

The all-in-one solution to portfolio diversification and active risk management

Managed by our team of experienced investment specialists, our diversified funds add value through both active stock selection and asset allocation. Each of our four funds invests in a diverse mix of asset classes, in different combinations, to target specific outcomes. And like all our funds, they invest only in quality assets that are reasonably valued.

About the Funds

We offer four diversified funds with different risk/return profiles:

- **Perpetual's Conservative Growth Fund.** An emphasis on cash and fixed income securities, with some equity exposure, for income, moderate growth and low volatility over the medium term.
- **Perpetual's Diversified Growth Fund.** An equal mix of growth and income assets, for long-term capital growth, but with a significant exposure to defensive assets to reduce volatility.
- **Perpetual's Balanced Growth Fund.** An emphasis on Australian and international shares, for long-term capital growth, with some defensive assets to reduce volatility.
- **Perpetual's Split Growth Fund.** A mix of international shares and Australian industrial shares, for long-term capital growth.

Benefits of the Funds

- **Diversification.** Our investment approach identifies quality assets that are undervalued across a range of asset classes, including Australian and global equities, property and fixed income. This can benefit investors in falling markets when quality assets generally outperform.
- **Active management of the asset allocation.** Through tactical asset allocation (TAA) we can selectively increase or decrease the Funds' exposure to domestic equities, fixed income and cash when appropriate. This can increase returns and reduce risk.
- **Ongoing assessment of the strategic asset allocation.** The long term strategic asset allocation (SAA) is assessed on an ongoing basis to determine if the weightings between asset classes should be altered or if alternative asset classes should be included to ensure the SAA is best for the objectives of the Fund.

- **Disciplined rebalancing.** Investors with diversified portfolios can find it tempting to leave their money in the asset classes which are performing well and to ignore the asset classes which are not performing as strongly. However, regular rebalancing is needed to successfully maintain a diversified portfolio. Rebalancing is the strategy of selling better-performing assets and buying poorer-performing assets to maintain an asset allocation. It can improve portfolio returns and reduce risk. Our diversified funds are regularly rebalanced, saving you time and effort.

When to use the Funds

Our diversified funds are an ideal core investment for investors looking for exposure to all the key asset classes – Australian and international shares, property and alternative assets, fixed income, and cash (except for the Perpetual Split Growth Fund, which invests in Australian industrial and international shares only).

The right diversified fund for each investor will depend on their objectives, ie how much volatility they are willing to withstand, and their investment timeframe. As with all investments, to seek a higher return investors must be prepared to accept higher levels of volatility. Typically, diversified funds can be divided into four broad profiles – conservative, moderate, growth and aggressive. Each of these profiles suits a different exposure to lower-risk income assets and higher-risk growth assets.

Our diversified funds fit within these profiles.

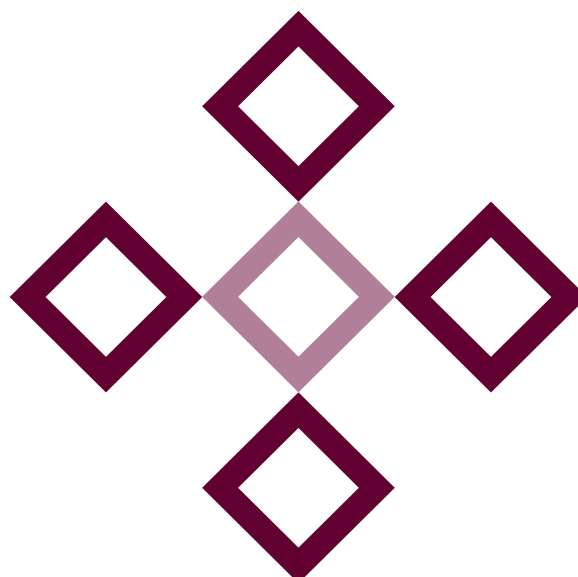


Figure 1 – Our diversified funds fit within four broad investor profiles

Investor risk profile	Conservative	Moderate	Growth	Aggressive
Time horizon	At least 2 years	At least 3 years	At least 5 years	At least 5 years
Risk expectations	Relatively low risk of capital loss over shorter periods. Lower volatility.	Moderate risk of capital loss over shorter periods. Some volatility	Relatively higher risk of capital loss over shorter periods. Relatively higher volatility.	Higher risk of capital loss over shorter periods. High levels of volatility.
Perpetual Investments	Conservative Growth Fund	Diversified Growth Fund	Balanced Growth Fund	Split Growth Fund
Growth*	30%	50%	70%	100%
Income*	70%	50%	30%	0%
Pre-tax return objective	CPI +3.5%	CPI +4.5%	CPI +5.0%	CPI +5.5%
After-tax return objective	CPI +2.5%	CPI +3.5%	CPI +4.0%	CPI +4.5%
Expected frequency of loss	One in 15 years	One in 10 years	One in 7 years	One in 4 years

*For the investment guidelines of the funds refer to the relevant product disclosure statement.

The funds provide varying levels of capital growth and income, depending on their weighting to growth assets and income assets. Typically over the longer term, the funds invested in higher levels of growth assets are likely to earn a higher return than the funds invested in higher levels of income assets.

How the Funds work

Strategic asset allocation

The first phase of our investment process is to find the mix of assets with the most efficient trade-off between risk and return to achieve the target investment return. This is called the strategic asset allocation. The purpose of SAA is to spread risk by diversifying across multiple, imperfectly correlated asset classes. Stock selection within each asset class offers the potential to enhance our diversified funds' returns.

The funds invest in the following asset classes:

- **Australian and international shares.** Our Australian and international shares investment philosophy is to invest in quality companies at attractive prices. When looking to invest in quality Australian and global companies at attractive prices, we focus on companies that exhibit quality characteristics. These include a track record of earnings and cashflow, strong interest cover, a strong balance sheet and sound capital structure, a conservative level of debt, a history of dividends, and a sound management team with a strong shareholder focus.
- **Fixed income, credit and cash.** We invest in government, semi-government, bank, asset backed and corporate securities, among others, and rotate between sectors depending on the outlook and valuation levels. Our highly risk aware investment process seeks to invest where risk is best rewarded and avoid defaults by investing in quality assets.
- **Property.** When investing in property we look for good value, quality portfolios with low debt levels. We combine careful, ongoing research of property markets with an investment process disciplined in its assessment of quality and value.
- **Alternatives.** Our diversified funds currently include exposure to assets such as infrastructure and mezzanine mortgages. We will assess and invest in other alternative investment opportunities where we believe it will add value.

Tactical asset allocation

We also use tactical asset allocation, which is an active portfolio management strategy that changes a portfolio's asset allocation to take advantage of market conditions in the short term. This involves taking portfolio 'tilts' around the SAA.

Using a disciplined TAA process when managing a portfolio offers the potential for enhanced returns and reduced risk.

Our TAA strategies are built around a disciplined quantitative decision process based on fundamental research. This process evaluates the impact of the earnings cycle on equities and the business cycle on bonds, and analyses valuations, while also incorporating market sentiment through technical analysis (Figure 2).

The weighting of these indicators in determining our view is as follows:

- 40% weighting to Cycle
- 40% weighting to Value
- 20% weighting to Technical

These indicators combine to either increase exposure to an asset class when market conditions become favourable (overweight position) or reduce exposure if market conditions are becoming adverse (underweight position).

We apply our TAA process to cash, bonds and Australian equities. We adjust our preferred view of these on a weekly basis (but monitored daily) using derivatives based on the outputs of our process. All other asset classes within our diversified funds are passively rebalanced to their long-term strategic asset allocation whenever they move outside a 2% tolerance.

When looking to identify opportunities in Australian equities and bonds, we combine the cycle, value and technical indicators to derive a 'raw score' between +100 (most bullish) and -100 (most bearish). These scores indicate the degree of overweight or underweight relative to the SAA of that asset class. A raw score of 0 translates into a strategic benchmark weight.

All Australian equities positions are implemented using SPI futures and bonds using 10 year bond futures, rather than physical securities, as this minimises transaction costs and allows positions to be altered quickly.

Where the combined raw score (equities and bonds) results in a recommendation that would mean an over-allocation to cash, it is scaled back in proportion to the equity and bond ranges. Our TAA view is updated weekly to reflect market movements, with portfolio positions monitored daily.

Investment team

Asset allocation and stock-picking skills are critical to the investment performance of diversified funds. Our experienced investment managers have consistently added value through asset allocation and stock selection.

Our diversified funds leverage the expertise of our investment teams within each asset class. The four funds are overseen by the Asset Allocation Review Board.

Risks of investing

While it is not possible to identify every risk, some of the potential risks to consider before making an investment in the funds include:

- loss of capital or not receiving income (investment risk)
- an event that has a negative effect on the price of all investments in the market (market risk)
- securities falling in value or not paying income (asset risk).

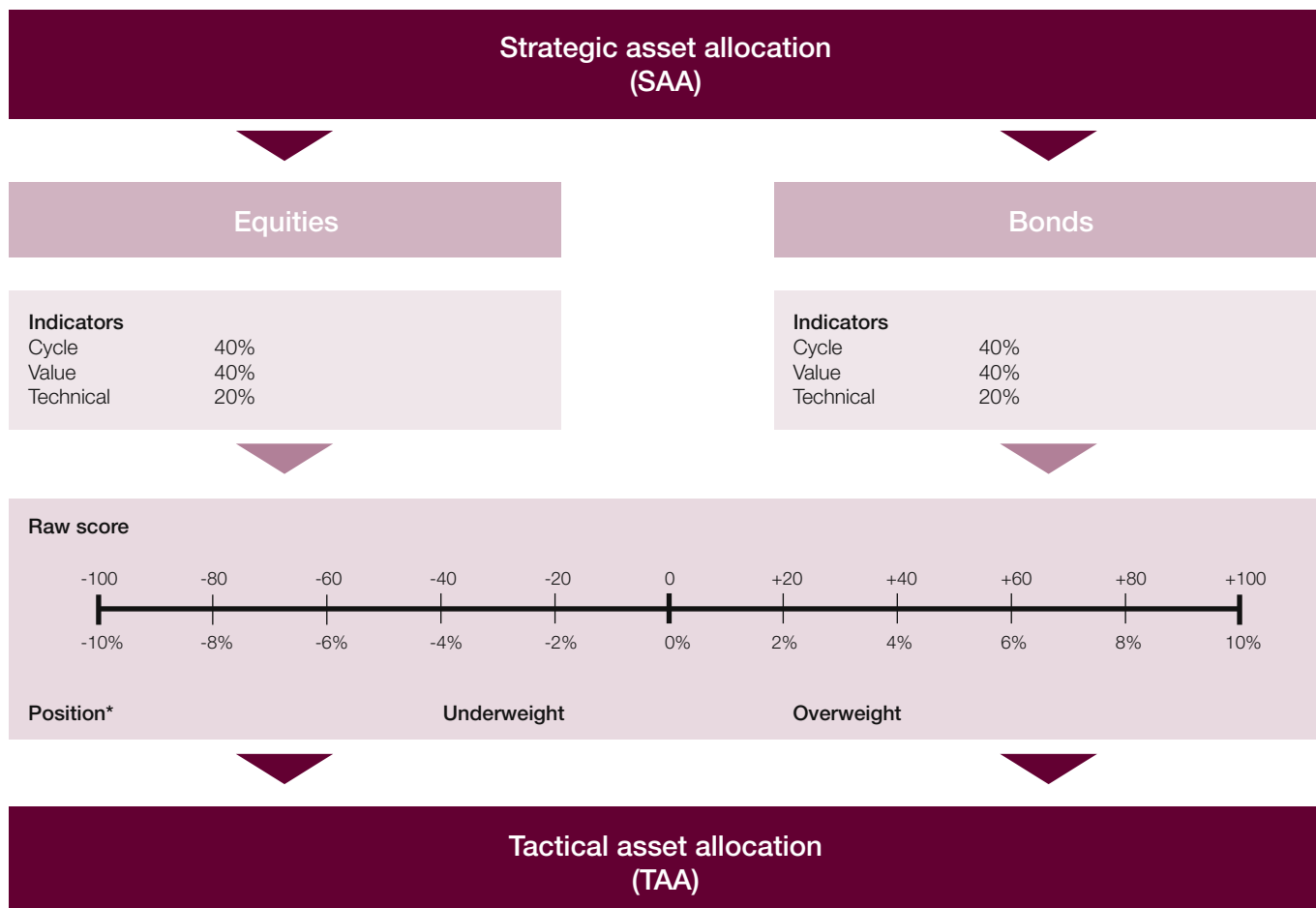
For more on the risks of investing, refer to the relevant product disclosure statement.

About Perpetual

Perpetual is one of Australia's most experienced investment services groups, with an enduring passion for protecting and growing our clients' wealth.

We offer a broad range of investment, superannuation and retirement income products. Our choice of investment funds includes all major asset classes, managed by Perpetual or other leading fund managers, as well as multi-manager funds.

Figure 2 – From the strategic asset allocation to tactical asset allocation



*Example Australian equities positioning for the Perpetual Balanced Growth Fund assuming a neutral bond weighting.

The Funds at a glance

	Conservative Growth Fund	Diversified Growth Fund	Balanced Growth Fund	Split Growth Fund
Dealer group approved	Yes <input type="checkbox"/>	Yes <input type="checkbox"/>	Yes <input type="checkbox"/>	Yes <input type="checkbox"/>
Benchmark	Conservative Growth Index ¹	Moderate Growth Index ²	Balanced Growth Index ³	Split Growth Index ⁴
Investment aim	To provide moderate growth over the medium term and income through investment in a diversified portfolio with an emphasis on cash and fixed income securities	To provide long-term capital growth and regular income through investment in a diversified portfolio of growth and income assets	To provide long-term capital growth and income through investment in a diversified portfolio with an emphasis on Australian and international share investments	To provide long-term capital growth through investing in a mix of international shares and Australian industrial shares
Commencement date	September 2003	October 2001	October 1997	March 1999
Distribution frequency	Quarterly March, June, September, December	Quarterly March, June, September, December	Half yearly June, December	Annually June
Management costs	0.900% pa ⁵ 1.75% pa ⁶	0.960% pa ⁵ 1.85% pa ⁶	1.040% pa ⁵ 1.95% pa ⁶	1.160% pa ⁵ 2.10% pa ⁶
Buy/sell spreads as at June 2009	0.20%/Nil ^{5,6}	0.28%/Nil ^{5,6}	0.31%/Nil ^{5,6}	0.46%/Nil ^{5,6}
Access via	Perpetual's Wholesale Funds, Perpetual WealthFocus Investment Advantage, Perpetual WealthFocus Investment Funds, Perpetual WealthFocus Super and Pension Plan			

1 Comprises 70% income-producing assets and 30% growth assets.

2 Comprises 50% income-producing assets and 50% growth assets.

3 Comprises 70% income-producing assets and 30% growth assets.

4 Comprises 100% growth assets.

5 Perpetual Wholesale Funds.

6 Perpetual WealthFocus Investment Advantage, Perpetual WealthFocus Investment Funds, Perpetual WealthFocus Super and Pension Plan.

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