



## Perpetual Private Clients Income Funds

Supplementary Product Disclosure Statement number 1 dated 14 September 2011 for Product Disclosure Statement issue number 4 dated 1 March 2011  
Issued by Perpetual Investment Management Limited  
ABN 18 000 866 535 AFSL 234426

### **About this Supplementary Product Disclosure Statement**

This Supplementary Product Disclosure Statement number 1 (SPDS1) is to be read in conjunction with Product Disclosure Statement issue number 4 dated 1 March 2011 (PDS) for Perpetual Private Clients Income Funds.

From 14 September 2011, the Product Disclosure Statement for Perpetual Private Clients Income Funds comprises:

- the PDS
- this SPDS1.

### **Purpose of this SPDS1**

The purpose of this SPDS1 is to discontinue offering investment in the Private Investor Mortgage Fund from the date of this SPDS1.

### **The Funds at a glance**

#### **Private Investor Mortgage Fund**

The profile for the Private Investor Mortgage Fund on page 4 of the PDS is deleted.

All other references to the Private Investor Mortgage Fund throughout the PDS are also deleted.



Perpetual Private Clients  
Income Funds



**Product Disclosure Statement**  
Issue number 4 dated 1 March 2011  
Issued by Perpetual Investment  
Management Limited  
ABN 18 000 866 535  
AFSL 234426

**Supplementary included**

## Important notes

In this Product Disclosure Statement (PDS), 'Perpetual Private Clients Income Funds' or 'Funds' means Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund, Perpetual Exact Market Cash Fund and Private Investor Mortgage Fund collectively and 'Fund' means one of the Funds, or a particular Fund within Perpetual Private Clients Income Funds, as the context requires. Each Fund is a managed investment scheme that is registered with the Australian Securities and Investments Commission (ASIC) as follows:

- **Perpetual High Grade Treasury Fund**  
(ARSN 098 496 998)
- **Perpetual Credit Income Fund**  
(ARSN 110 148 135)
- **Perpetual Exact Market Cash Fund**  
(ARSN 110 147 389)
- **Private Investor Mortgage Fund**  
(ARSN 092 603 873).

References in this PDS to 'we', 'us', 'our', 'Perpetual Investments' and 'Perpetual' are to Perpetual Investment Management Limited as the responsible entity of the Funds and the issuer of units in the Funds and this PDS.

Perpetual Investment Management Limited is a wholly owned subsidiary of Perpetual Limited (ABN 86 000 431 827).

'Perpetual Group' means Perpetual Limited and its subsidiaries.

'Perpetual Private Clients' refers to the Perpetual Group subsidiaries that act as a trustee, custodian, executor or attorney, or the operator of an investor directed portfolio service (IDPS), as applicable.

We authorise the use of this PDS as disclosure for:

- trusts, estates and agencies for which Perpetual Private Clients is a trustee, executor or attorney
- investors who wish to access the Funds through an IDPS, IDPS-like scheme, or a nominee or custody service provided by Perpetual Private Clients
- DIY superannuation funds for which Perpetual Private Clients is the trustee or custodian,

which are collectively referred to in this PDS as a 'Service'.

Investment in the Funds through this PDS is offered exclusively to clients of Perpetual Private Clients investing through a Service (referred to as 'you' in this PDS).

As an indirect investor gaining exposure to the Funds through a Service, you do not yourself become an investor in the Fund. Instead, it is the Service operator, which invests for you, that has the rights of an investor. Certain provisions of the Funds' constitutions are not relevant to indirect investors. For example, indirect investors cannot attend investor meetings or transfer or mortgage units in a Fund. You can request reports on your investment in a Fund from the Service operator and you should direct any inquiries to them.

This PDS describes the important features of the Funds. You should read it carefully before you decide to invest as it will help you to decide whether the Funds are appropriate for you. It contains general information only and doesn't take into account your specific investment goals. This PDS may also help when comparing the Funds to others you may be considering.

We recommend that you seek financial advice before making an investment decision. If you have questions about investing in the Funds, you should speak to your financial adviser. You should consider the tax implications of investing in the Funds, which your financial and/or tax adviser will be able to help you with.

We may update this PDS (including the terms and features of the Funds where we can under the Funds' constitutions) with changes that are not materially adverse without issuing a supplementary PDS. The PDS and updated information will be available at our website and you can also obtain a paper copy free of charge, on request. If we become aware of any change that is materially adverse, we'll replace this PDS or issue a supplementary PDS. If there is an increase in fees or charges (other than government fees or charges), we'll give Perpetual Private Clients at least 30-days' prior written notice.

You should keep a copy of the current PDS and any supplementary PDS for future reference.

Visit our website (except for the Private Investor Mortgage Fund) or contact Perpetual Private Clients for the most up-to-date past investment returns for the Funds. Past investment returns are not indicative of future returns, so you shouldn't base your decision to invest in the Funds on past investment returns.

Neither we nor any company in the Perpetual Group guarantee that you will earn any return on your investment or that your investment will gain in value or retain its value. Investment in the Funds is subject to investment risk, including possible delays in repayment and loss of income and capital invested.

This PDS can only be used by investors receiving it (electronically or otherwise) in Australia.

All amounts in this PDS are in Australian dollars and all times quoted are Sydney time (unless otherwise specified). A business day is a working day for Perpetual in Sydney.



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# The Funds at a glance

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The table on pages 3-4 provides a summary of the main features of the Funds. You'll find the following terms and concepts in the table.

## Commencement date

The commencement date is the month and year that the Fund commenced.

## Relative volatility and suggested length of investment

These are a guide only and not a recommendation. You should discuss your investment in the Fund with your financial adviser to ensure that it meets your needs.

## Objective

This is a summary of what the Fund aims to achieve.

## Investment approach

This is the method or principles our investment team uses to manage the Fund to meet its objectives.

## Investment guidelines

This provides an indication of what the Fund will invest in directly or indirectly.

## Underlying investments asset profile

For Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund, this provides a breakdown of the Funds' investment portfolios by both asset quality (as defined below) and maturity profile at a point in time. Figures have been rounded to one decimal place and may not total 100% exactly due to roundings. For up-to-date profiles, please contact Perpetual Private Clients.

The return expected from a security generally increases as the risk increases.

**Investment grade** – a term given to securities that have a high probability of payment of interest and repayment of capital. The following bands are classed as investment grade:

- AAA: extremely strong ability to pay interest and principal and very resilient to difficult conditions
- AA: very strong ability to pay interest and principal and resilient to difficult conditions
- A: strong ability to pay interest and principal but more exposed to difficult conditions
- BBB: good ability to pay interest and principal but may be challenged by difficult conditions.

**Sub-investment grade** – a term given to securities where there is a higher risk that the issuer may not be able to meet interest payments or the repayment of principal if difficult conditions arise.

## Management costs

These are the fees and expenses (except for any abnormal operating costs) associated with managing and administering the Fund (see 'Management costs' on page 10 for details). Management costs may vary in the future.

## Distribution frequency and dates

The distribution frequency is how often the Fund usually makes a distribution. The distribution dates are the effective dates for distributions. The actual payment of distributions occurs after the distribution date (see 'Distributions' on page 14 for details).

|  | Perpetual High Grade Treasury Fund   | Perpetual Credit Income Fund  |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
|--|--|---|--------|---------------------------------|------|---------------------------|-------|------------------------|-------|------------------------|-------|------------------------|-------|------------------------|------|-----------------|------|--|-----------------------------|-------|---------------------------------|------|---------------------------|-------|------------------------|-------|------------------------|-------|------------------------|-------|------------------------|-------|-----------------|------|
| <b>Commencement date</b>   | October 2001   | November 2004   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| <b>Relative volatility</b>   | Low  | Low to moderate   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| <b>Suggested length of investment</b>                              | 1 year or more   | 3 years or more   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| <b>Objective</b>   | Aims to provide investors with regular income by investing in deposits, money market and fixed income securities <sup>1</sup> .  | Aims to provide investors with regular income by investing in deposits, money market and fixed income securities <sup>1</sup> .   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| <b>Investment approach</b>   | <p>The Fund invests in a diversified portfolio of securities. By investing in corporate debt, asset-backed securities and debt-like hybrid securities and discount securities, we aim to enhance returns while substantially retaining the low-risk characteristics of an enhanced cash fund.</p> <p>The Fund aims to achieve its objective by:</p> <ul style="list-style-type: none"> <li>▪ diversifying the Fund amongst different securities issued by various borrowers</li> <li>▪ identifying and investing in relative value within the universe of credit securities</li> <li>▪ actively managing for changes in market-wide and security-specific margins</li> <li>▪ actively managing the portfolio with respect to interest rates, swap and credit margins and managing the portfolio's sensitivity to these.</li> </ul> | <p>The Fund aims to achieve its objective through the active management of predominantly investment grade deposits, money market and fixed income securities, including debt-like hybrid securities.</p> <p>The Fund aims to achieve its objective by:</p> <ul style="list-style-type: none"> <li>▪ diversifying the Fund amongst different securities issued by various borrowers</li> <li>▪ identifying and investing in relative value within the universe of credit securities</li> <li>▪ actively managing for changes in market-wide and security-specific margins</li> <li>▪ actively managing the portfolio with respect to interest rates, swap and credit margins and managing the portfolio's sensitivity to these.</li> </ul> |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| <b>Investment guidelines</b>                                       | Invest predominantly in investment grade securities.   | Invest predominantly in investment grade securities.  |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| <b>Underlying investments asset profile as at 31 December 2010</b> | <p><b>Asset quality</b></p> <table> <tr> <td>Investment grade securities</td> <td>100.0%</td> </tr> <tr> <td>Sub-investment grade securities</td> <td>0.0%</td> </tr> </table> <p><b>Maturity profile</b></p> <table> <tr> <td>Cash and less than 1 year</td> <td>31.7%</td> </tr> <tr> <td>1 to less than 2 years</td> <td>16.8%</td> </tr> <tr> <td>2 to less than 3 years</td> <td>18.3%</td> </tr> <tr> <td>3 to less than 4 years</td> <td>19.8%</td> </tr> <tr> <td>4 to less than 5 years</td> <td>9.1%</td> </tr> <tr> <td>5 years or more</td> <td>4.3%</td> </tr> </table>   | Investment grade securities   | 100.0% | Sub-investment grade securities | 0.0% | Cash and less than 1 year | 31.7% | 1 to less than 2 years | 16.8% | 2 to less than 3 years | 18.3% | 3 to less than 4 years | 19.8% | 4 to less than 5 years | 9.1% | 5 years or more | 4.3% | <p><b>Asset quality</b></p> <table> <tr> <td>Investment grade securities</td> <td>98.7%</td> </tr> <tr> <td>Sub-investment grade securities</td> <td>1.3%</td> </tr> </table> <p><b>Maturity profile</b></p> <table> <tr> <td>Cash and less than 1 year</td> <td>34.1%</td> </tr> <tr> <td>1 to less than 2 years</td> <td>10.8%</td> </tr> <tr> <td>2 to less than 3 years</td> <td>20.2%</td> </tr> <tr> <td>3 to less than 4 years</td> <td>18.5%</td> </tr> <tr> <td>4 to less than 5 years</td> <td>11.3%</td> </tr> <tr> <td>5 years or more</td> <td>5.1%</td> </tr> </table> | Investment grade securities | 98.7% | Sub-investment grade securities | 1.3% | Cash and less than 1 year | 34.1% | 1 to less than 2 years | 10.8% | 2 to less than 3 years | 20.2% | 3 to less than 4 years | 18.5% | 4 to less than 5 years | 11.3% | 5 years or more | 5.1% |
| Investment grade securities  | 100.0%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| Sub-investment grade securities                                    | 0.0%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| Cash and less than 1 year  | 31.7%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 1 to less than 2 years   | 16.8%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 2 to less than 3 years   | 18.3%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 3 to less than 4 years   | 19.8%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 4 to less than 5 years   | 9.1%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 5 years or more  | 4.3%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| Investment grade securities  | 98.7%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| Sub-investment grade securities                                    | 1.3%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| Cash and less than 1 year  | 34.1%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 1 to less than 2 years   | 10.8%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 2 to less than 3 years   | 20.2%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 3 to less than 4 years   | 18.5%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 4 to less than 5 years   | 11.3%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| 5 years or more  | 5.1%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| <b>Management costs<sup>2</sup></b>                                | 0.300% pa  | 0.308% pa   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |
| <b>Distribution frequency and dates</b>                            | Quarterly – as at 31 March, 30 June, 30 September, 31 December   | Quarterly – as at 31 March, 30 June, 30 September, 31 December  |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |  |                             |       |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |       |                 |      |

|  | Perpetual Exact Market Cash Fund   | Private Investor Mortgage Fund  |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
|--|--|---|--------|---------------------------------|------|---------------------------|-------|------------------------|-------|------------------------|-------|------------------------|-------|------------------------|------|-----------------|------|---|
| <b>Commencement date</b>   | February 2005  | May 1997  |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| <b>Relative volatility</b>   | Low  | Low to moderate   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| <b>Suggested length of investment</b>                              | 1 year or more   | 3 years or more   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| <b>Objective</b>   | Aims to provide investors with a return that matches the pre-tax benchmark performance of the UBS Bank Bill Index (referred to as Exact Benchmarking) on an ongoing basis.   | Aims to provide investors with capital stability and a regular monthly income by investing predominantly in a pool of quality first registered Australian direct commercial mortgages.  |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| <b>Investment approach</b>   | <p>The Fund aims to achieve Exact Benchmarking by investing in deposits, money market and fixed income securities<sup>1</sup>. If, however, the Fund's investments fall short of the required return, the Fund will still deliver the benchmark return to investors through a swap agreement while Exact Benchmarking applies.</p> <p>The Fund is managed on a total pre-tax return basis. The income and growth components may vary from the UBS Bank Bill Index while the total return matches the pre-tax benchmark return.</p>   | The Fund aims to achieve its objective by investing in quality first registered mortgages, generally with three-year terms, held over freehold and leasehold lands and buildings in Australian capital cities and major regional centres (see page 6 for further information) and deposits, money market and fixed income securities <sup>1</sup> . |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| <b>Investment guidelines</b>                                       | Invest predominantly in investment grade securities.   | <p>Invests predominantly in first registered mortgages.</p> <p>We intend to maintain a minimum cash and fixed income level of 20% of the value of the Fund.</p>   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| <b>Underlying investments asset profile as at 31 December 2010</b> | <p><b>Asset quality</b></p> <table border="1"> <tr> <td>Investment grade securities</td> <td>100.0%</td> </tr> <tr> <td>Sub-investment grade securities</td> <td>0.0%</td> </tr> </table> <p><b>Maturity profile</b></p> <table border="1"> <tr> <td>Cash and less than 1 year</td> <td>32.3%</td> </tr> <tr> <td>1 to less than 2 years</td> <td>18.5%</td> </tr> <tr> <td>2 to less than 3 years</td> <td>26.6%</td> </tr> <tr> <td>3 to less than 4 years</td> <td>16.7%</td> </tr> <tr> <td>4 to less than 5 years</td> <td>4.1%</td> </tr> <tr> <td>5 years or more</td> <td>1.8%</td> </tr> </table> | Investment grade securities   | 100.0% | Sub-investment grade securities | 0.0% | Cash and less than 1 year | 32.3% | 1 to less than 2 years | 18.5% | 2 to less than 3 years | 26.6% | 3 to less than 4 years | 16.7% | 4 to less than 5 years | 4.1% | 5 years or more | 1.8% | Please refer to our website or contact us for the latest quarterly update on the Fund's underlying investments (see 'Incorporation by reference' on page 18 for further information). |
| Investment grade securities  | 100.0%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| Sub-investment grade securities                                    | 0.0%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| Cash and less than 1 year  | 32.3%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| 1 to less than 2 years   | 18.5%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| 2 to less than 3 years   | 26.6%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| 3 to less than 4 years   | 16.7%  |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| 4 to less than 5 years   | 4.1%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| 5 years or more  | 1.8%   |   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| <b>Management costs<sup>2</sup></b>                                | Nil – while Exact Benchmarking applies.<br>0.226% pa – if Exact Benchmarking ceases to apply. <sup>3</sup>   | 0.785% pa   |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |
| <b>Distribution frequency and dates</b>                            | Quarterly – as at 31 March, 30 June, 30 September, 31 December   | Monthly – as at the end of each calendar month  |        |                                 |      |                           |       |                        |       |                        |       |                        |       |                        |      |                 |      |   |

<sup>1</sup> See 'Fund investments' on page 5 for further information.

<sup>2</sup> See 'Management costs' on page 10 for further information.

<sup>3</sup> See 'Cessation of Exact Benchmarking' on page 6 for further information.

# Additional investment information

## Investment manager

Perpetual Investments is one of Australia's leading investment managers with \$27.7 billion in funds under management (as at 31 January 2011). Perpetual Investments is part of the Perpetual Group, which has been in operation for over 120 years. By employing some of the industry's best investment specialists and applying a proven investment philosophy, Perpetual Investments has been able to help generations of Australians manage their wealth.

## Fund investments

The Funds predominantly invest in cash, deposits, money market and fixed income securities and (in the case of the Private Investor Mortgage Fund – see page 6 for details) mortgages, but may have exposure to other securities including derivative instruments. The Funds predominantly hold Australian assets but may also hold offshore assets (for which the currency risk may be hedged).

The Funds may invest in assets directly or indirectly by investing in other Perpetual managed funds that have similar investment objectives and authorised investments.

### Cash

Cash investments include bank accounts, discount securities (eg bank bills), short-term deposits and money market funds which may invest in fixed income instruments and loans. Cash provides a relatively consistent rate of return in the form of regular interest payments, generally in line with short-term interest rates and is widely considered the lowest investment risk.

### Deposits

Deposits are products offered by authorised deposit-taking institutions (ADIs). ADIs are regulated by the Australian Prudential Regulation Authority (APRA), which enforces standards designed to ensure that under all reasonable circumstances ADIs can meet their obligations to depositors.

### Money market

Money market instruments are considered highly liquid fixed income instruments with a short maturity profile.

### Fixed income

Fixed income instruments involve investing in securities issued by an issuer for a pre-determined period. The issuers may include governments, banks, corporations and asset backed trusts. The instruments when issued usually provide a return in the form of defined periodic income payments and the return of principal at maturity. These income payments are either fixed when issued or set periodically against a benchmark.

## Enhanced cash

Enhanced cash investments include cash investments, fixed income instruments, hybrids, loans and other income generating securities. The maturity dates of investments are typically longer than cash and they may have a lower credit rating than those in a money market fund, however, they are usually managed to short interest rate exposures.

## Mortgages

A mortgage investment involves lending money to a borrower to buy property. The borrower must offer adequate collateral to secure the loan. The interest payments represent the return on the mortgage investment.

## Derivatives

A derivative is a financial instrument that derives its value from the price of a physical security or market index.

Derivatives may be used in the management of the Funds to:

- protect against changes in the market value of existing investments
- achieve a desired investment position without buying or selling the underlying physical asset
- manage the duration of the Funds
- manage actual and anticipated interest rate, currency and credit risks.

Derivatives will not be used for gearing purposes.

## Environmental, social and ethical factors and labour standards

The investment manager uses an investment approach that considers each investment based on its individual merits. When making investment decisions, social, ethical, environmental considerations and labour standards are not explicitly taken into account. However, from time to time, these factors may impact the purchase, sale or retention of an individual investment if they are believed to impact returns.

## Perpetual Exact Market Cash Fund

### Investment structure

#### Swap agreement

For the purpose of delivering the benchmark return to investors under Perpetual's swap agreement with Perpetual Australia Pty Limited (ABN 86 002 785 720) (PAPL), if the performance of the underlying assets in the Fund:

- outperforms the benchmark return, then the Fund will pay the outperformance to PAPL or
- underperforms the benchmark return, then the Fund will receive payments from PAPL to bring its return up to the benchmark return.

This means that, while Exact Benchmarking applies, unitholders in the Fund will earn the pre-tax benchmark return regardless of the return that the Fund actually derives from its underlying assets. The difference between these amounts is determined and accrued daily and cash settled monthly between the Fund and PAPL.

The current swap agreement is with PAPL, a wholly owned subsidiary of Perpetual Limited, whose principal activity is acting as the swap counter-party to the swap agreement.

Perpetual, as the responsible entity of the Fund, may enter into swap agreements with other institutions provided that they have appropriate ratings from a recognised rating agency and/or appropriate guarantees.

#### Swap guarantee

National Australia Bank Limited (NAB) has provided Perpetual, as the responsible entity of the Fund, with a limited bank guarantee that can be called on by Perpetual in the event of a shortfall by PAPL under the swap agreement. There is a risk that the value of the guarantee may be insufficient to cover the obligations of PAPL.

The guarantee may be cancelled by Perpetual at any time, but we will not do so without first notifying investors. If you would like more information regarding the guarantee facility, including the guarantee amount, please contact Perpetual Private Clients.

Perpetual, as the responsible entity of the Fund, may obtain new or additional guarantees from recognised financial institutions.

NAB does not guarantee the performance of either the Fund or the swap agreement. Investors have no recourse to the NAB guarantee nor any rights against NAB.

### Cessation of Exact Benchmarking

Exact Benchmarking may cease to apply to Perpetual Exact Market Cash Fund in the following situations.

#### Investors' decision

Investors may determine by a majority vote in a postal ballot that Exact Benchmarking will no longer apply to the Fund. Exact Benchmarking may be reinstated by the postal vote mechanism at any time. However, as an investor gaining exposure to the Fund through a Service, you do not yourself become an investor in the Fund. Instead, it is Perpetual Private Clients, investing for you, that has the rights (including voting rights) of an investor.

### Event of force majeure

If an event of force majeure occurs in relation to the Fund, Perpetual may determine that Exact Benchmarking will cease to apply. A force majeure event is an act beyond the control of the responsible entity, including an act of God, embargo, civil or labour disturbance, act of war, war, act of any government authority or legal restraint and fraud which directly results in a person failing wholly or partly to perform their obligations in respect of an asset held directly or indirectly by the Fund. Exact Benchmarking will recommence when the event of force majeure ceases (as determined by Perpetual).

### Termination of the swap agreement

PAPL can terminate the current swap agreement with 60 days' notice to Perpetual. Exact Benchmarking would cease to apply to the Fund if Perpetual was unable to enter into a replacement swap agreement (on commercially acceptable terms) with another appropriate institution by the end of the notice period.

## Private Investor Mortgage Fund

### Investment approach

Mortgage selection criteria include:

- loans that cannot exceed two-thirds of a recent independent market valuation on income-producing property where annual net rents are generally not less than 80% of annual interest payments
- owner-occupied property where borrowers demonstrate a strong repayment ability
- maximum loan terms of five years.

### Additional information about the Fund's underlying mortgage investments

To improve the disclosure of information about mortgage funds in Australia, ASIC requires us to provide information about certain benchmarks, as follows:

- liquidity
- scheme borrowing
- portfolio diversification
- related party transactions
- valuation policy
- lending principles – loan-to-valuation ratios
- distribution practices
- withdrawal arrangements.

Information on these benchmarks, which forms part of the PDS and is available at our website (see 'Incorporation by reference' on page 18 for details) or you can obtain a copy free of charge by contacting us, is updated quarterly. As at the issue date of this PDS, Perpetual complies with these benchmarks and intends to comply with them in the future.

# Understanding investment risk

## The risks of investing

All investments are subject to risk which means the value of your investment may rise or fall and/or you may not be able to redeem your investment quickly.

Before making an investment decision, it's important to understand the risks that can affect the value of your investment. While it's not possible to identify every risk relevant to investing in the Funds, we have detailed below the significant risks that may affect your investment.

Volatility is an important measure of overall investment risk. It generally refers to the fluctuation in the value of an asset, index or other type of security over a given period. The greater the volatility of an asset, index or security, the larger the fluctuations between its high and low values and the greater the fluctuations in its returns.

Your financial adviser can assist you in determining whether a Fund is suited to your financial needs.

| Type of risk              | Description of risk  |
|---------------------------|--|
| Investment risk           | The value of your investment may fall for a number of reasons, including the risks set out below, which means that you may receive back less than your original investment when you withdraw.  |
| Market and economic risk  | Certain events may have a negative effect on the price of all types of investments in a particular market. These events may include changes in economic, social, technological, political or accounting conditions, as well as market sentiment.   |
| Asset risk                | A particular asset that a fund invests in may fall in value, which can result in a reduction of your investment.   |
| Interest rate risk        | Adverse movements in interest rates can have a negative impact directly or indirectly on investment values or returns. When interest rates rise the market value of fixed income securities can fall significantly. Falling interest rates can result in lower income payments.  |
| Credit risk               | The issuer or party to a transaction may not repay the principal, make interest payments or fulfil other financial obligations in full and/or on time.<br><br>The market value of an investment can also fall significantly when the perceived risk of a note or bond increases or its credit rating declines.   |
| Liquidity risk            | The absence of an established market or a shortage of buyers for an investment can result in a loss if the holder of the investment needs to sell it within a particular timeframe. A shortage of liquidity can also result in delays in the payment of withdrawals from a fund – see 'Withdrawals – Private Investor Mortgage Fund' on page 13 and 'Delays or suspension of applications, switches and withdrawals' on page 18 for further information. |
| Derivatives risk          | Losses can occur if there is an adverse movement in the asset underlying the derivative or where a derivative is costly to reverse – see 'Derivatives' on page 5 for further information about how derivatives can be used in the management of the Funds.   |
| Counter-party risk        | A loss may occur if the other party to a contract (eg derivatives contract, swap agreement or guarantee) defaults on their obligations under the contract.   |
| Currency risk             | For investments in international assets, which have currency exposure, there is potential for adverse movements in exchange rates to reduce their Australian dollar value. For example, if the Australian dollar rises, the value of international investments expressed in Australian dollars can fall.   |
| Legal and regulatory risk | Changes in legislation and other rules in domestic and foreign markets, including those dealing with taxation and investments, may adversely impact your investment.   |
| Refinancing risk          | A mortgage borrower or an issuer may not be able to re-finance or repay their existing obligation at the scheduled maturity date.  |

## **Other risks**

The following risks are inherent within any managed investment scheme:

- The investment professionals employed by a fund's investment manager may change, which may affect the future performance of that fund.
- Investing in a fund may have a different tax outcome than investing directly because of the application of tax laws to the fund and the impact of investments and withdrawals by other investors. One result is that you may receive back some of your capital as income in a distribution.
- Transactions may be suspended, which may result in delays in paying withdrawal requests.
- A fund may be terminated.

## **How these risks are managed**

### **How we manage risk**

While we can't completely eliminate investment risks, we aim to manage the impact of these risks by setting consistent and carefully considered investment guidelines.

To manage counter-party risk associated with the use of a swap agreement for Perpetual Exact Market Cash Fund, we will either deal only with counter-parties that have appropriate ratings from a recognised rating agency or, as is the case at present, we have obtained a limited guarantee which may be called upon if PAPL does not honour its swap agreement (please refer to 'Swap agreement' on page 6 and 'Swap guarantee' on page 6 for further information).

### **How you can manage your investment risk**

The most significant risk in investing is that you don't reach your financial goals. It's important to consider your investment timeframe, your investment goals and your risk tolerance. We recommend you consult a financial adviser to assist you in determining your investment timeframe, your investment goals and your risk tolerance. This will help with your choice of investment and the level of diversification you need.

# Fees and other costs

## 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 member services justify higher fees and costs.

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

## To find out more

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

## Fees and other costs

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 Funds' assets as a whole.

Tax information, including goods and services tax (GST), is set out on page 15. Unless otherwise stated, all fees and other costs disclosed in this PDS are inclusive of the net effect of GST.

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

Any additional fees that you may be charged by Perpetual Private Clients for investing in the Fund via their Service should be set out in their disclosure document.

## Fees and other costs

| Type of fee or cost  | Amount  | How and when paid   |
|--|---|---|
| <b>Fees when your money moves in or out of the Funds</b>                         |   |   |
| <b>Establishment fee</b><br>The fee to open your investment                      | Nil.  | Not applicable.   |
| <b>Contribution fee</b><br>The fee on each amount contributed to your investment | Nil. <sup>1,2</sup>   | Not applicable.   |
| <b>Withdrawal fee</b><br>The fee on each amount you take out of your investment  | Nil. <sup>1,2</sup>   | Not applicable.   |
| <b>Termination fee</b><br>The fee to close your investment                       | Nil.  | Not applicable.   |
| <b>Management costs<sup>1,3</sup></b>  |   |   |
| The fees and costs for managing your investment                                  | <b>Perpetual High Grade Treasury Fund</b><br>0.300% pa of the net asset value of the Fund. <sup>4</sup>   | Management costs are calculated and accrued daily and paid to us monthly. They are deducted directly from the Fund's assets and reflected in the unit price of the Fund each day. |
|  | <b>Perpetual Credit Income Fund</b><br>0.308% pa of the net asset value of the Fund. <sup>4</sup>   |   |
|  | <b>Perpetual Exact Market Cash Fund</b><br>Nil – while Exact Benchmarking applies.<br>0.226% pa of the value of the Fund<br>– if Exact Benchmarking ceases to apply. <sup>4,5</sup> |   |
|  | <b>Private Investor Mortgage Fund</b><br>0.785% pa of the capital sums invested in the Fund. <sup>4</sup>   |   |
|  |   | Management costs are calculated and accrued daily and (unless we decide otherwise) usually paid to us monthly. They are deducted directly from the Fund's assets.                 |

## Fees and other costs (continued)

| Type of fee or cost   | Amount            | How and when paid |
|---|-------------------|-------------------|
| <b>Service fees</b>   |                   |                   |
| <b>Investment switching fee</b><br>The fee for changing Funds | Nil. <sup>2</sup> | Not applicable.   |

1 See 'Maximum fees and charges' on page 11 for details of the maximum fee amounts allowed under the Funds' constitutions.

2 A buy/sell spread may also apply – see 'Transaction costs' on page 11 for details.

3 See 'Management costs' on this page for further details.

4 Generally includes expense recoveries (see this page for details) but excludes abnormal operating expenses (see this page for details).

5 See 'Cessation of Exact Benchmarking' on page 6 for further information.

## Additional explanation of fees and costs

### Management costs

#### General

Management costs include:

- the management fee
- expense recoveries
- abnormal operating expenses.

#### Perpetual Exact Market Cash Fund

No management costs are charged while Exact Benchmarking applies.

If Exact Benchmarking ceases to apply other than as a result of an event of force majeure (see 'Cessation of Exact Benchmarking' on page 6 for further information), management fees and expense recoveries will be charged as set out below.

#### Management fee

##### Perpetual Exact Market Cash Fund

No management fee is charged while Exact Benchmarking applies.

If Exact Benchmarking ceases to apply other than as a result of an event of force majeure (see 'Cessation of Exact Benchmarking' on page 6 for further information), we will receive a management fee for overseeing the investments of the Fund. This fee will be included in the calculation of the unit price of the Fund and paid to us monthly.

##### Other Funds

We receive a management fee for managing your investments in the Fund.

#### Expense recoveries

Expense recoveries represent the operating expenses incurred in the day-to-day operation of the Funds.

Expense recoveries can be paid directly from the Funds' assets or if the expenses are incurred by us for the proper performance of our duties and obligations as responsible entity of the Funds, we're entitled to be reimbursed for these amounts from the Funds.

Expense recoveries don't include abnormal operating expenses (see 'Abnormal operating expenses' on this page for details).

#### Perpetual Exact Market Cash Fund

If Exact Benchmarking ceases to apply, we expect to pay expense recoveries out of our management fee.

#### Private Investor Mortgage Fund

We currently intend to pay expense recoveries out of our management fee, except for any brokerage that may be payable to mortgage brokers and any legal or other external service provider costs associated with defaults by borrowers (which may be subsequently partially or fully recovered from the borrower and reimbursed to the Fund).

#### Other Funds

We currently choose to pay expense recoveries out of our management fee.

#### Abnormal operating expenses

We can be reimbursed from a Fund for abnormal operating expenses incurred in performing our duties and obligations in administering the Fund. These are not paid out of our management fee and, if incurred, are in addition to the management cost amounts shown in the 'Fees and other costs' table on page 9.

These abnormal operating expenses aren't generally incurred during the day-to-day operation of a Fund and aren't necessarily incurred in any given year. They're due to abnormal events like the cost of running an investor meeting, or legal costs incurred by changes in a Fund's constitution.

#### Differential fees

We may negotiate a rebate or waive all or part of our management fee with wholesale clients (as defined by the Corporations Act 2001).

The payment and terms of rebates or waivers are negotiated with wholesale clients but are ultimately at our discretion, subject to the Corporations Act and ASIC policy. Please contact Perpetual Private Clients for details of any fee rebates or waivers that may have been negotiated.

## Transaction costs

In managing the investments of the Funds, transaction costs such as brokerage, settlement costs, clearing costs and government charges may be incurred by changes in a Fund's investment portfolio, or when a Fund experiences cash flows in or out of it.

When a Fund incurs transaction costs from changing its investment portfolio, they are paid out of the Fund's assets and, for Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund, reflected in its unit price.

Transaction costs that are incurred because investors buy or sell units in a Fund are also paid from the Fund's assets, but they are offset by the transaction cost allowances that are included in the calculation of the Fund's entry and/or exit unit prices, where relevant, as described under 'Buy/sell spread' below.

## Buy/sell spread

Estimated transaction costs are allocated when an investor buys or sells units in a Fund by incorporating a buy/sell spread between the relevant entry and exit unit prices, where appropriate. This aims to ensure that other investors aren't impacted by the transaction costs associated with a particular investor buying or selling units in the Fund. We have discretion to waive the buy/sell spread on applications or withdrawals where no transaction costs are incurred.

A buy/sell spread is an additional cost to you. The spread, if applicable, is based on our estimates of the average transaction costs incurred by a Fund. However, it is not a fee paid to us and is retained in the Fund to cover the actual transaction costs as they are incurred.

The buy/sell spread will impact the return on your investment. As it is built into a Fund's unit prices, it won't be recorded separately on investor statements.

The buy/sell spread for Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund, which forms part of the PDS is publicly available at our website (see 'Incorporation by reference' on page 18 for details) or can be obtained free of charge by contacting us. The Private Investor Mortgage Fund doesn't have a buy/sell spread.

GST is not applicable to any buy/sell spread when you buy or sell units in the Funds.

## Government charges

Government charges will be applied to your account as appropriate.

## Maximum fees and charges

The Funds' constitutions allow us to charge maximum fees as outlined below.

### Private Investor Mortgage Fund

| Fee or cost        | Maximum  |
|--------------------|--|
| Withdrawal fee     | At our discretion, provided the fee was set out in the offer document at the time the units were created |
| Management fee     | 1.097% pa of the capital sums invested in the Fund   |
| Expense recoveries | Unlimited  |

### Other Funds

| Fee or cost        | Maximum  |
|--------------------|--|
| Contribution fee   | 5.00% of the investment amount                         |
| Withdrawal fee     | 5.00% of the withdrawal amount                         |
| Management fee     | 3.00% pa of the gross value of the assets of the Funds |
| Expense recoveries | Unlimited  |

Amounts disclosed are inclusive of 10% GST.

## Increases or alterations to the fees

Where applicable, we have disclosed the maximum amount payable for each fee. Fees may change for many reasons including changes in the competitive, industry and regulatory environment or simply from changes in costs. We won't increase fees, or introduce contribution fees (if allowable) or withdrawal fees, without giving Perpetual Private Clients at least 30-days' written notice except for government fees or charges.

## Loan origination fees

Perpetual or another member of the Perpetual Group generally charges loan origination fees to the borrower for mortgages that it originates for the Private Investor Mortgage Fund. These fees generally range between 0.11% and 0.55% of the loan amount and are retained by Perpetual Group.

## Tax

Tax information, including GST, is included on page 15.

## Adviser remuneration

No commissions are paid to your financial adviser.

## Other benefits

As a result of your investment in the Funds your financial adviser may qualify for other benefits, which are not an additional cost to you. We maintain a register (in compliance with the Industry Code of Practice on Alternative Forms of Remuneration) summarising alternative forms of remuneration that are paid or provided to certain advisers. If you would like to see this register please contact Perpetual Private Clients.

## Examples of annual fees and costs

The following tables give examples of how the fees and costs in the Funds can affect your investment over a one-year period. You should use these tables to compare the Funds with other managed investment products.

### Perpetual High Grade Treasury Fund

| EXAMPLE – Perpetual High Grade Treasury Fund |                     | Balance of \$50,000 <sup>1</sup> with a contribution of \$5,000 during year   |
|--|---------------------|---|
| Contribution fees                            | Nil                 | For every additional \$5,000 you put in, you will be charged \$0.00.  |
| <b>PLUS</b><br>Management costs <sup>1</sup> | 0.300% <sup>2</sup> | <b>And</b> , for every \$50,000 you have in the Fund you will be charged \$150.00 each year.  |
| <b>EQUALS</b><br>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 that year, you would be charged fees of <b>\$150.00</b> . |

### Perpetual Credit Income Fund

| EXAMPLE – Perpetual Credit Income Fund       |                     | Balance of \$50,000 <sup>1</sup> with a contribution of \$5,000 during year   |
|--|---------------------|---|
| Contribution fees                            | Nil                 | For every additional \$5,000 you put in, you will be charged \$0.00. <sup>3</sup>   |
| <b>PLUS</b><br>Management costs <sup>1</sup> | 0.308% <sup>2</sup> | <b>And</b> , for every \$50,000 you have in the Fund you will be charged \$154.00 each year.  |
| <b>EQUALS</b><br>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 that year, you would be charged fees of <b>\$154.00</b> . |

### Perpetual Exact Market Cash Fund

| EXAMPLE – Perpetual Exact Market Cash Fund – while Exact Benchmarking applies |        | Balance of \$50,000 <sup>1</sup> with a contribution of \$5,000 during year   |
|---|--------|---|
| Contribution fees   | Nil    | For every additional \$5,000 you put in, you will be charged \$0.00.  |
| <b>PLUS</b><br>Management costs <sup>1</sup>                                  | 0.000% | <b>And</b> , for every \$50,000 you have in the Fund you will be charged \$0.00 each year.  |
| <b>EQUALS</b><br>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 that year, you would be charged fees of <b>\$0.00</b> . |

| EXAMPLE – Perpetual Exact Market Cash Fund – if Exact Benchmarking ceases to apply other than as a result of an event of force majeure <sup>4</sup> |                     | Balance of \$50,000 <sup>1</sup> with a contribution of \$5,000 during year   |
|---|---------------------|---|
| Contribution fees   | Nil                 | For every additional \$5,000 you put in, you will be charged \$0.00.  |
| <b>PLUS</b><br>Management costs <sup>1</sup>  | 0.226% <sup>2</sup> | <b>And</b> , for every \$50,000 you have in the Fund you will be charged \$113.00 each year.  |
| <b>EQUALS</b><br>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 that year, you would be charged fees of <b>\$113.00</b> . |

### Private Investor Mortgage Fund

| EXAMPLE – Private Investor Mortgage Fund     |                     | Balance of \$50,000 <sup>1</sup> with a contribution of \$5,000 during year   |
|--|---------------------|---|
| Contribution fees                            | Nil                 | For every additional \$5,000 you put in, you will be charged \$0.00.  |
| <b>PLUS</b><br>Management costs <sup>1</sup> | 0.785% <sup>2</sup> | <b>And</b> , for every \$50,000 you have in the Fund you will be charged \$392.50 each year.  |
| <b>EQUALS</b><br>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 that year, you would be charged fees of <b>\$392.50</b> . |

1 We have assumed a constant value of \$50,000 for the whole year.

2 Includes expense recoveries (see page 10 for details) but excludes abnormal operating expenses (see page 10 for details).

3 A buy spread of currently 0.05%, equal to \$2.50 on a \$5,000 contribution, will also apply to this Fund (see 'Transaction costs' on page 11 for further information).

4 See 'Cessation of Exact Benchmarking' on page 6 for further information.

# How the Funds operate

## How to invest

You can invest in the Funds by directing Perpetual Private Clients to lodge an investment application with us.

The number of units issued to Perpetual Private Clients is determined by dividing your investment amount by the applicable entry price. See 'How investments are valued and units are priced' on page 16 for details about asset valuations and unit prices.

If our Sydney office receives and accepts Perpetual Private Clients' application by 3.00pm on any business day, your investment will be processed using that day's entry price (normally \$1.00 for Private Investor Mortgage Fund). If received and accepted after 3.00pm it will be processed using the next calculated entry price. If it's a non-working day for Perpetual in Sydney, your investment will be processed using the next available entry price.

The time it takes to process applications made through Perpetual Private Clients may vary from these times due to their processing requirements (refer to Perpetual Private Clients for details).

We have the discretion not to accept applications and can delay processing them if we believe that's in the best interests of investors.

For the current entry prices for Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund, visit our website or contact Perpetual Private Clients.

## Switching

You can generally switch all or part of your investment in a Fund into another Fund(s) at any time as long as you meet the withdrawal and application criteria for the nominated Funds. Switches from the Private Investor Mortgage Fund can only be made quarterly.

The PDS may be updated or replaced from time to time and you should read the current version before you switch. The current PDS is available at our website or you can obtain a paper copy, free of charge, by contacting us.

Switching of some or all of an investment in a Fund can be arranged by directing Perpetual Private Clients to contact us and provide us with the number of units or the amount to be switched.

When switching, the withdrawal will be processed at the applicable exit price and the proceeds used to purchase units in the new Fund at the applicable entry price, on the same effective date.

As a switch involves a withdrawal of money from one Fund at its exit price and an investment of money in another Fund at its entry price, there may be an associated cost to an investor (see 'Transaction costs' on page 11 for more details). A switch out of a Fund will generally be a disposal of units for tax purposes, which may have tax implications for you (see 'Tax' on page 15 for more details).

## Withdrawals

### Private Investor Mortgage Fund

You can request a withdrawal of some or all of your investment in the Private Investor Mortgage Fund at any time by directing Perpetual Private Clients to provide us with a written request stating the number of units or the amount you wish to withdraw. However, withdrawals from the Private Investor Mortgage Fund will only be paid quarterly, subject to cash being available.

We will assess the total of all withdrawal requests for the Fund received during **each** calendar quarter against the cash available at the end of the quarter to pay those withdrawals. If the available cash is insufficient to cover the total of all withdrawal requests received, the withdrawal payment amount to Perpetual Private Clients will be reduced on a pro rata basis. Any difference not paid to Perpetual Private Clients will **not** be carried over to the next quarter. Please contact Perpetual Private Clients for further instructions.

Unless withdrawals have been suspended (see 'Delays or suspension of applications, switches and withdrawals' on page 18 for more details):

- any withdrawal request from Perpetual Private Clients must be received and accepted by our Sydney office by 3.00pm (Sydney time) on the last business day of a calendar quarter (31 March, 30 June, 30 September and 31 December) for it to be considered for payment at the end of that quarter
- withdrawal requests from Perpetual Private Clients that are received and accepted after 3.00pm (Sydney time) on the last business day of a calendar quarter will be deemed to have been lodged in the following quarter.

Withdrawals will be processed following the end of each quarter. Withdrawal proceeds will usually be available to Perpetual Private Clients within 14 business days after the end of the quarter, given normal operating conditions. The maximum period allowed under the Fund's constitution for payment of withdrawals is 60 days.

The time it takes to process withdrawal requests made through Perpetual Private Clients may vary from these times due to their processing requirements (refer to Perpetual Private Clients for details).

We'll confirm all withdrawals in writing with Perpetual Private Clients.

### Other Funds

You can withdraw some or all of your investment in Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund at any time by directing Perpetual Private Clients to contact us and provide us with the number of units or the amount to be withdrawn.

If you withdraw your units before the end of a distribution period, you won't receive a distribution for those units in that period. Your withdrawal amount will generally include your share of distributable income accrued in the Fund to the date of withdrawal as capital.

We may determine that part of your withdrawal amount represents a share of the distributable income including realised net capital gains for that distribution period. We will advise Perpetual Private Clients if this happens.

If our Sydney office receives and accepts a withdrawal request from Perpetual Private Clients by 3.00pm on any business day, it will be processed using that day's exit price, unless withdrawals have been suspended (see 'Delays or suspension of applications, switches and withdrawals' on page 18). If received and accepted after 3.00pm it will be processed using the next calculated exit price. If it's a non-working day for Perpetual in Sydney, your withdrawal will be processed using the next available exit price.

We can delay processing withdrawal requests or stagger the payment of large amounts if we believe that's in the best interests of investors.

For the current exit prices for Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund, visit our website or contact Perpetual Private Clients.

The proceeds from your withdrawal will usually be available to Perpetual Private Clients within two business days from when we have accepted the request, given normal operating conditions. However, proceeds of withdrawals from:

- Perpetual High Grade Treasury Fund will be available no later than 30 days after we have accepted the request
- Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund will be available no later than 70 days after we have accepted the request.

The time it takes to process withdrawal requests made through Perpetual Private Clients may vary from these times due to their processing requirements (refer to Perpetual Private Clients for details).

We'll confirm all withdrawals in writing with Perpetual Private Clients.

## Distributions

A distribution is the payment of a Fund's distributable income to investors at predetermined intervals. The distributable income may include interest, realised net capital gains and other income (see 'Tax' on page 15 for further information).

The distribution amount depends on the Fund's distributable income. The amount you receive will be proportionate to the number of units you hold relative to the number of units on issue at the end of the distribution period. The amount will vary and sometimes there might not be any distribution.

At the end of each distribution period, a Fund's unit price will typically fall as it is adjusted to reflect the amount of any distribution paid (except for the Private Investor Mortgage Fund, where the unit price is normally \$1.00 – see 'How investments are valued and units are priced' on page 16 for details). As the distribution amount you receive is based on the entire distribution period, the closer you invest before the end of a distribution period the greater the possibility is that you may receive back some of your capital as income in the distribution paid for that period for Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund.

Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund distribute quarterly as at 31 March, 30 June, 30 September and 31 December. The Private Investor Mortgage Fund distributes monthly as at the end of each calendar month. Proceeds are generally paid to Perpetual Private Clients within 14 days but no later than 90 days after the end of the distribution period.

We may make special distributions on an interim basis without prior notice to you. However at 30 June each year, investors will be entitled to all distributable income that hasn't been distributed.

Any realised net capital gains are generally included in the 30 June distribution.

You still have to pay tax on the distribution even if you choose to reinvest it (if available) – see 'Distributions' under 'Tax' on page 15.

### Distribution payment options

For distribution payment options, please refer to Perpetual Private Clients.

### Interest earned on application, withdrawal and distribution accounts

Application money, proceeds of withdrawal requests and distribution amounts are held in trust accounts before they're processed. A member of the Perpetual Group retains any interest earned on these accounts.

The tax consequences of investing in managed investment schemes are particular to your circumstances, so we recommend you see a tax adviser. This information is general only and shouldn't be relied on.

You should also refer to Perpetual Private Clients for further information about the tax treatment of your investment in a Fund through their Service.

## Tax position of the Funds

Generally, Australian income tax won't be payable by the Funds because investors will be 'presently entitled' to all of the distributable income of the Funds each year ending 30 June. If there is net income of a Fund that no investor is 'presently entitled' to, the Fund will be subject to tax at the highest marginal tax rate (plus Medicare levy).

## Australian resident investors

### Distributions

For information about the calculation of your distribution entitlement, see 'Distributions' on page 14.

The net income of the Funds allocated to you must be included in your income tax return for the year of the entitlement even if the distribution is received or reinvested in the following year – see 'Annual tax statement' on this page.

### Capital gains tax

In addition to any realised net capital gains distributed to you, any withdrawal (including switching between Funds) or transfer of units in the Funds may create a taxable gain or loss, which will be treated as a capital gain or loss, or as ordinary income, depending on your circumstances.

### Annual tax statement

Perpetual Private Clients will use the information we provide to prepare their statements for you.

## Non-resident investors

Australian tax will be deducted from certain Australian sourced income and capital gains distributed to non-resident investors. Non-resident investors may also be subject to tax in the country they reside in, but may be entitled to a credit for some or all of the tax deducted in Australia.

## Tax file number (TFN)/ Australian business number (ABN)

Providing your TFN isn't compulsory but without it or the appropriate exemption information Perpetual Private Clients will have to withhold tax from your distributions at the highest marginal tax rate (plus Medicare levy) until your TFN or exemption is provided.

You may prefer to provide an ABN as an alternative to your TFN if your investment is made as part of an enterprise.

Please refer to Perpetual Private Clients' disclosure document for more information about the collection of TFNs or ABNs relating to your investment in the Funds through their Service.

## Goods and services tax (GST)

GST of 10% generally applies to the fees, costs and expenses payable by the Funds, including management costs and other fees payable to us.

Generally, the Funds can't claim a credit for all of the GST paid but may be entitled to claim a reduced input tax credit (RITC), which represents 75% of the GST applicable to management costs and certain other expenses.

The management costs and other fees specified in the table within 'Fees and other costs' on page 9 show the approximate net cost to the Funds of these amounts payable to us, on the basis that the Fund is entitled to claim RITCs for the GST on these amounts.

# Additional information

## Multiple unit classes

The constitution for Perpetual High Grade Treasury Fund allows for multiple unit classes, which may have different rights and obligations (including fees and terms) attached to them. Within each class of units, the units have the same rights.

This PDS offers investment in Class R units in Perpetual High Grade Treasury Fund. As at the date of this PDS, there is another class of units offered to wholesale investors under another disclosure document.

## How investments are valued and units are priced

A copy of our unit pricing policy, including details of any discretions that we may exercise in various circumstances, is available at our website or can be obtained free of charge by contacting us.

### Perpetual High Grade Treasury Fund

Unit prices for Perpetual High Grade Treasury Fund are calculated by:

- establishing the net asset value of the Fund for each class of units
- for entry unit prices – adding the applicable transaction costs (buy spread) to the net asset value of the relevant class and then dividing the adjusted net asset value by the number of units on issue in the Fund for the relevant class to determine the entry unit price for that class
- for exit unit prices – deducting the applicable transaction costs (sell spread) from the net asset value of the relevant class and then dividing the adjusted net asset value by the number of units on issue in the Fund for the relevant class to determine the exit unit price for that class.

The net asset value of the Fund is generally determined each business day.

The net asset value of the Fund is calculated by deducting the value of the Fund's liabilities from the value of its gross assets.

The net asset value of the Fund referable to a class is calculated by deducting from the value of the Fund's gross assets the value of the liabilities to the extent referable to the class.

The net asset value of investments in the Fund includes unrealised gains and losses and any income and realised gains accrued but not yet distributed. If unrealised gains are realised in the future, any assessable portion will be distributed to investors.

Investments of the Fund are valued at their market value. For the Fund's investments in other managed funds, the market value of the units is the exit price of those units.

When we cannot value the Fund appropriately using the above method we may use a different valuation method.

### Perpetual Credit Income Fund

Unit prices for Perpetual Credit Income Fund are calculated by:

- establishing the net asset value of the Fund
- for entry unit prices – adding the applicable transaction costs (buy spread) to the net asset value and then dividing the adjusted net asset value by the number of units on issue to determine the entry unit price
- for exit unit prices – deducting the applicable transaction costs (sell spread) from the net asset value and then dividing the adjusted net asset value by the number of units on issue to determine the exit unit price.

The net asset value of the Fund is generally determined each business day.

The net asset value of the Fund is calculated by deducting the value of the Fund's liabilities from the value of its gross assets.

The net asset value of investments in the Fund includes unrealised gains and losses and any income and realised gains accrued but not yet distributed. If unrealised gains are realised in the future, any assessable portion will be distributed to investors.

Investments of the Fund are valued at their market value. For the Fund's investments in other managed funds, the market value of the units is the exit price of those units.

When we cannot value the Fund appropriately using the above method we may use a different valuation method.

### Perpetual Exact Market Cash Fund

Unit prices for Perpetual Exact Market Cash Fund are calculated by:

- establishing the net asset value of the Fund
- for entry unit prices – adding the applicable transaction costs to the net asset value and then dividing the adjusted net asset value by the number of units on issue to determine the entry unit price
- for exit unit prices – deducting the applicable transaction costs from the net asset value and then dividing the adjusted net asset value by the number of units on issue to determine the exit unit price.

The net asset value of the Fund is generally determined each business day.

The net asset value of the Fund is calculated by deducting the value of the Fund's liabilities from the value of its gross assets.

The net asset value of investments in the Fund includes unrealised gains and losses and any income and realised gains accrued but not yet distributed. If unrealised gains are realised in the future, any assessable portion will be distributed to investors. Any amounts payable to or receivable by PAPL under the swap agreement (see 'Swap agreement' on page 6 for details) are also included in the net asset value of the Fund.

The underlying fixed income investments of the Fund are valued on a held-to-maturity basis and other underlying investments are valued at their market value. When we cannot value the Fund appropriately using these methods we may use a different valuation method.

### Private Investor Mortgage Fund

Investments of the Private Investor Mortgage Fund are normally valued at amount of outstanding principal for mortgages and cost of acquisition for other investments.

The entry and exit prices of units in this Fund are normally \$1.00 except where provisions are made against possible future realisation of loss or actual loss upon realisation of an asset if, in our opinion after consultation with the Fund's auditor or an approved valuer, the investment is not likely to be realised at cost. Losses may be recouped from either income or capital of the Fund.

### Your cooling-off rights

No cooling-off rights apply in respect of any investment in the Funds acquired by Perpetual Private Clients on your behalf. For information about any cooling-off rights that may apply to you in respect of the Service that you invest through, please contact Perpetual Private Clients or refer to the Service's disclosure document.

### Reporting

All reports will be sent directly to Perpetual Private Clients. They will use this information to provide you with regular reporting.

Please contact Perpetual Private Clients with any investor inquiries.

### Updated information

We can change the terms and features of a Fund according to the Fund's constitution and other relevant law. Updated information that is not materially adverse to you will be provided to Perpetual Private Clients and available at our website.

### Continuous disclosure documents

The Funds may be subject to certain regular reporting and disclosure obligations. Copies of documents lodged with ASIC in

relation to the Funds may be obtained from, or inspected at, any ASIC office. You may obtain a copy of the following at our website (in accordance with ASIC's good practice guidance for website disclosure) or from us free of charge on request:

- a Fund's annual financial report most recently lodged with ASIC
- any half-yearly financial reports lodged with ASIC by a Fund after lodgement of that annual report
- any continuous disclosure notices given by a Fund after that date of lodgement of that annual report and
- any other material updates.

### Your privacy

Privacy laws apply to our handling of personal information. As you are investing indirectly through a Service, we do not collect or hold your personal information in connection with your investment in a Fund. Please contact Perpetual Private Clients for more information about their privacy policy relating to collecting and holding personal information about you.

### Inquiries and complaints

As you are investing indirectly through a Service, any inquiries or complaints about your investment through the Service or about the Service should be directed to Perpetual Private Clients.

If Perpetual Private Clients wishes to make a complaint they can contact us. We'll acknowledge any complaint in writing to Perpetual Private Clients within five business days and make every effort to resolve the issue within 30 days of us being notified.

### Investments and social security

If you are a personal investor, your investment in the Funds may affect your social security or pension entitlements. The calculations are complex so we recommend that you seek advice from your financial or tax adviser, or use the Centrelink Financial Information or the Veterans' Affairs Financial Information services.

### Our role as responsible entity

Perpetual Investment Management Limited is the responsible entity of the Funds. Our main responsibilities are to make sure a Fund is managed according to its constitution and investment policy as well as properly administering the Fund. We have established investment policy committees to set the investment objectives, investment guidelines and investment approach for the Funds. We may change a Fund's investment policy whenever we believe that's in the best interests of investors, without prior notice.

In carrying out our duties, we are subject to the Corporations Act and must:

- act honestly and in the best interests of investors
- exercise care and diligence.

## Constitutions

All registered managed investment schemes are governed by a constitution. A Fund's constitution (as amended) governs the Fund's operation and, together with this PDS, the Corporations Act and other laws, regulates the Fund and our legal relationship with investors. The Funds' constitutions have been lodged with ASIC.

We can amend the Funds' constitutions according to the Corporations Act. You may inspect the Funds' constitutions at our offices on any business day free-of-charge or obtain a free copy of it by contacting us.

## Borrowing powers

Although the constitutions allow Perpetual High Grade Treasury Fund, Perpetual Credit Income Fund and Perpetual Exact Market Cash Fund to borrow, we currently don't intend to borrow as part of the investment strategy for these Funds. However, borrowing may occur in the daily management of these Funds.

The Private Investor Mortgage Fund can't borrow but may invest into other funds that may borrow in their daily management.

## Our legal relationship with you

By investing indirectly through a Service, you don't acquire the rights of an investor in a Fund. Perpetual Private Clients acquires these rights and can exercise or decline to exercise them on your behalf according to the arrangements governing the Service. You also forgo direct voting rights and generally won't receive notice of, or be able to attend, investor meetings.

If you want to make additional investments, withdraw your investment or transfer your investment to another person, you'll have to direct Perpetual Private Clients to do so on your behalf.

By investing indirectly in a Fund through a Service, you won't receive confirmation of transactions, statements or reports directly from us. We'll provide these to Perpetual Private Clients and they'll report to you on your investments in the Service according to the arrangements governing the Service.

## Our liability

Subject to the Corporations Act, we're not liable to investors for any losses in any way relating to the Funds, except to the extent to which the loss is caused by our fraud, negligence or breach of trust.

Our liability is, subject to the Corporations Act, limited to our ability to be indemnified out of the assets of the Funds.

## Perpetual Private Clients' rights as an investor

Each unit Perpetual Private Clients holds in a Fund confers a proportional beneficial interest in the Fund. But they're not entitled to any particular part of the Fund, its assets or its management or operation (other than through investor meetings).

Each Fund's constitution limits an investor's liability to the value of the investor's interest or units in a Fund. However, the courts are yet to conclusively determine the effectiveness of these provisions so no absolute assurance can be given that an investor's liability is limited in every situation.

## Delays or suspension of applications, switches and withdrawals

In certain emergency situations that impact the effective and efficient operation of a market for an asset held by a Fund or in circumstances where we otherwise consider it to be in investors' interests, we may suspend processing all applications, switches or withdrawals (including payments) for that Fund. This may include but is not limited to situations where:

- we cannot properly ascertain the value of an asset held by the Fund
- an event occurs that results in us not being able to reasonably acquire or dispose of assets held by the Fund
- an underlying fund suspends applications and withdrawals
- the law otherwise permits us to delay or restrict processing applications or withdrawals.

Applications, withdrawals or switch requests received during the suspension will be processed using the entry and/or exit price applicable when the suspension is lifted.

A Fund may also delay processing applications and withdrawals at certain other times, for example, while distributions are being calculated.

## Incorporation by reference

The law allows us to provide certain information to you separately to the PDS, which is taken to be incorporated into the PDS, provided the PDS identifies this additional information and how you can access it.

The following incorporated information forms part of the PDS:

- additional information about the investment management policies and details of the Private Investor Mortgage Fund's underlying mortgage portfolio
- the current buy/sell spread for each Fund.

This information is publicly available at [www.perpetual.com.au/ppc-income-funds-updates.aspx](http://www.perpetual.com.au/ppc-income-funds-updates.aspx), or can be obtained free of charge by contacting us.

You should also read the incorporated information.

## Consent

NAB has given its written consent to be named in this PDS in the form and context in which they have been disclosed. NAB makes no representations or warranties as to the completeness or appropriateness of any other information contained in the PDS. NAB has not withdrawn its consent before the issue date of this PDS and has not authorised or caused the issue of this PDS.

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## Contact details

For further information, or a copy of any of our product disclosure statements, please contact Perpetual. For any other documents, please contact Perpetual Private Clients.

### Website

[www.perpetual.com.au](http://www.perpetual.com.au)

### Email

[privateclients@perpetual.com.au](mailto:privateclients@perpetual.com.au)

### Phone

During business hours  
1800 631 381

### Fax

02 8256 1450

### Postal address

No stamp required if posted in Australia

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