

Perpetual Diversified Income Fund

April 2012

Fund facts

Investment objective: To provide regular income and consistency of return by investing in a diversified range of income generating assets.

Benchmark: UBS Bank Bill Index

Mgmt cost: 1.65%

Buy / Sell spread: 0.20% / 0.00%

Bank bill index: 4.086% as at 30 April 2012

Suggested minimum investment period: Three years or longer

Fund benefits

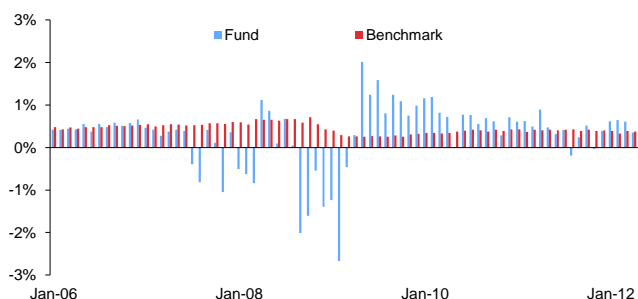
Provides investors with the potential for regular income, above cash returns and lower volatility than other income strategies through an actively managed, highly diversified and liquid investment.

Total returns % (after fees) as at 30 April 2012

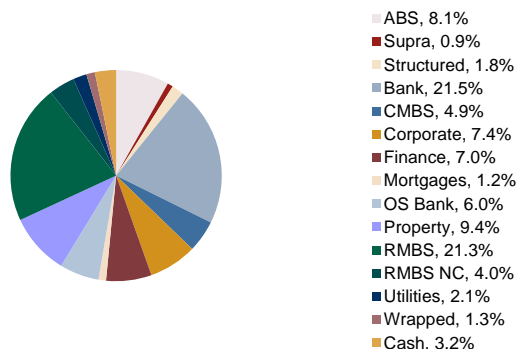
| | APIR | 1 mth | 3 mths | 6 mths | 1 yr | 3 yrs pa | 5 yrs pa | 7 yrs pa | 10 yrs pa |
|--|-----------|-------|--------|--------|------|----------|----------|----------|-----------|
| Perp. WealthFocus Investments | PER0284AU | 0.35 | 1.61 | 2.61 | 4.43 | 8.64 | 3.12 | - | - |
| Perp. WealthFocus Investment Advantage | PER0490AU | 0.35 | 1.61 | 2.59 | 4.41 | 8.32 | - | - | - |
| Perp. WealthFocus Super | PER0286AU | 0.25 | 1.39 | 2.35 | 3.91 | 7.47 | 2.59 | - | - |
| Perp. WealthFocus Pensions | PER0285AU | 0.35 | 1.61 | 2.60 | 4.39 | 8.52 | 3.09 | - | - |
| Perp. WealthFocus Term Allocated Pension | PER0339AU | 0.35 | 1.61 | 2.60 | 4.39 | 8.52 | 3.09 | - | - |
| UBS Bank Bill Index | | 0.38 | 1.11 | 2.31 | 4.86 | 4.47 | 5.35 | - | - |

Past performance is not indicative of future performance. Returns may differ due to different tax treatments.

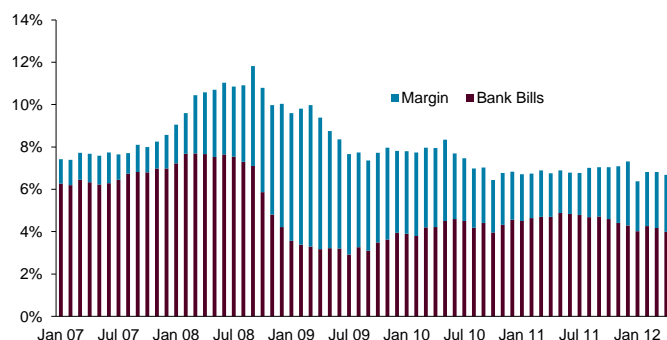
Monthly performance since inception



Portfolio sectors¹



Running yield



Portfolio composition¹

| | Breakdown |
|---------------------------------|-----------|
| Senior Debt | 79.81% |
| Subordinated Debt | 17.23% |
| Hybrid Debt | 2.96% |
| Core Component | 94.98% |
| Plus Component | 5.02% |
| % Geared | 0.00% |
| Running Yield | 6.68% |
| Portfolio Weighted Average Life | 2.84 |
| Spread above Bank Bill | 2.69% |
| No. Securities | 205 |

Market commentary

A tightening trend continued in credit markets during March. The bulk of the tightening was seen in the beginning of the month supported by improved macro data and reduced headline risk from Europe. The improved macro backdrop and the liquidity injection facilitated by the ECB's 3-year repo operations also served to improve market sentiment and support credit.

Growth concerns returned to the fore toward month end on softer than expected macro data. This resulted in credit spreads stalling and trading sideways for the remainder of the month. AUD cash bonds remained well bid throughout the month, led by domestic senior bank paper and covered bonds. Following the strong technical rally and with the earnings season in rear view, non-financial corporates mostly traded flat to marginally wider.

During March the Australian iTraxx traded within a 22bps range first contracted 13bps before detracting toward month end. The synthetic index ended the month 6bps wider at 148bps. The moderate widening in synthetic spreads was largely reflective of a cautious tone stemming from softening Chinese demand, a weaker European PMI and mixed US housing data.

On the regulatory front, the Australian Prudential Regulation Authority (APRA) released its response to submissions on implementing Basel III capital reforms for banks in Australia. There were no changes to APRA's current stance on how it will be implementing the Basel III reforms in Australia. This included not adopting all the concessional treatments proposed in Basel III in relation to capital deductions.

Portfolio commentary

The portfolio benefited from strong running yield incomes relative to cash across a broad range of corporates and collateralised sectors. Adding to excess return was a broad based compression in credit spreads led by local major banks. The local banking spreads continued their tightening path benefiting from solid gains from offshore counterparts with positive implications post the completion of the ECB's liquidity injection.

Boosting performance further was the ABS sector as domestic covered bonds continued to rally during the month. With respect to sector allocation local and offshore bank exposures were increased during the month on improved outlook and relative value. The portfolio running yield remains high at approximately 6.81% with the credit spread measured at 2.65% above benchmark.

Outlook

The outlook for credit markets is neutral as valuations have turned negative. Whilst corporate spreads remain at attractive levels from a historic perspective, domestic credit is now trading at tighter levels to its offshore counterparts. Meanwhile, opportunistic issuers are being lured by the current state of cross-currency swap rates where offshore issuers can raise funds cheaper in Australian dollars than in other currencies.

Market demand has moderated in line with a cautious tone in the market. Having passed a large volume of debt maturing in April, the substantial increase in maturities is not expected until September. Against the backdrop of softening demand, upcoming credit supply is also expected to be limited. The market continues to remain cautious, with the recent sell off still fresh in participant minds. As a consequence sentiment will remain fickle with further sell offs expected driven by growth concerns in Europe and China.

What are...?

The yield to maturity of a portfolio is the expected return over the weighted average life if none of the securities are sold or default.

Why Perpetual

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

Founded in Sydney in 1886 as Perpetual Trustees, we've helped generations of Australians invest and manage their wealth through all market conditions. We have been managing Fixed Income portfolios since 1966.

Perpetual process

Perpetual's Diversified Income Fund aims to provide investors with a diversified, liquid core income investment which aims to provide downside risk protection and deliver consistent income. We believe that risks can be managed and returns achieved through a diversified, highly active and risk aware approach to portfolio management. Ultimately, investment grade, short dated assets provide protection to investors in times of market stress, therefore the core of the portfolio is a highly liquid and diversified, investment grade portfolio. Returns are enhanced by taking on more risk in favourable environments.

Did you know?

Fixed income investing means you effectively become a lender. You provide capital, and Perpetual lends that money out to a number of different borrowers such as corporates and the government on your behalf. These borrowers pay interest that flows through to you as income in your account every quarter.

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Total return shown for the fund(s) have been calculated using exit prices after taking into account all of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry or exit fees or taxation (except in the case of superannuation funds).

Past performance is not indicative of future performance.

¹ Fund information in this document is relevant to the Wholesale option unless stated.



Further information

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