

Navigator Income Trust – Product Disclosure Statement ('PDS')

1 December 2007
ARSN 092 106 422

Important information

Navigator Australia Limited ('Navigator', 'our', 'we' or 'us') ABN 45 006 302 987 AFSL 236466 is the issuer of this Product Disclosure Statement ('PDS') and is wholly responsible for its contents. This PDS describes the main features of the Navigator Income Trust ('the Fund') ARSN 092 106 422. Navigator is the Responsible Entity of the Fund and the issuer of units in the Fund.

This PDS is intended only for use by persons investing through an investor directed portfolio service, master trust or wrap account (collectively 'Portfolio Services') administered or operated by Navigator. Navigator authorises the use of this PDS as disclosure to clients or prospective clients of a Portfolio Service. In this PDS references to 'you' or 'investors' are to persons investing through a Portfolio Service.

Some information in this PDS may change from time to time. Where those changes are not materially adverse from the point of view of a reasonable person deciding, as a retail client, whether to invest in the Fund, the updated information will be available at avivagroup.com.au or a paper copy of the updated information will be provided without charge on request if you call Investor Services

on 1800 653 710. Where the changes are significant or material, a new PDS or Supplementary PDS will be issued.

Neither Navigator, its ultimate Australian parent Aviva Australia Holdings Limited ('Aviva Australia') ABN 38 095 045 784 nor any of its subsidiaries, nor Portfolio Partners Limited ('Portfolio Partners') ABN 85 066 081 114, guarantee the capital invested by investors or the performance of the Fund.

In preparing this PDS, Navigator has not taken into account the investment objectives, financial situation or particular needs of any particular person. Before you make an investment decision on the basis of information contained in this PDS, you need to consider, with or without the assistance of a financial adviser, whether investments via the Fund are appropriate in light of your particular investment needs, objectives and financial circumstances.

This PDS is made available electronically. The offer or invitation to which this PDS relates is only available to persons receiving a copy (including an electronic copy) of this PDS within Australia.

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Section one

About us

About Aviva and Navigator

Aviva Australia is the local face of the international Aviva plc group, the world's fifth largest insurance group. Working with a network of financial advisers, we deliver life insurance, investments and superannuation to more than 300,000 customers throughout the country. Aviva Australia's portfolio administration service, the Navigator platform, was established in 1990 and administers in excess of \$17 billion of investors' funds (as at 30 June 2007). Navigator offers one of the most tax-effective investment portfolio services in the country.

Features summary

Benefits	Please refer to the 'Fund investment objective' and 'Investor timeframe' on this page.
Risks	Please go to pages 3 and 4 for information on the benefits and risks of investing in the Fund.
How to invest	Simply complete an application form for a Portfolio Service that offers the Fund. For more details please go to page 5.
Investor rights	You will be an indirect investor and will not be a unit holder in the Fund. The trustee, operator or responsible entity of your Portfolio Service ('Portfolio Service Operator') will be the unit holder in the Fund and acquire the rights of a unit holder which they will exercise on your behalf. In this PDS 'you' means any indirect investor in the Fund and includes a superannuation fund, company, partnership, trust or individual investor. For more details please go to 'What are my rights as an indirect investor?' on page 11.
Fees	See Section Four – Fees and other costs (pages 7 to 9) for details.

Distributions

Quarterly distributions are paid directly to your Portfolio Service Operator who is responsible for passing distributions on to you. For further information on distributions, please go to page 5.

Investment structure

The Fund is structured as a unit trust which pools the money of individual investors. Investment is by way of an allocation of units in the Fund.

The Fund is established by a trust deed, known as the Fund's Constitution ('Constitution'). The Constitution details the operation of the Fund.

You do not have any direct ownership of the underlying assets held in the Fund.

Fund investment objective

The Fund is designed to maximise the income return available from investing in debt market securities.

What does the Fund invest in?

The Fund invests in debt market securities rated 'Investment Grade' by at least one of the major ratings agencies.

The fund generally invests in cash, negotiable certificates of deposit, bank bills, bonds, floating rate notes and listed notes. These are generally made up of bank, corporate, asset backed, residential mortgage backed and structured credit securities. Derivatives will not be used to gear the Fund, that is, the Fund's effective market exposure will not exceed its market value. For further information on use of derivatives please refer to page 12.

Asset allocation

The asset allocation is 100% debt market securities.

Investor timeframe

The Fund is suitable for both short term and long term investments by investors seeking a low risk investment with regular income and low risk of capital loss.

Borrowing

The Fund's Constitution places no restrictions on amounts that may be borrowed or liabilities that may be incurred.

We do not generally borrow for any long-term basis but may borrow, only on a short-term basis and only for the purposes of:

- funding withdrawal of units; and
- covering settlements

Ethical considerations

We have not taken into account any specific ethical, social, labour standards, or environmental considerations in making investment decisions for the Fund.

Fund performance and size

The following table illustrates actual performance of the Fund for various periods to 30 September 2007.

Investment returns*	1 year (% p.a.)	3 years (% p.a.)	5 years (% p.a.)
Distribution paid	5.33%	5.18%	4.89%
Unit price growth	0.00%	0.00%	0.00%
Total returns	5.33%	5.18%	4.89%

* Returns are net of fees

The performance data represents the total return for holding units in the Fund for the specified length of time, based upon a fixed unit price of \$1.00. The performance data assumes all earnings from the Fund are reinvested (net of fees). The data does not allow for the effect of income tax, however management fees are accounted for. The distribution return indicates the earnings distributions paid by the Fund.

The above figures represent past performance and investors should be aware that past performance is not indicative of future performance.

As at 30 September 2007, the total value of assets under management in the Fund was \$1,271 million.

Section two

Understanding risk and return

What are the risks?

Any investment decision you make means you must take a risk of some sort. The investment decision you make will ultimately depend on the amount of money you wish to invest, your personal financial risk tolerance and your needs currently and for the future.

It is important to understand the relationship between risk and return, especially in light of the time frame you are considering for your investment.

As a general rule, the higher the level of risk you are prepared to accept, the higher the potential return will be. The chance of incurring a loss will also be greater with a higher level of risk. Risk relates to the potential for variations in the rate of return as well as for the loss of, or reduction in the value of, the assets in which you invest. One commonly used measure of investment risk is volatility. This refers to the tendency for investment values to fluctuate. This volatility can apply to both the market price and the income paid by a particular investment.

Please be aware that your investment capital and earnings are not guaranteed. The value of your investment can rise and fall.

Your financial adviser can assist you to identify the risk profile with which you are comfortable, and help you understand your risk profile in relation to your investment goals.

Relative risk/return

When you are making the decision to invest you should consider the following four characteristics of your strategy and how these differing characteristics will impact on your investment returns.

The four characteristics are liquidity, return, risk and diversification.

Liquidity

Liquidity refers to the ease with which an investment can be converted into cash or disposed of at market value.

Return

The term return refers to the amount earned from an investment or realised upon its disposal.

Risk

There are many different types of risks applicable to different investments. Some of the risks we have identified as applicable to the asset classes of cash and fixed interest and therefore this Fund are:

- Interest rate risk – this risk occurs when interest rates rise and fall, causing the capital value of the underlying securities to also rise and fall resulting in losses and gains.

Asset class relative risk/return	Features	Asset type	What to be aware of
Cash Low/Low	The underlying value is relatively safe compared to other asset classes. Cash can be readily accessed if required.	This is an income asset - that is investment returns are generated in the form of income.	Returns fluctuate in line with market interest rates. Returns are expected to be relatively low over time and offer little protection against inflation.

- Credit risk – the risk that an issuer of debt securities does not meet its obligations to make a payment of interest or repayment of capital or other financial obligations.
- Regulatory risk – the risk that the value of some investments may be influenced by changes to government regulation and taxation laws.
- Market risk – the risk associated with a downturn in general economic conditions both inside and outside Australia. This includes a combination of other risks listed above.

Diversification

Diversification is the most common method used by investors to help minimise investment risks. Diversification means spreading your investments across a number of investment strategies with different levels of risk.

The investment risks of the Fund are mainly those associated with fluctuations in interest rates and creditworthiness.

Your financial adviser will be able to assist you in ensuring that the strategy selected meets your own risk tolerance, needs and objectives.

Section three

Investing with us

How can I invest?

Investment in the Fund is only available through a Portfolio Service that we administer or operate. We refer to people who invest through a Portfolio Service as indirect investors. As an indirect investor you may use the information in this PDS to direct the Portfolio Service to acquire units in the Fund on your behalf.

To invest in the Fund, simply complete the application form found in the relevant Portfolio Service offer document and select the Portfolio Service's Cash Account as one of your investment options in the Portfolio Service's Investment Allocation Authority form. The Fund forms part of the Portfolio Service's Cash Account. If you want to make an additional investment or withdraw from the Fund you will have to direct your Portfolio Service Operator to do so. We will provide confirmation of transactions, transaction statements, tax statements and financial reports to your Portfolio Service Operator.

You should refer to the relevant Portfolio Service offer document for your rights and entitlements, including any relevant 'cooling off' provisions.

Who can invest?

Entities that may invest through a Portfolio Service include superannuation funds, companies, partnerships, trusts and individual investors.

Issue price

The issue price is determined in accordance with the Fund's Constitution and is calculated by dividing the net asset value¹ (assets minus liabilities) by the number of units on issue after adjustment for the transaction costs incurred in buying the assets of the Fund and accrued income. It is anticipated that the issue price for units in the Fund will be \$1.00. In extreme circumstances, the unit price may vary.

How can I withdraw?

You can redeem all or part of the investment held on your behalf, by instructing your Portfolio Service Operator to forward written instructions to us.

Redemption price

Normally, payments will be made to your Portfolio Service Operator within three or four business days. The price at which we must redeem units is based on the value per unit of the Fund at the time of redemption. Accrued income will be included in the redemption amount from the Fund.

The redemption price of units in the Fund is calculated by dividing the net asset value (assets less liabilities) by the number of units on issue after adjustment for the transaction costs incurred in selling the assets of the Fund and any accrued income. It is anticipated that the redemption price for units in the Fund will be \$1.00.

The investments of the Fund are generally valued each business day. The method of valuing a particular investment depends on the type of investment. For example, the value of cash or monies on deposit is determined by adding the amount of such cash and any interest due.

The timing for the processing and pricing of your application, withdrawal or switch will also be dependent on the rules of your Portfolio Service Operator. Please refer to the relevant Portfolio Service offer document for further information.

Distributions

The Fund will earn interest, which is credited and distributed on a quarterly basis to the Portfolio Services. Your Portfolio Service will regularly pass on distributions to you in the form of income.

1. Terminology used in this PDS such as net asset value, may not necessarily be consistent with terminology in the new Australian Accounting Standards equivalent to International Financial Reporting Standards. The new Accounting Standards relate to financial statements. The PDS uses terminology commonly accepted in the financial services industry when referring to the calculation of fees and unit prices which may differ to that used in the funds' financial statements.

Reporting

We will provide all relevant reports such as confirmation of transaction reports (daily), distribution statements (quarterly), tax statements and financial statements (annually) to your Portfolio Service Operator. Your reporting rights and entitlements are outlined in your Portfolio Service offer document.

Unit Pricing discretions

We will exercise any discretion that we have under the Constitution for the Fund in relation to unit pricing in accordance with our Unit Pricing Discretions Policy. Your Portfolio Service will provide you with a copy of our Unit Pricing Discretions Policy at any time on request, at no charge. A copy of our policy is also available from avivagroup.com.au

Section four

Fees and other costs

The following consumer warning is required to be included in this PDS by law. The information in the box is standardised and does not provide specific information on the fees or costs applicable to the Fund. The information immediately following this section contains fees and costs information applicable to the Fund.

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better investor services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask Navigator or your financial adviser.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC) website (www.fido.asic.gov.au)** has a managed investment fee calculator to help you check out different fee options.

This document shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole.

Taxes are set out in another part of this document.

Fees are shown including Goods and Services Tax ('GST'), Reduced Input Tax Credits and Stamp Duty unless otherwise stated.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

The fees and costs payable for the Portfolio Service will be in addition to the Fund's fees and costs detailed in this section. Fees and costs for investing through a Portfolio Service are set out in the relevant Portfolio Service offer document.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the fund.		
Establishment Fee The fee to open your investment	Nil	Not applicable
Contribution Fee The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal Fee The fee on each amount you take out of your investment	Nil	Not applicable
Termination Fee The fee to close your investment	Nil	Not applicable
Management Costs		
The fees and costs for managing your investment	1.05% per annum (\$10.50 per annum per \$1,000)	This fee is accrued daily and paid quarterly Fees are paid out of the gross income of the Fund before it is distributed
Service Fees		
Switching Fee The fee for changing your investment	Nil	Not applicable

Additional explanation of fees and costs

Contribution Fee

For investments made on the basis of this PDS, we are permitted under the Constitution to receive an entry fee called a Contribution Fee of up to 3% of the application amount. However, we have no present intention to charge a Contribution Fee. If we decide to impose a Contribution Fee, you will be given 30 days prior notice.

Management Fee

The Management Costs are the total of annual fees and costs paid to us for managing your investment.

The table above shows the Management Costs for the Fund expressed as a percentage of the average net asset value of the Fund during the financial year, and as the dollar amount for the Fund on an investment of \$1,000.

This percentage is calculated on the Indirect Cost Ratio ('ICR') basis described in the Corporations Act 2001 ('the Act') and includes fees and costs an investor would incur by investing through a managed fund over and above the costs of investing directly in the same underlying assets of the fund.

The ICR of a fund is calculated by dividing the total fees and expenses (excluding transaction costs) by the net fund size over a financial year and expressing the figure as a percentage of the average net asset value of the fund.

Management Costs include:

- The amount of fees and costs of the underlying funds or external investment managers, and
- The fees and costs paid to us as responsible entity of the Fund's ('Management Fee')

In future, Management Costs may also include an amount for other expenses of the Fund.

We are permitted under the Constitution to receive a Management Fee of up to 2% per annum of the Fund's net asset value for managing the Fund. However, we intend to maintain the Management Costs at the level set out in the above table by adjusting our Management Fee. If we decide to increase the Management Costs for the Fund above the level shown in this table, we will advise you 30 days before the Management Costs are increased.

Annual Fee and Fund Termination Fee

In addition we are entitled to an 'Annual Fee' equal to 0.10% per annum of the net assets of the Fund (reducing to 0.08% per annum of the net assets of the Fund exceeding \$50 million). Currently the Annual Fee is nil, however we will advise you 30 days before the Annual Fee is increased. A Fund Termination Fee of 0.05% of the net assets of the Fund is payable upon termination of the Fund.

Trust expenditure

Under the Constitution of the Fund, we are entitled to be reimbursed from the Fund for expenditure incurred up to an amount of 0.5% per annum of the net assets of the Fund. Such expenditure includes, but is not limited, to Legal and Audit fees, Bank fees, Custodian fees and other fees incurred in administering the Fund.

At present, we do not seek any reimbursement for costs or expenses from the Fund.

Transaction costs (buy/sell spread)

As at the date of this PDS, there is no buy/sell margin as the cost of trading these assets is minimal, however this may change in the future.

Maximum fees and costs

The Fund's remuneration allows for additional charges to be imposed. We have no present intention to impose these charges, however if we subsequently decide to impose the charges you will be given 30 days' prior written notice.

Adviser remuneration

There is currently no remuneration payable by us to your adviser in respect of the issue of units in the Fund.

However, in return for the promotion and marketing of the Fund, we may pay the financial adviser group, with whom your financial adviser is an authorised representative, remuneration based on the overall volume of business they generate with us. Part of this remuneration may be passed onto your financial adviser by the financial adviser group. Any such remuneration is not an additional charge to you. We may also provide your financial adviser and/or financial adviser group with non-monetary benefits such as airfares, accommodation, conferences, technical support etc, known as alternative forms of remuneration. Your financial adviser should provide you with a financial services guide and/or statement of advice, which will provide you with more specific details on such remuneration and non-monetary benefits.

Alternative Forms of Remuneration Register

We are required to comply with the Investment and Financial Services Association Limited / Financial Planning Association Industry Code of Practice on Alternative Forms of Remuneration in the Wealth Management Industry ('the Code'). The Code requires us to maintain a register that records our forms of alternative remuneration which we pay to distributors of our products or we receive from providers of products made available through us. Registers are required to be maintained by investment managers, platform providers, financial adviser groups and representatives. A copy of our register may be accessed by contacting Aviva Investor Services on 1800 653 710.

Examples of annual fees and costs

This table gives an example of how the fees and costs for this product can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Example		Balance of \$50,000 with a contribution of \$5,000 during year
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged \$0
Plus Management Costs	1.05%	And, for every \$50,000 you have in the fund you will be charged \$525 each year
Equals Cost of fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during the year, you would be charged a fee of: \$525 What it costs you will depend on your investment account balance.

Please note that the Management Costs above are calculated based on the initial \$50,000 only. Thus, the calculation ignores the effect of contributions and earnings on the account balance during the year. Therefore, the 'cost of fund' in the example does not include the impact of cashflow during the year on Management Costs.

Section five

Taxation of your investments

The following information is a broad outline of the current taxation treatment of investments in the Fund. As each investor's personal situation is unique, it is important you consult your professional adviser to assess your own taxation position.

Taxation of the Fund

It is our intention to distribute all net taxable income (including net capital gains) earned by the Fund. Therefore, under current Australian tax legislation, the Fund should not be liable for income tax.

Taxation of your investment

The net income from your investment, whether paid out to you or reinvested in additional units, should be included as assessable income for tax purposes. Any net income earned in a financial year (regardless of when it is received or reinvested) should be included in your taxation return for that same year.

The redemption of units or a switch into another investment product will be treated as a disposal for tax purposes.

Impact of Goods and Services Tax ('GST')

GST does not apply to your investment as it is a financial supply that is input taxed. However, GST will apply to fees and charges on services provided to you.

The Fund is entitled to claim reduced input tax credits of 75% of the GST remitted to the Australian Taxation Office ('ATO') on most of the services provided. This means the net impact of the GST on most fees and charges is 2.5% (10% less 7.5%). The benefit of any reduced input tax credits is included in your quarterly distribution calculation.

Section six

Additional information

Navigator as Responsible Entity

Our role includes:

- acting in the best interest of unitholders
- managing and investing Fund property
- ensuring Fund property is managed and dealt with in accordance with the Constitution and the Act
- administration of the Fund
- holding Fund property on trust for the unitholders via a Custodian (see below)

Role of Portfolio Partners

The Fund's assets are managed by Portfolio Partners' specialist fixed interest team '(Investment Manager)'. Since inception in 1994, Portfolio Partners has developed considerable expertise managing Australian shares and fixed income. This expertise is based on the skills and experience of its specialist investment teams. Today, Portfolio Partners is responsible for managing approximately \$10.9 billion in client funds through an innovative range of unit trusts and individual client investment portfolios.

Portfolio Partners is owned by London-based Morley Fund Management Group Limited, one of the UK's largest funds management companies. Both Portfolio Partners and Morley Fund Management Group Limited are part of the Aviva plc group.

What are my rights as an indirect investor?

As an indirect investor, you are not a unitholder in the Fund (instead, your Portfolio Service Operator is). Accordingly, you do not acquire the rights of a unitholder of the Fund, or any direct interest in the Fund. For example:

- you won't receive reports directly from this Fund - you will receive updates from the Portfolio Service through which you invest in the Fund
- income distributions from the Fund are paid to your Portfolio Service and the Portfolio Service will then allocate income to your account, less charges, in accordance with your Portfolio Service offer document
- you do not vote at unitholder meetings of the Fund
- there may be a time lag from when you request an investment or redemption and when it is processed

- you do not have the right to request information from the Fund, though some requests may be met through your Portfolio Service
- any complaints you have should be directed to your Portfolio Service Operator

The Constitution

The Fund is established under a Constitution. The Constitution details the unitholders' rights in relation to investments in the Fund and together with the relevant law sets out the terms and conditions of operation of the Fund. The Constitution is legally binding between us and each unitholder in the Fund.

As you are an indirect investor, only the relevant Portfolio Service may exercise the rights set out in the Constitution.

The Constitution contains provisions governing:

- the creation, issue, transfer and redemption of units in the Fund
- our power to manage the assets of the Fund
- the mechanisms for the valuation of the assets and units in the Fund
- our obligation to collect and distribute income
- our right to terminate the Fund by notice to unitholders
- our ability to vary the Constitution subject to the Act and, where the amendment is adverse to unitholders' rights, prior unitholder approval
- the limitation on our liability to the extent of the Fund's assets vested in us except for any liability which we incur as a result of our fraud, negligence or breach of trust where we fail to show the degree of care and diligence required having regard to the powers, authorities or discretions conferred on us by the Constitution

The Constitution also provides for the establishment of a compliance committee where less than 50% of our directors are external directors. Subject to the Act, we may indemnify the members of a compliance committee from the assets of the Fund for all liabilities incurred by them, including paying for insurance premiums against any liability incurred by the person as a member of the compliance committee.

Compliance plan

Under the Act, the Fund is required to have a compliance plan. The compliance plan describes the procedures we apply in operating the Fund to ensure compliance with the Act and the Fund's Constitution.

The compliance plan has been approved by our directors and lodged with ASIC.

The compliance plan is audited annually by our external auditor.

Copies of the Constitution and compliance plan are available free of charge upon request. Please contact Aviva Investor Services to obtain a copy.

Custody of the Fund

We have appointed a custodian to hold the assets of the Fund as our agent. The Custodian has no supervisory role in relation to the operation of the Fund and has no liability or responsibility to you for any act done or omission made in accordance with their custodial function. The Custodian was not involved in preparing nor takes any responsibility for this PDS, and makes no guarantee of the success of the Fund nor the repayment of capital or any particular rate of capital or income return. Some of the functions carried out as custodian relate to safe keeping and valuation of assets, and the receiving and reporting of income. We may appoint a new custodian during the life of this PDS, provided any appointment complies with the appropriate regulatory requirements.

Liability of unitholders

The Constitution seeks to limit the liability of a unitholder to monies invested in the Fund.

However, it is not possible for us to give absolute assurance, as the ultimate liability of unitholders is yet to be tested by Australian courts.

Personal information

Please refer to your Portfolio Service Operator's offer document for information on how they collect, use, disclose, keep secure and give people access to personal information.

Our Privacy Policy describing how we manage your personal information can be obtained through avivagroup.com.au, or by writing directly to us at GPO Box 2567W, Melbourne, Victoria, 3001 (Attention: Privacy Officer).

Complaints

As you are an indirect investor you must direct any complaints to your Portfolio Service Operator. Please refer to your Portfolio Service Operator's offer document for more information on how you can make a complaint.

Cooling off

As you are an indirect investor in the Fund, the right to cool off does not apply. Please refer to your Portfolio Service Operator's offer document about any cooling off rights.

Use of derivatives

The Investment Manager employed in the management of the Fund assets may utilise options, futures and other derivative contracts in the management of the Fund for risk management purposes. When the Fund includes derivatives there is a risk that the counterparty to the derivative transaction may not be able to meet its obligation. The Fund may then need to replace the transaction at a market rate, which may not be as favourable as when the initial derivative transaction took place, in which case any costs will impact on performance.

Consents

Portfolio Partners in its capacity as Investment Manager has given written consent to being named in this PDS and as at the date of this PDS this consent has not been withdrawn.

Section seven

Contacting us

Call

1800 653 710 toll free
Monday to Friday 8.00am to 6.00pm (Melbourne time)

Visit

avivagroup.com.au

Write

Aviva Australia
GPO Box 2567W
Melbourne, Victoria, 3001

