



Please note on 14 September PIML announced that they will be returning capital to investors and closing the Funds / Investment Options described in this document.

Perpetual Mortgage Funds - updated as at 31 December 2011

The information in this update is issued by Perpetual Investment Management Limited (ABN 18 000 866 535, AFSL 234426) (PIML) and Perpetual Superannuation Limited (ABN 84 008 416 831, AFSL 225246, RSE L0003315) (PSL) (collectively referred to as 'Perpetual'), as applicable. It provides updated information, as required, about the investment management policies and details about the underlying portfolios of the Funds/Investment Options managed by Perpetual that have significant exposure to mortgages. All figures quoted are as at the date of this update and change on a daily basis. There may be slight variances in some totals due to roundings.

The Funds/Investment Options listed in the table below invest in Perpetual's Mortgage Pool Fund (ARSN 094 407 066) (Perpetual's Mortgage Pool).

These Funds/Investment Options gain their exposure to (first-registered) mortgages via investment into Perpetual's Mortgage Pool. The interest that each Fund/Investment Option has in Perpetual's Mortgage Pool is proportional to the number of units it holds (directly or indirectly) in Perpetual's Mortgage Pool, as shown in the table.

Perpetual's Mortgage Pool - proportion of units held by Funds/Investment Options

Fund/Investment Option	Proportion of Mortgage Pool's units held
Perpetual Wholesale Monthly Income Fund	51.8%
Perpetual's Monthly Income Fund	32.1%
Perpetual WealthFocus Investment Fund - Perpetual's Mortgage Fund	1.2%
Perpetual Wholesale Diversified Income Fund	0.2%
Perpetual's Investor Choice Retirement Fund (Perpetual WealthFocus Super Plan and Pension Plan) - Perpetual's Mortgage Investment Option ¹	2.4%
Perpetual's Term Fund	3.4%
Private Investor Mortgage Fund ²	11.3%

¹ As this Investment Option invests into Perpetual Wholesale Monthly Income Fund, this percentage is also included in the above percentage figure quoted for that Fund.

² The Private Investor Mortgage Fund also holds some mortgage assets directly - see addendum for details

Benchmark 1: Liquidity

Under normal circumstances, we intend to maintain a minimum liquidity level for each Fund/Investment Option, as shown in the relevant Product Disclosure Statement. Liquidity consists of cash, enhanced cash and fixed income investments.

We prepare cash flow estimates for Perpetual's Mortgage Pool for a minimum of the next three months and review them on an ongoing basis. When preparing these cash flow estimates various factors are taken into account, including assumptions around mortgage maturities and discharges, interest and other income earned by the scheme as well as projected investor redemptions and applications based on historical trends and future expectations.

Perpetual's Term Fund also invests into Perpetual Cash Management Fund (ARSN 093 211 093) for liquidity (please refer to the current Perpetual Cash Management Fund Product Disclosure Statement for further information). Liquidity for the other Funds/Investment Options listed in the preceding table is managed via underlying investment into Perpetual's Liquidity Pool Fund (ARSN 105 128 336) (Perpetual's Liquidity Pool) and the Perpetual Institutional Cash Management Trust (ARSN 138 160 077)

The following table provide details about the maturity profile of Perpetual's Liquidity Pool, which has a face value of \$348 million as at 31 December 2011.

Perpetual's Liquidity Pool credit rating profile

Security credit rating bands	Percentage
Cash	69.4%
Investment Grade	30.2%
Sub Investment Grade	0.5%
Total	100.0%

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 risk that the issuer may not be able to meet interest payments or the repayment of principal if difficult conditions arise.

Perpetual's Liquidity Pool maturity profile

Maturity timeframe	Percentage
Less than 3 months	83.7%
3 months to less than 6 months	0.6%
6 months to less than 1 year	4.0%
1 year to less than 2 years	5.7%
2 years to less than 3 years	2.7%
3 years to less than 4 years	2.8%
4 years to less than 5 years	0.0%
5 years or longer	0.5%
Total	100.0%

Benchmark 2: Scheme borrowing

There are currently no borrowing or other credit facilities utilised by Perpetual's Mortgage Pool.

Benchmark 3: Portfolio diversification

Mortgage selection criteria and limits include:

- lending is permitted on the security of a first registered mortgage only
- loans generally cannot exceed 66.67% of a recent independent market valuation on income-producing property where annual net rents are generally not less than 80 per cent of annual interest payments (see 'Benchmark 6: Lending principles – loan-to-valuation ratios' for further details)
- the maximum loan amount on any one property will not exceed the lesser of \$100 million or five per cent of the size of Perpetual's Mortgage Pool at the time of the advance
- the maximum exposure to any one borrower will not exceed the lesser of \$200 million or 10 per cent of the size of Perpetual's Mortgage Pool at the time of the advance
- the aggregate total of large loans (that is, an amount greater than \$50 million) will not at any time exceed \$500 million
- loans are only made to financially sound borrowers who must satisfy Perpetual's credit checks
- for owner-occupied property borrowers must demonstrate a strong repayment ability

- loans are generally made for up to three years, with interest only repayments (fixed or variable) monthly in arrears, however up to 30 per cent of the value of Perpetual's Mortgage Pool may be lent for terms of five years (more strict conditions apply).

Assessment of loan servicing ability

Loans are made only to borrowers who must satisfy our assessment of:

- financial statements and tax returns
- asset and liability statements
- lease agreements / tenancy schedules.

Derivatives

Derivatives can be used to manage actual or anticipated interest rate risk.

Perpetual's Mortgage Pool - portfolio details

The following tables provide relevant details about the investment portfolio of Perpetual's Mortgage Pool as at 31 December 2011.

Summary information - Perpetual's Mortgage Pool

Numbers	Details
Total mortgagors	127
Total mortgages	172
Values	\$m
Mortgages	\$564.325
Commercial mortgage-backed securities	\$0.000
Cash ¹	\$52.984
Total value of Perpetual's Mortgage Pool	\$617.309

¹ Cash includes cash at bank and investments in cash funds.

Mortgages by class of activity

Class of activity	Number	Value (\$m)	Percentage
Vacant land	0	\$0.000	0.0%
Development land	0	\$0.000	0.0%
Construction projects	0	\$0.000	0.0%
Industrial	64	\$139.451	24.7%
Commercial	38	\$127.371	22.6%
Retail	38	\$236.095	41.8%
Residential	13	\$21.348	3.8%
Specialised property	19	\$40.060	7.1%
Other	0	\$0.000	0.0%
Total	172	\$564.325	100.0%

Mortgages by geographic region

Geographical details	Number	Value (\$m)	Percentage
New South Wales	61	\$227.161	40.3%
Victoria	45	\$76.073	13.5%
Queensland	18	\$170.362	30.2%
South Australia	2	\$7.480	1.3%
Western Australia	42	\$72.365	12.8%
Tasmania	3	\$10.593	1.9%
Australian Capital Territory	1	\$0.291	0.1%
Northern Territory	0	\$0.000	0.0%
Total	172	\$564.325	100.0%

Mortgages in arrears

Days in arrears	Number of loans	Value (\$m)	Percentage of total Mortgage Pool assets
90 or more	7	\$134.750	21.8%
60 - 89	2	\$9.751	1.6%

Loans that are in arrears may be charged interest at higher rates and the course of action taken escalates the longer the loan remains in arrears. Should a loan exceed 60 days in arrears, recovery action is taken.

Overdue mortgages

Days overdue	Number of loans	Value (\$m)	Percentage of total Mortgage Pool assets
90 or more	18	\$167.300	27.1%

All maturing loans that are to be renewed for a further term are subject to the identical credit process that applies to new loans. This includes full credit assessment, including financial analysis (see 'Assessment of loan servicing ability' under 'Benchmark 3: Portfolio diversification'), new valuation (refer 'Benchmark 5: Valuation policy') and loan documentation.

Mortgages by nature of security

Security details	Percentage
Loans secured by 1 st registered mortgages	100.0%
Total	100.0%

Mortgages by maturity profile

Maturity details	Number	Value (\$m)	Percentage
Less than 3 months	34	\$271.110	48.0%
3 months to less than 6 months	19	\$27.944	5.0%
6 months to less than 1 year	40	\$117.880	20.9%
1 year to less than 2 years	67	\$127.032	22.5%
2 years to less than 3 years	12	\$20.360	3.6%
3 years to less than 4 years	0	\$0.000	0.0%
4 years to less than 5 years	0	\$0.000	0.0%
5 years or longer	0	\$0.000	0.0%
Total	172	\$564.325	100.0%

Mortgages by loan-to-valuation ratios

Loan-to-valuation ratio	Number	Value (\$m)	Percentage
Less than 50 per cent	91	\$146.180	25.9%
50 to less than 60 per cent	24	\$63.578	11.3%
60 to less than 67 per cent	41	\$143.812	25.5%
67 to less than 70 per cent	3	\$77.553	13.7%
70 per cent or greater	13	\$133.203	23.6%
Total	172	\$564.325	100.0%

Mortgages by interest rates

Interest rate	Number	Value (\$m)	Percentage
Below 5.00%	11	\$82.773	14.7%
5.00% - 5.49%	11	\$70.233	12.4%
5.50% - 5.99%	38	\$81.680	14.5%
6.00% - 6.49%	25	\$112.588	20.0%
6.50% - 6.99%	9	\$6.184	1.1%
7.00% - 7.49%	31	\$70.869	12.6%
7.50% - 7.99%	25	\$96.129	17.0%
8.00% - 8.49%	11	\$24.277	4.3%
8.50% - 8.99%	5	\$9.734	1.7%
9.00% - 9.49%	6	\$9.860	1.7%
9.50% - 9.99%	0	\$0.000	0.0%
10.00% or above	0	\$0.000	0.0%
Total	172	\$564.325	100.0%

Mortgages by interest rate structure

Interest rate structure	Number	Value (\$m)	Percentage
Fixed rate loans	53	\$136.600	24.2%
Variable rate loans	119	\$427.725	75.8%
Total	172	\$564.325	100.0%

Other information

Perpetual's Mortgage Pool	Value (\$m)	Percentage of total Mortgage Pool assets
Total loan moneys lent to the largest borrower	\$61.045	9.9%
Total loan moneys lent to the largest 10 borrowers	\$246.37	39.9%

Other details	Number	Value (\$m)	Percentage of total Mortgage Pool assets
Undrawn loan commitments ¹	8	\$12.500	2.0%
Loans where interest has been capitalised	0	\$0.000	0.0%

¹ Undrawn loan commitments are monitored weekly and are funded through cash when needed.

Additional Information for investors in Private Investor Mortgage Fund

If you are an investor in the Private Investor Mortgage Fund, please refer to the addendum for details of mortgage assets held directly by that Fund.

Benchmark 4: Related party transactions

PIML, as the responsible entity of Perpetual's Mortgage Pool, has a policy of not entering into any lending transactions with other parties within the Perpetual Group.

Where a builder or developer is a related party to the borrower, Perpetual must be satisfied that the works can be completed in a satisfactory manner and all usual requirements of an arms-length contract are met. The assessment of costs will be undertaken by Perpetual's quantity surveyor using market rates and terms.

Benchmark 5: Valuation policy General

All properties have to be valued by an independent valuer in accordance with Perpetual's standard instructions. Perpetual uses a panel of external valuers. The panel of valuers comprises qualified, experienced valuers, who have at least five years' practical experience and must comply with all relevant industry standards and codes. For new loans, valuations must be less than three months old. Every time a mortgage is renewed, the underlying property must be revalued. No more than two consecutive valuations on the same property can be performed by the same valuer. No single valuer is allowed to conduct more than one-third of the valuations for Perpetual's Mortgage Pool. The panel of valuers will be reviewed by Perpetual's mortgage lending staff on an ongoing basis, but at least annually. Where possible, each property is also inspected by a Perpetual staff member.

Construction loans

The development site must be valued by an independent valuer in accordance with Perpetual's standard instructions. The indicated value will be based on (but not restricted to) the value of the land on an 'as is' basis and the value of the completed project 'as if completed' at the time of the valuation taking into account factors such as rental value, retail sales prices, improved rate per square metre and comparable rental or sales figures.

All construction loans are further subject to quantity surveyor assessment of project feasibility. After commencement of a project, all loan drawdowns are funded on a cost to complete basis and subject to ongoing quantity surveyor certification.

Benchmark 6: Lending principles - loan-to-value ratios

The loan-to-valuation ratio (LVR) will not exceed the lesser of two-thirds of:

- an independent professional valuation or
- the purchase price of the security property being purchased, if applicable.

Where:

- a property is located in a country centre, the population of the centre must be greater than 50,000 and a LVR limit of 50 per cent applies
- a loan relates to property development, the LVR is limited to two-thirds of the 'on completion' valuation.

Where a loan relates to property development, funds are only provided to the developer in stages, based on external evidence of the progress in development.

The weighted average LVR for Perpetual's Mortgage Pool is currently 56.3% (see the 'Mortgages by loan-to-valuation ratios' table within 'Benchmark 3: Portfolio diversification' for details).

Benchmark 7: Distribution practices¹

The distribution amount depends on each Fund's/Investment Option's distributable income, which may include interest, realised net capital gains and other income. The amount investors receive will be proportionate to the number of units they hold in a Fund relative to the number of units on issue in that Fund at the end of the distribution period. The amount will vary and sometimes there might not be any distribution.

The Funds normally make distributions at the frequencies shown in the relevant Product Disclosure Statement.

Most of the Fund's constitution lets us make special distributions on an interim basis. However in all cases, at 30 June each year investors will be entitled to all distributable income that hasn't been distributed. Realised net capital gains are generally included in the 30 June distribution.

¹ Distributions are not relevant for Perpetual's Investor Choice Retirement Fund (Perpetual WealthFocus Super Plan and Pension Plan).

Benchmark 8: Withdrawal arrangements

The usual timeframes for the payment of withdrawals, given normal operating conditions, and the maximum period allowed under each Fund's constitution or trust deed (as applicable) are shown in the relevant Product Disclosure Statement.

Under each Fund's constitution or trust deed (as applicable), we can delay processing withdrawal requests or stagger the payment of large amounts if we believe that's in the best interests of investors.

Most of the Funds/Investment Options currently have provisions in place for withdrawals to be paid on a quarterly basis, subject to available cash. Please refer to the relevant Product Disclosure Statement, visit our website (www.perpetual.com.au) or contact us on 1800 022 033 for further details.

Perpetual's Term Fund is currently in wind up. We expect to return capital on a 6 monthly basis. Please contact us for further information.

Addendum for Private Investor Mortgage Fund - updated as at 31 December 2011

Private Investor Mortgage Fund (PIMF) - details of additional directly held mortgage assets

In addition to its investment in Perpetual's Mortgage Pool, PIMF also holds some mortgage assets directly.

The following tables provide relevant details about the mortgage assets held directly by PIMF as at 31 December 2011.

PIMF - Summary information

Numbers	Details
Total mortgagors	26
Total mortgages	28
Values	\$m
PIMF investment in Perpetual's Mortgage Pool	\$69.179
Mortgage assets held directly by PIMF	\$33.536
PIMF Total mortgage assets	\$102.716
Cash and Fixed Income ¹	\$44.841
Total Value of PIMF	\$147.556

¹ Cash includes cash at bank and investments in cash funds.

PIMF - directly held mortgages by class of activity

Class of activity	Number	Value (\$m)	Percentage
Vacant land	0	\$0.000	0.0%
Development land	0	\$0.000	0.0%
Construction projects	0	\$0.000	0.0%
Industrial	10	\$12.206	36.4%
Commercial	9	\$10.238	30.5%
Retail	7	\$9.847	29.4%
Residential	1	\$0.600	1.8%
Specialised property	1	\$0.645	1.9%
Other	0	\$0.000	0.0%
Total	28	\$33.536	100.0%

PIMF - directly held mortgages by geographic region

Geographical details	Number	Value (\$m)	Percentage
New South Wales	6	\$7.421	22.1%
Victoria	10	\$9.277	27.7%
Queensland	3	\$8.328	24.8%
South Australia	0	\$0.000	0.0%
Western Australia	8	\$8.261	24.6%
Tasmania	0	\$0.000	0.0%
Australian Capital Territory	1	\$0.250	0.7%
Northern Territory	0	\$0.000	0.0%
Total	28	\$33.536	100.0%

PIMF - directly held mortgages in arrears

Days in arrears	Number of loans	Value (\$m)	Percentage of total Pool assets
90 or more	0	\$0.000	0.0%
60 - 89	0	\$0.000	0.0%

Loans that are in arrears are charged interest at higher rates and the course of action taken escalates the longer the loan remains in arrears. Should a loan exceed 60 days in arrears, recovery action is taken.

PIMF - directly held overdue mortgages

Days overdue	Number of loans	Value (\$m)	Percentage of total Pool assets
90 or more	0	\$0.000	0.0%

PIMF - directly held mortgages by nature of security

Security details	Percentage
Loans secured by 1 st registered mortgages	100.0%
Total	100.0%

PIMF - directly held mortgages by maturity profile

Maturity details	Number	Value (\$m)	Percentage
Less than 3 months	0	\$0.000	0.0%
3 months to less than 6 months	0	\$0.000	0.0%
6 months to less than 1 year	6	\$8.275	24.7%
1 year to less than 2 years	12	\$10.415	31.1%
2 years to less than 3 years	9	\$14.246	42.5%
3 years to less than 4 years	1	\$0.600	1.8%
4 years to less than 5 years	0	\$0.000	0.0%
5 years or longer	0	\$0.000	0.0%
Total	28	\$33.536	100.0%

PIMF - directly held mortgages by loan-to-valuation ratios

Loan-to-valuation ratio	Number	Value (\$m)	Percentage
Less than 50 per cent	15	\$13.176	39.3%
50 to less than 60 per cent	3	\$7.478	22.3%
60 to less than 67 per cent	10	\$12.883	38.4%
67 to less than 70 per cent	0	\$0.000	0.0%
70 per cent or greater	0	\$0.000	0.0%
Total	28	\$33.536	100.0%

PIMF - directly held mortgages by interest rates

Interest rate	Number	Value (\$m)	Percentage
Below 5.00%	0	\$0.000	0.0%
5.00% - 5.49%	0	\$0.000	0.0%
5.50% - 5.99%	0	\$0.000	0.0%
6.00% - 6.49%	0	\$0.000	0.0%
6.50% - 6.99%	2	\$2.250	6.7%
7.00% - 7.49%	11	\$7.342	21.9%
7.50% - 7.99%	10	\$13.940	41.6%
8.00% - 8.49%	4	\$9.558	28.5%
8.50% - 8.99%	0	\$0.000	0.0%
9.00% - 9.49%	0	\$0.000	0.0%
9.50% - 9.99%	0	\$0.000	0.0%
10.00% or above	1	\$0.447	1.3%
Total	28	\$33.536	100.0%

PIMF - directly held mortgages by interest rate structure

Interest rate structure	Number	Value (\$m)	Percentage
Fixed rate loans	9	\$14.434	43.0%
Variable rate loans	19	\$19.102	57.0%
Total	28	\$33.536	100.0%

PIMF - Other information

Private Investor Mortgage Pool	Value (\$m)	Percentage of total Pool assets
Total loan moneys lent to the largest borrower	\$4.310	12.9%
Total loan moneys lent to the largest 10 borrowers	\$24.33	72.6%

Other details	Number	Value (\$m)	Percentage of PIMF total direct mortgage
Undrawn loan commitments ¹	1	\$0.600	1.8%
Loans where interest has been capitalised	0	\$0.000	0.0%

¹ Undrawn loan commitments are monitored weekly and are funded through cash when needed.