The Australian Social Infrastructure Fund
ARSN 094 614 874

30 September 2010

RG46 DISCLOSURE NOTICE

The Australian Securities & Investments Commission (ASIC) requires responsible entities of unlisted property funds in which retail investors invest to address eight disclosure principles which are set out in Regulatory Guide 46 *Unlisted property schemes—improving disclosure for retail investors* (RG 46). The disclosure principles are intended to assist retail investors to understand the risks associated with investing in unlisted property funds and to decide whether such investments are suitable for them.

Austock Funds Management Ltd (AFML), as responsible entity of the Australian Social Infrastructure Fund (ASIF or the Fund), issues this update to the previous RG46 Notice dated 12 March 2010.

Information included in this statement will be updated as soon as AFML becomes aware of a material change or otherwise at least every six months. Updates on the status of information relating to the disclosure principles will be available at www.asifund.com.au. Investors can request a hard copy of these updates to be sent to them by contacting AFML on +613 8601 2668.

This statement has been prepared as general information only and does not take into account the investment objectives, financial situation or needs of a particular person. ASIF's annual year accounts to 30 June 2010 which are available on ASIF's website at http://www.asifund.com.au/reports__publications/annual_reports.aspx provide additional information on the Fund.

Disclosure Principle 1 - Gearing Ratio

As at 30 June 2010, the gearing ratio of the Fund is 44%[1].

The gearing ratio represents the extent to which the assets of a fund are financed by debt. The higher a fund's gearing ratio the greater its reliance on external liabilities (primarily borrowings) to finance the assets. A higher gearing ratio may also expose a fund to increased costs if interest rates rise or property values decrease. A highly geared fund generally has a lower asset buffer to rely upon in times of financial stress. Investors can use the gearing ratio to assess the potential risks associated with an investment in a fund in the event interest rates rise or property values decrease; and to compare the risk associated with a fund's return on investment to other similar products.

The Fund does not have any off balance sheet financing. The Fund has investments in other listed and unlisted funds which is summarised in Disclosure Principle 4 - Portfolio Diversification of this report. Each of the listed and unlisted funds in which ASIF holds an individual investment has a level of debt. The gearing ratio of these investments ranges between 30% and 75%. These investments total 19% of ASIF's total assets.

Disclosure Principle 2 - Interest Cover

The Fund's interest cover is 1.77 times[2] for the financial year ended 30 June 2010. This figure indicates that the Fund currently has sufficient earnings to satisfy interest repayments. Specifically, based on current figures, the Fund could service its interest payments by 1.77 times. Having a high interest cover provides a buffer if interest rates or other expenses of the Fund increase.

Investors can use an interest cover ratio to assess a fund's ability to meet ongoing interest payments and therefore service debt. The lower the interest cover, the higher the risk a fund will not be able to meet its interest payments. A fund with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) have difficulty in meeting its interest payments.

[1] Calculated by dividing the Fund's total interest bearing liabilities by the total value of the assets, based on the audited financial statements dated 30 June 2010.

[2] The interest cover for a fund is calculated by determining its earnings before interest, tax, depreciation and amortisation (EBITDA), subtracting unrealised gains (if any) and adding unrealised losses (if any). This figure is then divided by the current interest expense (also known as the finance cost) of the fund.

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Disclosure Principle 3 - Fund Borrowing

Borrowing maturity profile

As at 30 June 2010 the Fund had total assets of $113.0 million, debt of $49.9 million and net assets of $59.7 million. During the year net proceeds from sales of properties and securities were applied to debt reduction and as a result the Fund's outstanding bank debt decreased from $56.1 million to $49.9 million. The Fund's First Ranking Secured Debt Facility (debt facility) with the National Australia Bank (NAB) was originally due to expire on 30 June 2010 however, the expiry date was extended until 30 September 2010, to allow the orderly negotiation of a new longer term debt facility. As at 30 September 2010 the Fund had outstanding debt of $49.15 million.

Following a review of the funding options available, the Fund has been able to negotiate a new two year debt facility for $49.15 million with ANZ. The Fund's existing debt provider NAB was also willing to renew the Fund's existing debt facility. However, after reviewing the terms offered by each bank, it was determined that the terms offered by ANZ were superior to those offered by NAB. The new debt facility with ANZ commenced on 24 September 2010 and will expire on 24 September 2012. The key commercial terms of the ANZ facility are as follows:

- Maximum Loan to Value Ratio:
    - Pre 30 June 2011 57.5%
    - Post 30 June 2011 52.5%
- Interest Cover Ratio:
    - Not to be less than 1.60 times EBIT adjusted for non-cash items
- Mandatory Repayment:
    - 100% of net proceeds from property sales and first $6 million of proceeds from the sale of securities must be applied to debt reduction.
- Specific Undertakings by the Borrower: by not later than 15 February 2011 the Fund must:
    - List on the ASX ; or
    - Obtain Unitholder consent to amend the Fund's Constitution to delay the wind up of Fund if it is not listed on a market until at least June 2013 ie 9 months after the expiry of the current debt facility; or
    - Obtain Unitholder consent to delete clause 45.1(2) of the Fund's Constitution. Clause 45.1(2) requires the manager to commence the winding up of the Fund on 6 March 2011 if the Fund is not listed on a market by 6 March 2011.

Loan covenants
The Fund is not in breach of any covenants under its debt facility with ANZ.

A breach of a Loan Covenant or an Event of Default may result in a lender being able to impose a penalty or require immediate repayment of the loan, in which case the Fund may be forced to arrange alternative financing or sell assets within a short timeframe.

Ranking of investors
Investors' interests in the Fund will rank behind secured lenders and other creditors of the Fund. This means, if the Fund was to be wound-up, then the Fund's lenders and other creditors would be repaid first, before any capital or outstanding distributions were paid to investors.

Disclosure Principle 4 - Portfolio Diversification

Generally, the more diversified a fund's portfolio is, the lower the risk that an adverse event affecting one property or one lease will put the overall portfolio (and therefore, the Fund) at risk. The table below summarises the Fund's investments as at 30 June 2010 and should be read in conjunction with the Fund's 30 June 2010 annual accounts:

Year Ending $'000	30 June 2010	30-June 2009
Investment Properties	86,594	90,795
Securities		
Listed Securities	11,383	7,827
Unlisted Securities	9,682	11,889
Cash	4,064	3,695
Other Assets	1,315	1,458
Total Gross Assets	113,038	115,664
Borrowings	49,883	55,808
Other Liabilities	3,470	2,593
Net Assets	59,685	57,263
Number of units on Issue ('000)	28,450	28,450
Per Unit NTA ($)	2.10	2.01

ASIF's properties are categorised as follows:

Property Type	Number of Properties	Carrying Value as % of Investment Properties
Childcare		
GoodStart	42	68%
Leading	4	5%
Kindy Patch	2	3%
Mission Australia	1	2%
Other	1	2%
Total Childcare	51	80%
Self Storage	1	11%
Medical Centre	1	9%
Total Properties	53	100%

Investment Properties

Childcare

ASIF owns 50 childcare properties which continue to receive rent in accordance with the relevant leases.

Other Property

ASIF has 2 other properties in its portfolio comprising a Self Storage Facility located at Glen Iris, Victoria, leased to Guardian Storage and a Medical Centre located at Melton, Vic, leased to Primary Health Care. Rent for both properties continues to be received in accordance with the relevant leases.

Up to date information on the portfolio is maintained on the Fund's website at www.asifund.com.au.

The investment strategy

The Fund is an unlisted retail property trust that primarily invests in social infrastructure assets such as childcare facilities, medical centres and self storage facilities. The Fund aims to provide investors with a secure, investment that has a low level of volatility and is underpinned by long term leases.

The main objective of the Fund is to provide investors with stable tax effective distributions and capital growth over the medium to long term. To achieve this objective, the following strategy has been implemented:

- Application of and adherence to a consistent investment discipline in assessing acquisitions and disposals.
- Acquire properties that are expected to add value to the Fund's long term earnings and asset base.
- Apply appropriate debt levels to maximise returns.
- Apply hedging policies to minimise volatility in earnings and asset values.
- Apply portfolio and risk management policies to maximise returns and operating efficiencies.

Fund and Distribution Outlook

For the year ended 30 June 2010, ASIF distributed 7.7 cents per unit to Unitholders.

Following the successful assignment of ASIF's childcare leases to new tenants, the sale of the vacant centres, reduction of debt and the completion of a new debt facility with Australia and New Zealand Banking Group Limited (ANZ or the lender), ASIF is now in a position to recommence regular quarterly distributions to Unitholders. The first quarterly distribution will be payable for the quarter ending 30 September 2010.

ASIF will pay a distribution for the quarter ended 30 September 2010 of 3.0 cents per unit with the actual payment being made on 15 October 2010.

Disclosure Principle 5 - Valuation policy

Investing in a property fund exposes investors to movements in the value of the fund's assets. Investors therefore need information to assess the reliability of valuations. The more reliable a valuation, the more likely the asset will return that amount when it is sold. However, any forced sale may still result in a shortfall compared to the valuation.

After initial recognition, investment properties of the Fund are measured at fair value and revalued with sufficient regularity to ensure the carrying amount of each property does not differ materially from its fair value at the reporting date. Independent valuations are performed on each property at intervals of not more than two years by registered valuers who are appropriately qualified to undertake the valuation, based on the type and locality of the property being valued. All independent valuations comply with relevant industry standards and codes. These valuations are considered by the Directors of AFML when determining fair value. When assessing fair value, the directors may also consider the discounted cash flow of the property, the highest and best use of the property, sales of similar properties and general market conditions. The Fund's 30 June 2010 accounts provide additional information regarding the current value of the Fund's investments.

Disclosure Principle 6 - Related Party Transactions

Current related party transactions
The Fund holds investments in the following schemes managed by AFML or its affiliates:
- Australian Education Trust (ASX:AEU)
- CIB Fund
- School Development Trusts

AFML, as responsible entity for the Fund, is entitled to receive fees in connection with the operation of the Fund. Directors of AFML are entitled to receive remuneration in their capacity as Directors and senior management of AFML and these amounts are paid from an entity related to AFML. No Director is remunerated directly from the Fund. Directors of AFML may also hold units in the Fund.

Austock Corporate Finance Pty Ltd (ACF), a related corporation of AFML, was appointed to assist the Fund with the assignment of ASIF's 42 childcare centres to GoodStart.

More information on the Fund's related party transactions are set out in the financial statements for the Fund, which is available on the Fund's website, www.asifund.com.au.

Policy on related party transactions
As conflicts of interest may arise when the Fund invests in, makes loans to or provides guarantees in favour of related parties, AFML has a policy about managing conflicts of interest (Conflicts Management Policy). AFML's Conflicts Management Policy documents the company's approach to managing conflicts. That approach is adopted by the Board of AFML and underpins the training of staff to identify and manage potential conflicts. All identified conflicts are recorded in a conflicts register. The register also identifies what measures AFML has in place to manage the conflict. The principal mechanisms used to manage conflicts involve controlling conflicts, avoiding conflicts and disclosing conflicts. The register is regularly updated by compliance staff and reviewed by the Compliance Committee.

Disclosure Principle 7- Distribution Practices

Following the successful assignment of ASIF's childcare leases to new tenants, the sale of the vacant centres, reduction of debt and the completion of a new debt facility with Australia and New Zealand Banking Group Limited (ANZ or the lender), ASIF is now in a position to recommence regular quarterly distributions to Unitholders. The first quarterly distribution will be payable for the quarter ending 30 September 2010.

Disclosure Principle 8 - Withdrawal Rights

Liquidity Options

ASIF has been in operation since 2001 and in that period Unitholders have had limited liquidity options. Due to the limited liquidity provided to date, there is an increasing desire for liquidity from Unitholders. ASIF's Constitution does not allow redemptions to be paid to Unitholders. ASIF's Constitution states that the winding up of the Fund must commence on the 10th Anniversary of a unitholding first being recorded on its register, unless ASIF is listed on a recognised market. The date of this 10th Anniversary is 6 March 2011. ASIF's initial Product Disclosure Statement indicated that ASIF would be listed on a market at some future time.

Accordingly, under the terms of ASIF's Constitution unless it is amended, there are two options available:

1. list the Fund on a market; or
2. commence the orderly windup of ASIF.

1. Listing on the Australian Securities Exchange (ASX)

If ASIF is to be listed on a market, the Fund Manager believes that the ASX would be the most suitable market for ASIF to list on. The listing of ASIF on the ASX would provide a number of benefits including:

- providing Unitholders with liquidity ie the ability to buy or sell units without the need for asset sales;
- complies with ASIF's obligations under its debt facility and Constitution; and
- will assist the Fund in pursuing appropriate growth opportunities and/or capital raising options.

Preliminary investigations indicate that the listing of ASIF on the ASX is readily achievable given that ASIF has in excess of 1,300 Unitholders and total assets of $113.0 million.

The traded price of the listed units will be determined by a number of factors including market sentiment and the number of buyers and sellers. It is expected that the initial traded price of the units will be less than the net tangible asset value of each unit.

2. Orderly Windup

Under the terms of ASIF's Constitution, if ASIF is not listed by 6 March 2011 the Fund is to be wound up. The winding up of ASIF occurs by the sale of the Fund's assets, repayment of bank debt, payment of fees and expenses and the return of residual capital to Unitholders. It is expected this process could take approximately 2 years.

The winding up of ASIF is an event of default under the terms of ASIF's debt facility. Additionally, ASIF is not permitted under the terms of its debt facility to return capital to Unitholders without prior written approval from the lender. Under the terms of ASIF's debt facility, an event of default allows the lender, amongst other things, to cancel the facility, demand and require immediate payment of the amount of debt outstanding and effectively take control of the assets. This would have been the same outcome under the previous NAB facility.

The potential impact of ASIF defaulting under the terms of its debt facility are as follows:

- suspension of distributions to Unitholders until all outstanding bank debt is fully repaid;
- higher operating costs due to the appointment of additional bank consultants, ie lawyers and independent experts;
- increased interest charges. Default interest rates are significantly higher than non-default interest rates; and
- commencement of an asset sales program and a requirement that the proceeds from these sales are applied to the repayment of outstanding bank debt until fully repaid. It is likely under this scenario that ASIF's higher quality assets will be sold first. This has the potential to result in Unitholders' capital being concentrated in lower quality and less liquid assets. Given the collapse of ABC Learning Centres Limited and the general caution in the current market, the sale of ASIF's assets in the current market may result in maximum value not being achieved.

Having regard to the above factors, the Fund Manager believes it is not in Unitholders best interests to commence the windup of ASIF.

After considering the merits of either listing ASIF on the ASX or commencing the orderly windup of ASIF, the Fund Manager believes that ASIF should be listed on the ASX prior to 6 March 2011.

Amending ASIF's Constitution

A third option available to ASIF is to remove or amend the obligation to commence the orderly windup of the Fund on 6 March 2011 from its Constitution. To amend ASIF's Constitution, a Unitholder meeting would be required to be held and an appropriate special resolution put to Unitholders. The process of amending the Constitution is governed by the Corporations Act and the provisions of the Constitution itself. The threshold for passing a special resolution is 75%.

Conclusion

The Fund Manager will advise Unitholders on the chosen course of action in the near future, which will be either:

1. list the Fund on the ASX; or
2. hold a Unitholder meeting at which a special resolution will be sought to amend the Fund's Constitution in relation to the windup clause.

Prior to advising Unitholders of the chosen course of action, the Fund Manager is seeking feedback from Unitholders by no later than Friday 15th October 2010, on these two options. Feedback can be provided via email at: asiffeedback@austock.com or via mail to: ASIF Feedback, Austock Funds Management Limited, Level 12, 15 William Street, Melbourne Vic 3000. The Fund Manager encourages Unitholders to submit their feedback which will assist it in making an informed decision on behalf of Unitholders.

Fund Updates
As previously advised, ASIF Fund Updates will be uploaded on ASIF's website and will also be sent to Unitholders via email. We are committed to keeping ASIF's investors well informed and update our website as often as possible. Unitholders and advisors are encouraged to provide their email address details to lliossi@austock.com.