

Not all investments carry the same amount of risk. Income investments are generally considered low risk because they typically have a component of stable capital and pay income to the investor on a regular basis.

### Who should invest in low-risk income products?

Low-risk income products may suit investors looking for capital protection, a regular cashflow, ready access to funds, or to diversify their portfolio.

### Benefits of income investments

- **Safety.** If preserving your money is your most important consideration, income investments are a good option because of their low risk levels.
- **Diversification.** If you hold shares for growth, income investments can help you diversify your portfolio because their prices don't generally move together with share prices.
- **Income.** If you need a dependable income stream to meet living expenses, or in retirement, there are income investments that pay regularly.
- **Saving.** If you are saving for a future goal and you want to have a specific amount available, there are fixed income investments that will pay income without subjecting your capital to high risk.
- **Access.** Income investments usually offer investors ready access to their funds.

### Using low-risk income products to diversify your portfolio

Most investment advisers agree that you should diversify your investments to reduce risk. One of the most effective methods of diversification is to spread your money across a range of investments. The portion of your portfolio you choose to allocate to low-risk income products will depend on your financial goals and your investment risk profile.

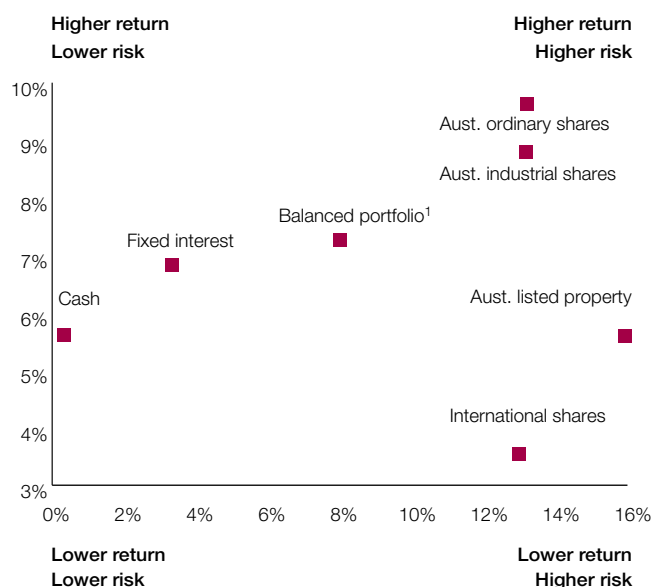
Chart 1 displays the risk and return of different asset classes over the last 15 years to 31 December 2010.

### Types of investments available

In the past, if you wanted a low risk investment, you left your money in a bank savings account. There are now a number of low risk investments available, outlined on the next page.



**Chart 1 – Risk and return of different asset classes**  
15 year risk and return % pa



1 Balanced portfolio breakdown is (a) 40% Australian shares, (b) 25% international shares, (c) 20% fixed interest, (d) 5% property securities, (e) 10% cash.

(a) Measured by the Blended All Ordinaries Index. Post 31/3/2000 S&P/ASX All Ordinaries Accumulation Index. Prior to 31/3/2000 ASX All Ordinaries Accumulation Index. (b) Measured by the MSCI World ex Australia Accumulation Index \$A. (c) Measured by the UBSA Composite Bond Index. (d) Measured by the Blended Property Trusts Accumulation Index. Post 30/6/2002 S&P/ASX 300 Property Trusts Accumulation Index. Between 1/4/2000 and 30/6/2002 it was the S&P/ASX 200 Property Accumulation Index. Prior to 1/4/2000 it was the ASX Property Trusts Accumulation Index. (e) Measured by the UBSA Bank Bill Index.

Source: Datastream. Past performance is not indicative of future performance.

## Cash management funds

Cash management funds pool the money of individual investors and invest this in securities such as bank-backed bills. The income investors receive from these funds is determined by short-term interest rates and is typically higher than traditional bank deposit rates.

### Perpetual Cash Management Fund

The Perpetual Cash Management Fund aims to provide investors with security of capital and regular income at competitive levels. The Fund invests in deposits, money market and fixed interest securities, which are considered to have a very low risk of capital loss.

## Mortgage funds

Mortgage funds represent a pool of investor money which is generally lent for retail, commercial, industrial or residential property mortgages. Investors typically benefit from the higher lending rates for mortgages, while earning a regular income as these mortgages are repaid. Historically, mortgage funds have offered low volatility and the potential for higher returns than cash management funds.

### Perpetual Monthly Income Fund

The Perpetual Monthly Income Fund aims to provide secure income through exposure to quality first registered mortgages and investments in deposits, money market and fixed interest securities. We have strict lending guidelines, including that no loan should exceed 66.6% of the valuation of the mortgaged property at the time of advance, and no one loan can exceed 5% of the portfolio.

## Diversified income funds

The recent low interest rate environment lowered returns from traditional income investments such as bank bills and government bonds, so investors sought higher income by investing in diversified income funds. These funds invest in traditional income investments and also higher-income, higher-risk securities such as unrated assets.

### Perpetual Diversified Income Fund

The Perpetual Diversified Income Fund has a unique investment structure which provides investors with income from a 'core' portfolio consisting of high quality income-producing assets such as cash, fixed interest and hybrid securities. This income is complemented by the 'plus' portfolio which provides higher returns by investing in higher income securities.

The Perpetual Diversified Income Fund has a broader investment universe than traditional income-producing funds and can move into and out of various income-producing asset sectors at different stages of the investment cycle. This provides additional scope to protect capital in adverse market conditions such as periods of widening credit spreads. In favourable market conditions investors can receive higher returns from the 'plus' portfolio of other income-producing assets.

---

This information has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The PDS for the relevant fund, issued by PIML, should be considered before deciding whether to acquire or hold units in the fund. The PDS can be obtained by phoning 1800 062 725 or visiting [www.perpetual.com.au](http://www.perpetual.com.au). No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital.

---



## Further information

**Adviser Services** 1800 062 725

**Investor Services** 1800 022 033

**Email** [investments@perpetual.com.au](mailto:investments@perpetual.com.au)

**www.perpetual.com.au**