

Perpetual Property Income Fund

April 2012

Fund facts

Investment objective: Aims to provide stable income and long term capital growth by investing in both listed property related securities and unlisted property funds.

Benchmark: UBS Government Bond 3 to 5 Years Index[^]

Mgmt cost: 1.95%

Buy / Sell spread: 1.50% / 0.00%

Investment style: Active, fundamental, bottom-up, value

Suggested minimum investment period: Five years or longer

Fund benefits

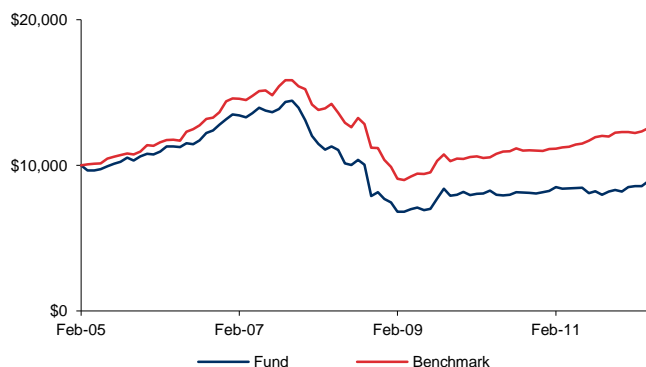
Provides investors with stable income through investment in an actively managed mix of quality listed and unlisted property trusts. These property trusts are diversified across sectors, tenant type and lease life.

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

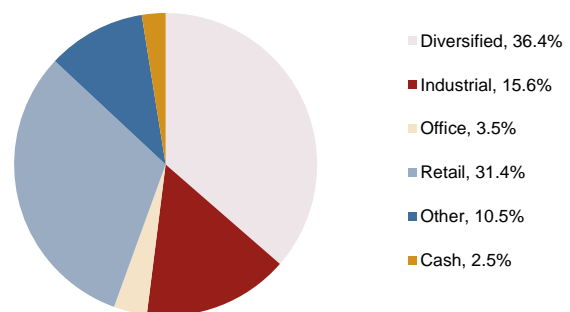
	APIR	1 mth	3 mths	6 mths	1 yr	3 yrs pa	5 yrs pa	7 yrs pa	10 yrs pa
Perp. WealthFocus Investments	PER0275AU	3.8	4.5	8.6	5.7	8.4	-8.1	-1.2	-
Perp. WealthFocus Investment Advantage	PER0494AU	3.7	4.5	8.7	5.9	7.5	-	-	-
Perp. WealthFocus Super	PER0274AU	3.1	3.8	6.9	4.5	6.9	-6.8	-0.7	-
Perp. WealthFocus Pensions	PER0273AU	3.7	4.5	8.5	5.7	8.8	-7.8	-1.0	-
Perp. WealthFocus Term Allocated Pension	PER0344AU	3.7	4.5	8.5	5.7	8.8	-7.8	-1.0	-
UBS Government Bond 3 to 5 Years Index [^]		1.8	2.2	4.8	11.3	10.7	-3.2	3.1	-

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

Growth of \$10,000 since inception (WFI Fund)



Portfolio sectors¹



Top 10 holdings¹

Westfield Group
Australand Wholesale Property Fund No 6
Mirvac Wholesale Hotel Fund
Goodman Australia Industrial Fund
Westfield Retail Trust
Stockland
Goodman Group
CFS Retail Property Trust
GPT Group
Mirvac Group

Portfolio composition¹

	Breakdown
Listed Securities	67.5%
Unlisted Securities	29.9%
Cash	2.5%
Total	100.0%

Market commentary

The listed property sector, as measured by the S&P/ASX 300 Property Accumulation Index rose 5.4% over the month, outperforming the broader equity market. General US economic indicators were mixed over the month and leading European economic indicators suggested further deterioration in the region's economic fundamentals. Local economic data was also mixed, with lower than anticipated inflation numbers released during the month supporting a dovish outlook for interest rates. With economic data once again highlighting the potential for slowing growth prospects coupled with market expectations for a decline in the local cash rate, defensive, yield focused sectors outperformed.

Diversified property (+6.6%) was the best performing subsector over the month, driven by strong returns from the Charter Hall (+13.5%) and Mirvac (+10.7%) property groups. All subsectors provided positive absolute returns over the month with the diversified sector followed by the retail (+5.3%) and commercial (+4.6%) sectors. Industrial property (+4.3%) which now consists of just Goldman Group, lagged the overall market and was the weakest performer this month.

In direct property, total sales volume (in the \$30m+ category) was approximately \$433m, well down on the volumes through February and March. Retail property accounted for the only two notable transactions over the month, with the office and industrial sectors reasonably quiet.

Portfolio commentary

Our position to Westfield Group (+4.6%) contributed to monthly performance. Management announced that a further 8 non-core US shopping assets were to be sold with proceeds totalling US\$1.15b. The majority ownership stakes in 7 of these centres are to be acquired by the Starwood Capital Group, confirming the speculation of the group's interest in these assets originally raised by the Wall Street Journal in late March. Proceeds will be used to pay down corporate debt but will likely be reutilised to pursue higher return development opportunities within the US. These sales follow on from the previously announced divestment of 12 US and 3 UK based shopping assets totalling US\$1.9b. It is likely that these transactions will initially be slightly negative from a corporate earnings perspective, at least until the capital is redeployed and excluding the impact of ongoing on market buybacks.

Given the predominantly positive market sentiment towards A-REIT's throughout April there were only limited listed securities in this universe that posted negative absolute returns. Pleasingly, there were no listed securities within the Property Income portfolio that produced a meaningful negative performance contribution this month.

Outlook

The listed property sector has largely completed the long rebuilding phase that was necessitated by the severity of the global financial crisis. Recent years have seen management teams raise capital and dispose of underperforming assets in order to restore balance sheet strength. A renewed focus on traditional rent collection activities has also occurred at the expense of riskier and more volatile development and fund management revenue streams. From a market fundamentals perspective the sector trades at a 9.7% discount to adjusted Net Tangible Assets (ex Westfield), REIT sector gearing remains low and the 12 month forecast A-REIT dividend yield sits at around 6.3%.

What are...?

Hybrid property funds provide exposure to a mix of listed and unlisted property trusts. The allocation between listed and unlisted varies significantly between funds. These types of funds aim to perform similarly to direct property investment with regards to providing a regular income, but with enhanced liquidity.

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.

Perpetual process

Perpetual's investment philosophy is a fundamental, conservative bottom-up approach to investment selection and active management, focusing on identifying quality companies that represent good value.

The process is based on comprehensive internal company research using four filters - sound management, conservative debt, quality of business and recurring earnings. Portfolios are constructed by experienced portfolio managers within a pre-determined risk framework.

Did you know?

Hybrid property funds are different from property securities funds as they are more focused on providing a stable income stream. To do so, the funds also invest in unlisted assets which help give the funds more stable and property-like income returns whilst avoiding equity market volatility.

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*No company in the Perpetual Group (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of any investor's capital. Total return shown for the fund(s) have been calculated using exit prices after of Perpetual's ongoing fees and assuming reinvestment of distributions. No allowance has been made for contribution or withdrawal fees or taxation (except in the case of superannuation funds). Past performance is not indicative of future performance.

^ Please note that prior to November 2009, the index was a blended 50% S&P/ASX 300 Property Accumulation Index and 50% Mercer Unlisted Property Index.

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



Further information

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