interest;
- debt arranger fees;
- loan establishment fees; and
- hedging (interest rate management) costs.

The Fund's underlying investments may also incur borrowing costs for these activities.

Buy/Sell spread

The buy and the sell spread aims to ensure that each investor shares in the transaction costs associated with their investment decision to either enter or exit the Fund. The amount is:

- in the case of a buy spread, an extra cost charged to enter the Fund and the sell spread is a cost charged to exit the Fund;
- an estimate to cover the costs incurred when buying or selling assets, such as agent fees, legal fees, stamp duty and taxes;
- not an additional fee paid to the Responsible Entity but is retained in the Fund to cover those transactions.; and
- not applied to the reinvestment of distributions (when a distribution reinvestment plan is active).

No buy spread will be applied to the initial capital raise.

We will notify investors if a buy spread will apply to subsequent capital raises.

A sell spread may apply to withdrawals from the Fund, should a withdrawal opportunity be offered at a future time.

We reserve the right to wholly or partially waive the buy and/or sell spread and change the buy and/or sell spread without prior notice.

Investor transaction costs

You may also incur infrequent costs directly associated with transactions made on your account, such as government taxes, stamp duty and bank fees. For example, if your direct debit is rejected and the Fund incurs a bank fee.

These costs will be directly deducted from your investment by reducing the number of units you hold within the Fund. We are unable to estimate these costs until they are incurred.

Wholesale clients and differential fees

From time to time, we may rebate some of our fees (or issue additional Units in the Fund) to certain Wholesale Clients or to employees within the Australian Unity Group so that they pay reduced fees. We do not typically enter into individual fee arrangements with investors.

Fee changes and maximum fees

Fees may increase or decrease for many reasons, including changes in the competitive, industry and regulatory environments or simply from changes in our operating costs. We can change fees, without your consent, but will generally provide at least 30 days written notice of any fee increase.

There is no limit in the Fund's Constitution on the amount that we can recover for expenses incurred in the proper performance of our duties.

GST

GST will be added to fees and charges expressly stated on a plus GST basis. The Fund will claim any available input tax credit or reduced input tax credit (as applicable) for that GST. Otherwise, any fees and charges are inclusive of GST less any available input tax credits.

Payments to financial advisers and intermediaries

The Corporations Act contains provisions which regulate, and in some cases prohibit payments to financial advisers and intermediaries by product issuers. Any arrangement by us to make payments or provide incentives to financial advisers and intermediaries will be entered into in compliance with the legislation.

Other information

Australian taxation

Certain tax implications of investing in the Fund are explained below. It is intended to be a brief guide only and does not purport to be a complete statement of the relevant tax law, nor does it take into account your individual circumstances. Accordingly, we strongly recommend that you seek independent professional taxation advice on the tax implications of investing in the Fund relevant to your specific circumstances.

The following summary is intended for Australian resident investors and generally applies to investors who hold their investment for the purpose of realising a long-term return (that is, hold their investment on capital account for tax purposes). This summary does not consider the tax implications for those investors who hold their investment in the Fund on revenue account, as an isolated investment made with profit making intent or as trading stock. It is based on our interpretation of the current Australian tax laws at the date of publication of this document, including applicable case law and published guidance by the Australian Taxation Office, which may be subject to change.

While you hold your interests in the Fund

On the basis that the Fund meets the requirements for being an eligible Managed Investment Trust ('MIT') for tax purposes, the Responsible Entity intends to make an irrevocable election under the MIT provisions to treat certain eligible assets of the Fund (primarily, real property) as being held on capital account.

The Fund may also qualify and may irrevocably choose to apply the Attribution MIT ('AMIT') rules. If the Fund qualifies as an AMIT, it will make a determination prior to making its first distribution whether it will elect to apply the AMIT rules.

The Fund should not be liable to pay Australian income tax or capital gains tax ('CGT') provided investors are presently entitled to or, if the AMIT rules apply, attributed with all of the Fund's income in each year. In addition, the Fund will need to limit its activities to undertaking or controlling 'eligible investment businesses' for Australian taxation purposes so that it is not taxed like a company. It is intended that the Fund will be administered to achieve these outcomes.

You will need to include in your income tax return your share of the Fund's taxable income for each financial year. This applies regardless of whether the distribution is received in cash during that income year or a later year and may include amounts that have been reinvested.

To assist you to complete your tax return, you will receive an annual tax statement from us. This statement will provide you with the components to be included in your tax return. The sum of these components may differ to the amount of cash distribution you receive. For example, if a cash distribution you receive exceeds your share of the Fund's taxable income, the excess will generally not be included in your assessable income. This is expected to occur as a result of the availability of certain non-cash tax deductions such as capital allowances on depreciating assets and capital work on buildings. However, any such distribution will reduce the CGT cost base of your units in the Fund, as outlined below.

Tax losses (if any) generated by the Fund cannot be passed onto investors. However, provided specific requirements are satisfied, the Fund should be able to carry forward tax losses, offsetting them against income generated in a later income year.

Capital gains

Where the Fund derives net capital gains to which you become entitled, you may need to include these amounts in your assessable income. Investors will generally be required to double any discounted capital gains. A CGT discount may then be available for some investors, as outlined below.

Dividends

Where a Fund receives franked distributions in relation to investments in Australian equities, you may receive as part of your distribution franking credits (subject to relevant franking credit integrity measures, such as the 45-day holding period rule). These franking credits will not represent part of your cash receipts but will need to be included in your tax return as part of your taxable income. Depending on your individual circumstances, these may be available to offset your tax liability or be paid as a refund.

Foreign income

Where a Fund derives foreign sourced income, Australian tax resident investors may be able to claim a Foreign Income Tax Offset (FITO) against their Australian income tax liability in respect of their share of any foreign tax paid on that income. FITO's not utilised in the income year in which they are derived will be forfeited and cannot be carried forward to a later year.

When you withdraw

When you fully or partially withdraw or redeem your investment in the Fund, you are treated as having disposed of your investment in the Fund. As a result, any net gain derived on disposal may be included in your taxable income under the CGT provisions. This may include where you move between investments or transfer your Units in a particular investment to another investor.

An investor will make a capital gain in respect of the disposal of its investment to the extent that the capital proceeds attributable to the disposal exceed the investor's cost base. Alternatively, an investor will make a capital loss in respect of the disposal of its investment to the extent that the capital proceeds attributable to the disposal of the investment are less than the CGT reduced cost base in that investment.

In determining the cost base or reduced cost base of your investment in the Fund, you will need to take into account any returns of capital and in circumstances where the amount of cash distribution is more than your share of the Fund's taxable income in an income year, your CGT cost base of the investment in the Fund should decrease by the difference (referred to as a 'AMIT cost base net amount – excess' if the Fund is an AMIT). These amounts may have the effect of increasing your capital gain or decreasing your capital loss at the time of withdrawal.

In addition, in circumstances where the amount of cash distribution is less than your share of the Fund's taxable income in an income year, your CGT cost base of the investment in the Fund should increase by the difference (referred to as a 'AMIT cost base net amount – shortfall' if the Fund is an AMIT). This amount should have the effect of decreasing your capital gain or increasing your capital loss at the time of the withdrawal.

Where the Fund is not an AMIT, the annual tax statement will set out the 'tax deferred' component of the distribution, which will reduce the cost base and reduced cost base of the units.

Alternatively, where the Fund is an AMIT, the annual tax statement you receive from the Fund will state the amounts that the Responsible Entity reasonably estimates to be the 'AMIT cost base net amount – excess' and the 'AMIT cost base net amount – shortfall'.

Any net capital loss resulting from the disposal of your investment may be able to be used to reduce capital gains derived in that or future income years, subject to any applicable loss recoupment rules.

Investors that are individuals and trusts may be entitled to a CGT discount that reduces their capital gains by 50% where they have held their investment for more than 12 months. Investors that are complying superannuation funds may be entitled to a 33.33% reduction of their CGT liability. No such CGT discount is available to corporate investors.

Non-residents

This summary does not consider the Australian income tax implications for non-resident investors. However, it is noted that the Australian tax law imposes obligations on the Fund to withhold tax on distributions paid to non-residents for Australian tax purposes.

If you are not an Australian resident for tax purposes, withholding tax will be deducted from your distributions at the prescribed rates. The rates may vary according to whether the Fund qualifies as a MIT or AMIT, the legal nature of the non-resident investor, the components of the distribution and the country in which the non-resident investor resides.

Stamp duty

No marketable securities duty (also known as share/unit transfer duty) is payable on the issue, redemption, or transfer of units in the Fund.

The Fund may hold property in a number of Australian jurisdictions, and the stamp duty rules in each are different.

If the Fund holds interests in land or Queensland dutiable property (including by way of option or un-completed contracts), duty may be payable on the initial issue of units in the Fund. This will depend on the jurisdiction in which the Fund holds assets.

If relevant property is in Queensland then duty will be payable on a trust acquisition by the investors. The top rate of duty is 5.75% and is calculated by reference to the unitholder's proportionate interest in the dutiable property of the Fund.

Transfer duty (in the form of Queensland trust acquisition duty) may arise if, after the Fund has an interest in the Property (or any other dutiable property in Queensland), a person becomes a unitholder in the Fund, or an existing unitholder increases its interest in the Fund (on a non-pro rata basis with other unitholders). This can arise where further units in the Fund are issued or an existing unitholder transfers its units (e.g. unitholders on-sell their units). Where there is a trust acquisition, the unitholder acquiring the trust interest is liable for the duty. The top rate of duty is 5.75% and is calculated by reference to the unitholder's proportionate interest in the dutiable property of the Fund.

Unlike in respect of 'public unit trusts' for Queensland stamp duty purposes, any dealing in the units in the Fund, when the Fund has an interest in dutiable property in Queensland, may give rise to trust acquisition duty (there is no acquisition threshold).

Transfer duty is also payable on a trust surrender. A trust surrender occurs when a unitholder gives up its interest in the Fund, which increases the interests of the remaining unitholders in the Fund. However, the Fund will be illiquid so that unitholders will not have the opportunity to withdraw from the Fund or otherwise have their units redeemed from the Fund other than the limited liquidity facilities expected during the financial year ending 30 June 2025 and financial year ending 30 June 2027, or more or less frequently as advised by us.

Nonetheless, should such a trust surrender occur (e.g. as a result of an investor leaving the Fund and not on-selling its units), both the Responsible Entity and the exiting unitholder are liable for the duty. However, the exiting unitholder will be required to indemnify the Responsible Entity for such duty.

The Fund may determine to qualify as a widely held unit trust scheme for Queensland duty purposes. It may do so either prior to the issue of initial units or subsequent to the issue of initial units. To be a widely held unit trust scheme, and so a public unit trust scheme for Queensland duty purposes, the Fund will need to be a registered managed investment scheme and satisfy a specified spread of unitholders test.

If the Fund does satisfy the test and is a widely held unit trust scheme, no duty will be payable by investors on the acquisition of units on their issue or transfer unless, as a result of an investor's acquisition, the Fund ceases to qualify as a widely held unit trust scheme.

The Fund will advise you of its status for Queensland duty purposes.

If the Fund holds interests in land in jurisdictions other than Queensland prior to the issue of the initial units, duty may be payable by investors on the acquisition of their units if they alone, together with any related or associated persons, or as part of one arrangement/associated transaction with other unitholders, acquire an interest in the Fund at or above a relevant threshold. That threshold is 20% in Victoria and 50% for the other jurisdictions (other than Queensland).

In jurisdictions other than Queensland, duty on transfers of units in the Fund will only be payable where the interest acquired (which can also arise on the acquisition of units, or if the percentage interest held increases on the redemption of other units) by the unitholder alone or together with any related or associated persons, or as part of one arrangement/associated transaction with other unitholders, is an interest in the Fund at or above a relevant threshold. That threshold is 20% in Victoria and 50% for the other jurisdictions (other than Queensland). Unitholders should obtain independent tax advice (including stamp duty advice) in respect of an investment in the Fund.

TFN Withholding Tax

If you are an Australian resident, you may choose whether or not to provide a Tax File Number or an Australian Business Number. If neither is quoted and no relevant exemption information is provided, we are required to withhold tax on your income distributions at the highest marginal tax rate plus the Medicare Levy.

Goods and services tax ('GST')

The acquisition, redemption and transfer of Units in the Fund should not be subject to GST. Distributions made by the Fund should also not give rise to any GST consequences.

GST will be added to fees and charges expressly stated on a plus GST basis. The Fund will claim any available input tax credit or reduced input tax credit (as applicable) for that GST. Otherwise, any fees and charges are inclusive of GST less any available input tax credits.

We have made a reasonable approximation of the input tax credits and reduced input tax credits based on the Fund's investment strategy at the date of this IM.

Australian Tax Reform

Australia is in the process of ongoing taxation reform. There is considerable uncertainty as to the breadth and ultimate impact of the reforms. The Responsible Entity for the Fund will continue to monitor the tax reform process and its impact on the Fund. It is an investor's responsibility to monitor tax reform developments that may impact on their investment in the Fund.

Foreign investment regulation in Australia

Under Australia's foreign investment review regime foreign persons proposing to make investments in Australian entities, businesses or land can be required to seek and obtain prior clearance from the Foreign Investment Review Board ('FIRB') before making the investment. Each application for FIRB clearance requires the payment of an application fee, calculated based on the nature and value of the investment.

Any application for foreign investment clearance will be considered on a case-by-case basis within the context of the Foreign Acquisitions and Takeovers Act 1975 (Cth) ('FATA'), related regulations, and FIRB's stated policies and guidance, to ensure the investment is not contrary to Australia's nation interest.

The definition of foreign persons under the FATA is very broad and traces through the ownership structure to the ultimate legal and beneficial interest holders. Foreign persons who also come within the definition of a foreign government investor will require clearance for a wider range of transactions than those foreign persons who are not foreign government investors.

The application of the foreign investment rules will vary depending on a potential investor's individual circumstances. Potential investors should seek their own legal advice prior to investing. None of the Australian Unity Group or any officers, employees, consultants, advisers or agents accepts any responsibility or liability for any consequences incurred by an investor as a result of investing in the Fund.

Potential investors should also note that the foreign person characterisation of the ultimate investors will affect the 'foreign person' characterisation of the Fund, such that depending of the level of investment from foreign persons the Fund may itself be a foreign person including a foreign government investor. If this is the case, the Fund will require separate clearance from FIRB for its acquisitions from time to time. Seeking and obtaining such clearance from FIRB will have timing and cost implications for the Fund.

Constitution

The Fund is a managed investment scheme and is governed by a Constitution, with the Fund registered under the Corporations Act.

AUFM may by supplemental deed modify, add to, delete from or replace the Constitution.

The statements in this IM only provide a summary of some of the provisions of the Constitution. You can inspect a copy of the Constitution at our Melbourne office at any time between 9:00am and 5:00pm on a business day.

Classes of Units

The Constitution provides that the Responsible Entity may create and issue units of different classes with such rights, obligations and restrictions attaching to the units of such classes as it determines, in accordance with the Corporations Act.

Right to inspect the Fund's register

An investor in the Fund can only inspect and get a copy of the Fund's register of members if the investor has complied with the relevant requirements in the Corporations Act.

The Responsible Entity

AUFM in its capacity as Responsible Entity is subject to the provisions of the Constitution and, if or when the Fund is registered, the Corporations Act. The Responsible Entity is responsible for administration and management of the Fund and sets the investment policy and objectives.

The Responsible Entity is entitled to the benefit of various indemnities under the Fund's Constitution, which means that it has limited its liability for acting as the Responsible Entity.

Labour standards or environmental, social or ethical considerations

AUFM has a Direct Property Responsible Investing Policy which sets guidelines to selecting, managing or realising direct property assets, and specifically covers the following considerations.

Consideration	Objective
Environmental	To minimise the environmental impact from operations and development.
Labour	To ensure equal employment opportunity and the provision of a safe work environment.
Social	To enhance the work environment for occupants and workers.
Governance	To operate under a well-established set of corporate governance policies which ensures compliance and optimises performance.
Ethical	To act with honesty and integrity.

The Direct Property Responsible Investing Policy guidelines are considered on a property by property basis and may be applied differently within the context of a property's geographical and market attributes. Due to these differences there is no predetermined methodology for the application of the Direct Property Responsible Investing Policy.

For further information or to obtain a copy of the Direct Property Responsible Investing Policy please contact us.

Related party transactions

All transactions involving the Fund, including those with AUFM's related parties, will be conducted on commercial terms and on an arm's length basis.

An entity within the Australian Unity Group is expected to invest in the Fund. If it does so, it will invest on the same terms (or no less favourable terms) as other investors in the relevant class, if applicable.

From time to time, AUFM may rebate some of the fees it receives from the Fund to an investor in the Fund that is a member of the Australian Unity Group such that they will they pay less fees than other investors.

Monitoring of related party transaction and conflicts management

Related party transactions carry a risk that they could be assessed and reviewed less rigorously than transactions with other parties.

Australian Unity has policies and guidelines in place to manage the risk of any actual or perceived conflict of interest as a result of a related party transaction. Related party transactions between Australian Unity Group entities are reviewed and approved by senior management with clearly identified governance policies and guidelines. Decisions in relation to conflicts of interest and related party transactions are documented.

Minimum account balances

If the current value of your account is below the minimum balance required, the Responsible Entity may upon giving you at least 30 days' notice redeem your units and pay you the proceeds. The amount payable will be the withdrawal price on the date of the withdrawal multiplied by the number of units you hold. We may, in our absolute discretion, change the minimum balance.

Keeping you informed about your investment

To help keep you informed of your investment, we will provide you the following:

Communication	Frequency
Confirmation of your initial application	At the time of the transaction
Confirmation of subsequent applications	
Account statement	Half yearly
Australian tax statement showing taxation details (referred to as an AMMA if the Fund qualifies as an AMIT)	Annually
Annual Reports (These are available from our website. Investors can elect to receive hard copies of the Annual Report – see Section 9 on the Application Form)	Annually, on request

In addition, you can view your account balance, transaction history and your account details via a secure login at our website: australianunity.com.au/wealth. You can also update your contact details online if they change.

Please contact us for more up-to-date information about the performance of the Fund (including returns and asset allocations).

Dispute resolution

We take complaints seriously and aim to resolve them as quickly as possible. If you would like to make a complaint you can call us on 1300 997 774 or +61 3 9616 8687, email us at australianunitywealth@unitregistry.com.au or write to us at the following address:

Manager – Client Services
Australian Unity
GPO Box 804
Melbourne VIC 3001

We will promptly acknowledge your complaint within seven days, investigate it and decide in a timely manner what action needs to be taken. We will notify you of our decision within 30 days after receipt of the complaint, together with any remedies that are available, or other avenues of appeal against the decision.

Glossary

Term	Definition
AFSL	Australian Financial Services licence.
AMIT	Attribution Managed Investment Trust.
Application Form	means the application form for Units provided by AUFM for a current fund raising.
AUPM	Australian Unity Property Management Pty Ltd ABN 76 073 590 600.
Business Day	a Melbourne business day.
CGT	Capital Gains Tax.
Constitution	the Constitution of the Fund dated 12 August 2021.
Corporations Act	Corporations Act 2001 (Cth).
Fund	Australian Unity Childcare Property Fund.
GAV	The Gross Asset Value is the value of all assets held by the Fund.
IDPS	a master fund, wrap, platform or similar product through which an investor may hold Units.
IDPS Operator	the operator of an IDPS (as defined above).
ITAA97	Income Tax Assessment Act 1997.
Offer	the offer of Ordinary Units under this IM.
Presentation	the equity raising presentation, containing more detailed information about the Fund, including details about likely assets and forecast financial information, available to investors upon request.
REIT	a Real Estate Investment Trust listed on the Australian Securities Exchange.
Responsible Entity	the Responsible Entity of the Fund which is Australian Unity Funds Management Limited ('AUFM') ABN 60 071 497 115 as at the date of this IM.
Unit	a unit in the Fund issued under this IM.
Wholesale Client	has the same meaning as 'wholesale client' under the Corporations Act.

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